


INTRODUCTION TO THE
U.S. HEALTH CARE SYSTEM

HSA 3111

Section 1220

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ASSOCIATE DEAN EMERITUS

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- *Overhead entitled "Health Care Delivery"*



UNITED STATES HEALTH
CARE FACTSHEET



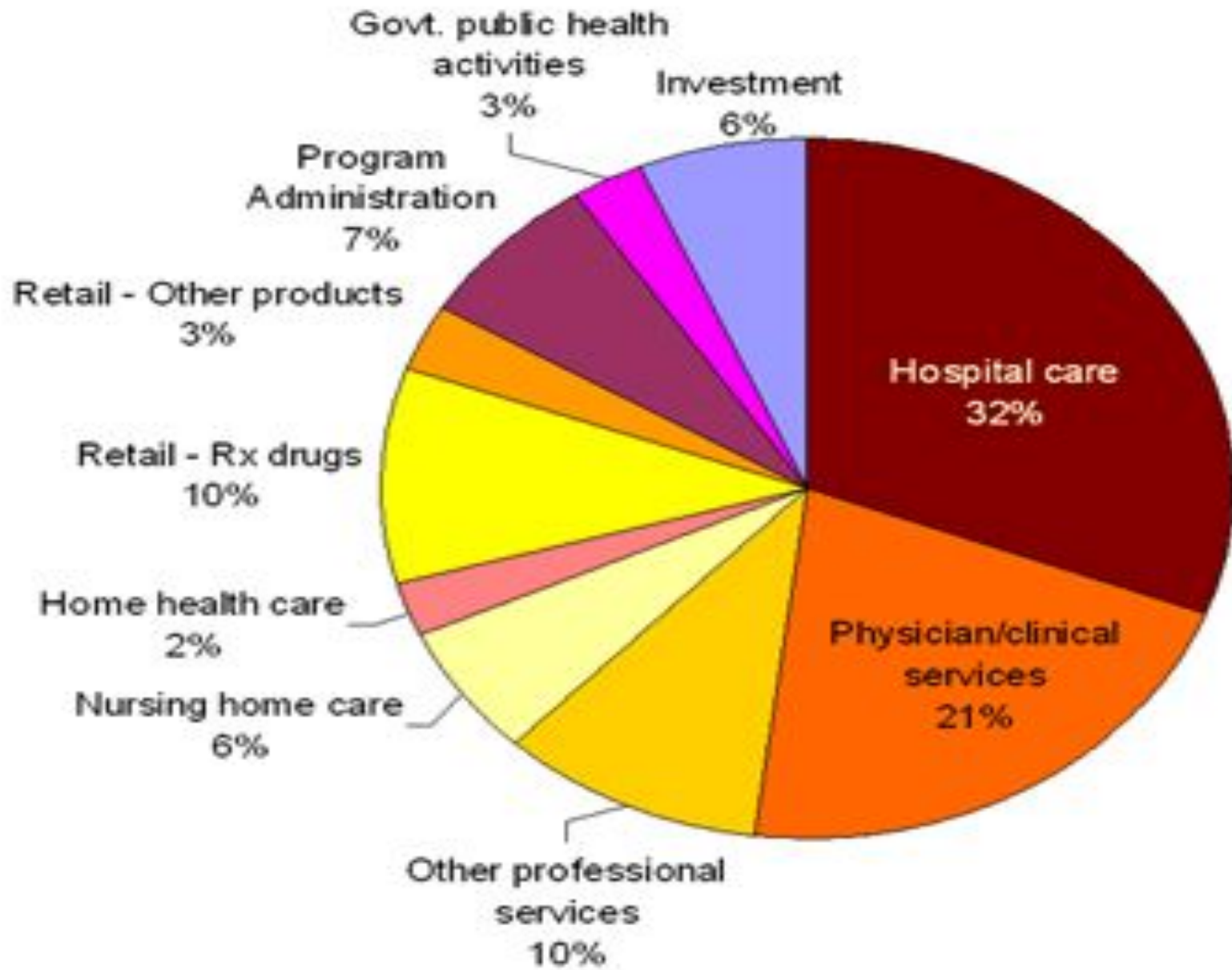
- **FACT:**

U.S. HEALTH CARE EXPENDITURES WERE \$ 2.3 TRILLION IN 2007. IT EXPECTED TO BE 3 TRILLION BY 2011 AND 4.2 TRILLION BY 2016.





THIS IS 16% OF THE GROSS DOMESTIC PRODUCT.


PRESCRIPTION DRUGS ACCOUNT FOR NEARLY 10% OF THE COSTS AND ARE EXPECTED TO GO HIGHER.





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- THERE ARE OVER 47,000,000 AMERICANS WITHOUT HEALTH INSURANCE, THIS INCLUDES 10 MILLION CHILDREN.

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- THOSE WHO NOW HAVE HEALTH INSURANCE CAN LOSE IT BY BECOMING SERIOUSLY ILL, BY LOSING A JOB, BY CHANGING JOBS, BY NEEDING TREATMENT FOR A CONDITION THE INSURANCE COMPANY DETERMINES TO BE “PRE-EXISTING.”


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- U.S. RANK IN WORLD HEALTH STATISTICS HAS FALLEN RAPIDLY. FOR EXAMPLE, THE U.S. RANKS 28TH IN THE WORLD IN THE RATE OF INFANT MORTALITY.


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- FOR-PROFIT HMO'S CONTROL OVER THE HEALTH CARE INDUSTRY IS APPROACHING 25% AND THIS PERCENTAGE IS RAPIDLY GROWING. FOR-PROFIT HMO'S CONTROL 60% OF THE MANAGED CARE INDUSTRY.

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- IN 1996, 80% OF AMERICANS SAID
 - “SOMETHING IS SERIOUSLY WRONG WITH OUR HEALTH SYSTEM.”
 - “THE QUALITY OF HEALTH CARE IS COMPROMISED BY THE INTEREST OF PROFIT.”

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- TODAY....ALMOST 50% OF THE AMERICAN PUBLIC SAY THEY WORRY ABOUT HAVING TO PAY MORE FOR THEIR HEALTH CARE OR INSURANCE.
 - 42% WORRY ABOUT NOT BEING ABLE TO AFFORD HEALTH CARE SERVICES.

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- “QUALITY HEALTH CARE IS ALMOST UNAFFORDABLE FOR THE AVERAGE PERSON.”

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- ECONOMIC STATUS OF UNITED STATES
 - EMPLOYMENT UNSTEADY: CURRENTLY 9.4%. PEOPLE WHO LOSE THEIR JOBS USUALLY LOSE THEIR HEALTH INSURANCE. NEW JOB CREATION TOP PRIORITY.

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- *A 1999 STUDY CALCULATED THAT FOR EACH 0.5 PERCENTAGE POINT INCREASE IN THE UNEMPLOYMENT RATE, AN ESTIMATED ONE MILLION PEOPLE LOSE HEALTH INSURANCE COVERAGE.*



- ECONOMIC DOWNTURN:

- HEALTH INSURANCE COVERAGE DECLINES IN A DOWNTURN OR RECESSION BECAUSE SMALL FIRMS MAY DROP COVERAGE TO MAINTAIN SALARIES OR SIMPLY TO STAY IN BUSINESS




- HIGHER INSURANCE PREMIUMS AND HEALTH COSTS

- IN 2007 EMPLOYER HEALTH CARE INSURANCE PREMIUMS ROSE 6.1%.

- THE ANNUAL PREMIUM COVERING A FAMILY OF FOUR ROSE TO \$12,000.

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- SINCE 2000, EMPLOYMENT BASED INSURANCE PREMIUMS HAVE INCREASED 100%.
 - WAGES HAVE INCREASED 15%
 - INFLATION HAS INCREASED 14%

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- AMONG BUSINESS FIRMS, THE SMALLEST ARE THE MOST VULNERABLE.
 - AMONG INDIVIDUALS, THE LOW-INCOME ARE MOST VULNERABLE.

US Health Care System

Context

- Fragmented financing and delivery of health care
 - ▶ A patchwork of providers, increasingly consolidated
 - ▶ Payers are mostly employer based private insurance, plus Medicare for 65+ and Medicaid for low income.
- Emphasis on medical technology
 - ▶ Large investments in biomedical research - NIH x 2
 - ▶ Bias in reimbursement toward procedures, technology, acute care and institutional care.
 - ▶ Insurance coverage varies and is especially limited for prescription drugs and long term care.



