

The Structure and Funding of the U.S. Health Care System

Adapted from a talk by:

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Goals of this module

- After this module, participants should be able to:
 - Describe the structure of the US health care system.
 - Describe how the US health care system is funded.
 - Discuss current and future challenges to the structure and funding.
 - Find information regarding the health care system

Is this pertinent to ME?

- Survival in “real world” practice
 - “You eat what you kill.....”
 - Physicians need to understand the various payment and care systems to be able to keep their practices solvent.
 - Ignoring the “business of medicine” can be fatal to medical practices



Is this pertinent to ME?

- The Ongoing/Impending Problems
 - “Access”/”Rights”/”Justice”/”Fairness”
 - All have very different meanings to different people.
 - For example, is access to health care a “right”? Is it given by the constitution? Is it a trans-national “human right”?
 - Need to be comfortable fielding a rational response
 - These concepts are beyond the scope of the module, but these terms are used to describe aspects or deficiencies in our system.

Is this pertinent to ME?

- If you care about nothing else.....
 - Federal & State governments face a nasty bill.
 - Ultimately, scarce tax revenue is allocated for a variety of causes.
 - This tax revenue comes from us, the taxpayers.



A snapshot of some of the problems...

- Quality of care
 - U.S. residents receive about 50% of care that is recommended¹. Is this good? Acceptable?
- Individual expenditures
 - By 2025, average family premium will EQUAL median income²
 - This means 50% of Americans will spend EVERY dollar they make on a health insurance policy.

¹McGlynn EA, Asch SM, Adams J et al. *The Quality of Health Care Delivered to Adults in the United States.* *N Engl J Med.* 2003;348:2635-2645.

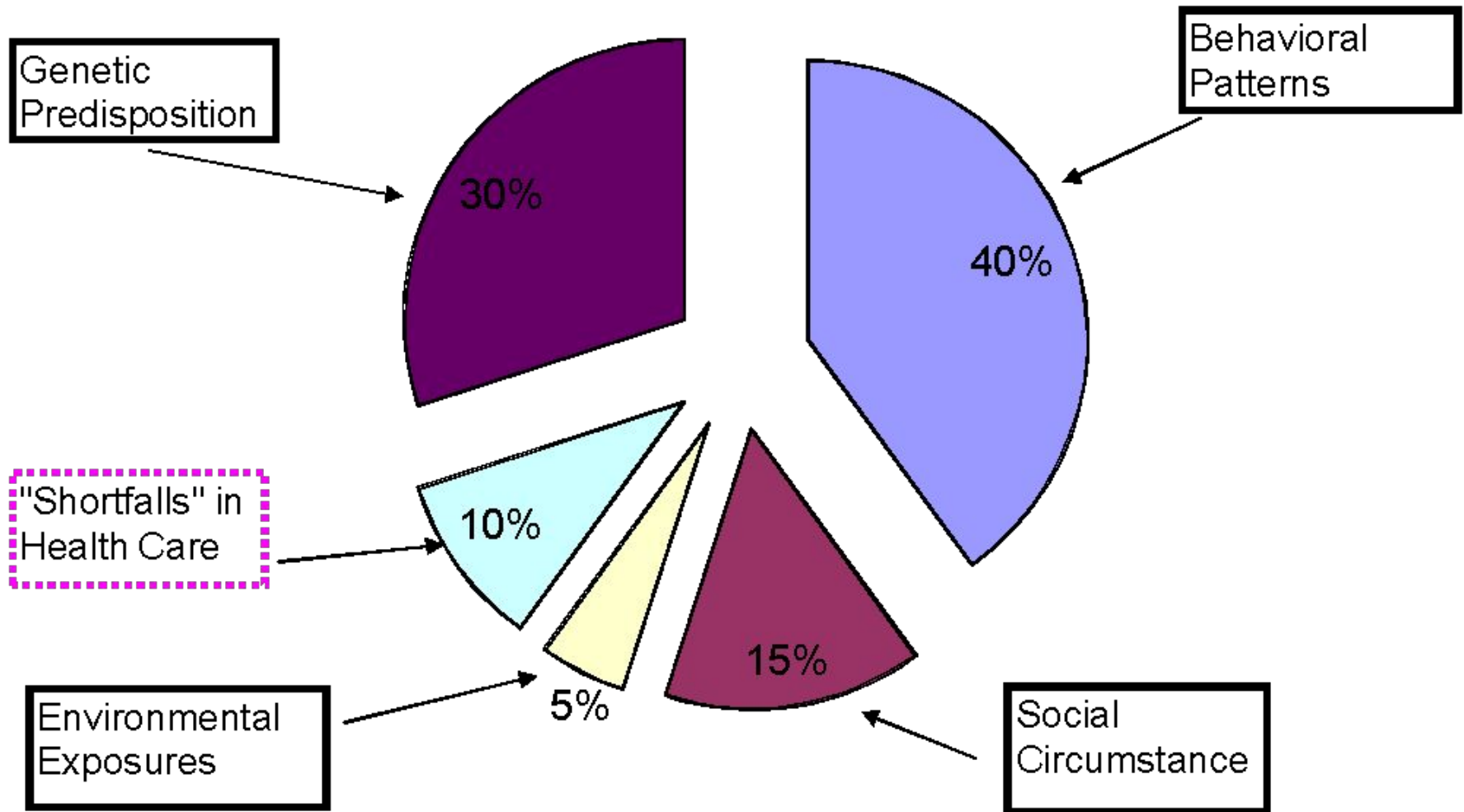
²Sager A, Socolar D. *Data brief No. 8: Health costs absorb one-quarter of economic growth, 2000-2005.* Boston, MA: Boston University School of Public Health, 2005

A snapshot of some of the problems...

- National expenditures
 - 16% of GNP is health care¹
 - 25% of economic growth between 2000-2005¹

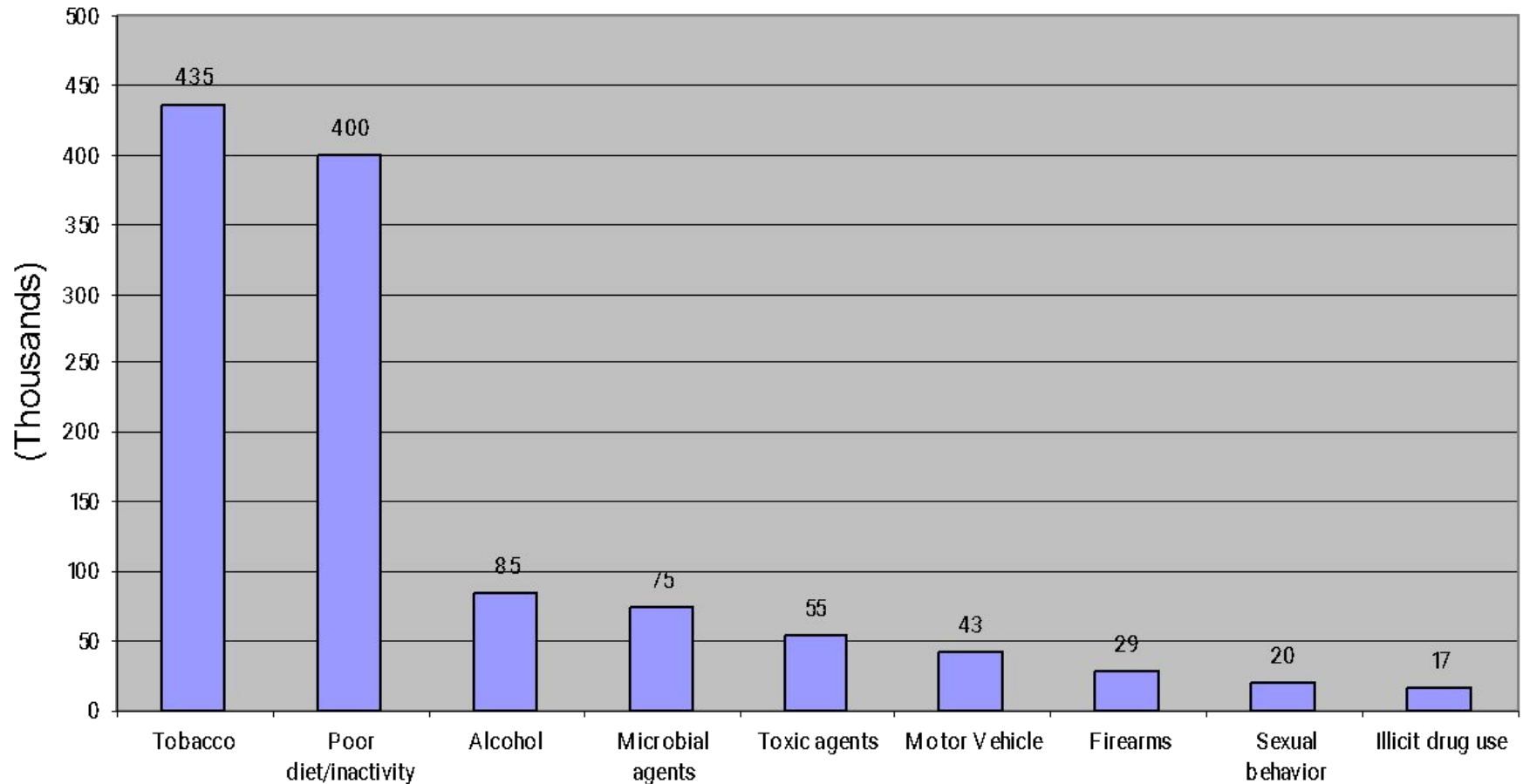
¹Sager A, Socolar D. Data brief No. 8: Health costs absorb one-quarter of economic growth, 2000-2005. Boston, MA: Boston University School of Public Health, 2005

