

American Social Welfare Policy: A Pluralist Approach

Chapter 12

The American Health Care System

The Uninsured

- Health care in the United States is marked by several contradictions
- More likely than the privately insured to not receive needed medical care

The Organization of Medical Services

- Most health care costs in the United States are paid for by:
 - Private insurers, public plans, and the direct public provision of health care
- Major components of medical services in the United States

Major Public Health Programs: Medicare, Medicaid, and S-CHIP

- Health care spending is the 2nd fastest-growing component of the federal budget
- Medicare
 - Critics charge that the MMA
 - Gaps in Medicare Coverage
 - Reimbursements to Providers

Major Public Health Programs: Medicare, Medicaid, and S-CHIP

- Medicaid
 - Medicaid is a federal/state program
 - The medically needy
- The Children's Health Insurance Program (CHIP)
 - State Children's Health Insurance Program (S-CHIP)

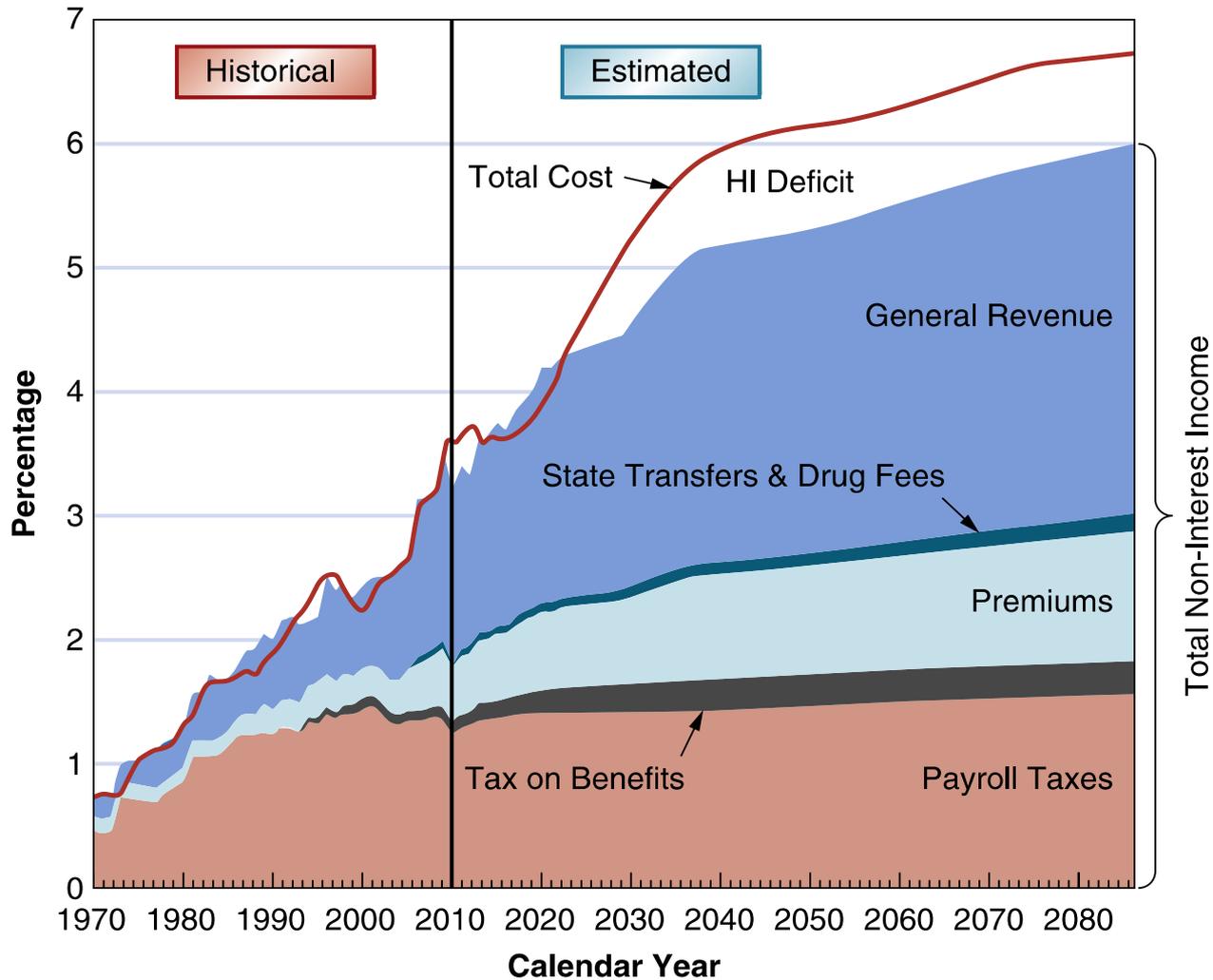


FIGURE 12.1 Medicare Cost and Non-Interest Income by Source as a Percentage of GDP

