

Basics of the U.S. Health Care System

Third Edition



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Brief Contents

About the Author	viii
Acknowledgments	ix
Preface	x
Chapter 1 History of the U.S. Healthcare System	1
Chapter 2 Impact of the Affordable Care Act on Healthcare Services	29
Chapter 3 Current Operations of the Healthcare System	57
Chapter 4 Government's Role in U.S. Health Care	91
Chapter 5 Public Health's Role in Health Care	114
Chapter 6 Inpatient and Outpatient Services	146
Chapter 7 U. S. Healthcare Workforce	173
Chapter 8 Healthcare Financing	200
Chapter 9 Managed Care Impact on Healthcare Delivery	229
Chapter 10 Information Technology Impact on Health Care	251
Chapter 11 Healthcare Law	277
Chapter 12 Healthcare Ethics	308
Chapter 13 Mental Health Issues	338
Chapter 14 Analysis of the U.S. Healthcare System	367
Glossary	000
Index	000

Contents

About the Author	viii
Acknowledgments	ix
Preface	x

Chapter 1 History of the U.S. Healthcare System **1**

Introduction	2
Consumer Perspective on Health Care	3
Milestones of the Hospital System	8
Milestones of Public Health	9
Milestones of the Health Insurance System	10
Current System Operations	12
Assessing Your Healthcare System Using the Iron Triangle	13
Conclusion	13
Vocabulary	14
References	14
Notes	16
Student Activities	17

Chapter 2 Impact of the Affordable Care Act on Healthcare Services

Introduction	30
Legal Issues with the Affordable Care Act	30
Major Provisions of the Affordable Care Act	31
Conclusion	40
Vocabulary	41
References	42
Notes	44
Student Activities	45

Chapter 3 Current Operations of the Healthcare System

Introduction	58
Overview of the Current System Update	58
Major Stakeholders in the Healthcare Industry	58

Stakeholders' Environment	62
Healthcare Statistics	62
Conclusion	77
Vocabulary	78
References	78
Notes	79
Student Activities	80

Chapter 4 Government's Role in U.S. Health Care

Introduction	92
History of the Role of Government in Health Care	92
U.S. Government Agencies	92
Conclusion	99
Vocabulary	99
References	100
Notes	101
Student Activities	102

Chapter 5 Public Health's Role in Health Care

Introduction	115
What Is Health?	115
Origins of Public Health	117
What Is Public Health?	117
The Epidemiology Triangle	118
Epidemiologic Surveillance	118
Environmental Health	119
Emergency Preparedness	119
State and Local Response to Disasters	121
Bioterrorism	122
Public Health Functions and Administration	123
Healthy People Reports	124
Public Health Infrastructure	124
Public Health Education and Health Promotion ..	128

Collaboration of Public Health and Private Medicine..... 129
 Conclusion 129
 Vocabulary 130
 References 131
 Notes..... 133
 Student Activities..... 134

Chapter 6 Inpatient and Outpatient Services..... 146

Introduction..... 147
 History of Hospitals..... 147
 Hospital Types by Ownership 148
 Hospital Types by Specialty 148
 Other Hospital Classifications 148
 Hospital Governance 149
 Hospital Licensure, Certification, and Accreditation..... 150
 Patient Rights..... 150
 Current Status of Hospitals..... 150
 Outpatient Services..... 152
 Other Health Services..... 154
 Conclusion 157
 Vocabulary 157
 References 158
 Notes..... 160
 Student Activities..... 161

Chapter 7 U.S. Healthcare Workforce..... 173

Introduction..... 173
 Primary, Secondary, and Tertiary Care 174
 Physician Education 174
 Generalists and Specialists 175
 Differences Between Primary and Specialty Care 175
 Types of Healthcare Providers..... 176
 Other Independent Healthcare Professionals 178
 Allied Health Professionals 180
 Non-CAAHEP Allied Health Professionals..... 183
 Conclusion 184
 Vocabulary 185
 References 185

Notes..... 187
 Student Activities..... 188

Chapter 8 Healthcare Financing 200

Introduction..... 200
 Healthcare Spending by Service Type..... 201
 Healthcare Spending by Sources of Funds 202
 Health Insurance as a Payer for Healthcare Services 202
 Types of Health Insurance 203
 Cost Sharing of Health Services 203
 Types of Health Insurance Plans..... 204
 Public Financing of Healthcare Services 206
 Reimbursement Methods of Private Health Insurance Plans..... 209
 Governmental Reimbursement Methods for Healthcare Services..... 210
 Healthcare Financial Management..... 213
 Funds Disbursement..... 213
 Conclusion 213
 Vocabulary 214
 References 214
 Notes..... 216
 Student Activities..... 217

Chapter 9 Managed Care Impact on Healthcare Delivery 229

Introduction..... 230
 History of Managed Care 230
 The Managed Care Organization Payment Plan 232
 Cost-Control Measures of Managed Care Organizations 232
 Medicare and Medicaid Managed Care 233
 Assessment of Managed Care Models..... 234
 Managed Care Accreditation..... 235
 Issues with Managed Care Operations 235
 Challenges to Managed Care 235
 Conclusion 236
 Vocabulary 236
 References 237
 Notes..... 238
 Student Activities..... 239

