

C H A   A N A L Y S I S

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# Insurance Company Red Tape, Inadequate Networks, and Authorization Denials Leave Patients Stranded in Hospitals

**Analysis of Statewide Survey on Insurer-Driven Discharge Crisis**

*California Hospital Association*

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## INTRODUCTION

Every day, thousands of Californians languish in hospitals when they no longer need to be there, victims of insurance companies delaying or denying the care they need. These patients are caught up in “discharge delays” — a term for the hundreds of thousands of cases every year in California where care following a hospital visit is not provided when it is needed and patients are stranded in the hospital, as insurance companies openly disregard the clinical guidance of doctors and nurses.

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### What is a discharge delay?

**When an insurance company ignores medical guidance (or fails to act in a timely manner) to approve care for patients who should be discharged from a hospital to a more appropriate care setting, patients get stuck, waiting in hospital beds for red tape to clear despite being medically ready to move on.**

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This happens because insurance companies require that their organizations — rather than doctors or other clinicians — authorize care before it is provided. This creates significant problems — worse health for patients, greater likelihood of needing long-term care or institutionalization, more pressure on health care workers, and increased health care costs for all.

**When patients appeal insurance company denials of care, nearly two-thirds of denials are overturned in patients’ favor.** While many factors contribute to this problem, insurance companies’ failure to meet their obligations to provide timely authorization for care and establish adequate provider networks is the driving force.

Insurance company-driven discharge denials and delays are also a drain on struggling hospitals, which spend billions every year to care for patients — in the highest-cost health care setting — whom doctors and nurses **have already directed to receive care in more appropriate treatment facilities.** Hospitals annually provide 1 million days of additional, unnecessary inpatient care and 7.5 million hours of preventable emergency department care due to the barriers created by insurance companies.

## BACKGROUND AND KEY FINDINGS

To better understand how discharge delays play out in California, the California Hospital Association in 2023 conducted a comprehensive survey of hospitals that gathered data from three settings: emergency departments, general acute care hospitals, and inpatient acute psychiatric care hospitals and units. Respondents were asked to provide point-in-time information about the extent of patient discharge delays, contributing factors to delays, and the impact of these delays. High-level findings are:

- Significant barriers are in place when attempting to discharge or transfer patients to a new care setting. Four out of five California hospitals identify insurance company delays or denials of authorization as one of the top insurance policies that delays patients from getting the care they need.
- An estimated 4,500 patients every day remain in California hospitals and emergency rooms despite being medically cleared for discharge. This affects patients in managed care plans at higher rates than those in fee-for-service plans.
- Annually, hospitals provide an estimated 1 million days of unnecessary inpatient care due to discharge delays and 7.5 million hours of unnecessary emergency department care. This directly contributes to at least \$3.25 billion in avoidable costs every year.
- Delays make it harder for patients to recover, increase health care costs, and strain hospital capacity given scarce staffing resources. Insurers typically do not pay the cost of hospital boarding for patients who have been medically cleared for discharge.
- Every year in California, an estimated 300,000 hospital patients (9% of all patients) face discharge delays of at least three days after medical clearance, adding 14 days to their hospital stays on average.
- Significant discharge delays are present in all regions of California.

## A CLOSER LOOK AT HOW THIS AFFECTS PATIENTS

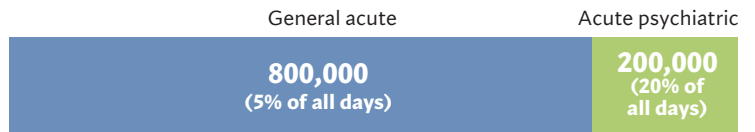
Due to discharge delays, patients remain in emergency departments, acute care hospital beds, and psychiatric hospitals and units long after doctors have determined that a different care setting is more medically appropriate.

That means patients are delayed in getting the right care in the right setting for their needs. This also means patients who urgently require admission to inpatient beds or emergency departments must unnecessarily wait, as too many beds are filled with patients who should have been discharged to other facilities hours or days earlier.