Leading Causes of Premature Deaths



McGinnis JM et al. The case for more active policy attention to health promotion. *Health Affairs* 2002;21(2):78-93. Project Hope

Actual Causes of US Death - 2000



Mokdad AH, Marks JS, Stroup DF, Gerberding JL. Actual causes of death in the United States, 2000. *JAMA*. 2004;291:1238-1245.

Leading causes of death

- How do physicians address these causes?
- Do you expand office hours to see all of these patients?
- Maybe thinking outside of the ‘one-to-one’ clinical encounter is appropriate? Why or why not?

“The health care System”? – What it DOES...

One Perspective

Provides services:

- Somatic – medical, dental
- Mental Health – counseling
- “Complementary/Alternative”

Another Perspective

- Primary Care: disease PREVENTION & health promotion
 - Vaccine administration, prenatal care
- Secondary Care: disease DETECTION
 - Breast cancer, hypertension
- Tertiary Care: disease TREATMENT
 - Pneumonia, major depression



The health care System – 5 Main Components

1. Education and Research: professional schools
2. Suppliers : drugs, equipment
3. Insurers:
 - Government (Medicare, Medicaid, CHIP, VA)
 - Commercial, self-insured employers, Blue Cross/Blue Shield (BC/BS)
4. Payers: State agencies, BC/BS, commercial insurers, “self-pay”
5. Providers: (Next slide)

Steinwachs, D. The American Health Care System: Introduction to Health Policy (Class Notes, Unpublished). 2002.



The health care System – Provider Groups

- Preventive Care: Primary Care Providers (PCPs), state/city health departments
- Primary Care: M.D./D.O., P.A., C.R.N.P.
 - Generalist-specialist continuum
 - some specialists provide primary care, some generalists provide advanced services - OB, colonoscopy
- Sub acute Care – Intermediate care, ambulatory surgical centers

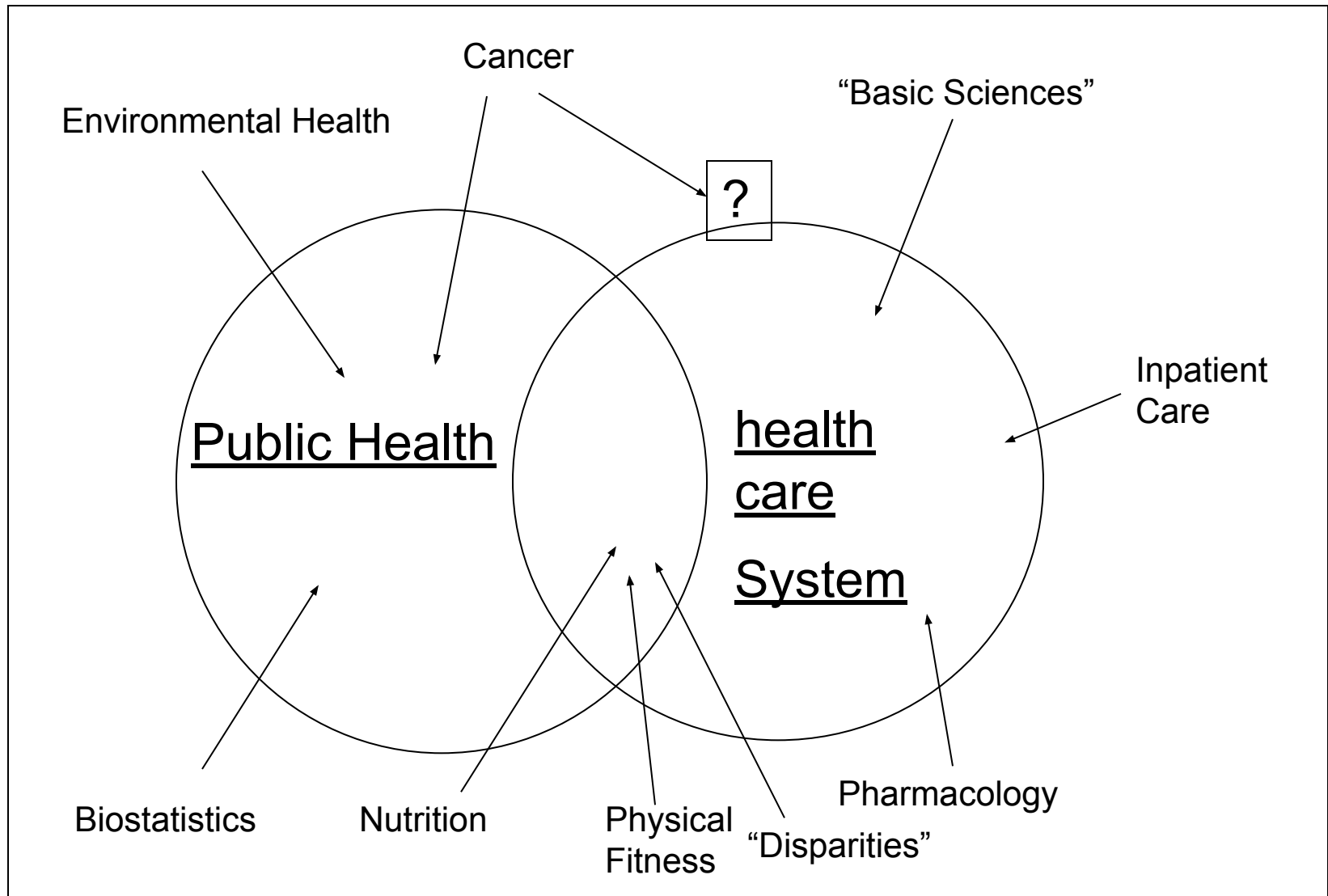
Steinwachs, D. The American Health Care System: Introduction to Health Policy (Class Notes, Unpublished). 2002.