**Chapter 10 Information Technology
Impact on Health Care 251**

Introduction 252

History of Information Technology in the
Healthcare Industry 252

Electronic Health Records 253

Barriers to Electronic Health Record
Implementation 254

Clinical Decision Support Systems 255

Pharmacy Benefit Managers 256

Drug–Drug Interactions 256

Telehealth 257

Avera Ecare 257

Million Hearts 257

Chief Information Officer 258

Council for Affordable Quality
Health Care 258

Other Applications 258

Applied Health Information Technology 259

The Importance of Health Information
Technology 260

Conclusion 261

Vocabulary 261

References 261

Notes 264

Student Activities 265

Chapter 11 Healthcare Law 277

Introduction 278

Basic Concepts of Healthcare Law 278

Tort Reform 278

The Legal Relationship between the Provider
and Consumer 279

Healthcare-Related Legislation 280

Patient Bill of Rights 282

Healthcare Fraud 283

Employment-Related Legislation 285

Other Employment-Related Legislation 289

Conclusion 292

Vocabulary 292

References 293

Notes 295

Student Activities 296

Chapter 12 Healthcare Ethics 308

Introduction 309

Healthcare Stakeholder Management Model 309

Basic Concepts of Ethics in the Healthcare
Workplace 310

Healthcare Codes of Ethics 310

Workplace Bullying 311

Ethics and the Doctor–Patient Relationship 312

Physician–Patient Relationship Model 313

Pharmaceutical Marketing to Physicians 314

Decision Model for Healthcare Dilemmas 314

Ethics and Public Health 315

Ethics and Research 316

Bioethical Issues 317

Conclusion 321

Vocabulary 322

References 322

Notes 325

Student Activities 326

Chapter 13 Mental Health Issues 338

Introduction 339

History of U.S. Mental Health Care 339

Background of Mental Health Services 340

Family and Caregivers 343

Special Populations 343

Mental Health and Culture, Race, and Ethnicity 345

Mental Health Issues and Disasters, Trauma,
and Loss 346

Mental Health and Veterans 347

Managed Behavioral Health Care 347

National Institute for Mental Health Strategic
Plan 348

The Virginia Tech Massacre: A Case Study of the
Mental Health System 348

Alternative Approaches to Mental Health Care 349

American with Disabilities Act of 1990 and
Mental Health 350

Conclusion 350

Vocabulary 351

References 351

Notes 353

Student Activities 354

Chapter 14 Analysis of the U.S. Healthcare System 367

Introduction..... 368
Highlights of the U.S. Healthcare System 368
Affordable Care Act Impact 368
Government’s Role 369
Public Health 369
Hospital and Outpatient Services 370
Information Technology 371
Healthcare Law 371
Healthcare Ethics 372
Mental Health 373
Trends in Health Care 373

International Healthcare Systems 377
Universal Healthcare Concepts..... 378
Local Government Healthcare Reform 380
Lessons to Be Learned from Other Healthcare Systems 381
Conclusion 382
Vocabulary 382
References 383
Notes..... 385
Student Activities..... 386

Glossary 000
Index..... 000



About the Author

Nancy J. Niles, PhD, MS, MBA, MPH, is in her 12th year of full-time undergraduate teaching. She is in her second year of teaching undergraduate and graduate healthcare management and administration courses at Rollins College in Winter Park, Florida. Prior to Rollins College, she taught 8 years of undergraduate business and healthcare management classes in the AACSB-accredited School of Management at Lander University in Greenwood, South Carolina, having spent 4 years teaching in the Department of Business Administration at Concord University in Athens, West Virginia. She became very interested in health issues as a result of spending two tours with the U.S. Peace Corps in Senegal, West Africa. She focused on

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Preface

I am very pleased to be updating this textbook because of the continued changes in the U.S. health-care system as a result of the passage of the Affordable Care Act (ACA) in 2010. Fortunately, millions of individuals now have healthcare insurance as a result of the Act. Although the Act continues to be controversial, the Act has focused our healthcare delivery on patient centeredness and performance based outcomes which has improved the delivery of U.S. health-care services. Preventable medical errors continue to be a problem but healthcare facilities are developing strategies to reduce these preventable errors.

I continue to review and update the student activities. I also included a section on a current events exercise. My students enjoy this type of exercise because they can apply the textbook information to a current healthcare event. The following is a summary of each chapter.

▶ Chapter 1

It is important as a healthcare consumer to understand the history of the U.S. healthcare delivery system, how it operates today, who participates in the system, what legal and ethical issues arise as a result of the system, and what problems continue to plague the healthcare system. We are all consumers of health care. Yet, in many instances, we are ignorant of what we are actually purchasing. If we were going to spend \$1,000 on an appliance or a flat-screen television, many of us would research the product to determine if what we are purchasing is the best product for us. This same concept should be applied to purchasing healthcare services.