On an annual basis, California hospitals provide an estimated 1 million days of unnecessary inpatient care due to discharge delays and 7.5 million hours of unnecessary emergency department care.

### Insurance Companies Leave Patients Stuck in Hospitals Longer Than Necessary

**1 million** inpatient days of unnecessary hospital care



**7.5 million** unnecessary emergency department boarding hours annually

Every day, thousands of California patients with continuing care needs are prevented from transferring to the most appropriate settings where the resources, expertise, and trained staff are prepared to meet their needs.

### Insurance Company Delays Strand Thousands in Hospitals Every Day

■ On any given day

Across the state you'll find **~4,500 patients** whose discharge is delayed



#### Average length of discharge delays



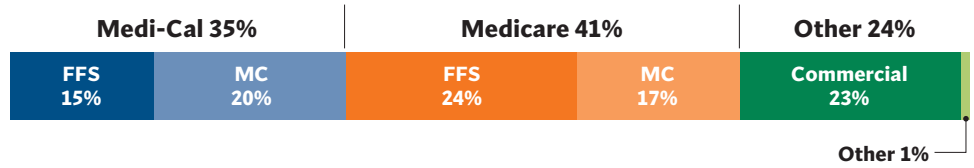
Discharge delays disproportionately affect California’s most vulnerable and elderly, with patients enrolled in public payer programs far more likely to experience delays than those covered by commercial insurance. For general acute care hospitals, 46% of days where care was medically directed to be delivered in a non-hospital setting were attributable to Medi-Cal beneficiaries.

**Medi-Cal beneficiaries represent the largest portion of delayed discharges.**

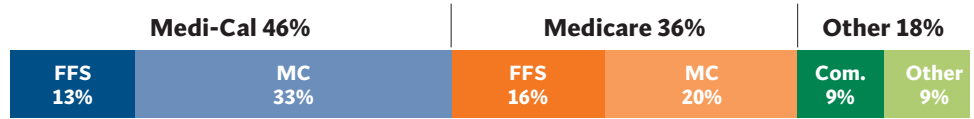
**Medi-Cal Patients Hardest Hit by Insurance Company Red Tape**

■ Percentage of days of discharge delays, *by payer type*

General acute care hospital inpatient – **all days**



General acute care hospital inpatient – **unnecessary hospital days**



FFS= Fee-for-service MC= Managed care

Public payer managed care plan enrollees are especially likely to experience discharge delays. Hospital patients with Medicare Advantage are nearly twice as likely to experience a discharge delay than those with traditional Medicare. Similarly, Medi-Cal beneficiaries enrolled in managed care rather than fee-for-service are nearly twice as likely to have their discharge delayed.

### A CLOSER LOOK AT HOW THIS AFFECTS THE COST OF CARE

Discharge delays divert finite resources, causing hospital admission delays and emergency department overcrowding. Hospitals must maintain nurse staffing and other hospital services at acute care levels at all times, even for those awaiting discharge who no longer need 24/7 nursing care, yet hospitals receive little to no reimbursement for these extra days of care.

