

EIGHTH EDITION

# Health Care USA

## Understanding Its Organization and Delivery

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This book is dedicated to our parents, William and  
Marabelle Sultz and Jacob Jay and Marie Young.  
Guiding these warm, loving, and dignified people  
through the health care system during the last years of  
their lives taught us more about the feats, functions, and  
foibles of medical care than all the research conducted,  
literature read, and services administered.



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# Foreword

Already having survived many legislative and judicial challenges, the implementation of the Patient Protection and Affordable Care Act (ACA) of 2010 is well underway. Although all of its provisions will not have full force and effect until 2019, many of its provisions are already manifest in system operational changes and demonstration projects of the Centers for Medicare and Medicaid Services and other federally directed programs and initiatives. Both those opposed to and in support of the ACA agree that this legislation will result in the most significant overhaul of the health care delivery system in the history of the U.S. health care enterprise. Respected economists and system analysts from independent organizations and major universities predict that, by aligning a focus on population health with new reimbursement incentives, this legislation will provide opportunities to improve the quality and lower the costs of health care. Much experimentation with new models of health care delivery will ensue over the next several years to identify best practices. Concurrently, physicians, other health professionals, and organizational providers will undertake adjustments and adaptations to the delivery system's new premises.

In this period of immense change, the eighth edition of *Health Care USA* has heightened significance. The text offers a clear overview of the evolution of the health care industry's components and describes the technical, economic, political, and social forces that shaped their development. In this context, the authors provide concise reviews of the major features of the ACA as it affects system components and the practitioners and organizations within them. This information is highly relevant for students of health care and related professions as well as neophyte practitioners who require a broad understanding of the reformed U.S. health care system to function effectively, and to relate intelligently, to its various sectors.

In this edition, as in previous ones, the authors have meticulously screened vast amounts of new information and included the most critical points to update this work. Because a “population” rather than an “individual” health care perspective is the predominant theme of the reformed system, the authors’ public health orientation makes this text particularly valuable. Their combined experience in the public health and health care management fields allows them to objectively interpret health care developments. This is an important feature in an introductory text that strives toward analysis of evidence, not advocacy, thereby allowing the formulation of one’s own position.

***Michel A. Ibrahim, MD, PhD***

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# Acknowledgments

Because one of us has an academic base as a professor emeritus of social and preventive medicine and as a former academic dean, and the other has served in a variety of executive positions in voluntary agencies, hospitals, a managed care organization, in her own consultant business, and as executive director of a regional public health organization, we bring different experiences to our interpretations of health care developments. When we taught together, as we often did, our students were at first amused and then intrigued by the differences between academic and applied perspectives. They learned, by our willingness to debate the merits of different interpretations of the same information, to appreciate that health care is fraught with variance in understandings, dissonance in values, and contradictions in underlying assumptions.

We are grateful therefore to the students in the Schools of Medicine, Public Health and Health Professions, Management, and Law at Millard Fillmore College of the University at Buffalo, who contributed to our knowledge and experience by presenting challenging viewpoints, engaging us in spirited discussions, and providing thoughtful course evaluations. Over the years, their enthusiasm for the subject stimulated us to enrich our coursework constantly in an effort to meet and exceed their expectations.

We acknowledge with our sincerest gratitude, Philip J. Kroth, MD, MS, and Susan V. McLeer, MD, MS, for their respective contributions of the chapters on health information technology and mental health services. As consummate clinicians and academicians, their expertise, effort, and enthusiastic participation have provided exceptionally clear and insightful overviews of the complex issues and system responses in their fields. Dr. Kroth's and Dr. McLeer's professional summaries appear in the "About the Contributors" section. We are grateful to Michel Ibrahim, MD, PhD,

professor, Johns Hopkins Bloomberg School of Public Health and Dean and professor emeritus of the School of Public Health at the University of North Carolina at Chapel Hill, who encouraged us to write the first edition of this book in 1993 and has contributed the “Foreword” to each edition.

We also appreciate those who helped turn teachers into authors by providing the necessary editing, literature searches, word processing, and other support services. This and earlier editions of this book benefited inestimably from the health care and library and information science research expertise of Karen Buchinger. Sharon Palisano word processed all manuscripts of the eight editions of this book with meticulous attention to every detail of the publisher’s requirements. We remain extremely grateful for her unparalleled professional skill and patience with the complex details of these large texts. We also wish to recognize the important contributions of our publisher’s staff who encourage our efforts, help shape the results, and motivate us to improve the book’s utility to its users. To each of you we offer our profound thanks.