A DISTINCTIVE SYSTEM
OF HEALTH CARE
DELIVERY


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- ■ *U.S. HEALTH CARE SYSTEM IS NOT A SYSTEM*

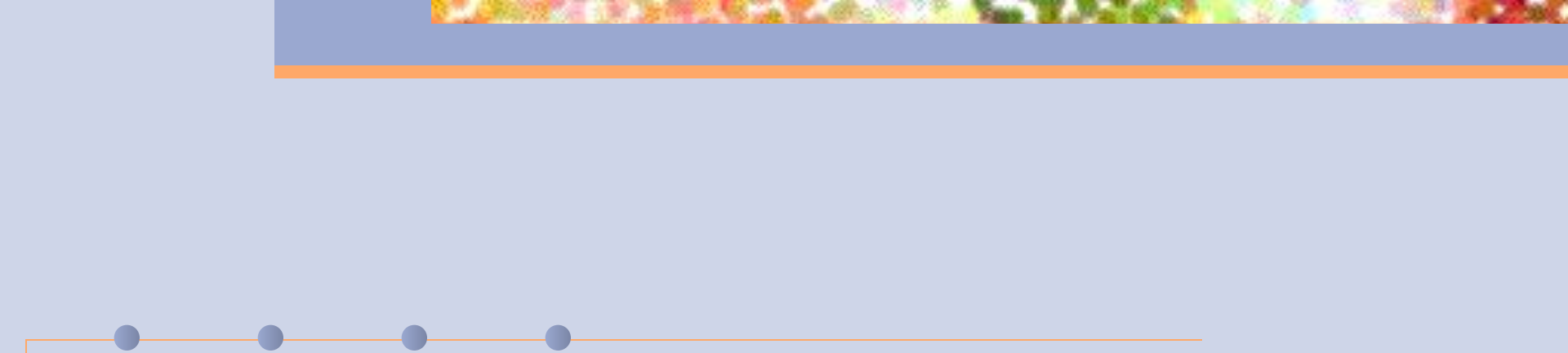
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- ■ IT IS A KALEIDOSCOPE OF FINANCING, INSURANCE, DELIVERY, AND PAYMENT MECHANISMS THAT REMAIN UNSTANDARDIZED AND LOOSELY COORDINATED.

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- ■ MAJOR PART OF THE SYSTEM IS IN PRIVATE HANDS

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- ■ A MARKET DRIVEN ECONOMY INVITES THE PARTICIPATION OF NUMEROUS PRIVATE ENTITIES TO SERVE THESE FUNCTIONS.

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- GOVERNMENT IS INVOLVED WITH THOSE UNABLE TO AFFORD THE PRIVATE SECTOR.

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- ■ CONSIDER THE NECESSARY ELEMENTS OF RESOURCE PLANNING, QUALITY ASSURANCE, AND COST CONTAINMENT AND THE SYSTEM BECOMES A LABYRINTH.


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- THIS BLEND OF PUBLIC AND PRIVATE INVOLVEMENT IN THE DELIVERY OF HEALTH CARE HAS RESULTED IN:
 - A MULTICIPLE OF FINANCIAL ARRANGEMENTS WHICH ENABLE INDIVIDUALS TO RECEIVE HEALTH CARE SERVICES.

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- ■ NUMEROUS INSURANCE AGENCIES EMPLOYING VARIOUS MECHANISMS FOR INSURING AGAINST RISK.

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- ■ MULTIPLE PAYERS THAT MAKE THEIR OWN DETERMINATIONS REGARDING HOW MUCH TO PAY FOR EACH TYPE OF SERVICE.

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- ■ *A LARGE ARRAY OF SETTINGS WHERE MEDICAL SERVICES ARE DELIVERED.*

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- ■ NUMEROUS CONSULTING FIRMS OFFERING THEIR EXPERTISE IN PLANNING, COST CONTAINMENT, QUALITY, AND RESTRUCTURING OF RESOURCES.

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- AN OVERVIEW OF THE SCOPE AND SIZE OF THE SYSTEM

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- SYSTEM IS EXTREMELY COMPLEX
 - 1. EDUCATIONAL AND RESEARCH INSTITUTIONS
 - 2. MEDICAL SUPPLIERS
 - 3. INSURERS
 - 4. PAYERS
 - 5. CLAIMS PROCESSORS



- SERVICES PROVIDED

1. PREVENTIVE
2. PRIMARY
3. SUBACUTE
4. ACUTE
5. AUXILIARY
6. REHABILITATION
7. CONTINUING CARE



- MASSIVE DELIVERY SYSTEM – PERSONNEL

1. 700,000 MEDICAL DOCTORS
2. 35,000 OSTEOPATHY DOCTORS
3. 1,000,000 NURSES
4. 187,000 DENTIST
5. 156,000 PHARMACISTS



■ VAST ARRAY OF INSTITUTIONS

1. 6,580 HOSPITALS
2. 16,700 NURSING HOMES
3. 5,000+ MENTAL INSTITUTIONS
4. 60,000 FACILITIES FOR THE MENTALLY RETARDED
5. 19,000 HOME HEALTH AGENCIES
6. 800 PRIMARY CARE PROGRAMS



- HEALTH PROFESSIONAL TRAINING FACILITIES

1. 142 MEDICAL AND OSTEOPATHIC SCHOOLS
2. 54 DENTAL SCHOOLS
3. 1,500 NURSING PROGRAMS



■ INSURANCE

1. 235 MILLION WITH COVERAGE
2. 35.5 MILLION MEDICARE BENEFICIARIES
3. 152 MILLION WHO HAVE SELF-PURCHASED HEALTH INSURANCE
4. 1,000 INSURANCE COMPANIES
5. 70 BLUE CROSS/BLUE SHIELD PLANS



■ NEW TYPES OF PROVIDERS

1. OVER 700 HMO'S (HEALTH MAINTENANCE ORGANIZATIONS)
2. OVER 1,000 PPO'S (PREFERRED PROVIDER ORGANIZATIONS)

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- AND A MULTITUDE OF GOVERNMENTAL AGENCIES WHICH OVERSEE EVERYTHING LISTED ABOVE.



- A LOOK AT DEMOGRAPHICS

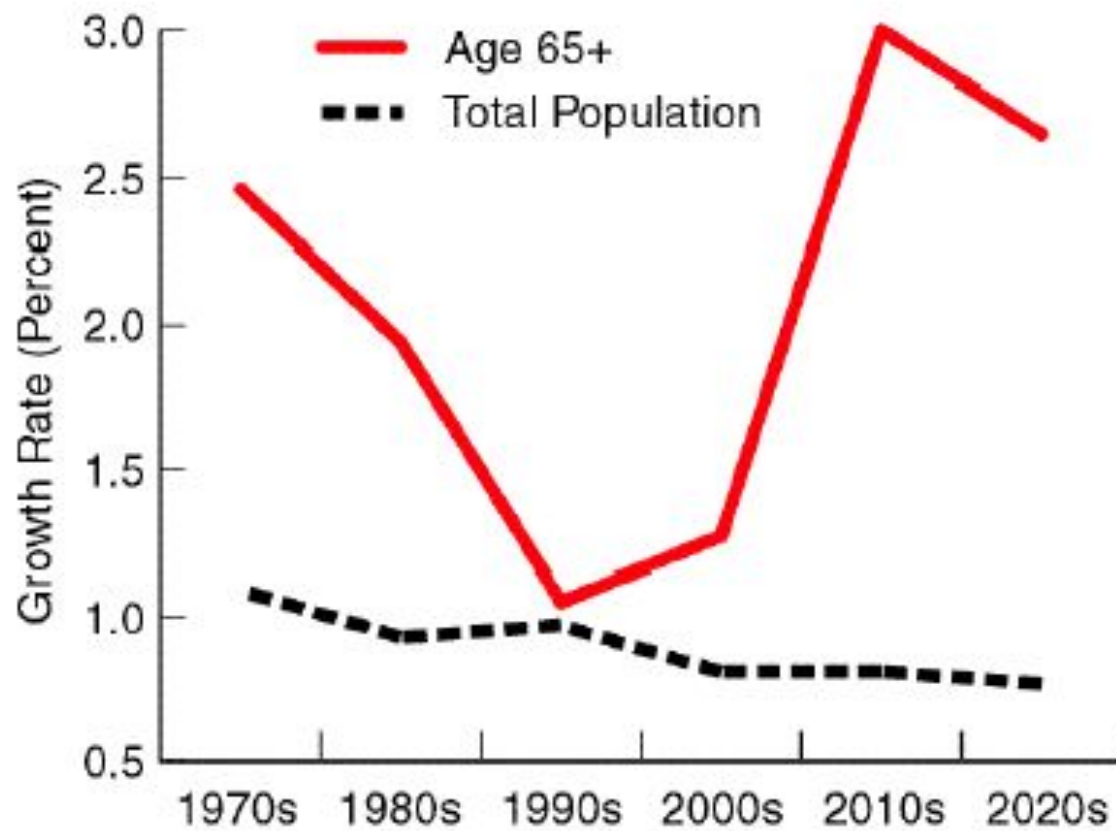
- BABY BOOMERS IN THE 1990'S

- *What is new about the “baby boomers” – the group we know will become the largest buying population in the history of the United States.*