Increasing healthcare consumer awareness will protect you in both the personal and professional aspects of your life. You may decide to pursue a career in health care either as a provider or as an administrator. You may also decide to manage a business where you will have the responsibility of providing health care to your employees. And last, from a personal standpoint, you should have the knowledge from a consumer point of view so you can make informed

decisions about what matters most—your health. The federal government agrees with this philosophy. The Affordable Care Act's health insurance marketplaces provide cost and service data so consumers can determine what is the best healthcare insurance to purchase and what services they will be receiving for that purchase. Recently, the Centers for Medicare and Medicaid Services (CMS) used its claim data to publish the hospital costs of the 100 most common treatments nationwide. The purpose of this effort is to provide data to consumers regarding healthcare costs because the costs vary considerably across the United States. This effort may also encourage pricing competition of healthcare services. The U.S. Department of Health and Human Services is providing funding to states to increase their healthcare pricing transparency.

As the U.S. population's life expectancy continues to lengthen—increasing the “graying” of the population—the United States will be confronted with more chronic health issues because, as we age, more chronic health conditions develop. The U.S. health-care system is one of the most expensive systems in the world. According to 2014 statistics, the United States spent \$2.9 trillion or \$9,255 per person on healthcare expenditures or 17.5% of its gross domestic product. The gross domestic product (GDP) is the total finished products or services that are produced in a country within a year. These statistics mean that over 17% of all of the products made within the borders of the United States within a year are healthcare related. Estimates indicate that healthcare spending will be 19.3% of the gross domestic product. The Gallup-Healthways Well-Being Index indicate that in 2014, the number of uninsured Americans has dropped to 16%. Among the states, Hawaii had the lowest percentage of uninsured individuals under age 65 in 2014 (2.5%), followed by Massachusetts (3.2%), Delaware (5.4%), and Iowa (6.4%). The District of Columbia also had a low insurance rate of 3.3%. Texas (21.5%), Oklahoma (21.5%), Alaska (21.2%), and Florida (18.8%) had the highest percentage of uninsured individuals under age 65 in 2014. The rates of uninsured individuals have dropped most among lower-income and black Americans. These drops have been attributed to the

insurance mandate of the Affordable Care Act. The Institute of Medicine's (IOM) 1999 report indicated that nearly 100,000 citizens die each year as a result of medical errors. There have been more recent studies that indicate this estimate is much higher despite many quality improvement initiatives implemented over the years.

Although U.S. healthcare costs are very high, the United States does not offer healthcare coverage as a right of citizenship. The U.S. is the only major country that does not offer healthcare as a right. Most developed countries have a universal healthcare program, which means access to all citizens. Many of these systems are typically run by the federal government, have centralized health policy agencies, are financed through different forms of taxation, and payment of healthcare services are by a single payer—the government. France and the United Kingdom have been discussed as possible models for the United States to follow to improve access to health care, but these programs have problems and may not be the ultimate solution for the United States. However, because the United States does not offer any type of universal healthcare coverage, many citizens who are not eligible for government-sponsored programs are expected to provide the service for themselves through the purchase of health insurance or the purchase of actual services. Many citizens cannot afford these options, resulting in their not receiving routine medical care. The Patient Protection and Affordable Care Act of 2010 (PPACA), more commonly called the Affordable Care Act, has attempted to increase access to affordable healthcare. One of the mandates of the Act was the establishment of electronic health insurance marketplaces, which provide opportunities for consumers to search for affordable health insurance plans. There is also a mandate that individuals who do not have health insurance purchase health insurance if they can afford it or pay a fine. Both of these mandates have decreased the number of uninsured in the United States.

Despite U.S. healthcare expenditures, disease rates in the United States remain higher than those of many other developed countries because the United States has an expensive system that is available to only those who can afford it. Findings from a recent MetLife annual survey indicate that healthcare costs are worrying employees and their employers. Over 60% of employees are worried they will not be able to pay out-of-pocket expenses not covered by insurance. Employers are increasing the cost sharing of their employees for healthcare benefits because of

the cost increases. Because the United States does not have universal health coverage, there are more health disparities across the nation. Persons living in poverty are more likely to be in poor health and less likely to use the healthcare system compared to those with incomes above the poverty line. If the United States offered universal health coverage, the per capita expenditures would be more evenly distributed and likely more effective. The major problem for the United States is that healthcare insurance is a major determinant of access to health care. Although there has been a decrease in the number of uninsured in the United States as a result of the individual mandate to purchase health insurance by the Affordable Care Act, there is still limited access to routine health care statistics. The infant mortality rate is often used to compare the health status of nations worldwide. Although our healthcare expenditures are very high, our infant mortality rates rank higher than many countries. Racial disparities in disease and death rates continue to be a concern. However, there has been a decline of 13% in infant mortality rates in the U.S. from 2000 to 2013. If you compare this statistic worldwide to comparable countries, their rates dropped during the same time period by 26%. The U.S. has more work to do regarding this issue. Both private and public participants in the U.S. health delivery system need to increase their collaboration to reduce these disease rates. Leaders need to continue to assess our healthcare system using the Iron Triangle to ensure there is a balance between access, cost, and quality.

▶ Chapter 2

The Patient Protection and Affordable Care Act (PPACA) or as it is commonly called, the Affordable Care Act (ACA), and its amendment, the Healthcare and Education Affordability Reconciliation Act of 2010, was signed into law on March 23, 2010, by President Barack Obama. The passage of this complex landmark legislation has been very controversial and continues to be contentious today.