The health care System – Provider Groups

- Acute Care – Hospitals, “Urgent Care”
- Auxiliary Services – Lab, pharmacists
- Rehabilitation Services – Home Health Nursing, Nursing Homes
- Long-Term Care – Nursing Home, Assisted living
- Integrated Care – Managed care organizations
- Complementary/Alternative Medicine

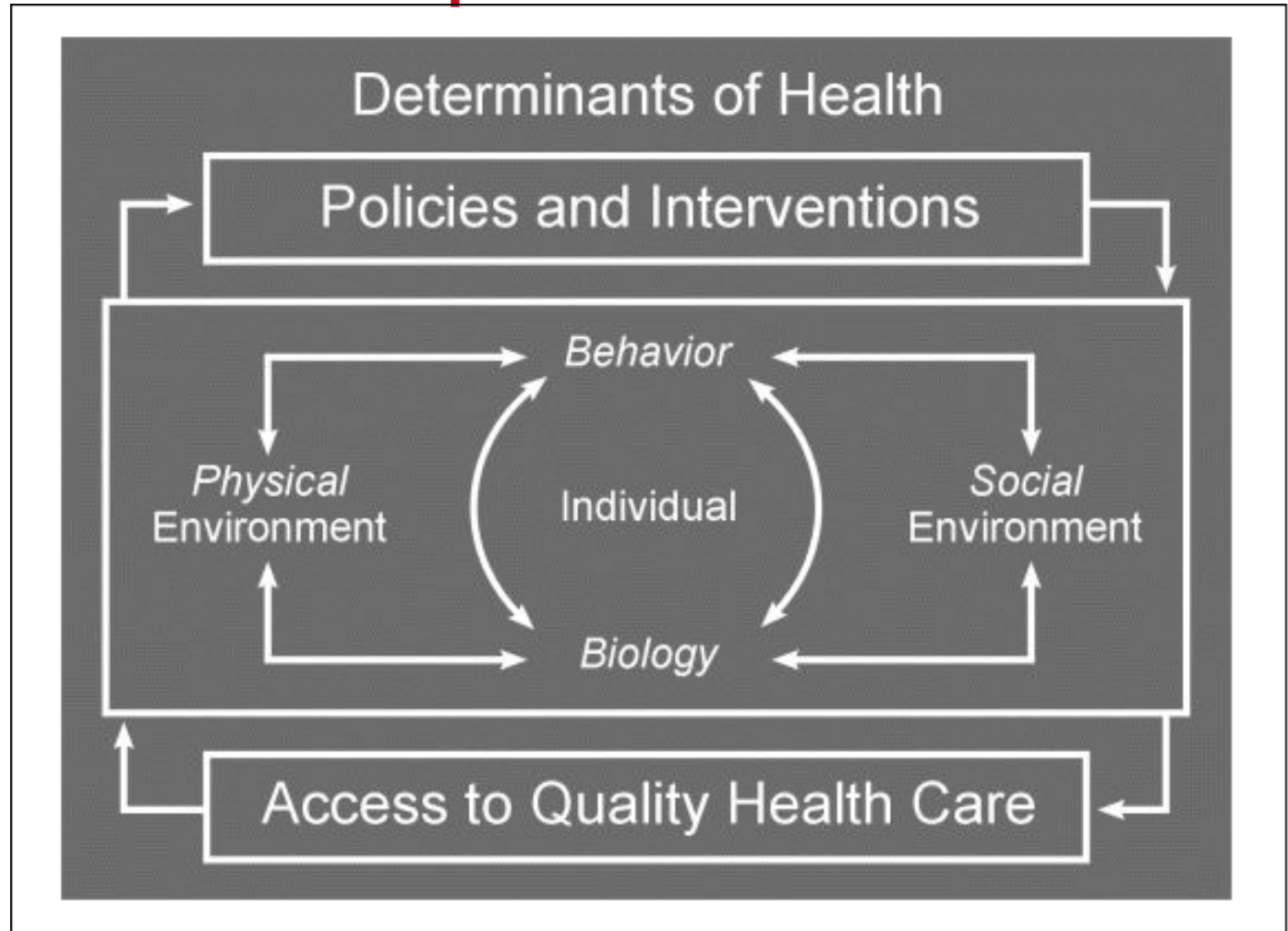
Steinwachs, D. The American Health Care System: Introduction to Health Policy (Class Notes, Unpublished). 2002.

Relationship of “Public Health” to “health care System”



Health - Conceptual Framework

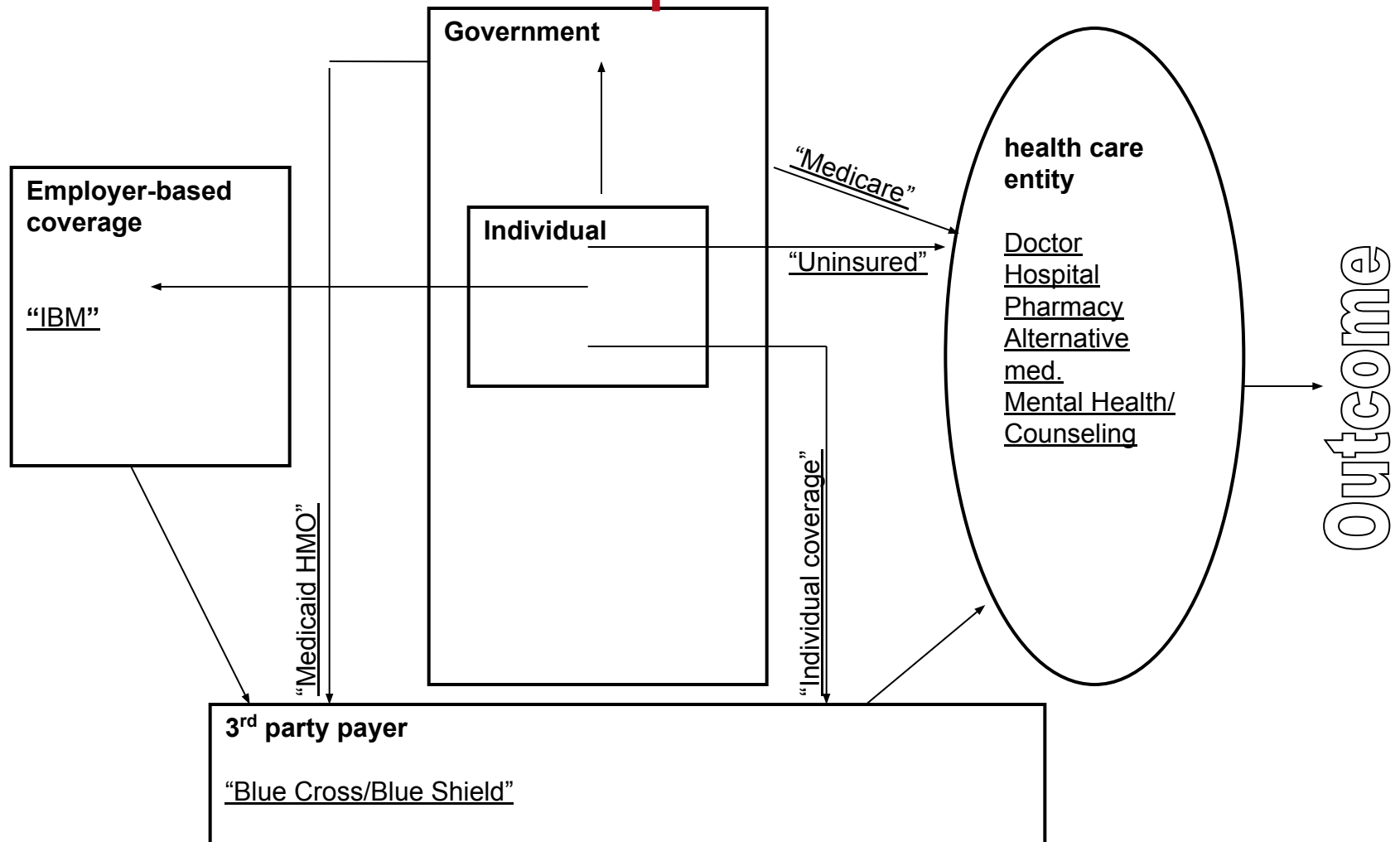
With all that we spend, focus, and train on “health care”, how do we address the “health” part?



U.S. Department of Health and Human Services. Healthy People 2010. 2nd ed. With Understanding and Improving Health and Objectives for Improving Health. 2 vols. Washington, DC: U.S. Government Printing Office, November 2000.