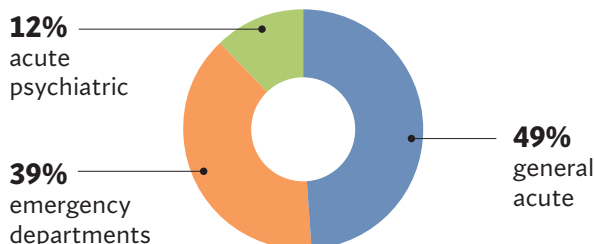
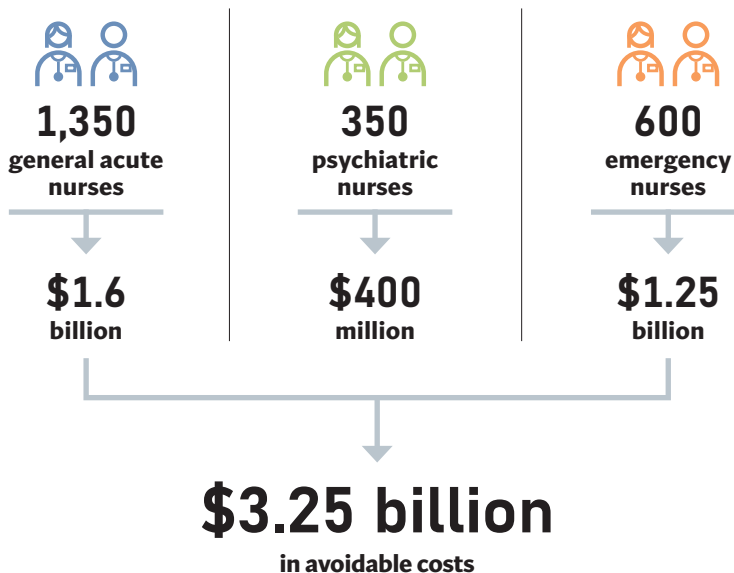
The additional nurses required to care for patients whose discharges have been delayed contribute significantly to statewide staffing shortages and the total cost of care in California. Hospitals also report incurring major uncompensated costs for essential services and equipment needed to facilitate a patient’s discharge — such as transportation, hotels, groceries, and more — when insurance companies delay or deny a request.

These delays have far-reaching consequences. As patients awaiting discharge from a hospital to a post-acute care facility or other community care setting remain in acute care beds, transfers from emergency departments are delayed. As emergency departments become more crowded with patients awaiting admission **and** discharge, incoming ambulance crews must wait to transfer patients to emergency departments. As ambulances wait to transfer patients, responses to people in need of emergency services elsewhere must wait longer.

Discharge delays result in an estimated \$3.25 billion annually in extra costs for California’s health care system, including additional staffing and equipment.

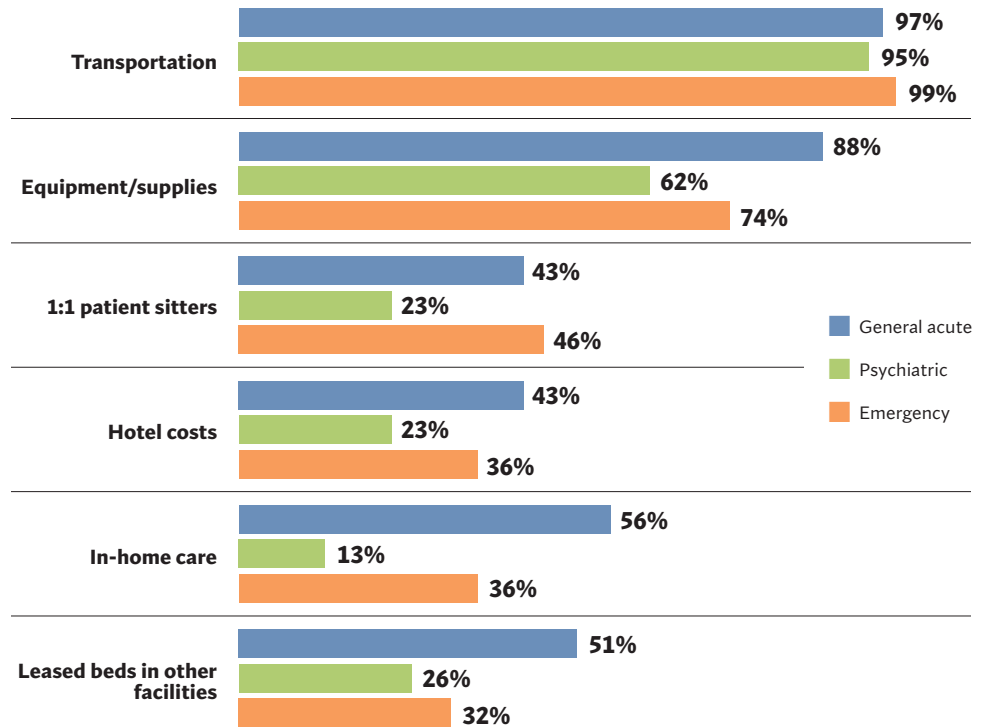
### Insurance Company Practices Drain Billions from Hospital Care