There were national public protests and a huge division among the political parties regarding the components of the legislation. People, in general, agreed that the healthcare system needed some type of reform, but it was difficult to develop common recommendations that had majority support. Criticism focused in part on the increased role of government in implementing and monitoring the healthcare system. Proponents of healthcare reform reminded people

that Medicare is a federal-government entitlement program because when individuals reach 65 years of age, they can receive their health insurance from this program. Millions of individuals are enrolled in Medicare. Medicaid is a state-established governmental public welfare insurance program based on income for millions of individuals, including children that provides health care for its enrollees.

However, regardless of these two programs, many critics felt that the federal government was forcing people to purchase health insurance. In fact, the ACA does require most individuals to obtain health insurance only if they can afford it. But with healthcare system expenditures comprising 17.9% of the U.S. gross domestic product and with millions of Americans not having access to health care, resulting in poor health indicators, the current administration's priority was to create mandated healthcare reform.

The Affordable Care Act has focused on primary care as the foundation for the U.S. healthcare system. The legislation has focused on 10 areas to improve the U.S. healthcare system, including quality, affordable, and efficient healthcare; public health and primary prevention of disease; healthcare workforce increases; community health; and increasing revenue provisions to pay for the reform. However, once the bill was signed, several states filed lawsuits. Several of these lawsuits argued that the act violates the U.S. Constitution because of the mandate of individual healthcare insurance coverage as well as that it infringes on states' rights with the expansion of Medicaid. The 2012 U.S. Supreme Court decision that upheld the constitutionality of the individual mandates should decrease the number of lawsuits. Despite these lawsuits, this legislation has clearly provided opportunities to increase consumer empowerment of the healthcare system by establishing the state American Health Benefit Exchanges, providing insurance to those individuals with preexisting conditions, eliminating lifetime and annual caps on health insurance payouts, improving the healthcare workforce, and providing databases so consumers can check the quality of their health care. The 10 titles of this comprehensive legislation are also focused on increasing the role of public health and primary care in the U.S. healthcare system and increasing accessibility to the system by providing affordable health care.

Although this legislation continues to be controversial, a system-wide effort needed to be implemented to curb rising healthcare costs although there have been reports that healthcare costs are increasing and consumers are paying higher cost sharing amounts.

There are five areas of health care that account for a large percentage of healthcare costs: hospital care, physician and clinician services, prescription drugs, nursing, and home healthcare expenditures. The legislation targets these areas by increasing quality assurance and providing a system of reimbursement tied to quality performance, providing accessibility to consumers regarding the quality of their health care, and increasing access to community health services. Also, the Affordable Care Act has focused on improving the U.S. public health system by increasing the accessibility to primary prevention services such as screenings and wellness visits at no cost. The ACA has mandated that healthcare providers make available certain services with no cost sharing to the healthcare consumer: 15 preventive services for adults, 22 preventive services for women, 25 preventive services for children, and 23 preventive services for Medicare enrollees. Revenue provisions are in place to offset some of the costs of this legislation. With continued controversy, it will be difficult to quickly assess the cost effectiveness and impact of this health reform on improving the health care of U.S. citizens. The President had to veto a repeal of the bill and the House of Representatives have a Task Force to craft an improved ACA. The next major issue is whether typical middle class Americans can afford the high deductibles and increased cost sharing for their healthcare.

▶ Chapter 3

The one commonality with all of the world's healthcare systems is that they all have consumers or users of their systems. Systems were developed to provide a service to their citizens. However, the U.S. healthcare system, unlike other systems in the world, does not provide healthcare access to all of its citizens. It is a very complex system that is comprised of many public and private components. Healthcare expenditures comprise approximately 17.5% of the gross domestic product (GDP). Health care is very expensive and most citizens do not have the money to pay for health care themselves. Individuals rely on health insurance to pay a large portion of their healthcare costs. Health insurance is predominantly offered by employers. The uninsured rate remains at an all-time low with 9.1% under 65 uninsured as of the end of 2015 according to CDC.Gov data. Generally, 2016 saw a rough increase of all the 2015 numbers. The government believes this is the result of the universal mandate for individual health insurance coverage.

In the United States, in order to provide healthcare services, there are several stakeholders or interested entities that participate in the industry. There are providers, of course, that consist of trained professionals such as physicians, nurses, dentists, and chiropractors. There are also inpatient and outpatient facilities; the payers such as the insurance companies, the government, and self-pay individuals; and the suppliers of products, such as pharmaceutical companies, medical equipment companies, and research and educational facilities. Each component plays an integral role in the healthcare industry. These different components further emphasize the complexity of the U.S. system. It is projected that between 2014 and 2024, nearly 10 million jobs will be added in the U.S. healthcare industry. The United States spends the highest proportion of its GDP on healthcare expenditures. The system is a combination of private and public resources. Since World War II, the United States has had a private fee-for-service system that has produced generous incomes for physicians and has been profitable for many participants in the healthcare industry. The healthcare industry operates like traditional business industries. Organizations designated as for profit need to make money in order to operate. The main goal of entities that are designated nonprofit is based on a particular social goal, but they also have to make money in order to continue their operations.