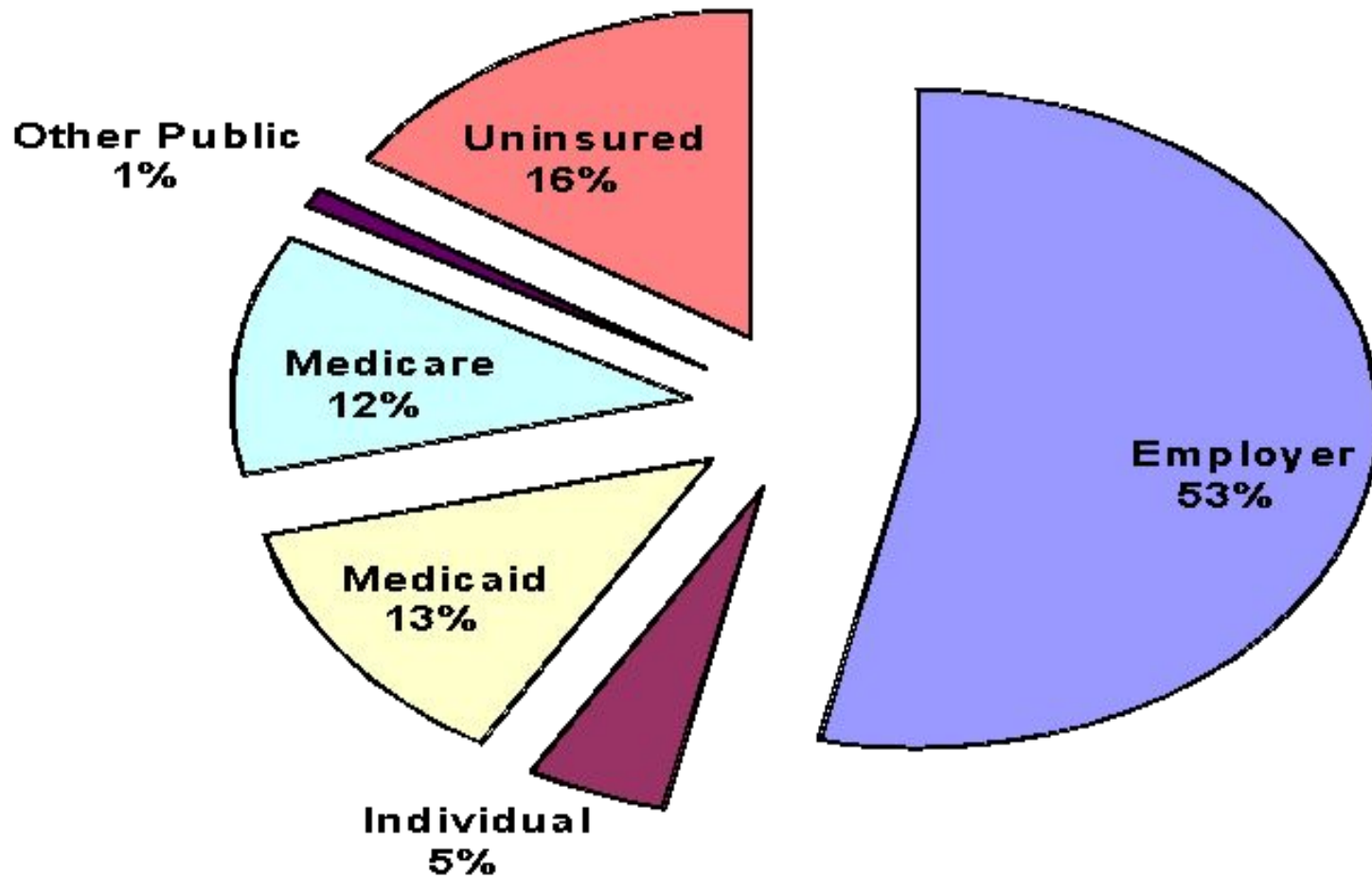


Health - Conceptual Framework



A lot of money is exchanging hands.
Who is accountable to the individual?

United States: Health Insurance Coverage of Total Population, U.S. (2004)



Kaiser Family Foundation, statehealthfacts.org -

"Health Insurance Coverage of the Total Population, U.S. (2004)" - downloaded May 4, 2006



Alumni Medical Library

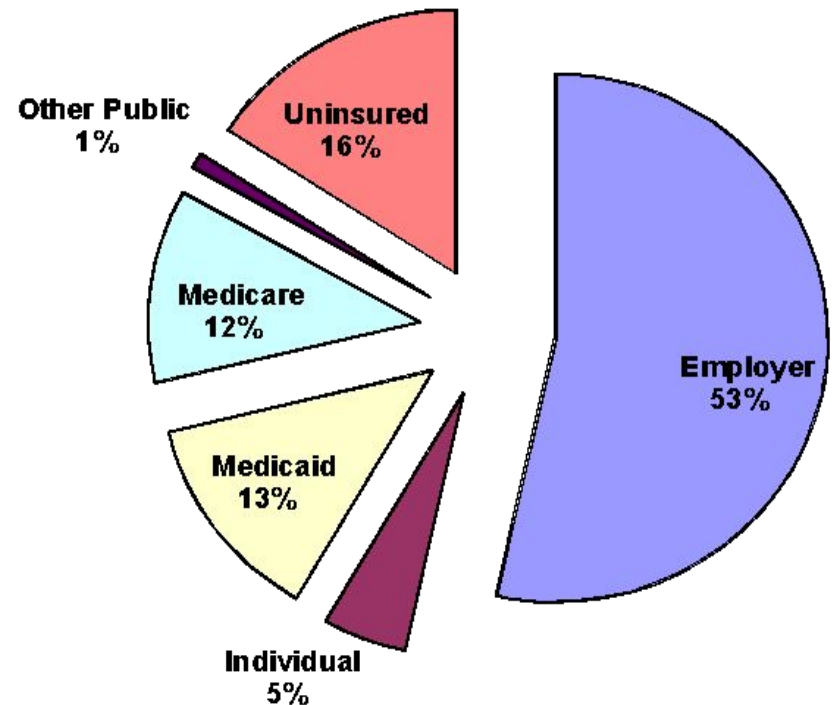
MS 640: Introduction to Biomedical
Information

United States: Health Insurance Coverage of Total Population, U.S. (2004)

Employer-based coverage is the most common type of health insurance provider in the U.S.

This chart is a generalized overview, because there are many exceptions and overlaps:

- People can be "dually-eligible" - Medicare-Medicaid patients (generally poor, elderly)
- Federal employees who get government- purchased health care that is technically "employer-based."



Kaiser Family Foundation, statehealthfacts.org -

"Health Insurance Coverage of the Total Population, U.S. (2004)" - downloaded May 4, 2006



Employer-Based and Individual

- 53% - Employer-based, 5% individual-purchased
 - Dependents/spouses
 - Government employees included
- Most will have **DIFFERENT** plan in 2 years
 - Little incentive to care for individual's long-term health since will probably be insured by someone different in near future.
- Avg. monthly premium – geographic variation
 - Single - \$~150.00
 - Family - \$~280.00

"Update on Individual Health Coverage - Updated" (#7133-02), The Henry J. Kaiser Family Foundation, Aug 2004

Employer-Based and Individual

- Tax policy favors employee-based benefit
 - Companies that spend money in employee health benefits have incentive.
 - They do not pay tax on the “profit” of the money spent on health care benefits.
- “Adverse selection”
 - People who know they are sick are more likely to buy health insurance.
 - Makes insuring difficult
 - Leads individually-purchased health care to be MUCH more expensive than what an individual would pay for a “group rating” employer based health care.

“Update on Individual Health Coverage - Updated” (#7133-02), The Henry J. Kaiser Family Foundation, Aug 2004



Medicare – “Elderly”

- 42 Million recipients – \$325 Billion in 2003
- Federally-funded
- > 65 years old if “qualified”
 - Disabled or in need of hemodialysis and eligible for social security
- 13% of Federal budget

“Medicare at a Glance,” (#1066-08), The Henry J. Kaiser Family Foundation, Sept 2005



Medicare – “Elderly”

- Parts A, B, C, D
 - A: Hospital and Skilled nursing care
 - B: Outpatient, Physician visits when medically necessary
 - C: “Medicare Advantage” plans, approved by Medicare but run by private companies. Provides A, B & D benefits.
 - D: Drug plan. Voluntary and not automatic.
- Future: rising health care costs + aging population = situation for concern.