TABLE 12.1 Medicaid Recipients by Category, 1985–2009, Selected Years (in thousands)

Year	Total	Age 65 or Older	Blind/Disabled	Children	Adults	Other
1985	21,814	3,061	3,017	9,757	5,518	1,214
1988	22,907	3,159	3,487	10,037	5,503	1,343
1990	25,255	3,202	3,718	11,220	6,010	1,105
1993	33,432	3,863	5,016	16,285	7,505	763
1997	34,872	3,955	6,129	15,791	6,803	2,195
2000	42,886	4,289	7,479	21,086	10,543	862
2005	57,643	4,396	8,210	26,337	12,529	6,171
2007	56,825	4,043	8,424	26,584	12,371	5,402
2009	62,458	4,188	8,998	28,634	13,907	6,731

The Tobacco Settlement

- Public policy is occasionally made by the court system rather than the legislature
- 600-page Master Settlement Agreement
 - Requiring them to pay \$206 billion to 46 states over a 25-year period
- Australian Parliament passed a “Plain Packaging” bill

The Health Care Crisis

- Health care in the United States is plagued with problems such as:
 - Eroding coverage, rising and shifting costs,
 - And an increasing number of anxious citizens fearful about getting and keeping health insurance

The Health Care Crisis

- Overview of U.S. Health Care Expenditures
- U.S. Health Care in International Perspective

Cigarettes account for over 90 percent of spending on tobacco products in the United States; in 1998 Americans smoked 24 billion packs. In 1995, U.S. spending for all tobacco products totalled about \$49 billion.

Five American companies—Philip Morris, R.J. Reynolds, Brown and Williamson, Lorillard, and Liggett—produce almost all of the cigarettes sold in the United States. Two companies, Philip Morris and R.J. Reynolds, account for more than 70 percent of industry sales. About 36 billion packs of cigarettes were produced by U.S. firms in 1997; about 12 billion packs were exported to other countries and about 280 million shipped to U.S. territories and to U.S. armed forces stationed overseas. The rest were

consumed by domestic smokers. Smokeless tobacco products are also produced by only five domestic manufacturers: U.S. Tobacco, Conwood, Pinkerton, National, and Swisher. Over 120 million pounds of chewing tobacco and snuff were produced in the United States in 1996; in 1995, smokeless tobacco companies posted revenues of \$1.7 billion. About 2.5 billion large cigars and cigarillos and 14.2 million pounds of pipe and roll-your-own tobacco were produced by U.S. companies in 1995.

The United States is the second largest tobacco producer in the world, well below China. In 1996, tobacco was grown on over 124,000 U.S. farms, with a crop value of \$2.9 billion. The tobacco industry supports more than 600,000 jobs.