- Hospitals must employ at least 2,300 additional nurses, and provide many other services, to care for patients whose discharge is delayed



## Hospitals Step Up to Fill Gap Left by Insurance Company Delays

■ Survey respondents who pay for...



### A CLOSER LOOK AT WHAT'S BEHIND DISCHARGE DELAYS

The dominant insurer-related factor contributing to this problem is insurance company authorization delays and denials. Other factors include a lack of covered benefits and inadequate provider networks. Based on survey data, inadequate staffing and inadequate reimbursement for post-acute and other community-based providers are frequently cited as factors contributing to discharge delays.

#### Insurance Company Authorization Practices Leading Cause of Patient Care Delays

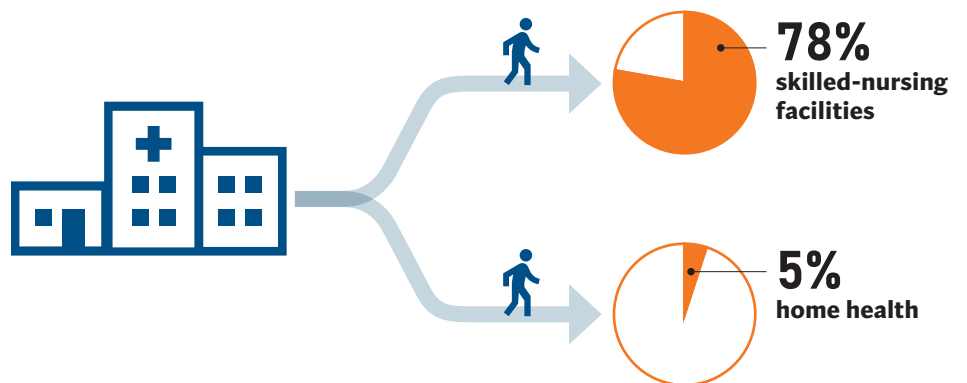
■ Most dominant insurance policies affecting delays, *by hospital segment*

	General acute	Emergency department	Acute psychiatric
Delay or denial of authorization	43%	26%	15%
No covered benefit	14%	12%	31%
Inadequate network	14%	12%	28%

Seventy-eight percent of general acute survey respondents say that patients directed to skilled-nursing facilities are most likely to experience discharge delays. Other settings associated with discharge delays include home health, long-term care hospitals, and assisted living.

#### Insurance Companies Predominantly Delay Care for Patients Needing-Skilled Nursing Facilities

■ Post-discharge destination most frequently associated with discharge delays from general acute care hospitals





## CONCLUSION

Caring for patients who no longer need hospital care is a growing and troubling problem affecting communities throughout California. This phenomenon, driven largely by insurance company practices and policies, has many negative effects on the state's health care system:

- Worse patient outcomes
- Fewer available beds for patients who need them, contributing to emergency department overcrowding and longer wait times, as well as increased ambulance patient offload times
- Increased health care costs from additional staff and expenses such as transportation or hotel rooms
- A drain on finite health care resources, as hospitals receive little to no reimbursement for extended non-acute care

The impact of this crisis reaches far beyond a single care setting or provider type. Making sure patients get care in the right setting, at the right time, will require sustained and comprehensive action involving providers and representatives of patients and their communities. California hospitals are committed to providing patients with access to the level of care that best meets their needs, and to ensure that acute care and emergency services are available to all who need them.