**BOOMER
BABY!**


- *The baby boom generation is defined as all persons between 1946 – 1964. That generation is nearing 60+. Today “boomers” are between ages 44 – 62, but in the new century, most will be in their late forties and in their fifties. Baby boomers have entered the stage of economic and political power to shape events.*

Figure 1
Projected Elderly Growth Trends, 1970–2030
Annual Average Growth Rate for Decades

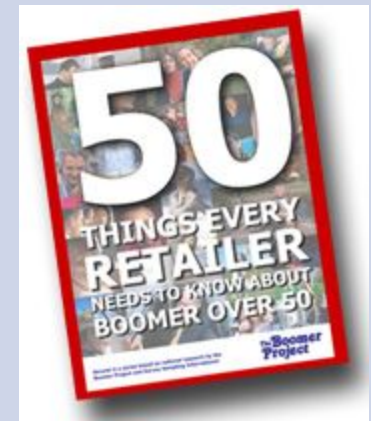


Source: Milken Institute, U.S. Census Bureau

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- OVER THE NEXT 25 YEARS THE ELDERLY POPULATION WILL INCREASE BY ALMOST 80% DUE TO AGING BABY BOOMERS.

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- HIGHER WEALTH ACCUMULATION AND FEWER CHILDREN WILL PERMIT MANY TO ENJOY A RETIREMENT LIFESTYLE SIGNIFICANTLY DIFFERENT FROM ANY PREVIOUS GENERATION.

- *WHAT THEY BUY AND WHERE THEY RETIRE WILL HAVE SIGNIFICANT IMPLICATIONS FOR FIRMS SEEKING TO MARKET TO THEM.*




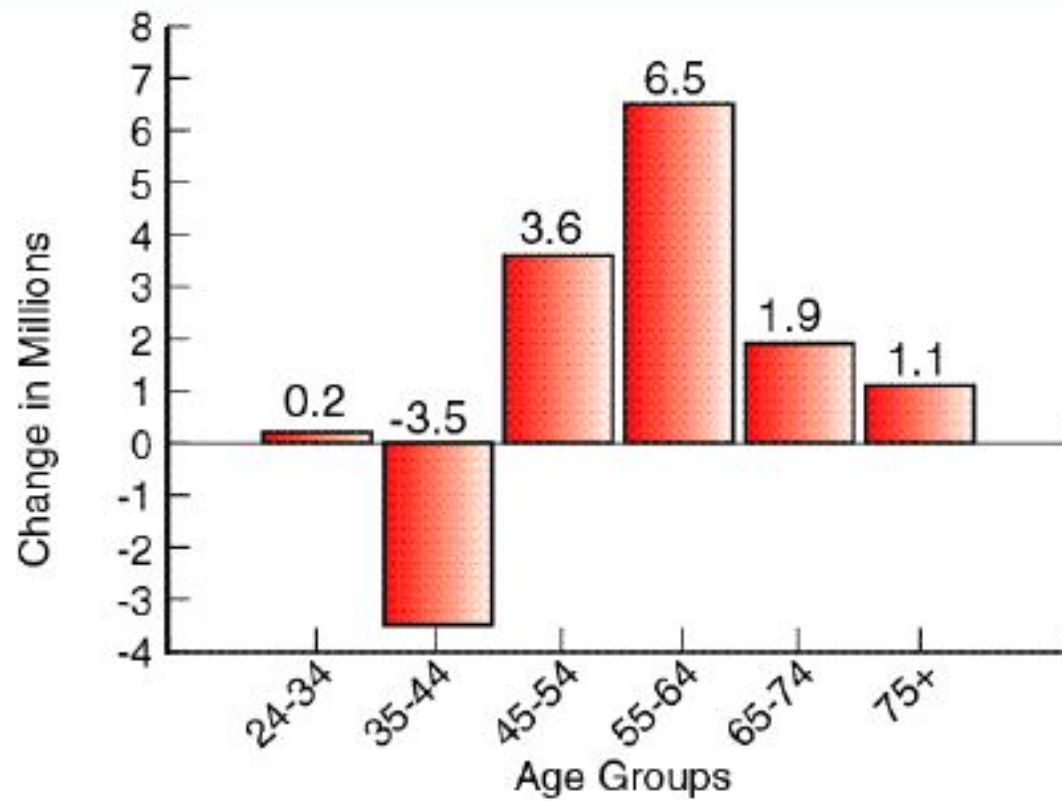
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- EARLY BOOMERS WILL INFLATE DRAMATICALLY THE SIZE OF THE 55-64-YEAR-OLD AGE GROUPS.
 - THE SECOND-LARGEST GAINING GROUP INCLUDES YOUNGER BABY BOOMERS WHO ARE AGING INTO THEIR PRIME CAREER AND EARNING STAGES (45-54) IN THE NEXT DECADE.

Figure 3
Household Changes in the Next Decade



Source: Milken Institute, U.S. Census Bureau


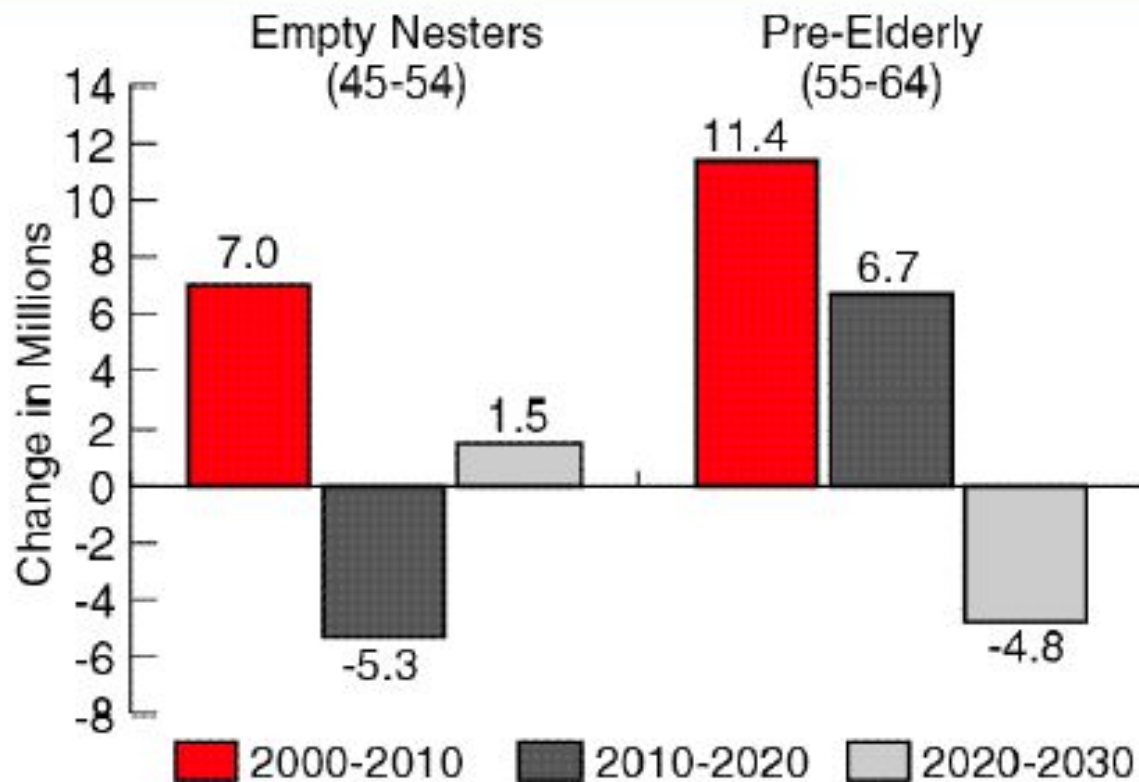

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- THE 45-54-YEAR OLD EMPTY-NESTERS WILL TURN FROM A LARGE-GAINING TO A LARGE-DECLINING CONSUMER MARKET BETWEEN 2010 AND 2020.
 - THE PRE-ELDERLY, WILL STAY LARGE FOR THE NEXT TWO DECADES AS BOTH HALVES OF THE BOOMER GENERATION PASS THROUGH.