# About the Authors

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Dr. Sultz has written six previous books, contributed chapters to several other books for professional audiences, and published numerous articles for medical and allied health journals. An epidemiologist, health care services planner, and researcher, he established and, for 26 years, directed the Health Services Research Program of Buffalo's School of Medicine. His extensive research experience serves as background for the various editions of this book and for the courses that he taught about health care and health policy. He also has long service as an expert consultant to several governmental and voluntary agencies and institutions.

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# About the Contributors

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In addition to directing a postdoctoral research fellowship in biomedical informatics, Dr. Kroth's research focus areas include adapting electronic clinical records for research, assessing the value of various design aspects of electronic health records, and the promotion of open access publication. He continues to practice internal medicine in Albuquerque, New Mexico and assists with the implementation of UNM Hospitals' electronic health record system.

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Dr. McLeer has 85 publications to her credit, including peer-reviewed journal articles, book chapters, and published abstracts. Combining her experience at the medical schools in Buffalo, New York and Philadelphia, Pennsylvania, she has been the Chair and Chief Clinical Officer for an academic department of psychiatry for more than 19 years and has been in academia for 36 years. She currently serves and provides expert consultation for the American Psychiatric Association's National Council on Health care Systems and Financing, a position she has held for more than 6 years. Additionally, she is an active member and contributor to the Council's Workgroup on Public Sector Psychiatry, a group that has been actively studying the impact of the U.S. economy on public sector behavioral health systems.

# Introduction

The U.S. health care system has remained a complex puzzle to many Americans and the new health reform legislation will doubtless add additional complexity to the puzzle. Medical care in the United States is an enormous \$2.7 trillion industry. It includes thousands of independent medical practices and partnerships and provider organizations; public and nonprofit institutions such as hospitals, nursing homes, and other specialized care facilities; major private corporations that manufacture drugs and devices; and huge health insurance corporations. Health care is by far the largest service industry in the country. In fact, the U.S. health care system is the world's eighth largest economy, second to that of France, and is larger than the total economy of Italy.<sup>1,2</sup>

More intimidating than its size, however, is its complexity. Not only is health care labor intensive at all levels, but also the types and functions of its numerous personnel change periodically to adjust to new technology, knowledge, and ways of delivering health care services.

As is frequently associated with progress, medical advances often create new problems while solving old ones. The explosion of medical knowledge that produced narrowly defined medical specialties compounded a long-standing shortcoming of American medical care. The delivery of sophisticated high-tech health care requires the support of an incredibly complicated infrastructure that allows too many shortcomings which result in patients falling through the cracks between its narrowly defined services and specialists. In addition, the system has proved to be inept in securing even a modicum of universal coverage, with more than 49 million uninsured Americans in U.S. today.

The size and complexity of health care in the United States has contributed to its long-standing problems of limited consumer access, inconsistent quality, and uncontrolled costs. In addition, the U.S.

health care system has done little to address the unnecessary and wasteful duplication of certain services in some areas and the absence of essential services in others.

These problems have concerned this country's political and medical leaders for decades and motivated legislative proposals aimed at comprehensive reform by eight U.S. presidents. President Clinton's National Health Security Act of 1993 produced an unusually candid and sometimes acrimonious congressional debate. Vested interests advocating change and those defending the status quo both lobbied extensively to influence public and political opinion. Ultimately, stakeholders in the traditional system convinced Americans that the Clinton plan was too liberal, and too costly. The Clinton plan never reached Congress for a vote.

Health care reform has been occurring as a market-driven, not a policy-driven, phenomenon that began well in advance of the new health care reform legislation.<sup>3</sup> In a world of accelerating consolidation to achieve ever higher standards of effectiveness and economy, there has been a surge of health care facility and service organization mergers and acquisitions, and new roles for individual and organizational providers that signal the onset of fundamental changes throughout the system. Hospitals are competing for patients, independently operated clinics are springing up in unprecedented numbers with convenient locations and venues, and physician group practices are forgoing their independence to embrace hospital employment to join with integrated systems of care that leverage population-based reimbursement schemes of the reformed system.<sup>3</sup>

The Patient Protection and Affordable Care Act (Public Law 111-148)<sup>4</sup> and the Health Care and Education Reconciliation Act (Public Law 111-152),<sup>5</sup> signed by President Barack Obama on March 23, 2010 and March 30, 2010, respectively, enact the most sweeping transformation of the U.S. health care delivery system since the passage of Medicare and Medicaid legislation in 1965. The two laws are commonly referred to as the Patient Protection and Affordable Care Act and throughout this textbook will be referred to as the Affordable Care Act (ACA). Over a period of several years of implementation that began in 2010 and will continue through 2019, the spectrum of the ACA provisions will change how U.S. health care is delivered and financed in ways that vastly exceed the impacts of Medicare and Medicaid. Medicare and Medicaid affected specific populations of individuals qualified by program criteria; the ACA affects virtually all Americans.

