

Health Care Financing: Part 2

Companion to Jonas & Kovner's Health Care
Delivery in the United States, Chapter 10, "Health
Care Financing"



HSC 4630

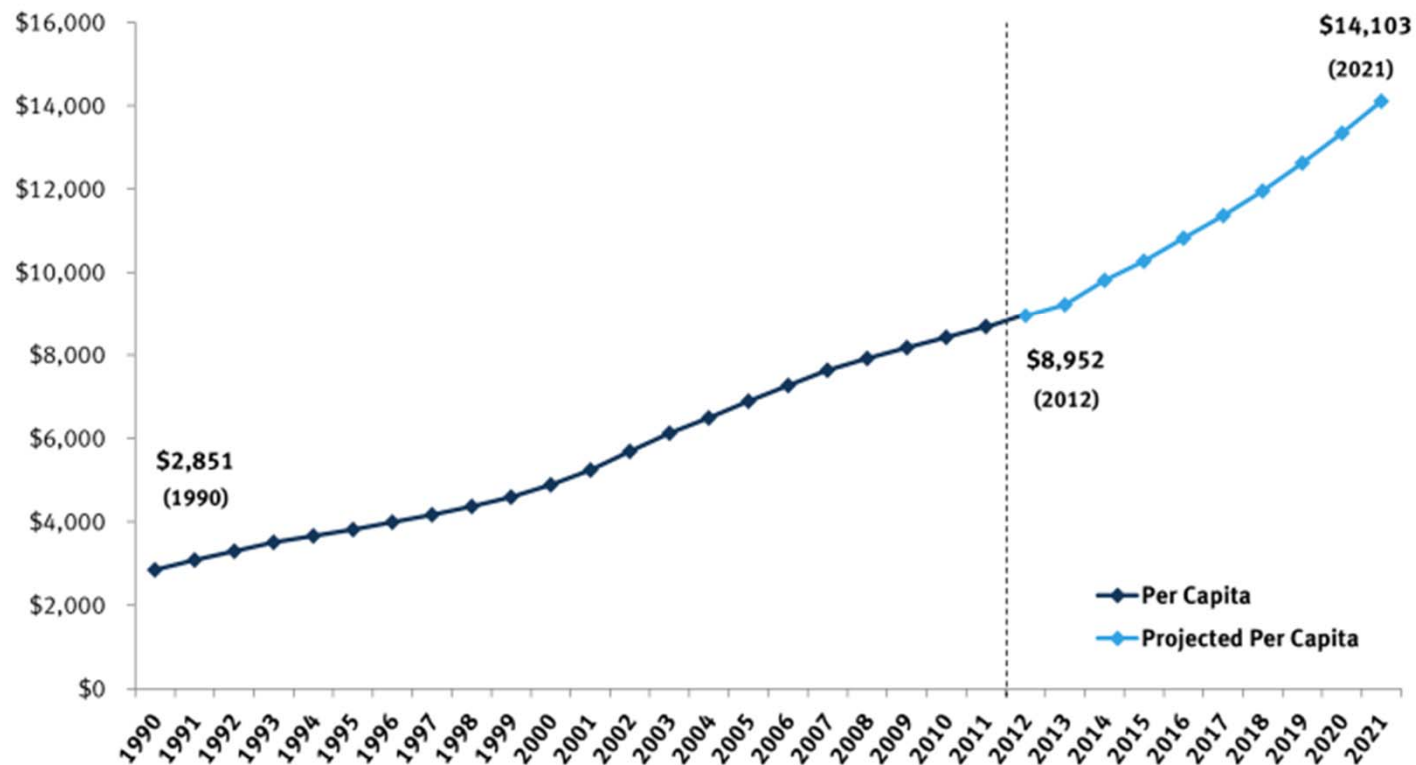
Understanding U.S. Healthcare

Presentation Objectives