There are several major stakeholders that participate or have an interest in the industry. The stakeholders identified as participants in the healthcare industry include consumers, employers, healthcare and non-healthcare employers, healthcare providers, healthcare facilities, governments (federal, state, and local), insurance companies, educational and training institutions, professional associations that represent the different stakeholders, pharmaceutical companies, and research institutions. It is also important to mention the increasing prominence of alternative therapy medicine. Each role will be discussed briefly in this chapter.

It is important to assess the system from an international perspective. Comparing different statistics from the OECD is valuable to assess the health of the United States. Despite the amount of money spent on health care in the United States, the United States ranked lower on many measures than other countries that spend less on their healthcare systems. These statistics may point to the fact that other countries' healthcare systems are more effective than the U.S. system or that their citizens have healthier lifestyles, although obesity rates are increasing globally.

▶ Chapter 4

During the Depression and World War II the United States had no funds to start a universal healthcare program—an issue that had been discussed for years. As a result, a private-sector system was developed that did not provide healthcare services to all citizens. However, the government's role in providing health-care coverage evolved to being a regulatory body to ensure that the elderly and poor were able to receive health care. The passage of the Social Security Act of 1935 and the establishment of the Medicaid and Medicare programs in 1965 mandated the government's increased role in providing healthcare coverage. Also, the State Children's Health Insurance Program (SCHIP), now the Children's Health Insurance Program, established in 1997 and reauthorized by the Affordable Care Act (ACA) through 2019, continues to expand the government's role in children's health care. The laws require states, upon enactment, to maintain current income eligibility levels for CHIP through September 30, 2019. In addition to the reauthorization of the CHIP program, the ACA increased governmental interaction with the healthcare system by developing several of the governmental initiatives that focus on increasing the ability of individuals to make informed decisions about their health care.

In these instances, the government increased accessibility to health care as well as provided financing for health care to certain targeted populations. The government plays an important role in the quality of the U.S. healthcare system. The federal government provides funding for state and local governmental programs. Federal healthcare regulations are implemented and enforced at the state and local levels. Funding is primarily distributed from the federal government to the state government, which then allocates funding to local health departments. Local health departments provide the majority of services for their constituents. More local health departments are working with local organizations such as schools and physicians to increase their ability to provide education and prevention services.

The DHS and FEMA now play an integral role in the management and oversight of catastrophic events, such as natural disasters, earthquakes, floods, pandemic diseases, and bioterrorism. The DHS and FEMA collaborate closely with the CDC to ensure that both the state and local health departments have a crisis management plan in place for these events. These attacks are often horrific and frightening with a tremendous loss of life, and as a result, the state and local

health departments need to be more prepared to deal with catastrophic events. They are required to develop plans and be trained to deal effectively with many of these catastrophic issues. Finally, the Affordable Care Act has increased government involvement in the healthcare industry to promote access to a quality healthcare system. This chapter will focus on the different roles the federal, state, and local governments play in the U.S. healthcare system. This chapter will also highlight different governmental programs and regulations that focus on monitoring how health care is provided.

▶ Chapter 5

There are two important definitions of public health. In 1920, public health was defined by Charles Winslow as the science and art of preventing disease, prolonging life, and promoting physical health and efficiency through organized community efforts for the sanitation of the environment, control of community infections, and education of individuals regarding hygiene to ensure a standard of living for health maintenance. Sixty years later, the Institute of Medicine (IOM), in its 1988 *Future of Public Health* report, defined public health as an organized community effort to address public health by applying scientific and technical knowledge to promote health. Both definitions point to broad community efforts to promote health activities to protect the population's health status. The Affordable Care Act is also emphasizing the importance of prevention and wellness. The establishment of the Prevention and Public Health Fund has supported several community-based public health programs. To date, the Fund has invested in a broad range of evidence-based activities including community and clinical prevention initiatives; research, surveillance, and tracking; public health infrastructure; immunizations and screenings; tobacco prevention; and public health workforce and training. As of 2016, funding has been allocated to public health priorities including Alzheimer's disease prevention, chronic disease self-management, diabetes prevention, hospital promotion of breastfeeding, and lead poisoning prevention.

The development of public health is important to note as part of the basics of the U.S. healthcare system because its development was separate from the development of private medical practices. Public health specialists view health from a collectivist and preventative care viewpoint: to protect as many citizens as possible from health issues and to provide strategies

to prevent health issues from occurring. The definitions cited in the previous paragraph emphasize this viewpoint. Public health concepts were in stark contrast to traditional medicine, which focused on the relationship between a provider and patient. Private practitioners held an individualistic viewpoint—people more often would be paying for their services from their health insurance or from their own pockets. Physicians would be providing their patients guidance on how to cure their diseases, not preventing disease. As a healthcare consumer, it is important to recognize the role that public health plays in our health care. If you are sick, you go to your physician for medical advice, which may mean receiving a prescription. However, there are often times that you may not go see your physician because you do not have health insurance or you do not feel that sick or you would like to change one of your lifestyle behaviors. Public health surrounds consumers with educational opportunities to change a health condition or behavior. You can visit the CDC's website, which provides information about different diseases and health conditions. You can also visit your local health department. CDC has become very proactive in developing successful social media campaigns regarding public health issues. Traditional medicine has also become entrenched in social media as well. These tools are an effective way to communicate with a society that is so connected with social media applications on a daily basis.