FIGURE 12.2 Tobacco at a Glance

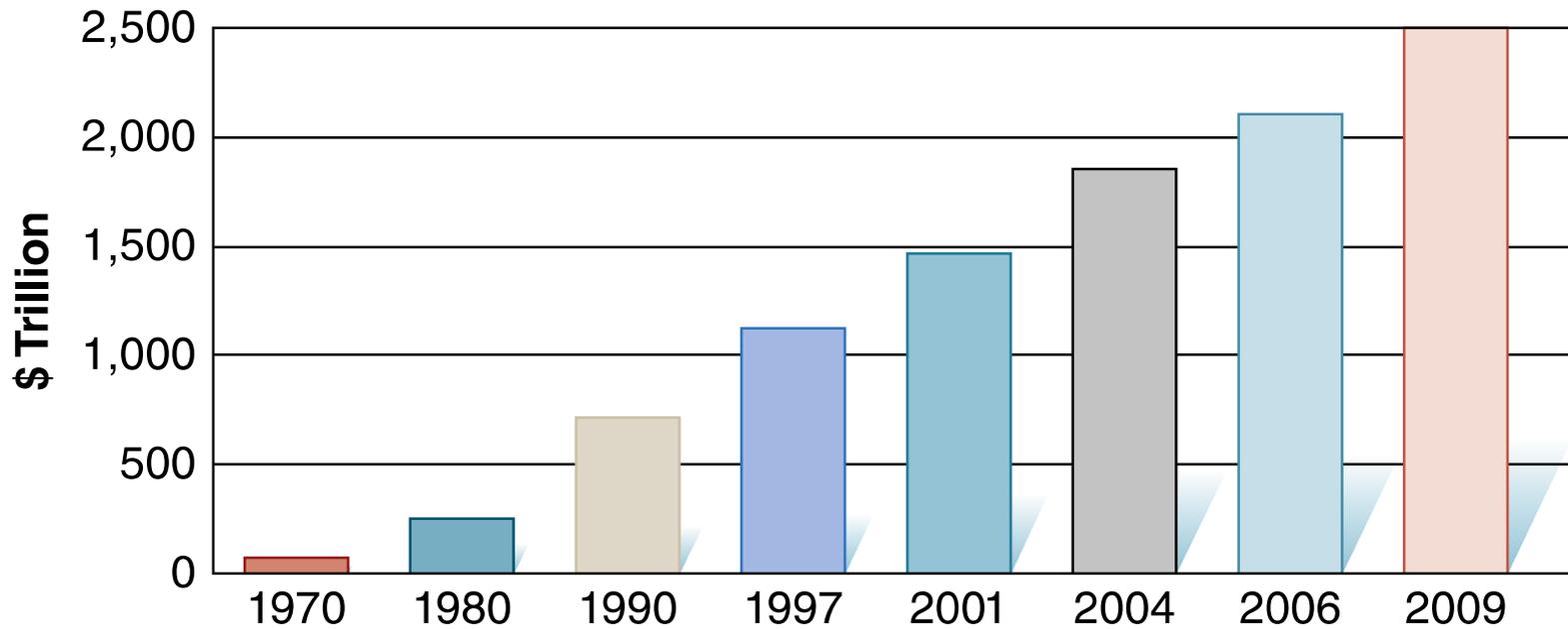


FIGURE 12.3 National Health Care Expenditures Selected Years, 1970–2009 (dollar amount in billions)