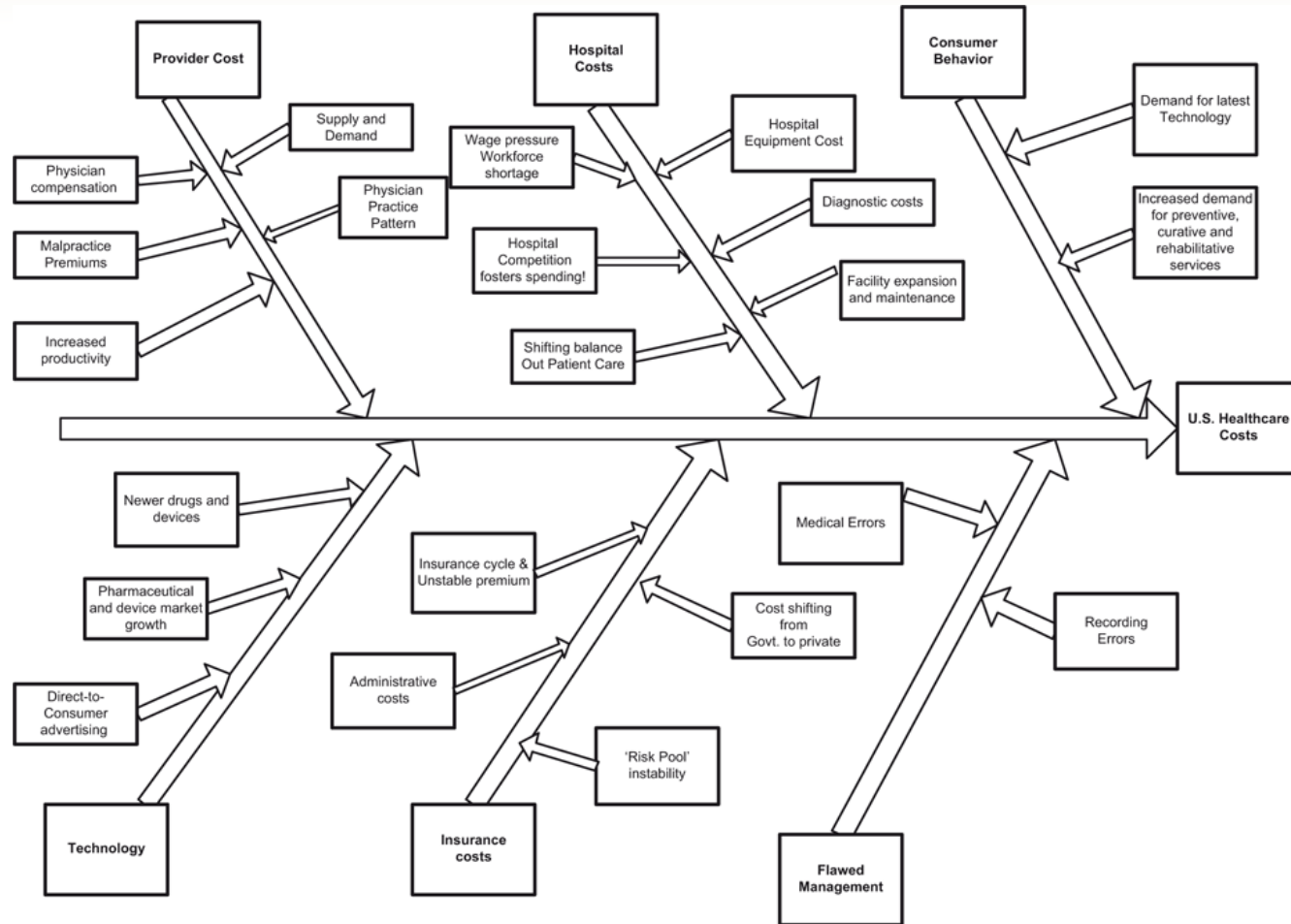
- Summarize U.S. healthcare spending over time
- List the major sources of health care spending
- Describe healthcare payment models
- Compare incentive types among providers and patients