The concept of public health has been more publicized in the 21st century because of the terrorist attacks of 2001, the anthrax attacks in post offices, the natural disasters of Hurricane Katrina and Super storm Sandy, the Boston Marathon bombing, the Ebola and Zika virus epidemics and flooding in the Midwest. Funding has increased for public health activities because of these events. The concept of bioterrorism is now a reality. Because public health is now considered an integral component to battling terrorism and consequently a matter of national security, federal funding dramatically increased. This chapter will discuss the concept of health and healthcare delivery and the role of public health in delivering health care. The concepts of primary, secondary, and tertiary prevention and the role of public health in those delivery activities will be highlighted. Discussion will also focus on the origins of public health, the major role epidemiology plays in public health, the role of public health in disasters, core public health activities, the collaboration of public health and private medicine, and the importance of public health consumers.

▶ Chapter 6

Inpatient services are services that involve an overnight stay of a patient. Historically, the U.S. health-care industry was based on the provision of inpatient services provided by hospitals and outpatient services provided by physicians. As our healthcare system evolved, hospitals became the mainstay of the health-care system, offering primarily inpatient with limited outpatient services. Over the past two centuries, hospitals have evolved from serving the poor and homeless to providing the latest medical technology to serve the seriously ill and injured. Although their original focus was inpatient services, as a result of cost containment and consumer preferences, more outpatient services are now being offered by hospitals. Hospitals have evolved into medical centers that provide the most advanced service. Hospitals can be classified by who owns them, length of stay, and type of services provided. Inpatient services typically focus on acute care, which includes secondary and tertiary care levels that most likely require inpatient care. Inpatient care is very expensive and, throughout the years, has been targeted for cost-containment measures. Hospitals have begun offering more outpatient services that do not require an overnight stay and are less financially taxing on the healthcare system. U.S. health-care expenditures have increased as part of the gross domestic product, and consequently, more cost-containment measures have evolved. Outpatient services have become more prevalent because they are less expensive and they are preferred by consumers.

Although hospitals admit 35 million individuals annually, the healthcare industry has recognized that outpatient services are a cost-effective method of providing quality health care and has therefore evolved into providing quality outpatient care. This type of service is the preferred method of receiving health care by the consumer. In 2015, there were over 900 million visits to doctor's offices, which is the traditional method of ambulatory care. However, as medicine has evolved and more procedures, such as surgeries, can be performed on an outpatient basis, different types of outpatient care have evolved. As discussed previously, there are more outpatient surgical centers, imaging centers, urgent and emergent care centers, and other services that used to be offered on an inpatient basis. There will continue to be an increase in outpatient services being offered. Technology will increase the quality and efficiency of health care for consumers. Telemedicine will also become a more widely used model for health care because of continued advances

in technology. The implementation of patient electronic health record systems nationwide will be the impetus for the development of more electronic healthcare services. This chapter will discuss the evolution of outpatient and inpatient healthcare services in the United States.

▶ Chapter 7

The healthcare industry is the fastest growing industry in the U.S. economy, employing a workforce of nearly 20 million healthcare workers. Considering the aging of the U.S. population and the impact of the Affordable Care Act, it is expected that the healthcare industry will continue to experience strong job growth. Job growth in many healthcare sectors is outpacing that in other industries. When we think of healthcare providers, we automatically think of physicians and nurses. However, the healthcare industry is composed of many different health service professionals, including dentists, optometrists, psychologists, chiropractors, podiatrists, nonphysician practitioners (NPPs), administrators, and allied health professionals. It is important to identify allied health professionals because they provide a range of essential healthcare services that complement the services provided by physicians and nurses. This category of health professionals is an integral component of providing quality health.

Health care can occur in varied settings. Physicians have traditionally operated in their own practices but they also work in hospitals, mental health facilities, managed care organizations, and community health centers. They may also hold government positions or teach at a university. They could be employed by an insurance company. Health professionals, in general, may work at many different organizations, both for profit and nonprofit. Although the healthcare industry is one of the largest employers in the United States, there continue to be shortages of physicians in certain geographic areas of the country. Rural areas continue to suffer physician shortages, which limits consumer access to health care. There have been different incentive programs to encourage physicians to relocate to rural areas, but shortages still exist. In most states, only physicians, dentists, and a few other practitioners may serve patients directly without the authorization of another licensed independent health professional. Those categories authorized include chiropractic, optometry, psychotherapy, and podiatry. Some states authorize midwifery and physical therapy. There also continues to be a shortage of registered

nurses nationwide, with the most need identified in the south and west. There is also a shortage of qualified nursing faculty to teach in nursing schools, which limits the number of students enrolled in registered nursing programs. The American Association of Colleges of Nursing (AACN) is discussing this issue with policy makers.