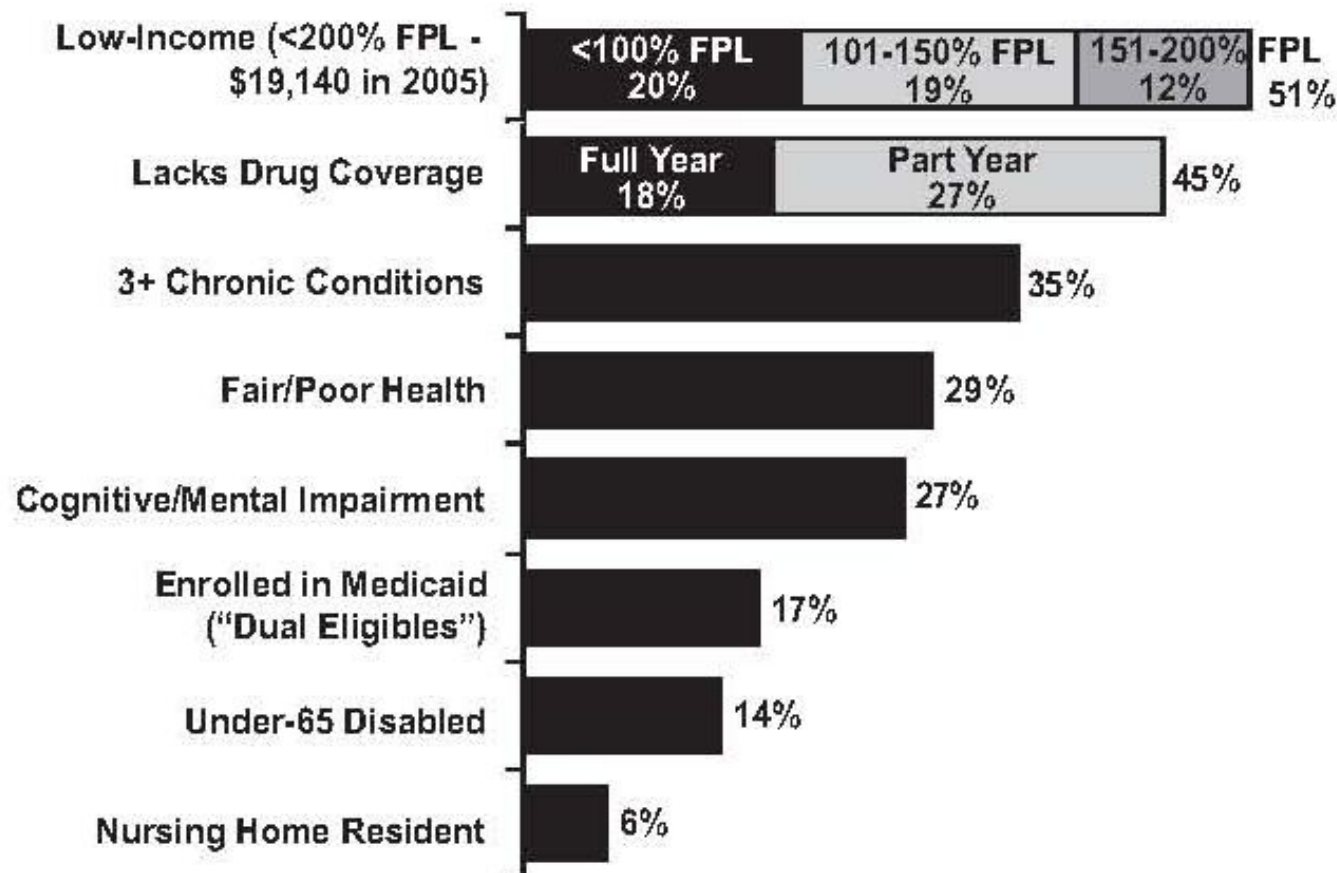
“Medicare at a Glance,” (#1066-08), The Henry J. Kaiser Family Foundation, Sept 2005



Figure 2

Characteristics of the Medicare Population

Percent of total Medicare population:



SOURCE: Medicare Current Beneficiary Survey, 2002 Cost and Use File; Income data from CBO, July 2004.

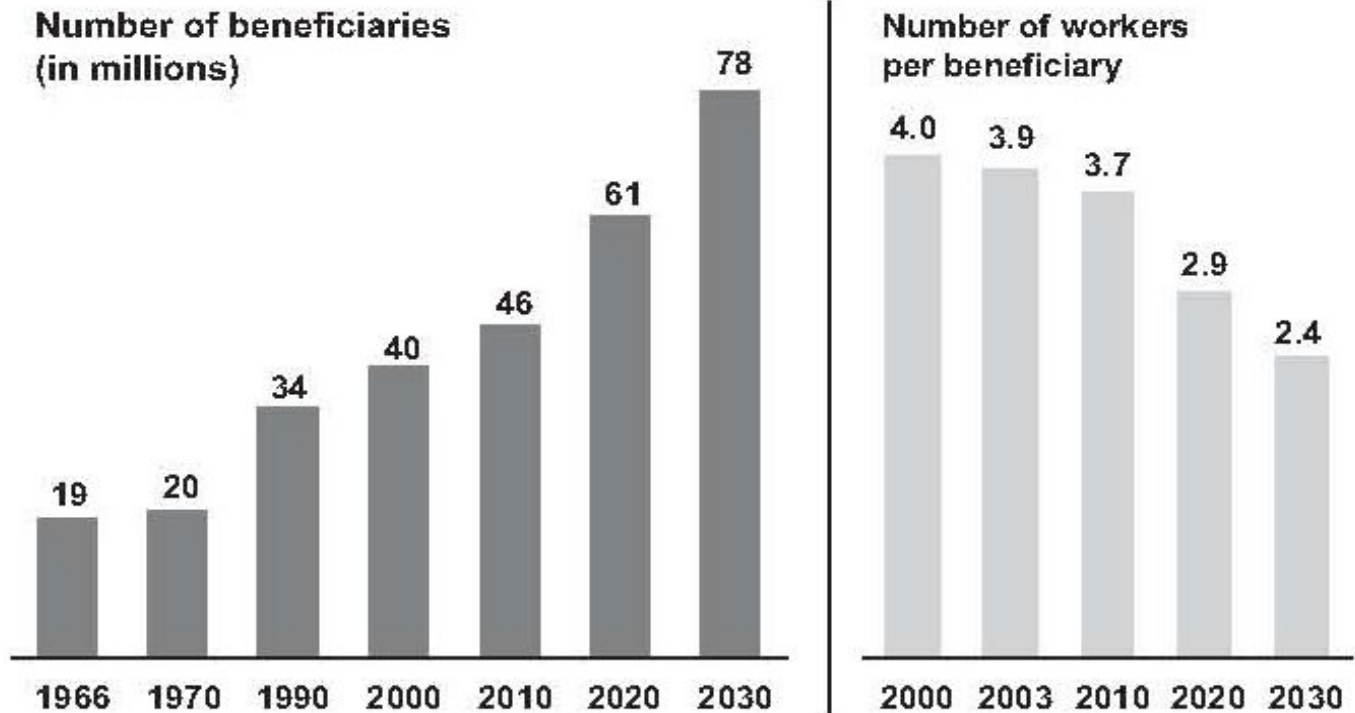
"Medicare at a Glance," (#1066-08), The Henry J. Kaiser Family Foundation, Sept 2005



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Figure 5
Historical and Projected Number of Medicare Beneficiaries and Number of Workers per Beneficiary



SOURCE: 2001 and 2005 Annual Reports of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

Increasing elderly population, decreasing numbers of workers to support them.

