



Continuing Education



Overview of the healthcare system

Learning Objectives

Describe the major health insurance plans in the United States.

Describe health insurance options available in the workplace and to individuals.

Identify current trends in healthcare delivery.

Describe the evolving role of physicians in the healthcare system.

Describe the evolving roles of nurses and pharmacists in the healthcare system.

This first article in a three-part series provides an overview of the U.S. healthcare system. Topics include major health insurance plans, health insurance options available in the workplace and to individuals, current trends in healthcare delivery, and the evolving roles of physicians, nurses and pharmacists.

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For the most part, the medical bills of Americans are paid by insurance providers. The major types of insurance providers (third-party payers) in the United States include:

Blue Cross and Blue Shield. These are independent, locally operated and mostly nonprofit. They are referred to as “prepayment plans” because individuals pay premiums in advance.

Commercial insurance companies. These are national and regional for-profit companies or mutual insurance companies that offer a wide range of health, life and casualty insurance, primarily to employer groups and individuals. Most plans fall into the following categories:

- Basic medical plans, which pay total costs up to a maximum, although there are exclusions.
- Major medical policies, which are meant for catastrophic situations only.
- Comprehensive plans, which consist of a combination of basic and major medical plans.

Managed care organizations. Managed care organizations may function as both insurer and provider for enrollees. They assume financial risk for the health status of the population they serve

and, therefore, work to keep enrollees healthy at the lowest possible cost. Types of MCOs include:

- Health maintenance organizations, which provide specific healthcare services to enrolled groups of patients who pay fixed amounts in advance for the services.
- Preferred provider organizations, which contract with independent physicians or physician groups, hospitals, outpatient surgery centers, etc., based on a negotiated fee schedule.
- Point-of-service plans, which allow beneficiaries to choose whether they want to use HMO providers or convert to indemnity coverage for each medical experience.

Government programs. These include Medicare and Medicaid. Medicare is a federal program that covers U.S. citizens age 65 and over, those who meet disability criteria and people with end-stage renal disease. It consists of four parts:

1. Medicare Part A, which pays for hospital care, inpatient nursing care, home healthcare and hospice care.
2. Medicare Part B, which pays for physicians’ services, outpatient hospital services, and other medical services and supplies.
3. Medicare Part C, which offers a comprehensive

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insurance benefit beyond that of parts A and B.

4. Medicare Part D, a prescription drug plan for those without drug coverage.

Medicaid provides healthcare coverage to low-income individuals, families with dependent children, and the aged, blind or disabled. It is administered jointly by the state and federal governments. Medicaid pays for approximately 50% of elderly nursing home healthcare.

Employers and individual consumers

Employers and individual consumers play a significant role in funding healthcare in the United States.

Midsize and large employers frequently subsidize or pay a portion of the premium for healthcare coverage for their employees and retirees. Some smaller companies may not offer insurance to any of their employees. However, employers with more than a specific number of employees are required to carry worker's compensation insurance to cover medical expenses and disability benefits for workers who are injured as a result of doing their job. In larger businesses, employee benefit managers select the specific plans that are offered as health benefit options. They are increasingly choosing managed care programs rather than conventional indemnity insurance.

In response to increasing costs, employers have reduced benefits and shifted a larger percentage of premiums to employees through higher deductibles and other types of cost sharing. For example, under tiered copayment plans, enrollees share prescription drug costs by paying a fixed copayment for generic drugs, a higher copayment for preferred brand-name medications and the highest copayment for nonpreferred brands.

Employers may also offer:

- Health savings accounts, which allow employers and employees to contribute to a tax-deferred personal savings account that is used to pay medical expenses.
- Health reimbursement arrangements or flexible spending arrangements, which are tax-advantaged savings accounts that allow employees to set aside pre-tax dollars for future medical expenses.

At any given time, there are approximately 45 million people in the United States who lack health insurance. These individuals pay for their care out of pocket, receive care from providers who are not compensated, or do not receive needed services.

Current trends

The push to maximize the healthcare dollar under managed care has resulted in several trends, including integrated delivery systems, disease management, continuous quality improvement, consumer-driven healthcare and online management of healthcare.

Integrated delivery systems (IDSs). These are MCOs that integrate some combination of physicians, physician groups, hospitals, HMOs, PPOs, insurers, management services, pharmacy benefit managers,

Cost-containment mechanisms that influence physician practices

Capitation. In this system, the physician is paid the same amount of money every month for a member, regardless of whether or not the member receives any treatment.

Alternative incentive to save money. Some health plans blend capitation with fee-for-service by providing financial incentives.

Gatekeeping. A patient's primary care physician assumes responsibility for the approval of all health services the patient receives, including care from specialists.

Bonus payments. These are used as rewards by managed care organizations

when physicians meet established performance criteria.

Clinical practice guidelines. These describe generally accepted standards and practices for treating various conditions.

Increase in outpatient services. Managed care organizations encourage the use of outpatient departments through their efforts to eliminate unnecessary hospital stays.

Increase in physician extenders. MCOs often prefer to have physician assistants and nurse practitioners treat patients because their services are less costly than those provided by physicians.

employers and others into one comprehensive system. The most highly integrated systems bring together a broad spectrum of provider entities, including physician groups, acute care facilities, nursing homes, assisted living facilities, pharmacies, home healthcare agencies, home medical equipment providers and other healthcare ventures. All integrated systems are designed around a fundamental imperative – to accept substantial medical and financial responsibility for the populations they serve.