Healthcare personnel comprise one of the largest labor forces in the United States. This chapter provided an overview of the different types of employees in the healthcare industry. Some of them require many years of education; however, some of these positions can be attained upon completion of 1–2 year programs. The healthcare industry will continue to progress as U.S. trends in demographics, disease, and public health pattern change, and cost and efficiency issues, insurance issues, technological influences, and economic factors continue to evolve. More occupations and professions will develop as a result of these trends. The major trend that will impact the healthcare industry is the aging of the U.S. population. The BLS predicts that half of the next decades' fastest growing job categories will be in the healthcare industry. The Affordable Care Act will continue to have an impact on the positive growth for this industry. This chapter will provide a description of the different types of healthcare professionals and their role in providing care in the U.S. system

▶ Chapter 8

The percentage of the U.S. gross domestic product (GDP) devoted to healthcare expenditures has increased over the past several decades. In 2014, the United States spent \$2.6 trillion on health care or 17.5% of the GDP, which is the highest percentage of its GDP in the world. The Centers for Medicare and Medicaid Services (CMS) predicts annual healthcare costs will be \$4.64 trillion by 2024, which represents nearly 20% of the U.S. GDP.

As healthcare technology and research provide for more sophisticated and more expensive procedures, there will be an increase in healthcare expenses. Three areas account for over 60% of national healthcare expenditures: hospital care, physician and clinical services, and prescription drugs (Health spending explorer, 2016). Unlike countries that have universal healthcare systems, payment of healthcare services in the United States is derived from (1) out-of-pocket payments or cost sharing from patients who pay entirely or partially for services rendered; (2) health

insurance plans, such as indemnity plans or managed care organizations; (3) public or governmental funding such as Medicare, Medicaid, and other governmental programs; and (4) health savings accounts (HSAs). Much of the burden of healthcare expenditures has been borne by private sources—employers and their health insurance programs. Individuals may continue to pay their health insurance premiums through the Consolidated Omnibus Budget Reconciliation Act (COBRA) once they are unemployed, but most individuals cannot afford to pay the expensive premiums.

As a result of the passage of the Affordable Care Act (ACA) of 2010, the government has played a proactive role in developing a healthcare system that is more consumer oriented. The Act is requiring more employers to offer health insurance benefits and requiring individuals to purchase healthcare insurance if they can afford it from the health insurance marketplaces. The Act also requires health insurance plans to provide more information about their plans to their members so they can make informed decisions about their healthcare.

To understand the complexity of the U.S. healthcare system, this chapter will provide a breakdown of U.S. healthcare spending by source of funds, and the major private and public sources of funding for these expenditures. It is important to reemphasize that there are three parties involved in providing health care: the provider, the patient, and the fiscal intermediary such as a health insurance company or the government. Therefore, also included in the chapter is a description of how healthcare providers are reimbursed for their services and how reimbursement rates were developed for both private and public funds.

▶ Chapter 9

Managed care is a healthcare delivery system organized to manage cost, utilization, and quality. Managed care refers to the cost management of healthcare services by controlling who the consumer sees and how much the service costs. Managed care organizations (MCOs) were introduced 40 years ago, but became more entrenched in the healthcare system when the Health Maintenance Organization Act of 1973 was signed into law by President Nixon. Healthcare costs were spiraling out of control during that period. Encouraging the increase in the development of HMOs, the first widely used managed care model, would help to control the healthcare costs. MCOs'

integration of the financial industry with the medical service industry resulted in controlling the reimbursement rate of services, which allowed MCOs more control over the health insurance portion of health care. Physicians were initially resistant to managed care models because they were threatened by loss of income. As the number of managed care models increased, physicians realized they had to accept this new form of healthcare delivery and, if they participated in a managed care organization, it was guaranteed income. Managed care health plans have become a standard option for consumers. Medicare Part C which is commonly called Medicare Advantage offers managed care options to their enrollees. Medicaid managed care provides for the delivery of Medicaid health benefits and additional services through contracted arrangements between state Medicaid agencies and MCOs that accept a set payment per member per month (capitation) for these services. Many employers offer managed care plans to their employees.

There also have been issues with how MCOs have reimbursed physicians. The issue with silent PPOs has financially hurt physicians. Physicians have also had problems with timely reimbursement from MCOs. There were issues with fraudulent reimbursement rates of out-of-network services, which resulted in members paying exorbitant out-of-pocket expenses. However, the American Medical Association has developed tools to assist physicians with managed care contracting and reimbursement processes. The Affordable Care Act mandate that insurance companies must spend 80–85% of their premium revenues on quality care or be penalized with fines, give rebates to their members, or both will be an incentive for MCOs to provide quality and affordable care. As healthcare continues to focus on providing quality care and cost reduction, having a database such as HEDIS can provide important information to both the healthcare providers and consumers. This chapter will discuss the evolution of managed care and why it developed, the different types of managed care, the MCO assessment measures used for cost control, issues regarding managed care, and how managed care has impacted the delivery of healthcare services.