National Health Expenditures per Capita

National Health Expenditures per Capita, 1990-2021

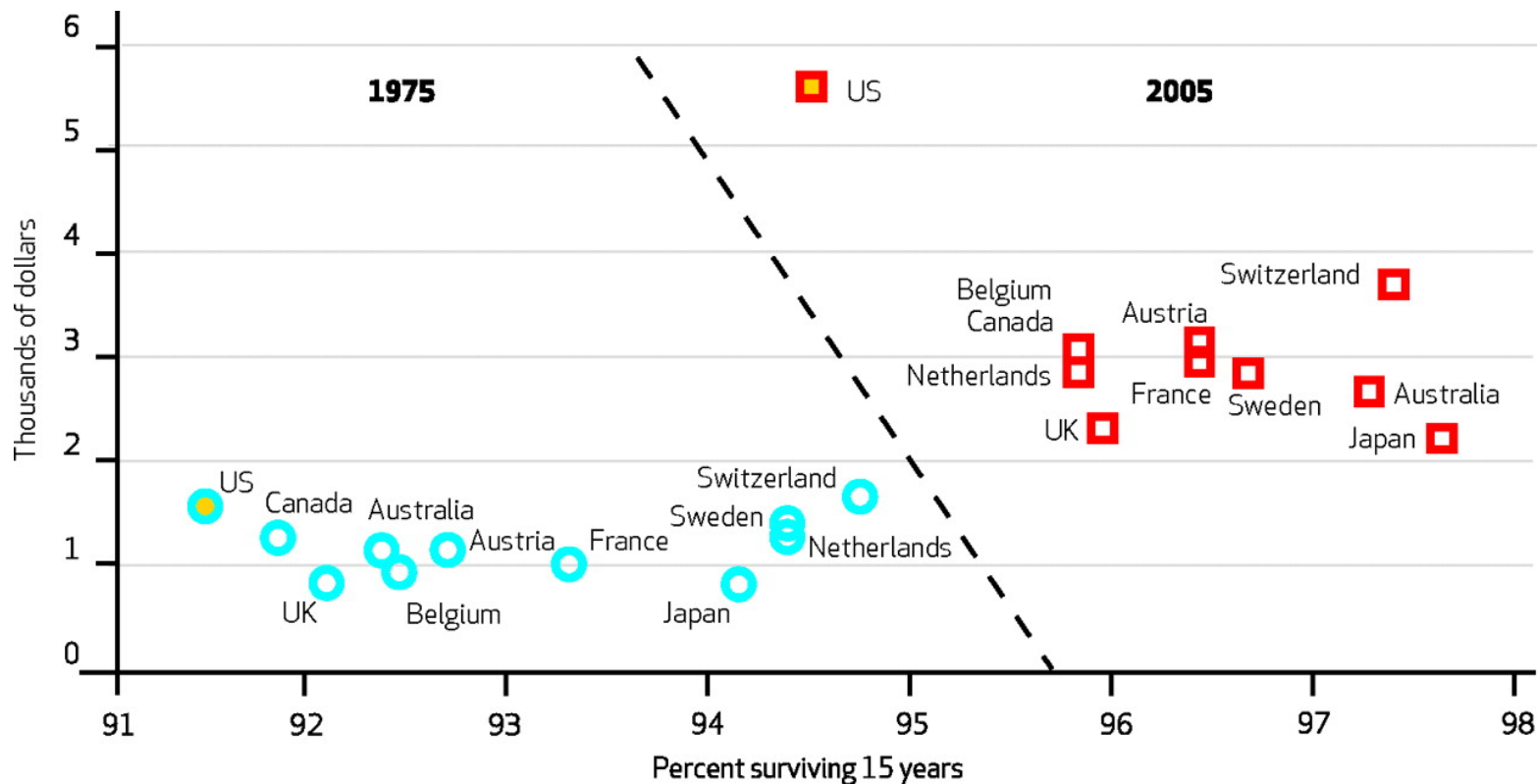


Many Drivers of the Cost Problem



