Transcript

Government and the Health Care System


1. This presentation reviews the government role in U.S. health care. The lecture is a companion to Jonas & Kovner’s Health Care Delivery in the United States, Chapter 3: Government and Health Insurance: The Policy Process.

2. The presentation objectives include:
   - Outline the evolution of government's role in the U.S. health care system
   - Distinguish the roles of federal, state, and local government in the U.S. health care system
   - Identify the roles of the legislative, executive, and judicial branches of government
   - Articulate the role of ‘fourth branch’ in U.S. government
   - Relate the Affordable Care Act to the policymaking process described above

3. The U.S. government is deeply involved in the provision of health care compared to its involvement in other domestic industries. On the international scale, the U.S. government is less involved in the provision of health care than governments in other industrialized nations. Historically, the government’s responsibility for health protection consisted of two things, the promotion of sanitation and communicable disease control. As technology improved and our knowledge of disease and treatment matured, government responsibilities grew dramatically.

4. Government Paid for almost half of all healthcare expenditures in the U.S. in 2007. The share of healthcare expenditures that the government pays for totals 46%, which includes the federal government (34%) and state and local government sources (12%). The other sources include “out-of-pocket” payments by patients of about 12% of total healthcare expenditures. This means that patients pay doctors and hospitals directly amounts totaling hundreds of billions of dollars each year. Other private funds of 7% includes private philanthropy. Finally, health insurance paid 35% of the total healthcare expenditures paid to providers in the U.S. So, you can see that our governments finance a very large proportion of healthcare in the U.S. The large role that the government has in U.S. healthcare financing may surprise many people. We’ll discuss healthcare financing in Module 3.

5. Government as a payer. Here are some of the major ways that the government acts as a health care payer. The Federal government pays for Medicare for most seniors aged 65 and older, and some disabled Americans, without state funding. It is completely run and operated by the federal government through the Centers of Medicare and Medicaid Services (CMS), a department within the Department of Health and Human Services (HHS). Also, the federal government pays a share of Medicaid and CHIP costs – about half, depending on the state.

The states’ bare the other half of the expenses for Medicaid and State Child Health Insurance Program. Medicaid is a program for low-income individuals, pregnant women, children and the disabled and is run by the states. SCHIP provides health insurance for children in families with incomes too high to qualify for Medicaid but too low to purchase private insurance. As with Medicaid, the federal government establishes general guidelines, but specific program requirements are established by each state.
At the local level, hospital taxing districts care for a large number of uninsured patients and are reimbursed by the federal government and local taxes collected from residents.

6. Government as regulator. Regulations exist at the federal, state, and local levels. A key issue in health policy is the extent to which the states and the federal government should regulate health care. Community services are provided by government at all levels, federal, state and local. These services include providing clean water, sanitary sewage, food and drug inspections, immunizations, vital statistic tracking.

As examples of federal government regulation, the FDA oversees the approval process for new pharmaceuticals. Also, the Emergency Medical Treatment and Active Labor Act regulates hospitals to ensure access to care for emergency conditions regardless of the patient’s ability to pay.

State governments have direct control over hospital entry into and exit from the market. A characteristic of the free market is low barriers to entry into and exit from the market, or opening or closing a business in the market. New hospitals may not open and existing hospitals may not add a single bed or acquire medical equipment without a Certificate of Need (CON), making entry into the market difficult. The CON is required to justify the need for additional medical care services. CON programs originated to regulate the number of beds in hospitals and nursing homes, and to prevent overbuying of expensive equipment.

Also, insurance companies must be state licensed and are regulated by the Department of Insurance in each state in which they operate. The state government licenses physicians, nurses, technicians, pharmacists, optometrists, dental hygienists, among other providers.

City and county governments oversee issues such as water supply, waste disposal and food inspections.

7. Government as Provider. The health care function of the government varies depending on the characteristics of group receiving care. The Veterans Health Administration and Tricare cover veterans and active service members, respectively, and the Indian Health Service provides health services to Native Americans.