"Medicare at a Glance," (#1066-08), The Henry J. Kaiser Family Foundation, Sept 2005



Medicaid – “Poor”

- 52 million recipients - \$266 Billion in 2003
- Federal-State Partnership
- Eligibility – varies by State. Generally poor + children, parents of dependent children, pregnant women, disabled
 - “Dual eligible” with Medicare – chronically ill, long-term care
- Covers most clinical services + Rx

“The Medicaid Program at a Glance,” (#7235), The Henry J. Kaiser Family Foundation, Jan 2005

Medicaid – “Poor”

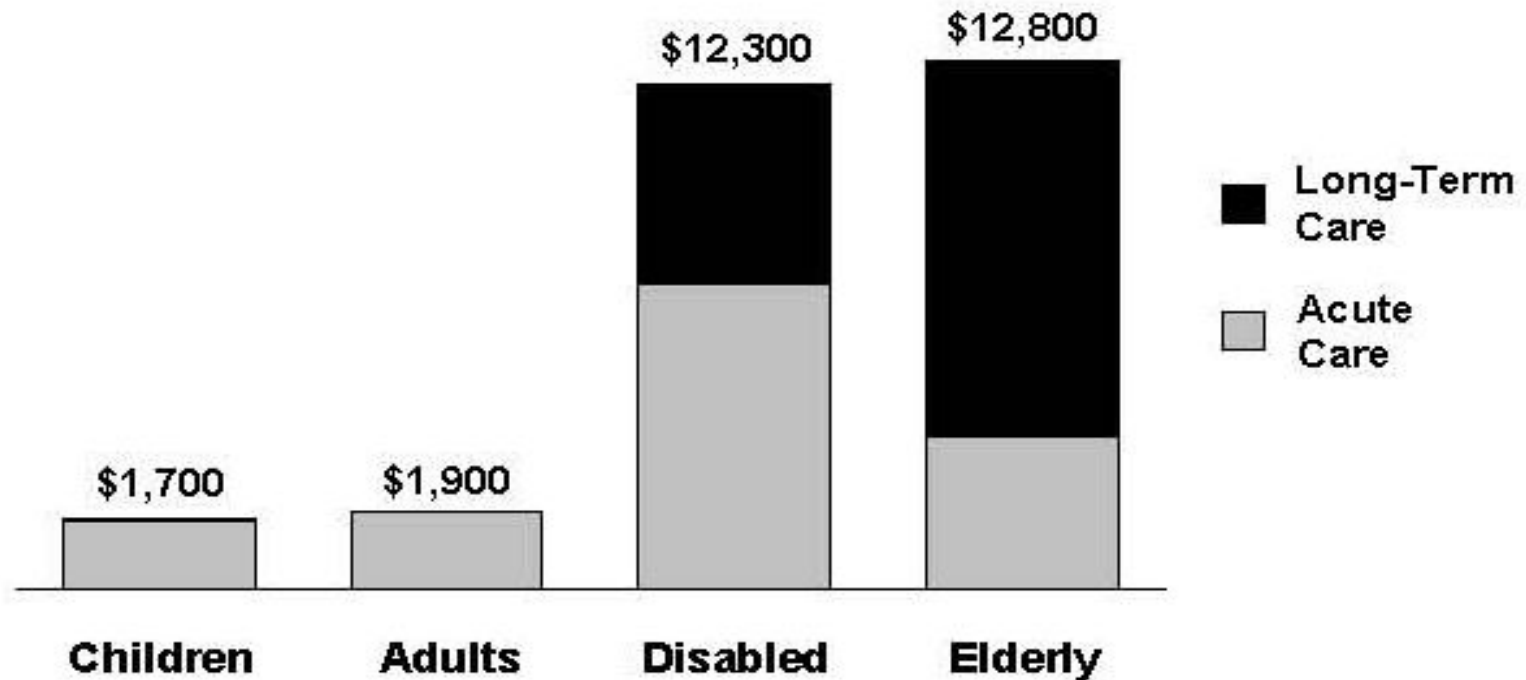
- May contract as “Medicaid HMO” with non-government entity
- Future – more cost limiting.
- Possibilities:
 - Prescription drug limits
 - Utilization review: evaluate services for medical necessity
 - Prior review and authorization for referrals

“The Medicaid Program at a Glance,” (#7235), The Henry J. Kaiser Family Foundation, Jan 2005



Figure 3

Medicaid Expenditures Per Enrollee by Acute and Long-Term Care, 2003



SOURCE: Kaiser Commission on Medicaid and the Uninsured estimates based on CBO and Urban Institute data, 2004.

"The Medicaid Program at a Glance," (#7235), The Henry J. Kaiser Family Foundation, Jan 2005



The Uninsured

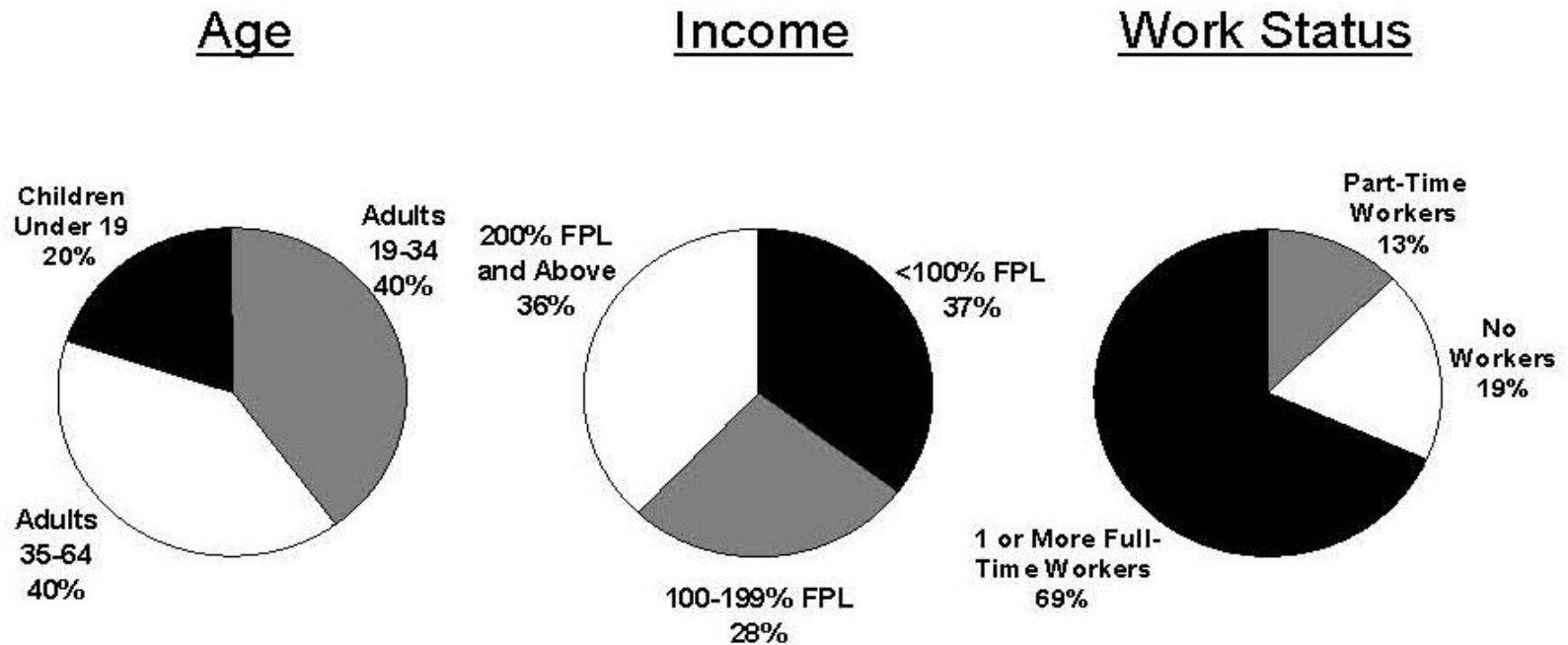
- Over 45 million in 2004
- Coverage = services. No coverage = no services.
- *“But can’t they just buy insurance?” ??*
 - Employer size as predictor – Large firm – 98% offer coverage, small firm – 59%
 - 8/10 come from working families
 - Price sensitive to premiums AND utilization
 - When price goes up, people decreasingly use that resource. People get sicker and sicker before their medical problems are addressed.

“The Uninsured and Their Access to Health Care,” (#1420-05), The Henry J. Kaiser Family Foundation, Dec 2003



Figure 3

Characteristics of the Uninsured, 2004



Total = 45.5 million uninsured

Note: The federal poverty level was \$19,307 for a family of four in 2004.

SOURCE: KCMU and Urban Institute analysis of the March 2005 Current Population Survey.