The timing of the development of the ACA, and ultimately its passage, represented the Obama administration's rapidly seizing a "policy window of opportunity" to put comprehensive health reform legislation on the agenda for legislation development. As described by John Kingdon, this "policy window of opportunity" for new or amended legislation arises when problems have reached a magnitude of scope and urgency allows their survival in competition from other issues; potentially feasible solutions can be identified; and sufficient political will exists to drive the process forward.<sup>6</sup> In the case of the proposed ACA, problems included the widely acknowledged economic unsustainability of rising health care costs linked with the all-important issue of the rising federal deficit; the moral, social, and economic implications of more than 49 million uninsured citizens; and the system's well-documented shortcomings in quality. Proposals for potential solutions to these problems had a very lengthy and evidence-based research history. Political will to move comprehensive health reform onto the legislative agenda was established early by the three highest profile contenders for the 2008 Democratic party presidential nomination (Hillary Clinton, John Edwards, and Barack Obama), agreeing that they would support "universal coverage."<sup>7</sup> Also, in early 2008, the very powerful and highly respected health reform advocate Senator Edward Kennedy agreed to endorse Mr. Obama's candidacy with the pledge of Obama's commitment to make health care reform his top domestic priority, including a commitment to universal coverage.<sup>8</sup> Finally, with a new president elected on a platform of change and Democratic majorities in both the Senate and House of Representatives, the "policy window of opportunity" opened for moving the comprehensive health reform agenda forward. Recognizing the failure of the Clinton administration's "White House-centered" approach to its failed reform plan, and that "delay was the enemy of reform," President Obama requested that reform be enacted in the first year of his term and delegated the development of the plan to congressional leaders.<sup>9</sup> To ensure involvement of key stakeholders who had been neglected in the Clinton plan, he urged "administration officials to negotiate with key interest groups, emphasizing the need to compromise and build incrementally off the current system."<sup>9</sup>

During the months following President Obama's request to congressional leaders, complicated and convoluted events ensued among the loyalties of key supporters and key stakeholders' positions. The chronicle of rancorous partisan political debates, passionate outcries from a

misinformed citizenry, negotiations with interest groups, and intervening events, such as the death of Democratic Senator Kennedy and his replacement with a Republican, and White House shifts in strategy, fills volumes in the history of the ACA. Nevertheless, the ACA was signed into law just 14 months following President Obama's taking office, representing an incredible and unparalleled time trajectory for legislation of this magnitude, scope, and complexity. On the occasion of signing the new law, President Obama commented, "Our presence here today is remarkable and improbable."<sup>8</sup> Now, more than 3 years since its implementation, the ACA has survived many hurdles- including a U.S. Supreme Court challenge on the constitutionality of its core provisions for the "individual mandate" and "Medicaid expansion"- and much has been accomplished on enacting the scheduled 2010–2012 provisions.<sup>10,11</sup>

We have worked in the academic and health system management spheres for decades while we have assiduously studied and followed developments in the health care delivery system. In the past seven editions of this textbook, we have attempted to objectively describe the status quo and delineate new efforts aimed toward system changes and improvements using a topic framework of the system's major components. As we researched to prepare this eighth edition that includes explanation of the ACA provisions and their effects, it became apparent that in terms of its organizational framework, this is a transitional edition. As the ACA achieves its intended effects, the prior health care delivery system will emerge from its old form of fragmented, piecemeal services and payments and opaque quality assessments to a form of integrated systems that rewards continuity of care and requires transparent quality assessments. It is clear that old lines of demarcation among delivery system components will blur and in some cases disappear. For example, the ACA offers experiments in which patients' illnesses are treated and paid for as a single "episode of care" by all involved providers—primary care physicians, specialists, hospitals, and other providers in a seamless continuum rather than in series of disconnected encounters.<sup>12</sup> While major system components will remain largely intact, the ways in which they operate and interact with each other will change dramatically and in that regard, so will the future organizational framework of this textbook. This eighth edition required difficult decisions about how best to assist instructors and students with navigating the most significant features

of the extremely complex, 907-page ACA in the context of the current delivery system components. We hope that our treatment of the subject matter provides a foundation for comprehending major facts as well as the significance of the ACA and encourages further curiosity about continuing developments and the effects of this landmark legislation as its implementation proceeds. We also note that in just the first two years since its passage, proposed rules and regulations to implement the ACA have already undergone changes and revisions. As with any legislation of this complexity, these changes and revisions can be expected to continue in what will be an ongoing and dynamic process.