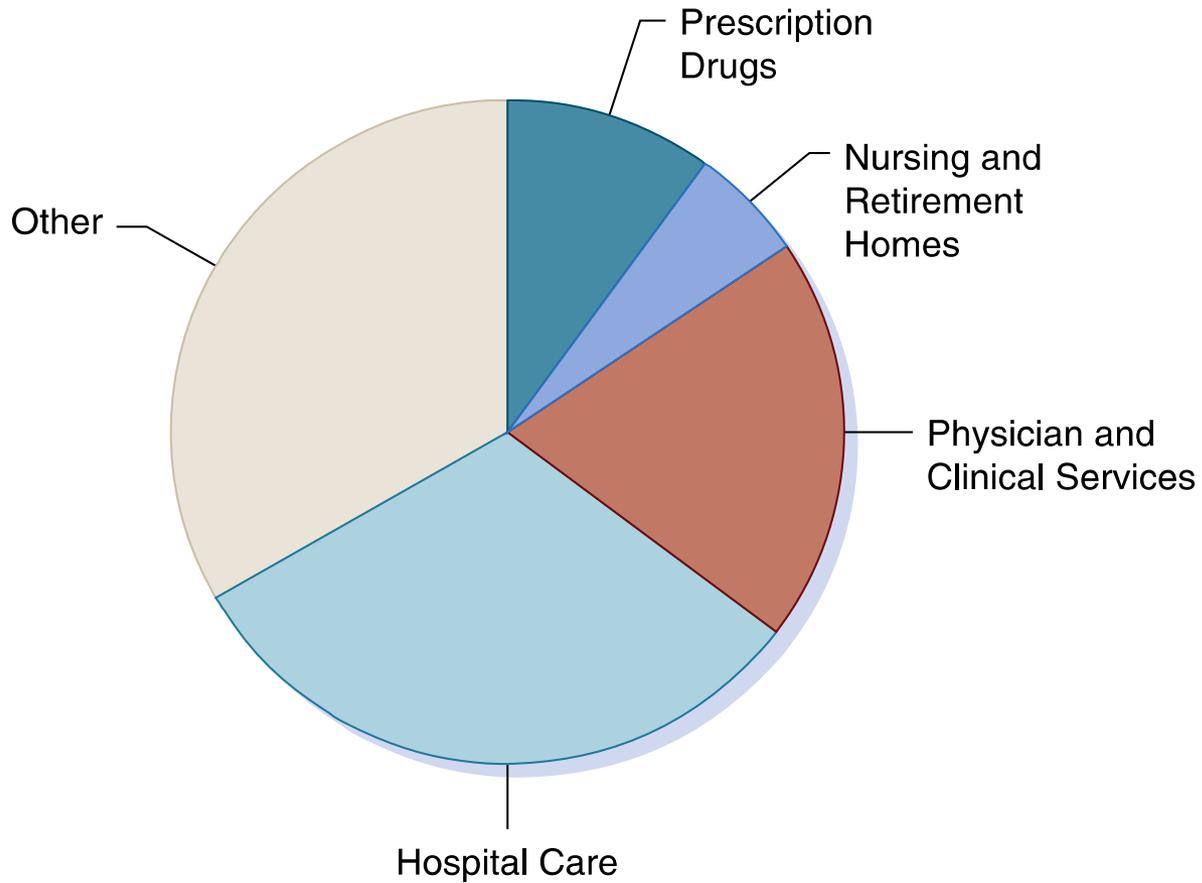


FIGURE 12.4 The Nation's Health Expenditure By Percentage, 2010

TABLE 12.2 Total Health Care Expenditures as a Percentage of GDP, 2009

Country	1975	2009	Percentage Point Change
United States	7.9	17.4	9.5
France	6.4	11.8	5.4
New Zealand	6.7	10.3	3.6
Germany	8.4	11.6	3.2
Canada	7.0	11.4	4.4
Australia	6.5	8.7	2.2
United Kingdom	5.5	9.8	4.3

Explaining the High Cost of U.S. Health Care

- Some factors that attribute for the enormous cost of U.S. health care system
- Hospital Costs
- Physicians' Salaries
- The Pharmaceutical Industry

TABLE 12.3 Average Salaries of Selected
U.S. Practicing Physicians, 2011

Specialty	Salary
Radiology	\$315,000
Orthopaedic surgery	\$315,000
Cardiology	\$314,000
Anesthesiology	\$309,000
Urology	\$309,000
Gastroenterology	\$303,000
General surgery	\$265,000
Emergency medicine	\$237,000
Obstetrics/gynecology	\$220,000
Internal medicine	\$165,000
Family medicine	\$158,000
Pediatrics	\$156,000

Cutting Health Care Costs

- There are two aspects to cutting health care costs
 - Cutting costs for governmental health care programs;
 - Lowering health care costs in:
 - Insurance, physician, pharmaceutical and hospital sectors

Cutting Health Care Costs

- Managed Care
 - Managed care plans generally gatekeep the access to specialists for consumers
 - Managed care companies are boxed in to a degree

Cutting Health Care Costs

- The Underinsured
 - The U.S. medical system provides high quality care for most people.....
 - In the upper and upper-middle classes

- **Health Maintenance Organizations (HMO)**—a prepaid or capitated insurance plan in which individuals or their employers pay a fixed monthly fee for services rather than a separate charge for each visit or service.
- **Preferred Provider Organizations (PPO)**—a type of HMO whereby an employer or insurance company contracts with a selected group of health care delivery providers for services at pre-established reimbursement rates. Consumers have the choice of who to contact to provide the service. If a doctor is not on the provider list, higher out of pocket expenses will result.
- **Exclusive Provider Organization (EPO)**—a type of HMO where members must get care only from the EPO doctors who may only treat members of the plan.
- **The Independent Practice Association (IPA)**—a type of HMO which has large numbers of independent doctors in private practice. Physicians are paid a fixed fee for treating IPA members but can also treat patients who are not members of the plan.
- **The Network Model**—multispeciality groups of doctors who have contracts with more than one HMO. Doctors work out of their own offices.
- **Point of Service (POS)**—an option that can be offered by any type of HMO. If patients use doctors in their HMO network, and if referrals are made only by the primary care physician, only nominal fees are charged. If patients use doctors outside their HMO network the cost is higher.
- **Physician-Hospital Organization (PHO)**—organized groups of doctors affiliated with a particular hospital who provide services to patients enrolled in their plan as they would in an HMO.

FIGURE 12.5 Types of Managed Care Plans

Reforming U.S. Health Care

- The American health care system is partly driven by ideological values
- National Health Service
- National Health Insurance
 - Single-Payer System
- Incremental Reform

Reforming U.S. Health Care

- The Patient Protection and Affordable Care Act (P.L. 111-148)
 - Enrollment and Employer Requirements
 - Cost and Funding
 - Health Insurance Exchanges (HIE)
 - Subsidies

Reforming U.S. Health Care

- Regulations of the Health Insurance Industry
- Public Health
- Medicare
- Medicaid
- Abortion

Comparative Analysis: Health Care in Canada, The UK, and Australia

- The Canadian Health Care System
 - Public Administration
 - Comprehensiveness
 - Universality
 - Portability
 - Accessibility
 - Freedom of Choice

Comparative Analysis: Health Care in Canada, The UK, and Australia

- The United Kingdom's National Health Service
 - The NHS is currently the world's largest publicly-funded health service
- The Australian Health Care System
 - A hybrid public–private system

Conclusion

- The American health care system raises important questions
- The United States is one of the few industrialized countries without:
 - A universal health care system