Modest Increases in Quality for the Money Spent

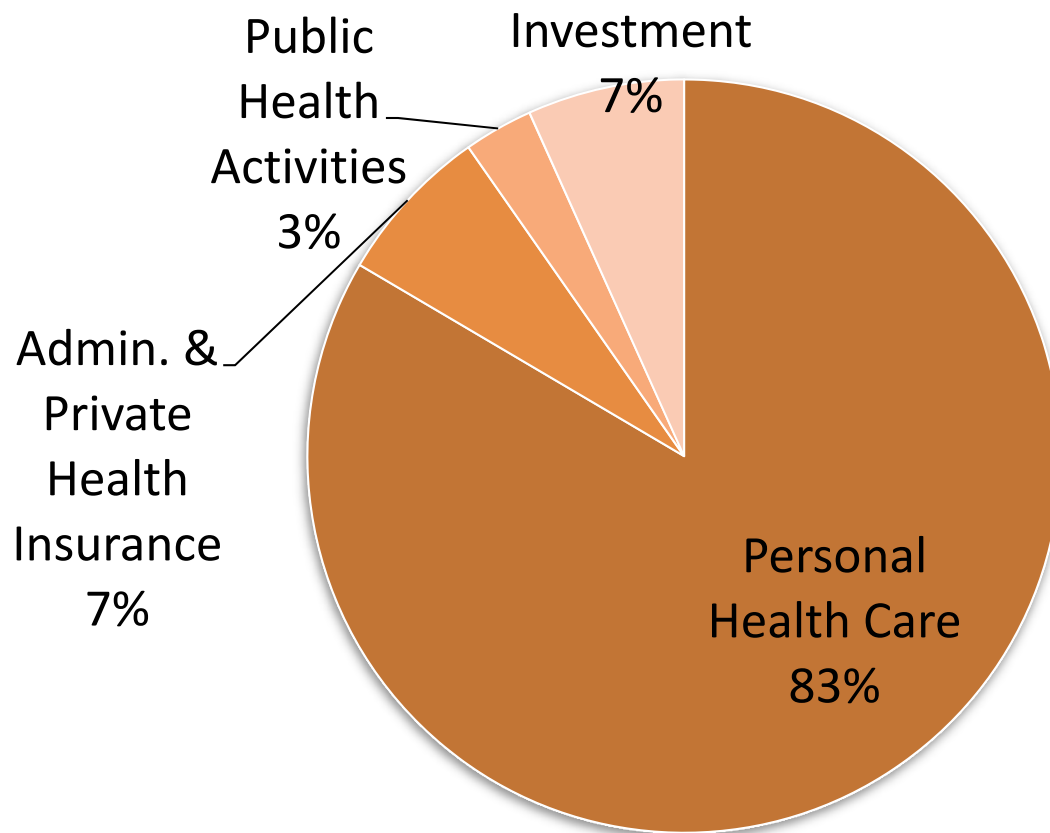
% of 45 year old women surviving 15 years



Good News?