Figure 4
Population Changes in the Next Three Decades



Source: Milken Institute, U.S. Census Bureau

Source: Milken Institute, U.S. Census Bureau

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- *Middle age for baby boomers will present a new challenge to providers of health care. Experts predict that the middle aged baby boomer will be a new type of consumer. Boomers will not mirror middle-aged values and attitudes of the preceding generation, nor will their habits be a continuation of their youthful behaviors.*


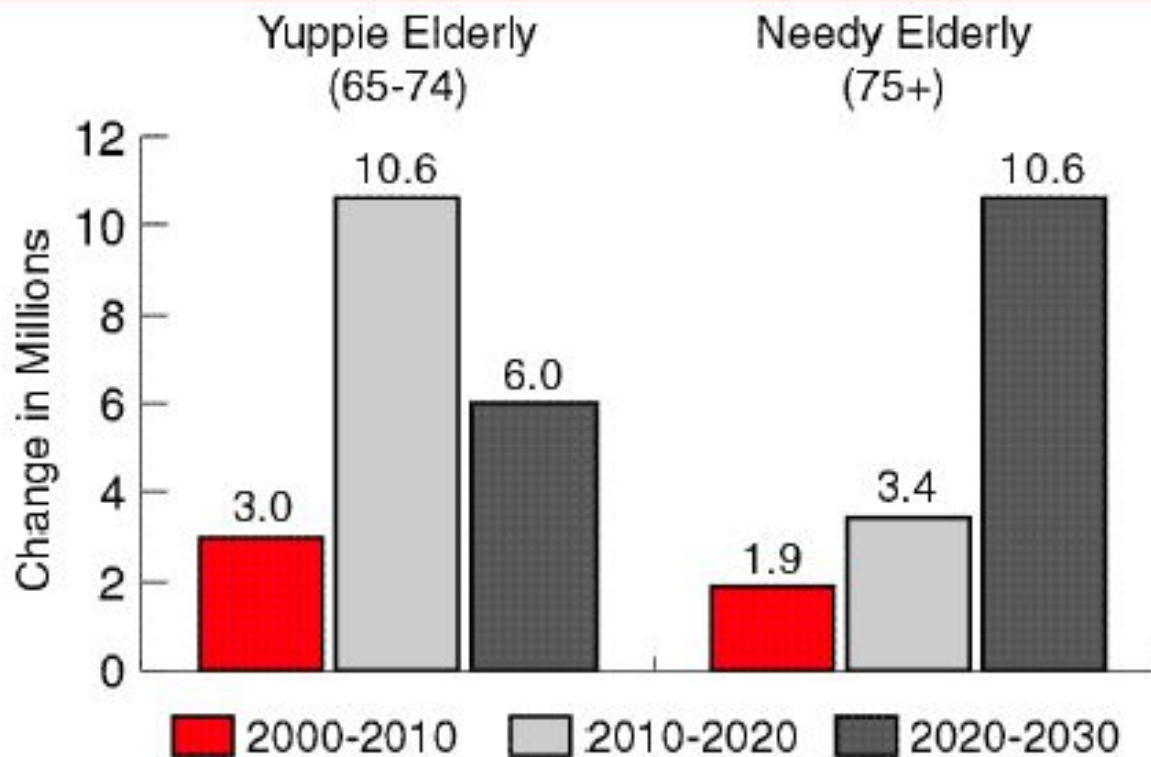
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- IN THE SECOND AND THIRD DECADES OF THE NEW CENTURY, THE BABY BOOMERS WILL INFLATE DRAMATICALLY THE YUPPIE ELDERLY RANKS OF THE POPULATION.

Figure 5
Population Changes in the Next Three Decades



Source: Milken Institute, U.S. Census Bureau

Source: Milken Institute, U.S. Census Bureau

Source: Milken Institute, U.S. Census Bureau

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- *Three Key Attitudes and Preferences*

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- *Baby boomers want to keep their options flexible. This includes career options, options for living arrangements, choice about health care, and retirement options.*

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- *Relationships between children and their parents will become complex as individuals live longer and pressures of declining health and needs for support increase. Businesses that can offer services and products to help the generations cope with the dilemma of aging parents and growing children and grandchildren will be in high demand.*

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- *It is likely that no other generation has desired more strongly to look and feel young than the baby boomer group. Baby Boomers grew up in and enamored of the and desirability of youth and these themes will continue to have an impact on the demands from baby boomers in the consumer market. Business which promote fitness, fun, fashion and health foods will have an important place in the market.*



- *THE NEW IMMIGRANTS*

- *IN RESPONSE TO CHANGES IN THE NATION'S IMMIGRATION LAW AND NEW GLOBAL ECONOMIC FORCES, IMMIGRATION TO THE UNITED STATES HAS ACCELERATED DRAMATICALLY OVER THE LAST DECADE.*


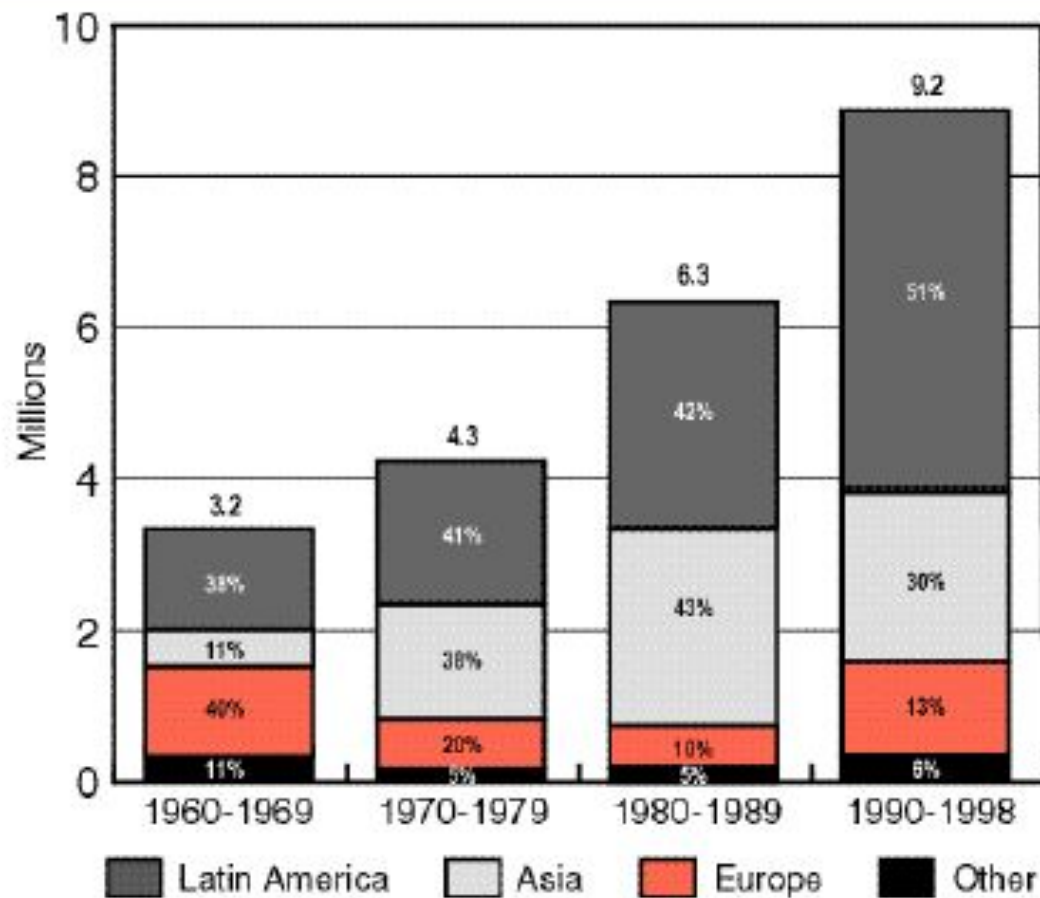

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- THE NEW IMMIGRANTS AND THEIR CHILDREN SHOULD ACCOUNT FOR MORE THAN HALF OF THE 50 MILLION RESIDENTS WHO WILL BE ADDED TO OUR POPULATION DURING THE NEXT 25 YEARS.