This book is intended to serve as a text for introductory courses on the organization of health care for students in schools of public health, medicine, nursing, dentistry, and pharmacy and in schools and colleges that prepare physical therapists, occupational therapists, respiratory therapists, medical technologists, health administrators, and a host of other allied health professionals. It provides an introduction to the U.S. health care system and an overview of the professional, political, social, and economic forces that have shaped it and the provisions of the ACA that will continue to do so.

To facilitate its use as a teaching text, the book's chapters both stand alone as balanced discussions of discrete subjects and, when read in sequence, provide incremental additions of information to complete the reader's understanding of the entire health care system. As in prior editions, decisions about what subjects and material were essential to the book's content were relatively easy but decisions about the topics and content to be left out were very difficult. This was especially challenging as we researched the ACA and made decisions about the breadth and depth of its subject matter to include. The encyclopedic nature of the subject and the finite length of the final manuscript were in constant conflict.

Thus, the authors acknowledge first, that information presented on the ACA is limited to what we believe most pertinent to the text's major subjects' focus, and we note that the information is not exhaustive. Indeed, exhaustive treatment of the ACA continues to generate its own texts. Copious references are provided to lead interested readers to explore the ACA in more detail and depth. Second, we respectfully acknowledge that nurses, dentists, pharmacists, physical and occupational therapists, and others may be disappointed that the text contains so little of the history

and the political and professional struggles that characterize the evolution of their important professions. Given the centrality of those historical developments in students' educational preparation, it was assumed that appropriate attention to those subjects, using books written specifically for that purpose, would be included in courses in those professional curricula. To be consistent with that assumption, the authors tried to include only those elements in the history of public health, medicine, and hospitals that had a significant impact on how health care was delivered.

The authors made a similar set of difficult decisions regarding the depth of information to include about other subjects. Topics such as epidemiology, the history of medicine, program planning and evaluation, quality of care, and the like each have their own libraries of in-depth texts and, in many schools, dedicated courses. Thus, it seemed appropriate in a text for an introductory course to provide only enough descriptive and interpretive detail about each topic to put it in the context of the overall subject of the book.

This book was written from a public health or population perspective and reflects the viewpoint of its authors. Both authors have public health and preventive medicine backgrounds and long histories of research into various aspects of the health care system, have planned and evaluated innovative projects for improving the quality and accessibility of care in both the public and voluntary sectors, and have served in key executive positions in the health field.

The authors have used much of the material contained in *Health Care USA: Understanding Its Organization and Delivery* to provide students, consumers, and neophyte professionals with an understanding of the unique interplay of the technology, workforce, research findings, financing, regulation, and personal and professional behaviors, values, and assumptions that determine what, how, why, where, and at what cost health care is delivered in the United States. In this eighth edition, as in each previous edition, we have included important additions and updates to provide a current perspective on the health care industry's continuously evolving trends.

The authors hope that as this book's readers plan and expand their educational horizons and, later, their professional experiences, they will have the advantage of a comprehensive understanding of the complex system in which they practice.

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# New to the Eighth Edition

In addition to updating all key financial, utilization, and other data with the latest available information, the eighth edition includes a new chapter on health information technology, a completely revised chapter on mental health services and as relevant, discussions of the impacts of the American Reinvestment and Recovery Act of 2009 (ARRA) and Patient Protection and Affordable Care Act of 2010 (ACA). The eighth edition also provides “Key Terms for Review” at the conclusion of each chapter and a glossary of the key terms.

## Chapter 1: Overview of Health Care: A Population Perspective

- Definition and discussion of the Patient Protection and Affordable Care Act (ACA) in a population context
- Comparisons and contrasts among the U.S. health status indicators and costs with other developed nations
- ACA proposed remedies to ongoing U.S. health care delivery system problems
- Discussion of ACA public/health population goals and alignment challenges of the current delivery system
- Role of insurers in offsetting ACA costs
- Key Terms for Review

## Chapter 2: Benchmark Developments in U.S. Health Care

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- Discussion of the political circumstances and prelude to the Patient Protection and Affordable Care Act (ACA) introduction for congressional action
- Discussions linking the ACA provisions with historically intransigent problems of cost, quality, and access in the health care delivery system
- Overview of judicial challenges to the ACA and final U.S. Supreme Court decisions
- Discussion of historical significance of the ACA
- Listing of ACA provisions on an implementation time line, 2010–2019
- Key Terms for Review

## Chapter 3: Health Information Technology

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- New chapter
- Key Terms for Review