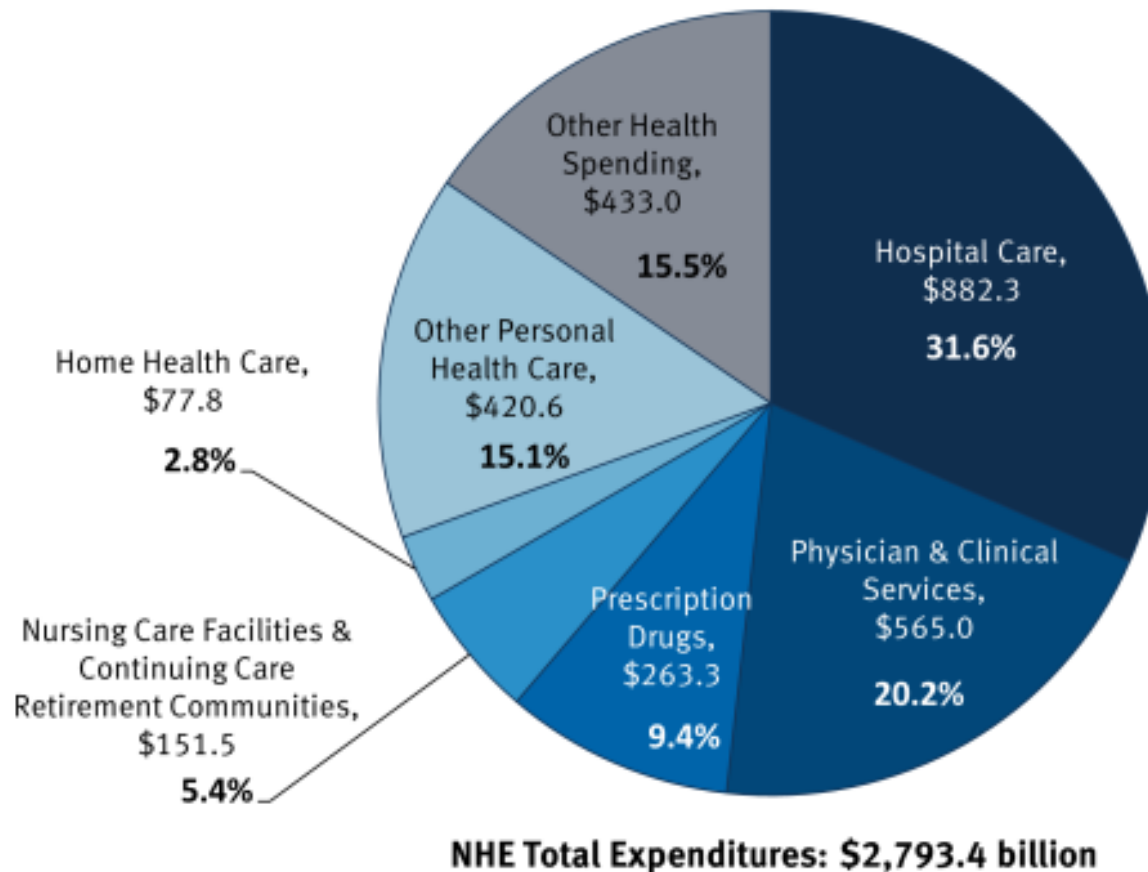
- Spending grew by an average of more than 7% from 2000 through 2008
- Less than 4% a year from 2009 through 2012
- Cause unknown