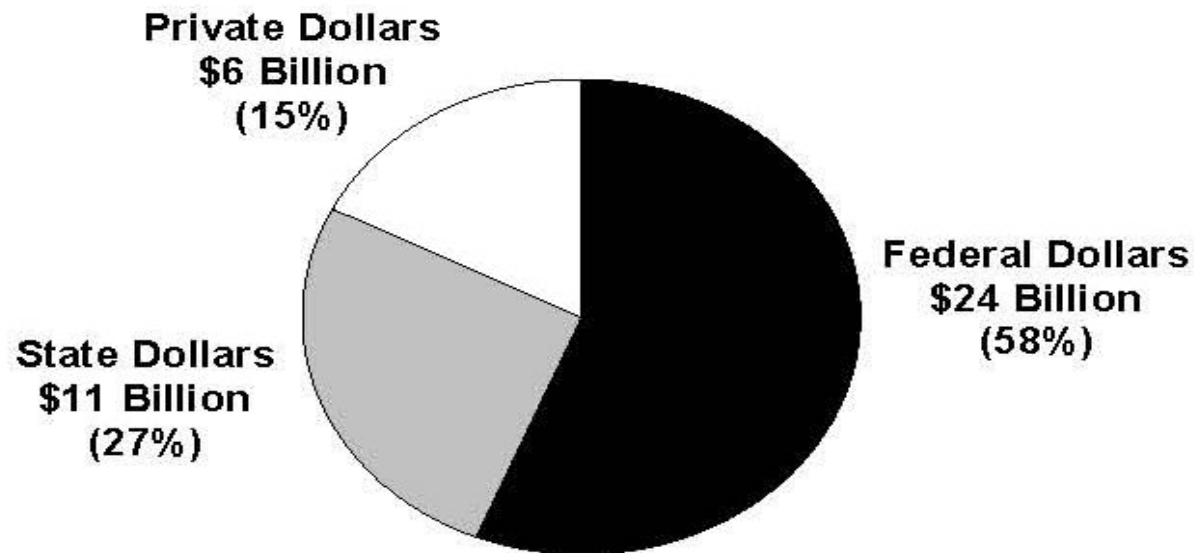
Most uninsured are in working families, but in jobs without benefits.

"The Uninsured and Their Access to Health Care," (#1420-05), The Henry J. Kaiser Family Foundation, Dec 2003



Figure 8

Projected Government vs. Private Dollars as Share of Total Uncompensated Care in 2004



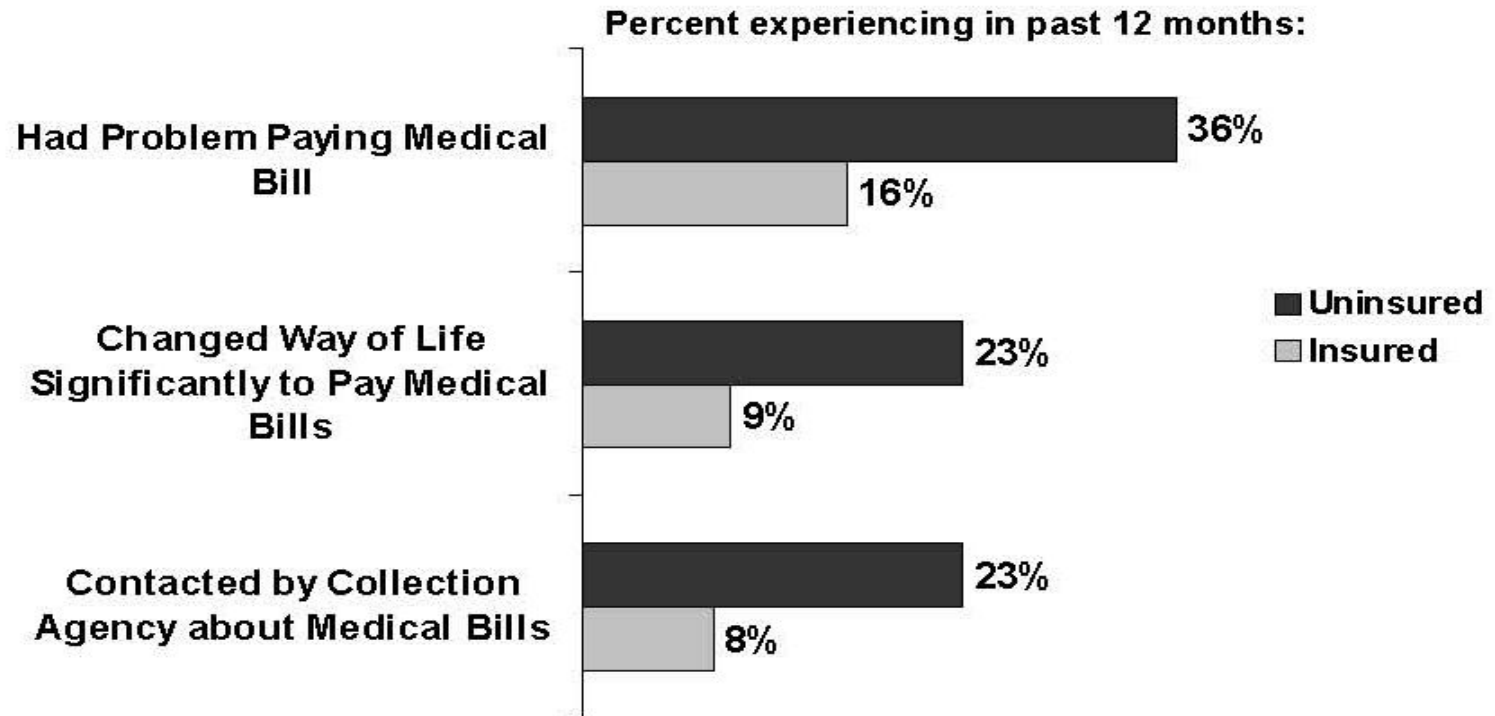
Total = \$40.7 Billion

SOURCE: Derived from Hadley J. and J. Holahan. 2004. "The Cost of Care for the Uninsured: What Do We Spend, Who Pays, and What Would Full Coverage Add to Medical Spending? KCMU, Issue Update, May 2004. *"The Uninsured and Their Access to Health Care,"* (#1420-05), *The Henry J. Kaiser Family Foundation*, Dec 2003

Usually falls to the government to reimburse the provider, if they get reimbursed at all.

Figure 7

Financial Burden of Medical Bills by Insurance Status, 2003



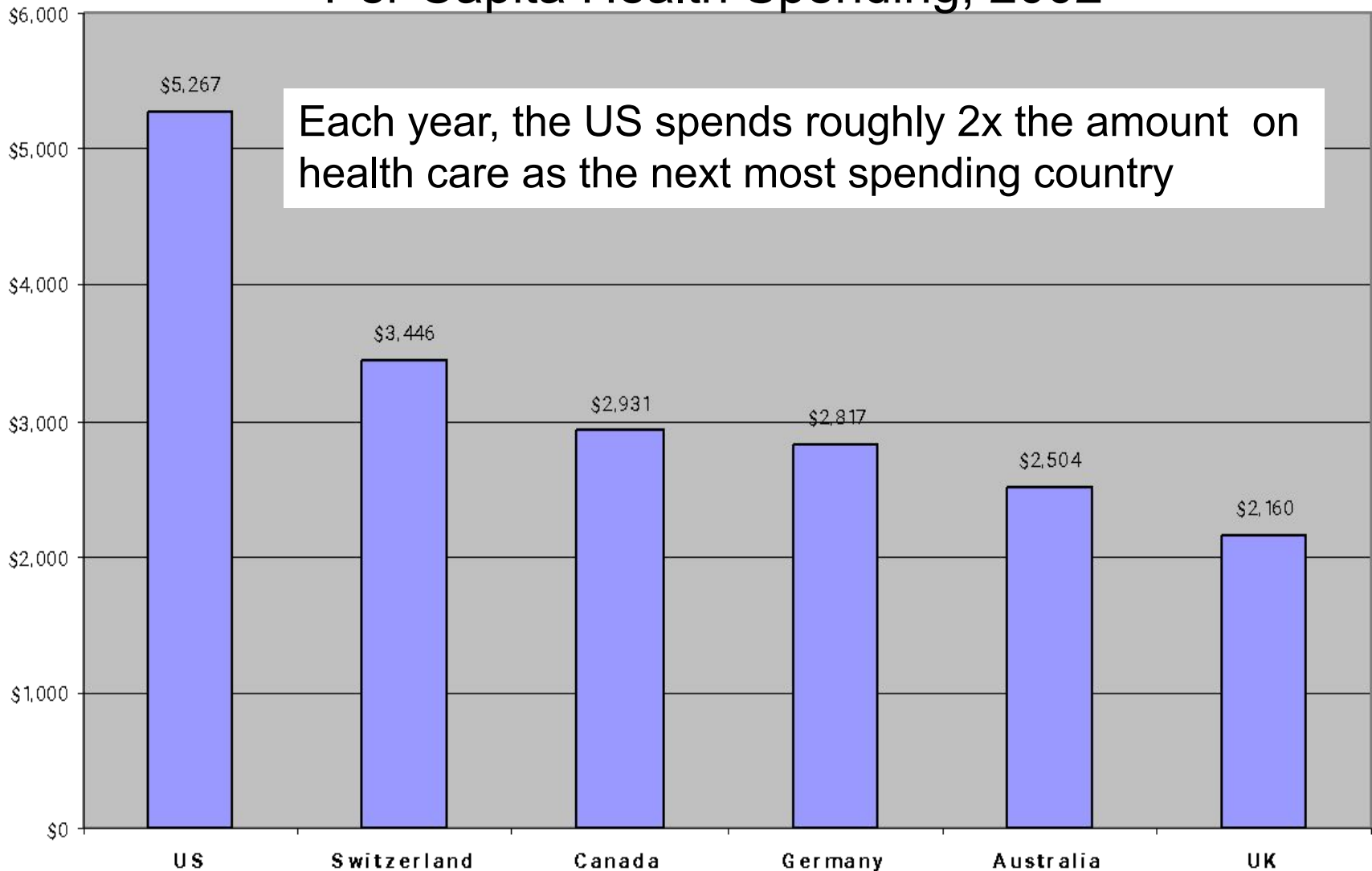
"The Uninsured and Their Access to Health Care," (#1420-05), The Henry J. Kaiser Family Foundation, Dec 2003