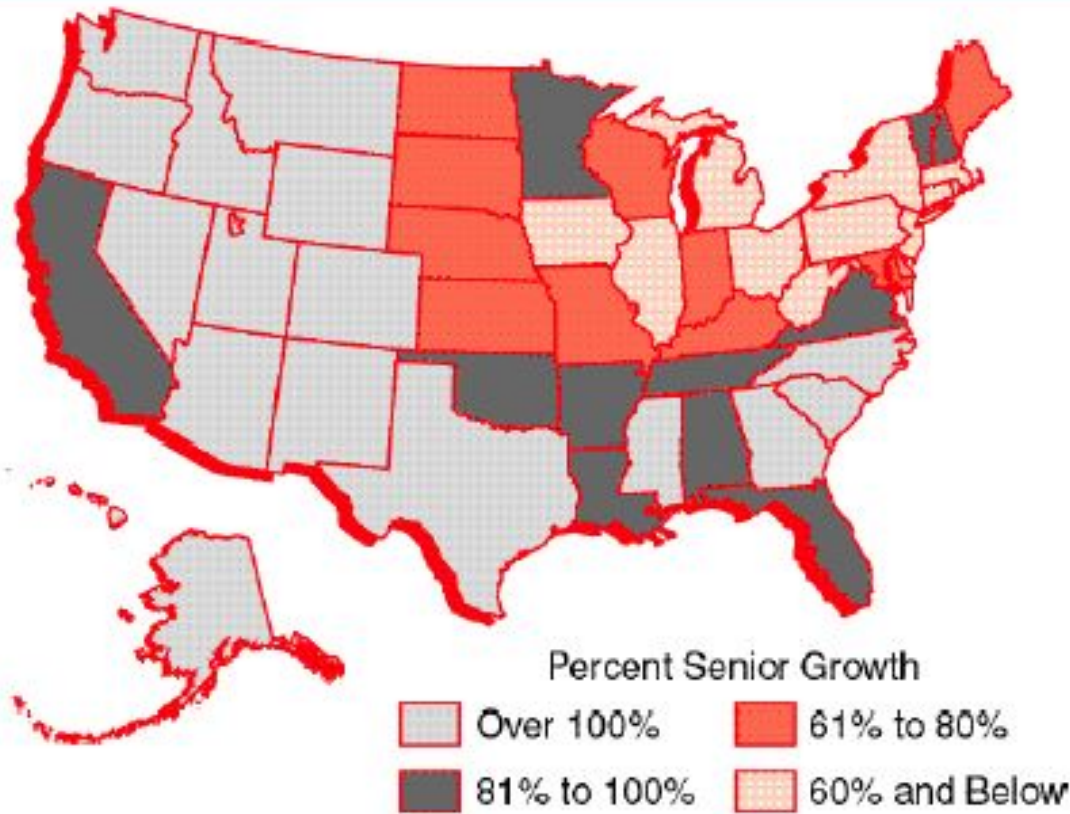
Figure 2
U.S. Immigration by Region of Birth
 Millions of Immigrants, 1960s–1990s





Source: Milken Institute; Population Reference Bureau Immigration and Naturalization Service


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- THE BABY BOOM GENERATION IS GROWING OLDER, AND THE NUMBERS ARE STAGGERING. AS MEDICAL SCIENCE INCREASES THE LENGTH OF OUR LIVES, IT IS INCREASING THE NEED FOR LONG TERM HEALTH CARE. EVERY EIGHT SECONDS IN AMERICA A BABY BOOMER TURNS 50.

Map 1
The Senior Explosion
Projected Senior Growth, 2000–2025



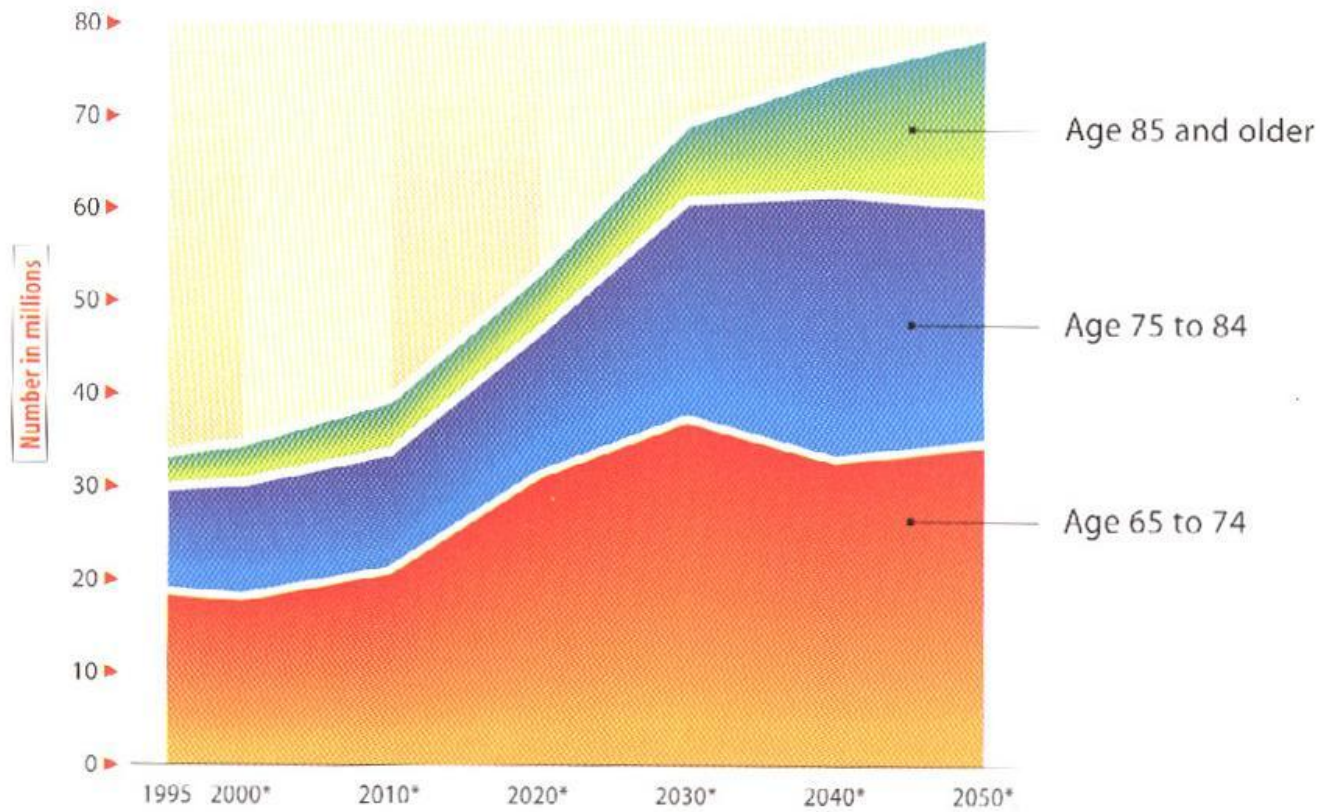
Source: Milken Institute, U.S. Census Bureau

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- END OF LECTURE FOR WEDNESDAY, AUGUST 28th, SIXTH PERIOD, 2009.
 - QUESTIONS? DISCUSSION?



- PRIMARY CHARACTERISTICS

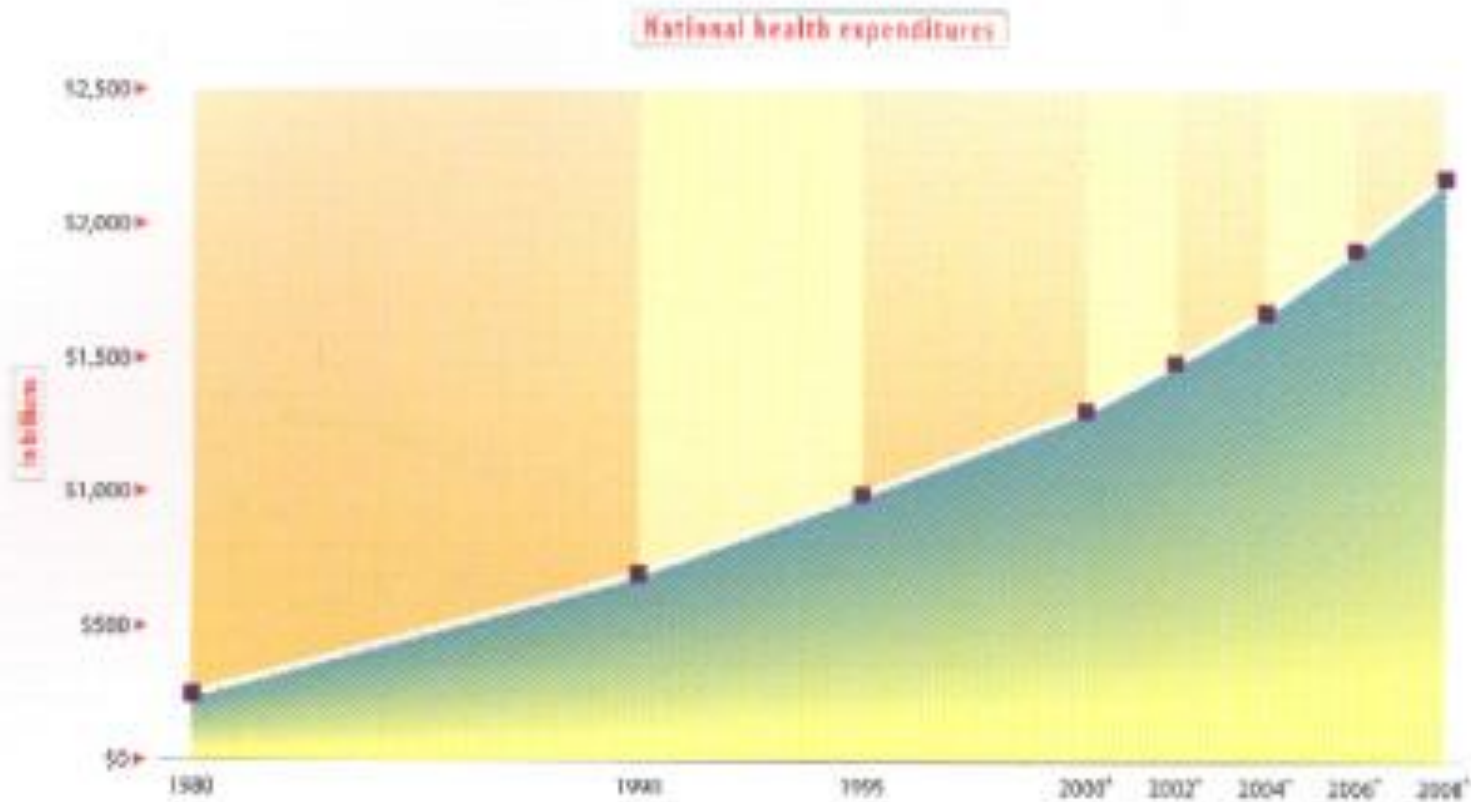
U.S. Population Growth of Those 65 Years of Age and Older



