

Insurers, Hospitals Must Work Together to Protect Care for Californians

The Issue

Hospitals are a pillar of California's health care system, dedicated to caring for those who need them 24/7, and have been working for years to slow the rate of growth in health care spending. It's time for insurance companies to step up as well.

Health insurance companies have enormous power in California — 94% of the commercial health insurance market is controlled by just six companies — and that influence must be used to streamline the administrative process for providers, and not enact policies that threaten care for patients.

Since 2010, California hospitals have averaged annual operating margins of 3.4%, while the average annual operating margin of four of the largest, public insurance companies is 104% higher at 7%. California hospital commercial revenues have grown an average of 4.4% since 2015, while insurance premiums have grown by 14% during the same time.

Within this context, hospitals continue to encounter delays in payments from insurance companies for services already rendered. Whether it is requests for medical records already in their possession or reviews of services previously authorized by the insurance company, hospitals and other providers continue to face administrative technicalities to circumvent timely payment requirements and are currently owed billions of dollars in claims for care. By increasingly shifting the administrative burden to the providers, insurance companies are requiring health care workers to spend more and more time on the phone with insurers instead of with patients, contributing to burnout in the field.

What's Needed

Currently, California law gives insurance companies 45 working days to pay their bills to hospitals. The Department of Health Care Services and Department of Managed Health Care must do more to enforce these deadlines to ensure that hospitals and health plans are paid in a timely manner. At the same time, health insurance companies must work to reduce monthly premiums for all Californians.



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