Community health centers (CHC) are public health facilities operated by a state or county. CHCs are local non-profit, community-owned health care providers serving low income individuals in medically underserved communities. CHCs may also be known as Federally Qualified Health Centers (FQHC). They are located in areas where primary care is needed but usually scarce, because the market does not find it profitable enough to move into those areas. CHCs provide an improved access of care for millions regardless of their insurance status or their ability to pay. We call this our health care “safety net.”

Many states operate state hospitals to provide care for vulnerable populations, such as the indigent or mentally ill. In Florida, an example is the Florida State Hospital in Chattahoochee, which is northwest of Tallahassee. Also in Florida, State Mental Health Treatment Facilities are operated through the Department of Children and Families.
Local community health programs provide preventive and primary care. For example, voters in Miami-Dade County approved a referendum in late 2013 that provided $830 million in funding through property taxes for new construction and equipment at Jackson Health System. Jackson has a reputation as a safety-net provider of free care for vulnerable people in Miami-Dade area.

8. Other Government Roles. The federal government pays about 92 percent of health care research, much of it through the National Institutes of Health. Also, the federal government subsidizes medical education for physicians. Finally, the federal government supplies a tax subsidy to encourage employers to offer health insurance programs. Employers can offer health insurance as part of the worker’s compensation package without paying payroll taxes on the health insurance portion.

9. The Constitution created the 3 branches of government as a check on the power and to balance the power of each individual branch. The Legislative Branch creates the laws, the executive branch implements and regulates the laws, and the judicial branch interprets the laws when required.

10. Most of the attention is focused on the government’s role, but the ‘fourth branch of government’ - special interests, the media, and the public - holds a lot of influence.

Support from special interests is important for any bill to pass. For example, when President Clinton attempted health care reform in the 1990s, the health insurance industry financed an ad campaign which resulted in strong public opposition.

Also, Congress relies on the on media to disseminate health policy information. The problem is, health policy is dry, and rarely results in attention-grabbing news. This is especially relevant as many newspapers are on the verge of bankruptcy and need every reader they can get.


“The media has the undeniable power to shape narratives. And in the end, public perception will trump policy details. The major players of health reform realize this, and will continue to jockey for position in order to woo the media to put their spin on the reform proceedings.”

Finally, influence of the public is important because they can garner support for their cause from other citizens who in turn can exert their influence on elected officials. For example, tea party activists, who advocate lower taxes and less government involvement, were strong opponents of health care reform and became influential in the debate.

11. Here’s an example of the three branches of government using the Affordable Care Act. I think the Affordable Care Act is the most important healthcare legislation of our generation(s). So it is a very exciting time to be in a course about the U.S. healthcare system. We will discuss the ACA in more detail in next lecture.

What I want you to understand on this slide is the policy process at a basic level. If you did not take American Government in high school, I recommend viewing an introductory YouTube video, because understanding policymaking process is a requirement of responsible citizenship.
• Legislation – After Obama’s first inauguration, the president announced health reform as his legislative priority. After much debate in Congress, the bill eventually passed both the Senate and the House without any Republican support.

• Regulation – After the bill passed the legislative branch, the President signed it into law. The executive branch, which includes the President, Vice-President and the Cabinet of the heads of federal agencies, implemented the laws. The cabinet agency most involved in healthcare is the Department of Health and Human Services (HHS). The agency within the HHS, the Centers for Medicare and Medicaid Services, was responsible for the development of the online healthcare marketplace that faltered in the fall of 2013.

• Judiciary – Suits were brought against ACA that eventually made it to the Supreme Court, the top of the Judiciary. The decision of the Supreme Court required changes to the legislation and to the regulation of the ACA. This is a good example of the checks and balances in U.S. government.

12. The point of this lecture is to inform you on the complexities of health care policy operating at multiple levels – federal, state, and local. Many stakeholders are involved, including special interests, media and the public - elements unofficially referred to as the fourth branch of government. Knowledge of the government’s deep involvement is critical to your understanding of the U.S. health care system.