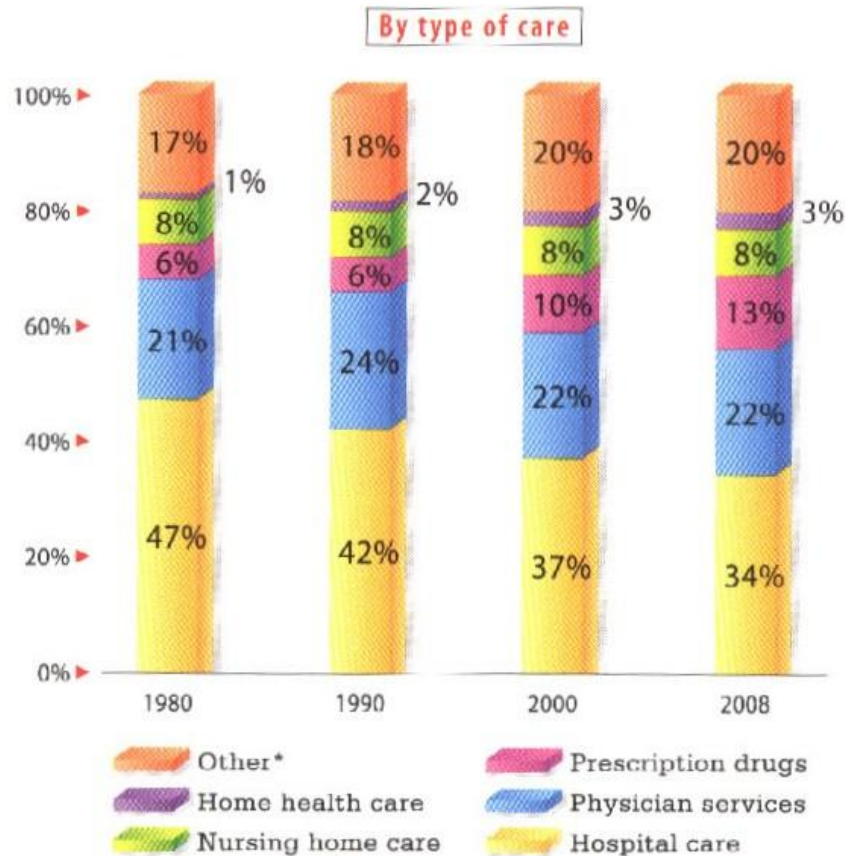
*Projected

Source: U.S. Census Bureau, 2000.

National Health Expenditures in Current Dollars



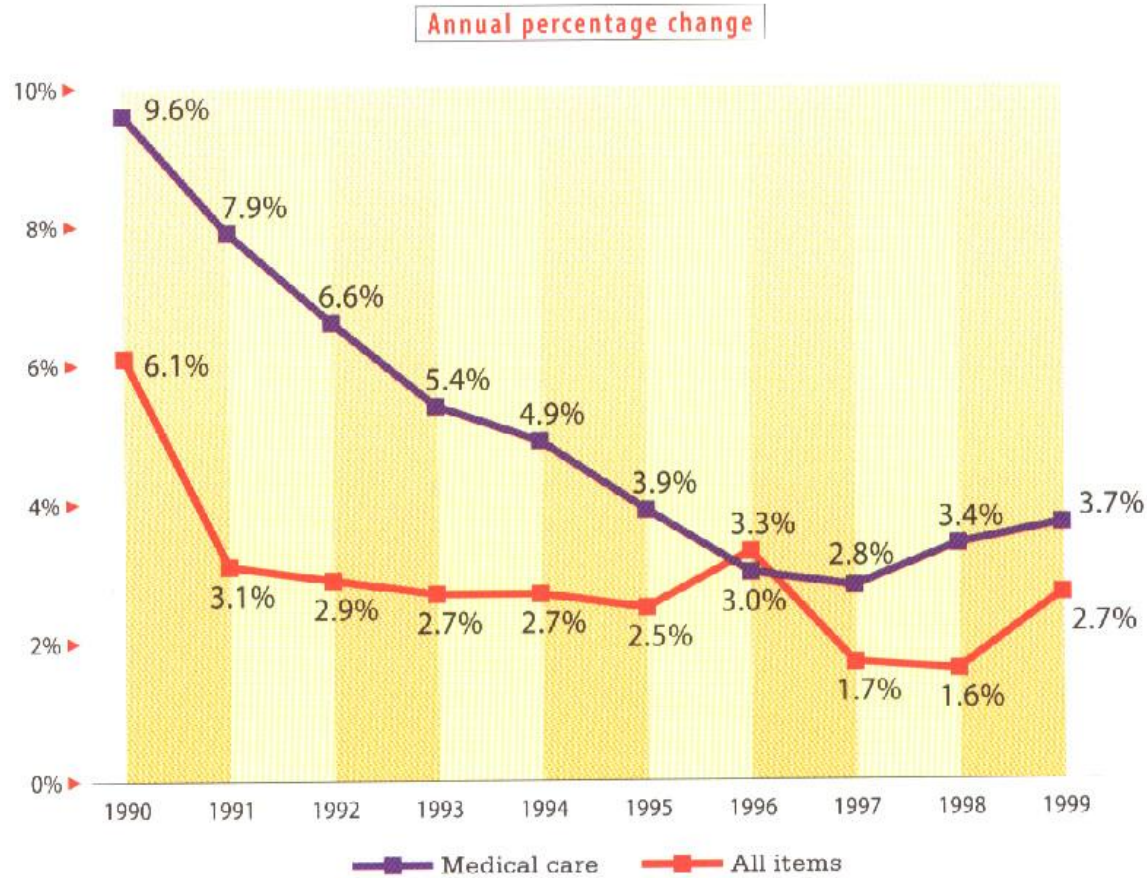
National Personal Health Care Spending as a Percentage of Total National Health Care Expenditures



*Other includes dental, vision and other services and nondurable products.

Source: Health Care Financing Administration, Office of the Actuary, 1999.