Note: Insured includes those with public or private insurance coverage.

SOURCE: Kaiser Family Foundation, Kaiser 2003 Health Insurance Survey.

Leads to price sensitivity: The higher the cost,
the less likely the service will be utilized.

Per Capita Health Spending, 2002



Anderson GF, Hussey PS, Frognier BK, Waters HR. Health spending in the United States and the rest of the industrialized world. *Health Aff (Millwood)*. 2005;24:903-914.



Summary

- Health, itself, is not simply a function of health care, but rather a complex interplay of genetics, behavior, social circumstances, and environmental exposure.
- The structure and function of the U.S. health care system is tremendously complicated, with a myriad of stakeholders advocating policies in their self-interest.
- Physicians must acknowledge our society's need for them to be leaders and agents for change in this complicated system.



Massachusetts Health Care Reform Plan

- Passed April 12, 2006
- Aims to provide universal health care coverage to state residents
- Requires all adults to purchase health insurance
 - Modeled on mandatory auto insurance law
- Low cost options for health care
 - Commonwealth Care Program
 - Government subsidies provided to ensure affordability of insurance.
 - Commonwealth Choice
 - Plans offered by insurance companies, approved by the state, with options for those that don't qualify for Commonwealth Care.
 - MassHealth
 - Expansion of Medicaid to make more children eligible, raise enrollment caps for adults.
- Employers with 11 or more employees required to provide a group health plan and pay a fair share of monthly premiums, or pay yearly contribution per employee to the Health Safety Net Trust Fund.

Looking up Information on the health care system

- Different types of Information:
 - Background
 - Gray literature
 - Statistics
 - Research and journal articles
 - International health care resources



Background

- Resources that offer descriptive and consumer level information on various health care issues and topics
- [MedlinePlus Health System topics](#)
 - Explanations geared to consumers, links to further information and resources
 - Topics such as how to find a doctor, home care, health fraud
- [Medicaid](#)[Medicaid/Medicare](#) official sites
 - Explanations of different services
- [KaiserEDU.org](#)
 - From the non-profit Kaiser Family health care policy institute
 - Tutorials covering basics like Medicare/Medicaid
 - Emphasis on growing concerns and issues
 - Also includes topics like women's health, long term care, children's insurance



Books

- Good for explanations that integrate interdisciplinary factors of the health care system (cultural, medical, historical)
- BU Electronic and print books
 - Search Amazon, Google Books and check the catalog to see if BU owns the book
 - If BU does not own a book, try the Boston Library Consortium Virtual Catalog or Interlibrary Loan
 - E-book “[Understanding Health Policy: a clinical approach](#)”



Gray Literature

- A lot of material concerning health care issues can be found outside of traditional scholarly resources like books or research articles.
- This type of information is often referred to as “gray literature” and is comprised of technical reports, reports from non-profits and government agencies (white papers).
- Because health care is currently such a prominent and controversial issue, you can expect to find a lot of gray literature about health care issues.
- Gray literature can also lead you to a lot of statistics



Finding Gray Literature

- Policy Institutes/Think Tanks:
 - [National Health Policy Forum](#)
 - [Commonwealth Foundation](#)
 - [Kaiser Family Foundation](#)
 - [Institute of Medicine](#)
- Government
 - US Dept. of Health and Human Services "[Reference Collection](#)," a wide-ranging set of links to online HHS statistics/databases, glossaries, reports, and more.
- Portals
 - [Duke Health Policy Gateway](#)
 - Includes links regarding health industry, coverage, expenditure, and reform



Looking up Statistics – US Government

- [AHRQ](#): Agency for health care research and quality
 - Includes [MEPS](#) (Medical Expenditure Panel Survey)
 - health care use, expenditures, sources of payment, and insurance coverage. Includes state information
- Massachusetts Health and Human Services
 - [Researcher page](#) for statistics on state programs and population.
- [NCHS](#): National Center for Health Statistics
 - health care surveys and health insurance statistics
 - [CDC HEALTH, United States, 2007](#)
 - birth and death rates, infant mortality, life expectancy, morbidity and health status, risk factors, use of ambulatory and inpatient care, health personnel and facilities, financing of health care, health insurance and managed care, and other topics



Looking up Statistics – Other sources

- Dartmouth Atlas of Health Care
- Massachusetts Health and Human Services
 - [Researcher page](#) for statistics on state programs and population.
- [NCHS](#): National Center for Health Statistics
 - health care surveys and health insurance statistics
 - [CDC HEALTH, United States, 2007](#)
 - birth and death rates, infant mortality, life expectancy, morbidity and health status, risk factors, use of ambulatory and inpatient care, health personnel and facilities, financing of health care, health insurance and managed care, and other topics

Research and Journal Articles

- Databases
 - Medline: PubMed
 - In PubMed can search Health Services Queries (see next slide)
 - Business Source Complete
 - Congressional Index
 - government legislation, hearings
 - Web of knowledge
 - databases covering different disciplines.
- Visit <http://medlib.bu.edu/indexes/> for comprehensive list of databases



PubMed Health Services Queries

- A search interface to find PubMed citations relating to health care quality or to health care costs
- Use a search term of your own and narrow to one of the pre-defined areas:
 - Appropriateness
 - Process assessment
 - Outcomes assessment
 - Costs
 - Economics
 - Qualitative research
- Search will publication types and studies appropriate to the specific areas



Healthy People 2010

- Pre-formulated PubMed searches based on objectives of a preventative health initiative
Some searches that could be helpful:
 - Increase the proportion of persons with health insurance
 - Increase the proportion of persons who have a specific source of ongoing care.
- See [DATA 2010](#) for data monitoring the progress of the Healthy People initiatives.



International Health Care

- [Global Health Facts](#)
 - From the Kaiser Family Foundation
 - Includes data and facts regarding health funding, financing, workforce and capacity
- [WHO](#): World Health Organization
 - [Global Health Reports](#)
 - [WHOSIS](#) (Statistical Information System)
 - Includes data on health service coverage, health systems resources, and inequities
- [Popline](#): International database on reproductive health
 - Includes focus on demography, family planning, population law and policy

Resource Lists

To access most of the resources discussed
In this presentation, visit the library webpage

www.medlib.bu.edu

For a complete look at online resources,
see E-resources:

<http://medlib.bu.edu/generic/elecres.cfm>

For resources organized by subject
(like [Health Care System](#)) see Subjects A-Z:

<http://medlib.bu.edu/webcollections/>