U.S. Health Expenditures

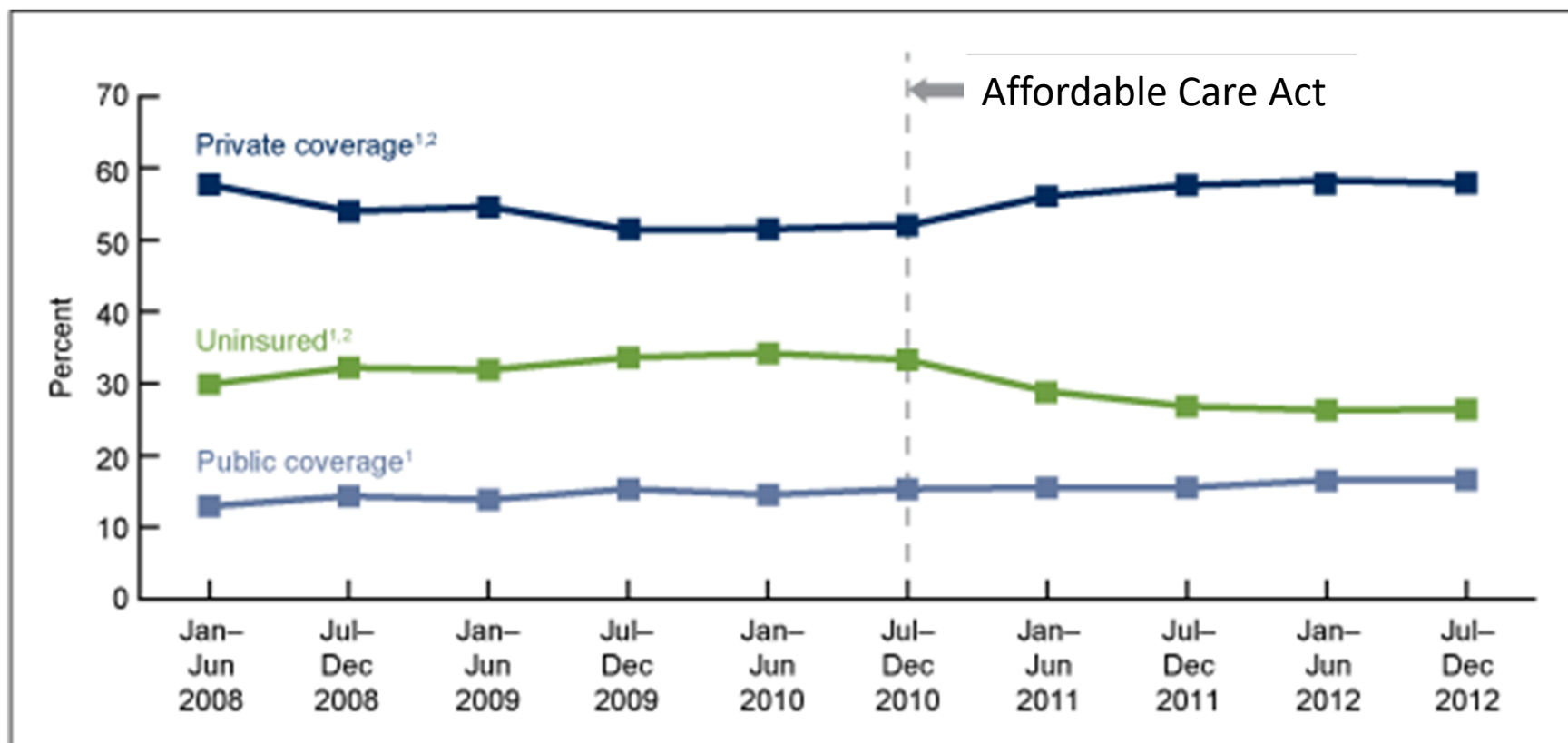


Adapted from Centers for Medicare & Medicaid Services. Office of the Actuary. National Health Statistics Group. Table 2: National health expenditures aggregate amounts and average percent change, by type of expenditure: selected calendar years 1960-2006. Accessed May 28, 2010.