Disease management. This is a comprehensive approach to healthcare that focuses on the total disease picture, including prevention, appropriate treatment according to clinical practice guidelines issued by professional organizations, analysis of treatment outcomes and refinement of clinical guidelines. For disease management, most MCOs are targeting chronic conditions such as asthma, diabetes and depression.

Continuous quality improvement (CQI). This is a method of evaluation that is composed of structure, process and outcome evaluations that focus on efforts to improve quality by identifying root causes of problems, intervening to reduce or eliminate these causes, and taking steps to correct the process. IDSs in particular make use of continuous improvement processes to define, monitor and improve quality throughout the system for the patient.

Important issues related to CQI include outcomes research and clinical practice guidelines. Outcomes research is the study of the relative merits of alternative treatment approaches for achieving an optimal balance of efficacy, safety, quality of life and cost. Clinical practice guidelines are used by managed care organizations to help maintain high standards for patients and minimize waste.

Consumer-driven healthcare options. This concept promotes consumer empowerment and choice within a predetermined defined contribution by the employer. Ideally, employees choose the health plan best suited to their own needs. These lower-cost plans often involve high deductibles to offset costs for the employer.

Online management of healthcare. This has come about through the advent of the Internet. Patients can research medical information and treatment options on their own, and some companies offer online disease management services directly to consumers. Many pharmaceutical companies also participate in disease management and may offer patient services over the Web.

Physicians

Physicians are the providers who have traditionally had the most authority over the course of a patient's treatment. With the advent of managed care, the role of physicians has shifted dramatically, and further changes are anticipated. Various cost-containment mechanisms used by managed care influence the way physicians practice (see sidebar on page 37).

Training trends. Managed care has influenced the policies of teaching hospitals, which are providing more outpatient services and decreasing the length and number of hospital stays. Traditionally, medical training has focused on hospitalized patients rather than patients seen in physicians' offices. However, as the cost of care and the availability of advanced technology have increased, more patients are being treated on an outpatient basis, and most important diagnostic problems are addressed outside the hospital. Consequently, medical training is increasingly focused on outpatient care, as well as care provided in ambulatory and community-based settings. As a result, physicians trained in these hospitals may tend to follow managed care guidelines in their own practices.

Demographic trends. In June 2005, the American Medical Association announced that there is a shortage of physicians in certain regions and specialties and that evidence points to additional shortages in the future. Rural and inner-city areas feel the shortage most acutely. The shortage becomes more critical as the population ages and the demand for medical services increases.

Causes of the physician shortage might be traced to the impact of managed care on the medical profession. In some cases, low reimbursement rates from managed care insurance companies spur physicians to leave the profession. Physicians cite shrinking paychecks and increased workloads as reasons for retiring early or seeking careers outside medicine. Some physicians are leaving the practice of medicine because of dramatically increasing medical malpractice insurance costs.

It is anticipated that more physicians in private practice will join group practices. Group practice is attractive to many physicians in a managed care environment because it allows them to work regular hours and often increases their earning potential. The growth of managed care has helped promote this trend because many group practices are part of networks or PPO arrangements.

Other healthcare providers

The roles of healthcare professionals are changing to meet the new demands placed upon them by managed care organizations.

Nurses. The changes in the healthcare system have created new opportunities and responsibilities for nurses. In addition to caring for hospitalized patients, nurses can work in a wide variety of areas, includ-

Article Summary

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- Employers and individual consumers play a significant role in funding healthcare in the United States.
 - Midsize and large employers frequently subsidize or pay a portion of the premium for healthcare coverage for their employees and retirees.
 - At any given time, approximately 45 million people in the United States lack health insurance.
- The push to maximize the healthcare dollar under managed care has resulted in several trends, including integrated delivery systems, disease management, continuous quality improvement, consumer-driven healthcare and online management of healthcare.
- With the advent of managed care, the role of physicians has shifted dramatically, and further changes are anticipated.
- In addition to caring for hospitalized patients, nurses can work in a wide variety of areas.
- In most healthcare settings, pharmacists now assume a more prominent role as patient educators and physician consultants regarding the use of pharmaceutical products.

ing outpatient surgery and diagnostic centers, physician offices, home healthcare agencies, and public health. Some nurse practitioners now practice independently and perform some of the same functions as primary care physicians. The United States currently faces a major nursing shortage due to a lack of nursing school faculty, fewer people entering the profession, the growing needs of the aging baby-boom generation, and job burnout and dissatisfaction.

Pharmacists. The traditional responsibilities of pharmacists have been to interpret and accurately fill prescriptions, dispense medications, and provide information on prescription and nonprescription medications. In most healthcare settings, they now assume a more prominent role as patient educators and physician consultants regarding the use of pharmaceutical products. Hospital pharmacists are particularly influential in terms of product selection and determining which drugs are included in hospital formularies. They view pharmaceuticals as an integral component of total patient care.

Increasingly, pharmacists pursue nontraditional pharmacy work. Many are involved in research for pharmaceutical manufacturers, developing new drugs and therapies and testing their effects on people. Others work in marketing or sales, providing expertise to clients on a drug's use, effectiveness and possible adverse effects. Some pharmacists also work for health insurance companies, developing pharmacy benefit packages and carrying out cost-benefit analyses on certain drugs. Pharmacists may also work for the government and pharmacy associations or serve as full-time or part-time college faculty.

The concept of pharmaceutical care has had a major impact on the pharmacy profession. Pharmacists are encouraged to play an active role as patients undergo drug therapy, and they have increased responsibility for determining the most appropriate drug treatment regimen.

The next article in the series will focus on the healthcare continuum.