Consumer Price Indices



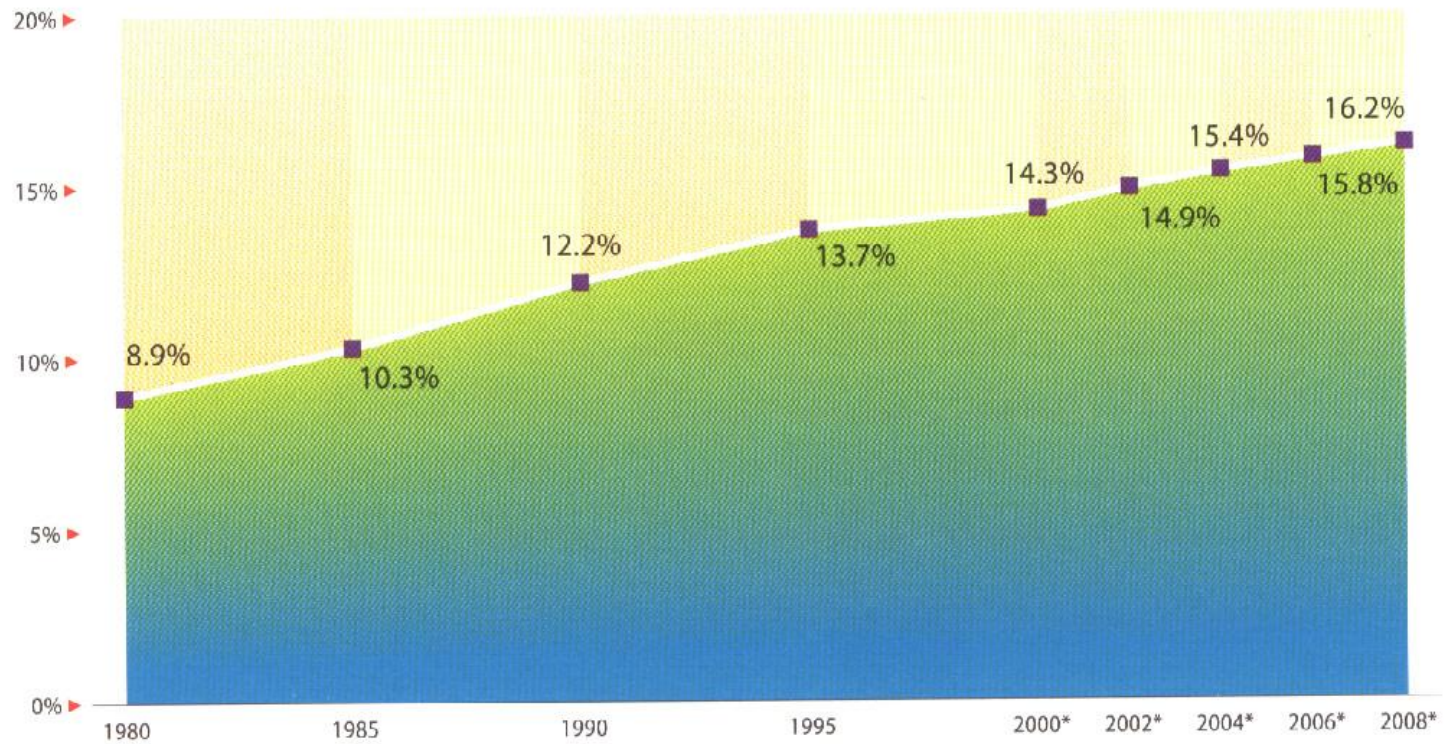
Source: U.S. Bureau of Labor Statistics.

Cost and Prevalence of Major Diseases in the United States

Disease	Approximate prevalence (in millions)	Approximate annual economic cost (in billions of dollars)
Heart disease	18.8	\$116
Cancer	8.0	107
Alzheimer's disease	4.0	100
Diabetes	15.7	98
Arthritis	40.0	55
Depression	17.6	53
Stroke	4.0	43
Hypertensive disease	50.0	32
Schizophrenia	1.5	23
Osteoporosis	10.0	14
Asthma	14.0	6

Source: *Pharmaceutical Industry Profile 1999*. Pharmaceutical Research and Manufacturers of America, 1999.

National Health Expenditures as a Percentage of Gross Domestic Product



*Projected

Source: Health Care Financing Administration, Office of the Actuary, 1999



- U.S. HEALTH CARE VALUES

- PLURALISM AND CHOICE

- INDIVIDUAL ACCOUNTABILITY

- AMBIVALENCE TOWARD GOVERNMENT

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- PROGRESS, INNOVATION, AND NEW TECHNOLOGY
 - VOLUNTEERISM AND COMMUNITARIANISM
 - PARANOIA ABOUT MONOPOLY
 - COMPETITION

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- VALUE DISAGREEMENTS
 - HEALTH CARE AS A RIGHT
 - EQUITY
 - PUBLIC ADMINISTRATION



- GLOBAL HEALTH CARE VALUES

- UNIVERSALITY

- EQUITY

- ACCEPTANCE OF THE ROLE OF GOVERNMENT

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- SKEPTICISM ABOUT MARKETS AND COMPETITION
 - GLOBAL BUDGETS
 - RATIONING
 - TECHNOLOGY ASSESSMENT AND INNOVATION CONTROL

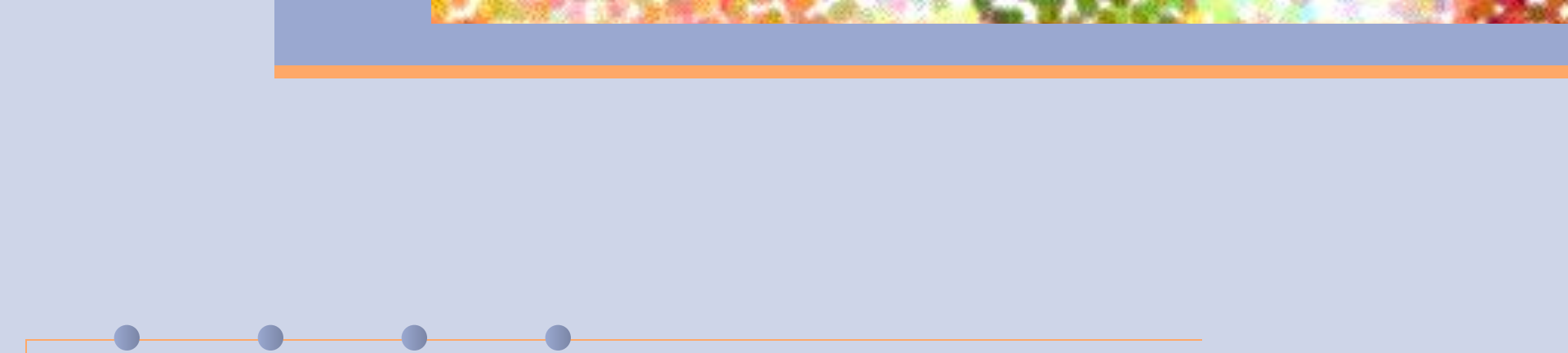


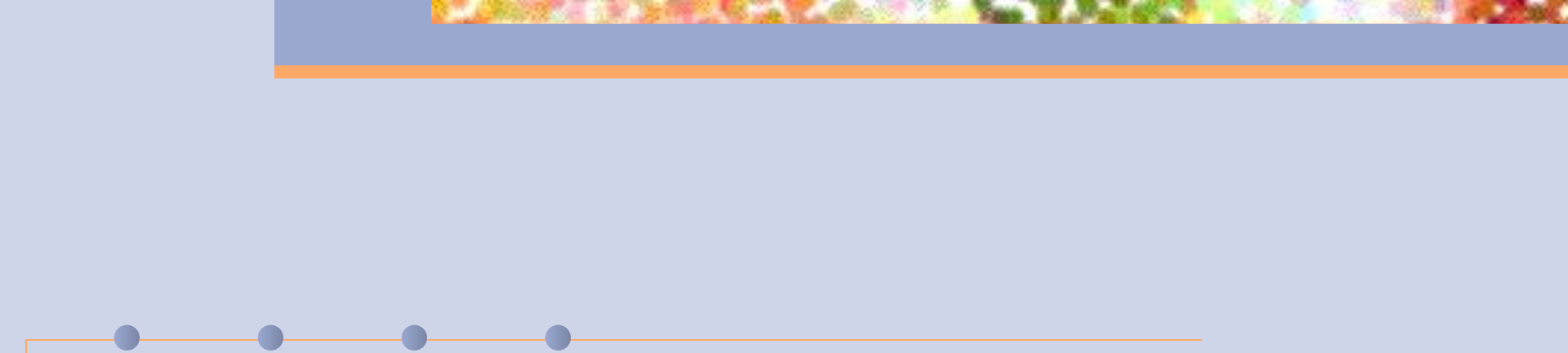
- *TEN BASIC CHARACTERISTICS WHICH SEPARATE THE U.S. HEALTH SYSTEM FROM THE REST OF THE WORLD*

- *THERE IS NO CENTRAL AGENCY TO GOVERN THE SYSTEM.*

- *ACCESS TO HEALTH CARE SERVICES IS SELECTIVELY BASED ON INSURANCE COVERAGE.*

- *DELIVERY OF HEALTH CARE IS UNDER IMPERFECT MARKET CONDITIONS.*

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- *THIRD-PARTY INSURERS ACT AS INTERMEDIARIES BETWEEN THE FINANCING AND DELIVERY FUNCTIONS.*
 - *EXISTANCE OF MULTIPLE PAYERS MAKES THE SYSTEM CUMBERSÓN.*
 - *BALANCE OF POWER AMONG VARIOUS PLAYERS PREVENTS ANY SINGLE ENTITY FROM DOMINATING THE SYSTEM.*

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- LEGAL RISKS INFLUENCE PRACTICE BEHAVIOR.
 - DEVELOPMENT OF NEW TECHNOLOGY CREATES AN AUTOMATIC DEMAND FOR ITS USE.
 - NEW SERVICE SETTINGS HAVE EVOLVED ALONG A CONTINUUM.

