

## **HCA 302 Module 1 Lecture Notes**

### **The Big Picture of Health Care**

We will look at both the big picture of health care, as well as review the historical evolution of the U.S. health care system.

#### **The Historical Evolution of the U.S. Health Care System**

The historical evolution of health services in the United States may be divided into major events, or major time periods. Looking at major time periods, we see the following four major periods:

The early years (1700s and 1800s) in our country's history were characterized by a high rate of mortality, disease epidemics, unhealthy living and working conditions, and few available scientific solutions to address these issues. Care was disorganized, offered mainly by solo practicing physicians. Hospitals and almshouses offered basic care for the poor.

From the early 1900s through World Wars I and II, more rigorous medical education programs with emphasis on scientific models led to more organized approaches to the delivery of care; early applications of technology in hospital settings were seen. President Roosevelt's "New Deal" agenda included legislation to establish social security, paving the way for more government involvement in health and welfare issues. Wage controls during the Great Depression made employer-sponsored commercial health insurance attractive as a benefit in lieu of raises.

From the end of WWII to the mid-1980s, dramatic developments in technology and progress in treating diseases were seen, along with expanding roles for hospitals and the government. President Johnson's "Great Society" initiatives during the sixties and the establishment of the Medicare and Medicaid programs were notable. Health care consumption and expenditures grew, as did political attention.

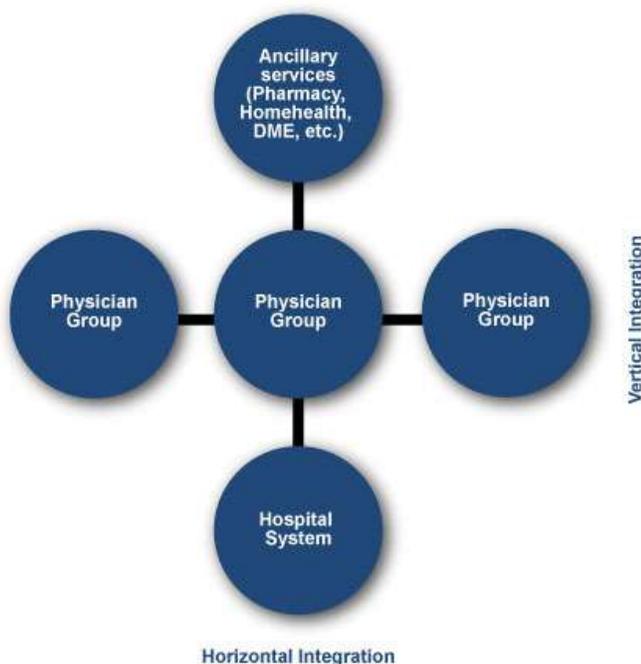
From the late 1980s to present day, continued rapid advances in technology and biological science have come, along with continued financial and political pressure and social concern. With the failure of efforts at large-scale government-led reform under the Clinton administration, market based managed care approaches have developed with focus on monitoring of cost, and to some extent, quality of care. Further integration of delivery system components has been seen. Economic pressure has impacted the ability of many businesses to offer health insurance as an employee benefit, leaving unresolved issues of access to care and the uninsured.

Period	Major Events
1700s	Epidemics, high mortality, surgery often meant death
1800s	Small town medicine, voluntary hospitals
1900s	Hospitals, penicillin, first health plan
1950s	Pharmaceuticals, HC is 4.5% of GDP
1960s	Specialists, Medicare/Medicaid laws, HC is 5.1% of GDP
1970s	HMOs/NIHs, smallpox eradicated, HC is 7% of GDP
1980s	Rise in HC costs, AIDS, RBRVs/DRGs, HC is 8.8% of GDP
1990s	Shift to ambulatory care, HC reform fails, HC is 11.9% of GDP
2000s	Robotic surgery, direct consumer drug ads, HC is 13.2% of GDP
2001-2005	Gross disparity in HC, Healthy People 2000, HC is 15.3% of GDP
2006-2010	Healthy People 2010, HC is 16% of GDP
2011-2050	White House HC reform, NCHC: HC to be 20% of GDP by 2017

Meyer, M. A. (2011). *Change impact of transitioning from ICD-9-CM to ICD-10-CM on morbidity statistics*. Dissertation. Walden University.

We may also look at the major events within the major time periods as illustrated in this chart. However, whether we choose to look at the evolution of health care over time periods, or by major milestones, one thing is important to us all - how has this evolution positively impacted the quality of our lives?

