CHA | California Hospital Association

Key Messages

Harmful Insurance Company Practices Threaten Patient Care

Insurers that focus more on the bottom line than on patients are violating state laws that require them to ensure patients receive timely, medically appropriate care — and to adequately pay providers for that care.

- Patients should be able to count on having coverage for medically necessary health care services without delays or inappropriate denials.
- Paying covered, medically necessary claims on time and in full means hospitals, doctors, and other providers can focus on their primary mission — healing those who are sick and injured.
- Too many insurers violate patients' trust by imposing unnecessary and harmful barriers to care. Practices such as excessive prior authorization mandates, inadequate provider networks, and improperly denied or delayed payments for care only hurt patients and the clinicians who care for them.

Care that is delayed is care that is denied, and insurance company practices are getting worse, not better.

- Health insurance should make care more accessible, but nearly two-thirds (62%) of patients surveyed say their insurer makes it harder to get services they need (American Hospital Association, 2023).
- According to a new survey of California hospitals, 9% of patients — 4,500 people daily — have their discharge delayed by at least three days, and two weeks on average, often due to insurance barriers. In extreme cases, patients (especially those with behavioral health conditions) have languished unnecessarily in hospitals for as long as a year because insurers have inadequate post-hospital networks.
- California hospitals annually provide 1 million days of excess inpatient care — and 7.5 million hours of unnecessary emergency department care — frequently due to barriers imposed by insurers. This wasteful use of clinical resources is not being paid for by insurance companies and pushes more hospitals to the financial brink while leading to higher health care costs for patients.
- When patients are forced to stay in the hospital longer than necessary, it means medical decisions are being made by insurance companies instead of doctors. It also means worse health outcomes for patients who may need specialized care.

State regulators must hold insurance companies accountable by enforcing existing state laws.

- California has strong laws regulating insurance company practices, but a lack of enforcement has allowed some to avoid their responsibilities. Patients and providers have suffered while insurers profit.
- Many insurers are lining their pockets by withholding payments owed to hospitals. In one common tactic, insurers request reams of paperwork with the hope hospitals will give up on collecting what should be straightforward, authorized claims. As hospitals struggle with razor-thin margins, they cannot continue to cover hundreds of millions of dollars owed to them while insurers play games and profit.
- State regulators must require insurers to specify all reasons for contested or denied payments within statutory deadlines. Insurers also must be required to pay the full cost of care for patients whose discharge is delayed due to inadequate post-acute care networks or prior authorization delays or denials.