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- *QUALITY IS NO LONGER ACCEPTED AS AN ELUSIVE GOAL IN THE DELIVERY OF HEALTH CARE.*



- NATIONAL HEALTH INSURANCE CHARACTERISTICS

- THERE IS A DEFINED SET OF BENEFITS THAT EVERY CITIZEN IS ENTITLED TO RECEIVE.
- USE A GLOBAL BUDGET TO DETERMINE HEALTH CARE EXPENDITURES AND ALLOCATE RESOURCES.

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- GOVERNMENT CONTROLS
PROLIFERATION OF HEALTH CARE
SERVICES, ESPECIALLY HIGH COST
TECHNOLOGY.
 - UNIVERSAL ACCESS.

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- CANADIAN HEALTH CARE SYSTEM
 - ESTABLISHED BY CANADA HEALTH ACT
 - SINGLE-PAYER SYSTEM



- CANADIAN HEALTH CARE SYSTEM

- *Predominantly publicly financed*
- *Achieved through thirteen interlocking provincial and territorial health plans*
- *Linked through adherence to national principles set at federal level.*




- NATIONAL POLICY ON HEALTH CARE

- *All eligible residents have reasonable access to medically necessary insured services*
- *Prepaid basis*
- *No direct charges at point of service*



- **ROLE OF FEDERAL GOVERNMENT IN HEALTH CARE**

- *Setting and administering national principles or standards for insured health care services*

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- *Providing funding assistance to provincial/ territorial health care services through fiscal transfers*
 - *Delivering direct health services to specific groups of Canadians including veterans, First Nation peoples, military personnel, RCMP, and federal inmates*

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- *Fulfilling other health-related functions such as health protection, health promotion, and disease prevention.*



- PRINCIPLES OF THE CANADA HEALTH ACT

- *1. Public Administration* *Non-profit*
governed by public authority
subject to audit of finances



- *2. Comprehensiveness:*

- *Health plans must insure all*

medically necessary health services (hospital, physician, surgical-dental)



- 3. UNIVERSALITY:

All insured persons in the provinces/ territory must be entitled to public health insurance on uniform terms and conditions.



- *4. Portability:*

- *Residents moving from one province to another must be entitled to public health insurance coverage on uniform terms and conditions.*



- 5. ACCESSIBILITY:

- *Reasonable access by insured persons to medically necessary hospital and physician must be unimpeded by financial or other barriers.*



■ HOW THE SYSTEM WORKS

- *Relies on primary care physicians*
- *51% of all MD's are PCP's*
- *Usually the initial contact before further care, i.e., specialists, hospital admission, testing, etc.*



■ PHYSICIAN PROFILE

- *Most doctors are private practitioners*
- *Work in independent or group practices*
- *Some work in community health centers, hospital based group practices.*



■ PHYSICIAN PROFILE (CONTINUED)

- *Bills are submitted directly to the government for reimbursement.*
- *Some physicians may be salaried or be paid through an alternate payment plan.*



- **OTHER HEALTH CARE PROFESSIONALS**

- *Nurses are generally employed in the hospital sector.*

- *Also provide community health care including home health and public health.*



- DENTISTS

- *Dentists work independent of system.*
- *Exception...in-hospital dental surgery*



- *ACCESSING THE HEALTH CARE SYSTEM*

- *FIRST STOP...FAMILY DOCTOR OR LOCAL CLINIC.*

- *PRESENT YOUR HEALTH INSURANCE CARD.*



- ACCESS (CONTINUED)

- DO NOT PAY DIRECT FOR INSURED SERVICES

- FILL OUT NO FORMS

- NO DEDUCTIONS OR CO-PAYMENTS



- SUPPLEMENTAL HEALTH BENEFITS

- PRESCRIPTION DRUGS
- VISION CARE
- MEDICAL EQUIPMENT
- DISABLED
- WELFARE RECIPIENTS.



- HEALTH CARE FUNDING

- *Financed primarily through taxation in the form of provincial and federal personal and corporate income taxes.*

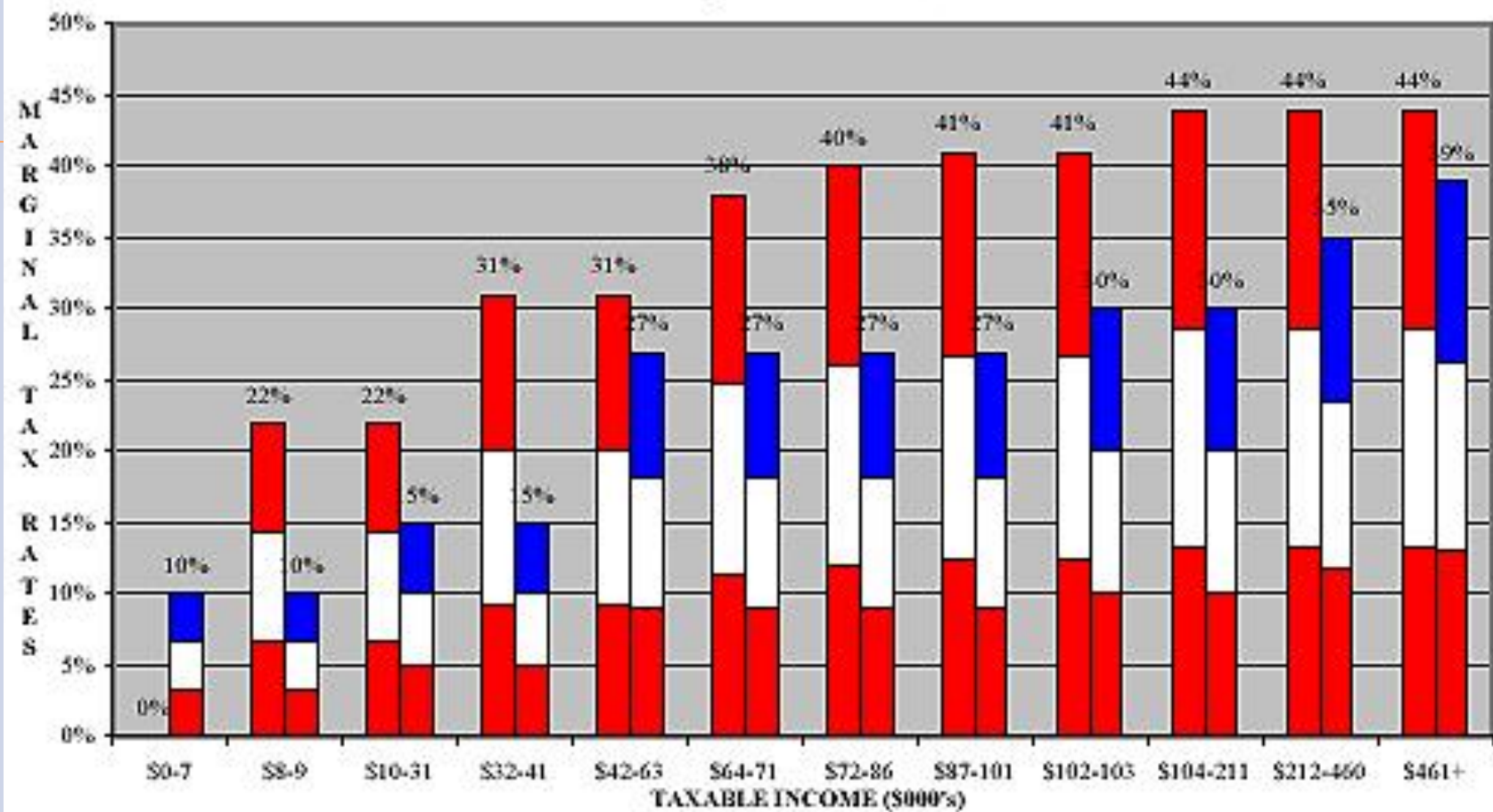


- SPENDING ON HEALTH CARE


- ABOUT 10 PERCENT OF FEDERAL BUDGET

- ABOUT ONE THIRD OF PROVINCIAL BUDGETS

Canadian/U.S. 2001 Individual Income Tax Rates As at September 30, 2002



(Stated in Canadian Dollars exchange rate 1.5:1)

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- *End of Presentation for August 26th,*
 - *7th Period, 2009.*

 - *Discussion? Questions?*