### Health Care Structure

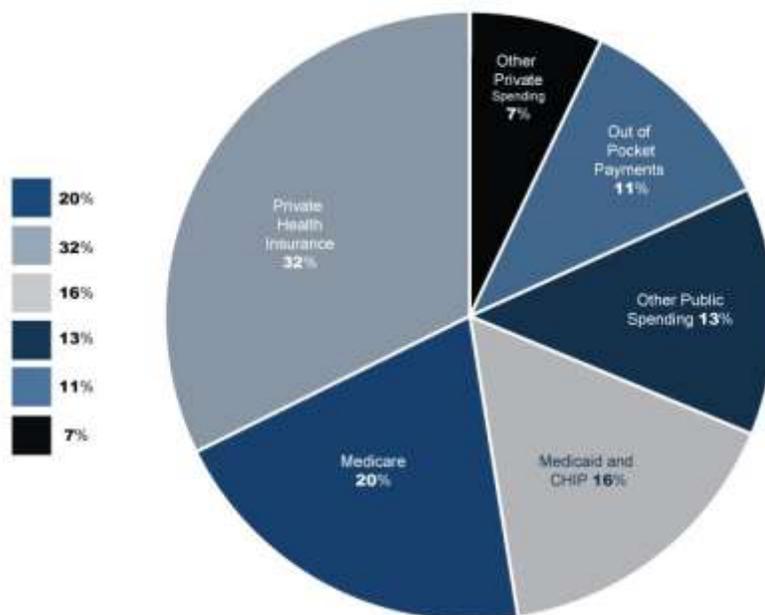


Meyer, M. A., & Meyer, M. A. (2006). *Medical billing and reimbursement: A comprehensive learning resource for medical reimbursement*. Medical Coding Preparatory.

In the U.S., health care has been structured into many integrated delivery systems (IDSs). This is due to the consolidation of health care markets, managed care, and managed competition. When groups of physicians come together to form networks, this is known as *horizontal integration*. This occurs when groups or facilities of the same service type consolidate to gain economies of scale, purchasing power, contracting clout, and market share. When hospital and physician groups integrate through affiliations, or mergers, this consolidation is known as *vertical integration*. This is done for the same reasons as horizontal integration, except different types of organizations are coming together to deliver the entire spectrum of health services.

This trend of vertical integration happens in very well-defined managed care markets in the form of Physician-Hospital Organizations, or PHOs, or with insurance companies sharing the risk with providers in managed care contract arrangements.

### Care in the United States: Who Pays?



Centers for Medicare & Medicaid Services (2011). *National health expenditure data: Projected*. Retrieved from [https://www.cms.gov/NationalHealthExpendData/03\\_NationalHealthAccountsProjected.asp#TopOfPage](https://www.cms.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage)

This pie chart demonstrates who is paying for health care services. These subgroups within the health care system include private payers, government payers, such as Veteran's Administration and Department of Defense, Medicare seniors and disabled, Medicaid for the poor and medical needy, workers' compensation, the uninsured, and so on.

Medicare spending grew 7.9 percent in 2009 to 502.3 billion dollars, the same rate of growth as in 2008. Total Medicaid spending grew 9 percent in 2009 to 373.9 billion dollars; an

acceleration from 4.9 percent growth in 2008. The increase in Medicaid was driven by a 7.4 percent increase in Medicaid enrollment. Federal Medicaid expenditures increased 22 percent, while state Medicaid expenditures declined 9.8 percent. This difference in growth is due to a significant increase in the federal Medical assistance percentages (FMAP) used to determine federal Medicaid payments to states—a provision of the American Recovery and Reinvestment Act of 2009 (ARRA). Under the AAR, government health care cost increases continue to be a concern for 2012 and beyond.

<b>2009 HC Payment Distributions</b>	<b>Amount (in Billions)</b>	<b>% of Total</b>
Hospitals	\$759.10	30.7
Physician & Clinical Services	\$505.90	20.4
RX Drugs	\$249.90	10.1
Administrative Costs	\$159.60	6.4
Nursing Home Costs	\$137.00	5.5
Other Personal Health Care	\$122.60	5.0
Structures & Equipment	\$113.90	4.6
Dental	\$102.20	4.1
Gov't Public Health	\$69.40	2.8
Home Health	\$68.30	2.8
Other Professional Services	\$66.80	2.7
Research	\$43.60	1.8
OTCs & Related Products	\$43.30	1.7
Durable Medical Equipment	\$34.90	1.4
<b>Total</b>	<b>\$2,476.50</b>	<b>100.0%</b>

Centers for Medicare & Medicaid Services (2011). *National health expenditure data: Projected*. Retrieved from [https://www.cms.gov/NationalHealthExpendData/03\\_NationalHealthAccountsProjected.asp#TopOfPage](https://www.cms.gov/NationalHealthExpendData/03_NationalHealthAccountsProjected.asp#TopOfPage)

U.S. health care spending decelerated in 2009, increasing 4 percent compared to 4.7 percent in 2008. Total health expenditures reached 2.5 trillion dollars, which translates to 8,086 dollars per person or 17.6 percent of the nation's Gross Domestic Product (GDP).

### **Health Care in the United States: Projections**

<b>Year</b>	<b>2005</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>
National Health Expenditures (in billions)	\$2021.00	\$2584.20	\$3417.90	\$4638.40

In 2010, the Centers for Medicare and Medicaid (CMS), National Health Expenditure (NHE) projected health care costs to reach 2.6 trillion dollars and grow 3.9 percent in 2010. This estimated decelerated growth was due to slow continuing declines in employment and private health insurance coverage associated with the recession experienced in the years prior to 2010.

Health care costs are increasing, but increasing more slowly from 2009-2012. For the year 2015, the NHE projects an increase in health spending by another trillion dollars, compared to 2010, and by 2020, it is projected to go up another trillion dollars to \$4.6 trillion.

### **The Future of Health Care in the U.S.**

#### **Slide Content:**

There is no doubt that we are living longer, but it is at a premium price. New technologies make having surgery easier, safer, and quicker, but they are costly. With the globalization of health care, working through the World Health Organization (WHO), the U.S. is not alone in the fight to eliminate waste, control the costs of health services, while maintaining quality of those services and at the same time increasing accessibility.