Milestones in the History of the U.S. Healthcare System

- **1798**: The 1st Marine hospital, a forerunner of today’s Public Health Service was established to care for seafarers
- **1847**: American Medical Association (AMA) founded
- **1872**: American Public Health Association (APHA) founded
- **1889**: Massachusetts formed the first state health department
- **1916**: 1st School of Public Health at Johns Hopkins was started
- **By 1922**, Columbia, Harvard, and Yale universities established schools of public health
- **1935**: Social Security Act: No Health Insurance
- **1937**: National Institute of Health (NIH)
- **1965**: Medicaid and Medicare
- **1973**: Health Maintenance Organizations (tax and regulatory preferences)
- **1997**: CHIPS (children’s health insurance)
Important Evolutions

- 1940s – 1970s – Insurance Products
- Mid 1960s – Medicare, Medicaid, and Champus
- 1980s through present – Managed Care
  - Definitions
  - Fee for Service (FFS) to Prospective Payment
  - Results

Prices and Expenditures Reboud

The physician patient relationship

- Historically: a direct relationship with minimal interference from 3rd party payers
- Under managed care: A managed care organization (MCO) makes a contract with pt. or his/her employer to provide medical care – the MCO takes on a more active role
- Physicians used to be free in their decision making: one reason for cost escalation.
- MCOs: primary contract with the pt. & controls the type and utilization of resources and services.
Changing Landscape
- Demographic Change
  - Aging society
  - Growing Female Majority
- Information Age
  - Informed, Connected Patients
  - E-enabled Providers and Health Plans
- Long-Term Care Issue
  - Aging population increasing need
  - Continuity of care and services
- Rise of Consumerism
  - Consumers are in control
  - Consumers are more informed than ever

The Health Care Environment
- Increasing employer resistance to double-digit medical cost increases.
- Consumer and provider dissatisfaction with managed care companies acting as intermediaries.

Unpleasant Realities
- Coverage is not universal ... what it means
  - Uninsured ... 11.6 million Americans who are 18 or younger do not have health insurance.
  - Unpleasant choices ... many elderly Americans find themselves choosing between their monthly prescriptions or buying groceries.
  - Inefficient choices ... use of ERs
The cost problem in perspective

In the graph, the increases in employer health plan premiums compared to disposable income are shown over years. The blue line represents health insurance premiums, while the green line represents inflation-adjusted disposable income.

Key Terms

- Health Care Industry:
- Diagnosis-related group (DRG):
- Medicare:
- Medicaid:
- Single-payer System:
- HMO
- Capitation
- Integrated Health Care System

Basic Terms in Insurance Cost Sharing

- Premium
- Deductible
- Co-Insurance
- Co-Payment
Preventive Care

Preventive health services include:
- childhood immunizations,
- dental screening for children,
- maternal/child services,
- screening services for women
  - PAP smears, mammograms
- health education, and
- screening services for the general adult population
  - cholesterol,
  - blood pressure,
  - diabetes,
  - cancer screening,
  - Smoking cessation

Primary Care

Primary health care services include preventive health measures as well as basic care for sick individuals.
- This care is provided at the level of the clinic (fixed or mobile) and is generally limited in scope.
- Service usually provided by Physicians, Nurse Practitioners and Physician Assistants.
Secondary / Tertiary Care

- Both Secondary and Tertiary Care services are provided at the level of hospitals and specialized medical facilities, such as cardiac, gastrointestinal, surgical, etc.
- Secondary care is available in both community hospitals and Physician offices and ideally, are arranged through referral or consultation after a preliminary evaluation by a primary care practitioner.
- Tertiary services include highly specialized diagnostic, therapeutic and rehabilitative services e.g. organ transplant, open heart procedures etc.

Other Considerations

Character of the present U.S. Health Care System

- A mostly private system
  - Corporate influences
  - Distribution and allocation
  - Relatively large focus on secondary/tertiary
- Increasing role of government
  - Medicare, Medicaid, Tax subsidy, Indian Health Services, SCHIP, Veterans, School Clinics, etc...
Free Market Pros and Cons

- Well informed consumers???
- The shopping problem
- External costs

How satisfied are Americans?


Dissatisfaction with the Health Care System

[Bar chart showing dissatisfaction levels in different countries]
What is the biggest problem with U.S. Health Care?

- High cost of health care
- Inadequate coverage of services
- Shortages
- Waiting times
- Not enough gov't funding

Single most important thing the gov't can do to improve health care?

- Spend more money
- Increase number of health care professionals
- Reduce costs
- Improve coverage

Medical Errors with Serious Consequences?

*Includes only those reporting a medical error!
Access Problems due to Cost

<table>
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<th>Year</th>
<th>Did not fill prescription</th>
<th>Did not get medical care</th>
<th>Did not get recommended treatment, or follow-up</th>
<th>Did not get dental care</th>
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<td>15%</td>
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<td>18%</td>
<td>12%</td>
<td>8%</td>
<td>3%</td>
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<td>15%</td>
<td>10%</td>
<td>6%</td>
<td>2%</td>
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<td>2005</td>
<td>12%</td>
<td>8%</td>
<td>4%</td>
<td>1%</td>
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<tr>
<td>2006</td>
<td>10%</td>
<td>6%</td>
<td>2%</td>
<td>0%</td>
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A Politically Active Industry

Lobbying

Size means power

- The industry’s sheer size
  - Growth in # of employed from 1998 to 2006 = 19.6%
  - Overall growth in the economy = 10.9%

Health Care and Social Assistance, Employees
Lobbying

"Lobbying is any effort to influence legislation, rules, and regulations at the federal, state, or local government level."

The health care industry has consistently been in the top 10 political contributors (next slide).

Political Contributions in 2008 Presidential Cycle

Who lobbies and why?

Interested groups, organizations, and individuals to influence legislation, policy, and decision. e.g.

- In health care:
  - Pharmaceutical industries
  - Professional Associations
  - Insurance companies etc.

- Lobbying is a strong factor and determinant of future policies and legislations.

- Person appointed/hired for lobbying is known as a lobbyist.
Recap

- Health care costs rising rapidly
- Changing demographics
- Rising number of uninsured
- Medicine itself is increasingly complex making the role of information more important, which has crucial implications for the success of the free market.
- Patient satisfaction is relatively weak
- The health care industry is large, powerful, and politically active

In closing ... a health care Q & A

- How do we keep people healthy?
  - Public Health
- How do we diagnose and treat people?
  - Medicine
- How do we improve the health of the population?
  - Health Promotion
- Why are some people healthy and others not?
  - Demographics, inequalities, and disparities

In subsequent weekly presentations, each major component of the U.S. health care system will be discussed separately.

Thank you.