## Chapter 4: Hospitals: Origin, Organization, and Performance

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- Updates on hospitals' adoption of health information technology
- Recent trends in hospital consolidations and mergers and impacts on the marketplace: competitiveness, cost, and quality
- Numerous ways the ACA impacts hospitals via shift to a “population focus,” transition from a “volume-based” to a “value-based mentality” through value-based purchasing requirements and other payment reforms, readmission penalties, and voluntary participation in bundled payment initiatives
- Emergence of hospitals as one component of integrated, community-based continuums of care
- Key Terms for Review

## Chapter 5: Ambulatory Care

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- Emerging trends in hospital employment of physicians
- A new section on “Integrated Ambulatory Care Models”: the “patient-centered medical home” and “accountable care organizations” in the context of ACA initiatives
- Trends in urban emergency department closures
- Trends in number of retail clinics and increase in patient utilization
- Trends in federally qualified health center utilization and declining Medicaid revenue
- Key Terms for Review

## Chapter 6: Medical Education and the Changing Practice of Medicine

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- Update on major changes in evaluating medical residency program accreditation in future years through an outcomes-based evaluation system
- Discussion of the ACA impacts on medical residency and training, incentives to increase primary care and physician supply in underserved areas
- Updates on physician workforce trends and ACA initiatives
- Updates on physician hospital employment trends as a response to market forces
- Updates on incentives and other support for adopting and achieving “meaningful use” of electronic health records via ARRA and ACA requirements
- Future perspectives based upon the HITECH ACT, ACA, and related market forces
- Key Terms for Review

## Chapter 7: The Health Care Workforce

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- Trends in registered nurse education and employment
- Trends in educational qualification changes for certain occupations

- Trends in complementary and alternative medical utilization and costs
- Highlights of the ACA health workforce initiatives and goals
- Data on the highest projected demand in health care occupations
- Key Terms for Review

## Chapter 8: Financing Health Care

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- Most current national health care expenditure data with updated graphics
- Updated data on health insurance coverage and costs
- Brief overview of the political “prelude” to passage of the Affordable Care Act
- Reviews of major health care financing provisions of the Affordable Care Act, including the individual mandate, Medicaid expansion, health insurance exchanges, accountable care organizations, value-based hospital purchasing, bundled payments for care initiative and the Independent Payment Advisory Board
- Key Terms for Review

## Chapter 9: Long-Term Care

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- Discussion of a U.S. General Accountability Office report on quality of for-profit versus not-for-profit nursing homes and ACA new accountability standards for nursing home monitoring and public disclosures
- Descriptions of ACA Medicare and Medicaid provisions to decrease institutional care by expanding access to home and community-based services
- Description of Medicare payment for respite care
- Updated definitions of continuing care retirement communities and continuing life care communities
- Discussion of the ACA’s CLASS Act provision to enact national voluntary long-term care insurance and the Act’s failure
- Key Terms for Review

## Chapter 10: Mental Health Services

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- New data on prevalence, treatment, and diagnoses in the primary care sector
- New figure with data on the burden of neuropsychiatric disorders compared with other leading categories of diseases and disorders in the United States and Canada
- New figure with data on the total annual costs of serious mental illness
- Discussion of three recent paradigm shifts toward a more integrated mental health services system
- Discussion of the ACA relative to financing of mental health services
- Key Terms for Review

## Chapter 11: Public Health and the Role of Government in Health Care

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- Explanation of the ecological model in public health
- Definition and discussion of the three core functions of public health
- Description of the ten essential public health department responsibilities
- New figure depicting the relationships among the 3 core functions of public health and 10 essential services of public health departments
- Listing of added topics in *Healthy People 2020*
- Description of the origin and listing of the 12 Principles of Ethical Public Health Practice
- Description and discussion of the major public health-related provisions of the ACA
- Key Terms for Review

## Chapter 12: Research: How Health Care Advances

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- Updates on the roles of the Agency for Healthcare Research and Quality with particular note of its prominence in the quality initiatives of the ACA

- Discussion of the ACA-created Patient-Centered Outcomes Research Institute and its priorities and challenges
- Updated information on research challenges concerning antibiotic resistant microbes
- Key Terms for Review

## Chapter 13: Future of Health Care

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- Discussion of the future of employer-sponsored health insurance
- Discussion of the shortage of primary care physicians and other primary care practitioners
- Review of key features of Patient Protection and Affordable Care Act effects on the workforce
- Description of the impact of the Patient Protection and Affordable Care Act's public health focus on the existing delivery system
- Discussion of challenges in implementing health information technology
- Key Terms for Review