Distribution of National Health Expenditures, 2012

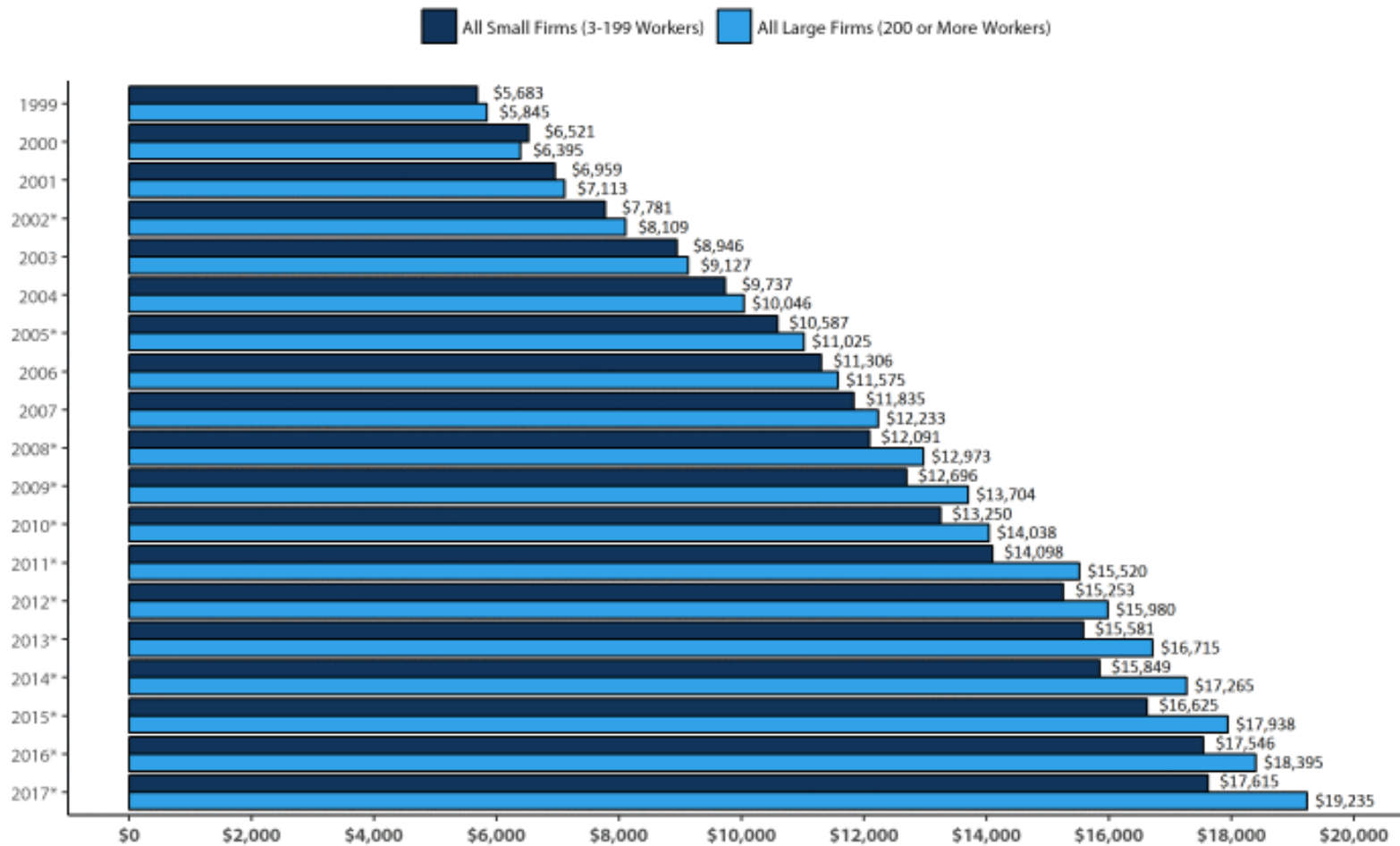


Health Insurance Coverage



Average Annual Premiums

Average Annual Premiums for Covered Workers with Family Coverage, by Firm Size, 1999-2017



Types of Employer-sponsored Health Insurance Plans

- Fee-for-service (FFS)
 - Conventional, Indemnity
 - Health Maintenance Organizations (HMOs)
 - Preferred Provider Organization (PPOs)
 - Point-of-Service (POS)
 - High Deductible Health Plan (HDHP)
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How do Insurers Pay?

- Fee-For-Service (FFS)
 - Diagnosis related groups (DRGs)
 - Per Diem Payments to Hospitals
 - Capitation Payments
 - Global or bundled payment systems
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Hospital Charges

- Private insurance payers
 - Negotiate prices with hospitals
 - Across the board discount
 - Medicare
 - Ignore charges
 - Pay based on costs
 - Medicaid
 - Per diem (per day charges) based on cost
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Medicare Hospital Reimbursements

- Prospective payments and Diagnosis Related Groups (DRG)
 - New hospital payment method to promote efficiency
 - Hospitals were paid fixed amount for every Medicare admission 2008
- Medicare Severity DRGs (MS-DRGs)
 - No comorbid conditions / Co-morbid conditions / Major Co-morbidities
- Present on admission
- Readmission penalties

Physician Payments

- Current Procedure Terminology (CPT)
 - Developed by the American Medical Association
 - “S” codes
 - Developed by CMS using Healthcare Common Procedure Codes (HCPCS)
 - Resource-based relative value scale (RBRVS)
 - Value of services
 - Expenses
 - Malpractice risk
 - Geographic adjustments
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Financial Incentives

- Pay for volume, not quality
 - Payment structures may contribute to increasing health care costs
 - Pay-for-performance
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Patient Cost Sharing

- RAND Health Insurance Experiment
 - Cost sharing
 - Co-pays
 - Co-insurance
 - Deductibles
 - Moral Hazard
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Conclusion

- Increasing cost of care
 - Increasing cost of health insurance
 - Financial incentives impact behaviors in healthcare system
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