▶ Chapter 10

The general term informatics refers to the science of computer application to data in different industries. Health or medical informatics is the science of computer application that supports clinical and research

data in different areas of health care. It is a methodology of how the healthcare industry thinks about patients and how their treatments are defined and evolved. For example, imaging informatics applies computer technology to organs and tissue. Health information systems are systems that store, transmit, collect, and retrieve this data. The goal of health information technology (HIT) goal is to manage the health data that can be used by patients–consumers, insurance companies, healthcare providers, healthcare administrators, and any stakeholder that has an interest in health care.

HIT impacts every aspect of the healthcare industry. All of the stakeholders in the healthcare industry use HIT. Information technology (IT) has had a tremendous impact on the healthcare industry because it allows faster documentation of every transaction. When an industry focuses on saving lives, it is important that every activity has a written document that describes the activity. Computerization of documentation has increased the management efficiency and accuracy of healthcare data. The main focus of HIT is the national implementation of an electronic patient record. Both President Bush and President Obama have supported this initiative.

This is the foundation of many IT systems because it will enable different systems to share patient information, which will increase the quality and efficiency of health care. This chapter will discuss the history of IT, different applications of IT health care, and the status of electronic health records and barriers for its national implementation.

The healthcare industry has lagged behind other industries utilizing IT as a form of communicating important data. Despite that fact, there have been specific applications developed for HIT such as e-prescribing, telemedicine, ehealth, and specific applied technologies such as the PatientPoint, MelaFind optical scanner, the Phreesia Pad, Sapien heart valve, robotic checkups, Electronic Aspirin, Accuson P10, and the Piccolo xpress, which were discussed in this chapter. Healthcare organizations have recognized the importance of IT and have hired CIOs and CTOs to manage their data. However, healthcare consumers need to embrace an electronic patient record, which is the basis for the Microsoft Health Vault. This will enable patients to be treated effectively and efficiently nationally. The patient health record can be integrated into the electronic health records that are being utilized nationwide. Having the ability to access a patient's health information could assist in reducing medical errors. As a consumer, utilizing

a tool like HealthVault could provide an opportunity to consolidate all medical information electronically so, if there are any medical problems, the information will be readily available. The major IT issue in healthcare is the need to establish the interoperability of EHRs systems nationwide. This communication between systems will enable patients to be treated more quickly because there will be immediate access to their most current medical information. Although the federal government has indicated this communication between systems needs is necessary to ensure the full success of electronic health records system, the progress continues to be slow.

▶ Chapter 11

The healthcare industry is one of the most heavily regulated industries in the United States. Those who provide, receive, pay for, and regulate healthcare services are affected by the law. To be an effective healthcare manager, it is important to understand basic legal and ethical principles that influence the work environment, including the legal relationship between the organization and the consumer—the healthcare provider and the patient. The basic concepts of law, both civil and criminal healthcare law, tort reform, employment-related legislation, safety in the workplace, and the legal relationship between the provider and the patient will be discussed in this chapter. I have included some examples of LGBT-related claims that EEOC views as unlawful sex discrimination which I think is timely.

▶ Chapter 12

Legal standards are the minimal standard of action established for individuals in a society. Ethical standards are considered one level above a legal action because individuals make a choice based on what is the “right thing to do,” not what is required by law. There are many interpretations of the concept of ethics. Ethics has been interpreted as the moral foundation for standards of conduct. The concept of ethical standards applies to actions that are hoped for and expected by individuals. Actions may be considered legal but not ethical. There are many definitions of ethics but, basically, ethics is concerned with what are right and wrong choices as perceived by society and individuals.

The concept of ethics is tightly woven throughout the healthcare industry. It has been dated back

to Hippocrates, the father of medicine, in the 4th century BC, and evolved into the Hippocratic Oath, which is the foundation for the ethical guidelines for patient treatment by physicians. In 1847, the American Medical Association (AMA) published a *Code of Medical Ethics* that provided guidelines for the physician–provider relationship, emphasizing the duty to treat a patient. To this day, physicians’ actions have followed codes of ethics that demand the “duty to treat”.

Applying the concept of ethics to the healthcare industry has created two areas of ethics: medical ethics and bioethics. Medical ethics focuses on the decisions healthcare providers make concerning medical treatment of patients. Euthanasia or physician-assisted suicide would be an example of a medical ethics topic. Advance directives are orders that patients give to providers to ensure that, if they are terminally ill and incompetent to make a decision, certain measures will not be taken to prolong that patient’s life. If advance directives are not provided, the ethical decision of when to withdraw treatment may be placed on the family and provider. These issues are legally defined, although there are ethical ramifications surrounding these decisions.

This chapter will focus primarily on bioethics. This field of study is concerned with the ethical implications of certain biologic and medical procedures and technologies, such as cloning; alternative reproductive methods, such as in vitro fertilization; organ transplants; genetic engineering; and care of the terminally ill. Additionally, the rapid advances in medicine in these areas raised questions about the influence of technology on the field of medicine.

It is important to understand the impact of ethics in different aspects of providing health care. Ethical dilemmas in health care are situations that test a provider’s belief and what the provider should do professionally. Ethical dilemmas are often a conflict between personal and professional ethics. A healthcare ethical dilemma is a problem, situation, or opportunity that requires an individual, such as a healthcare provider, or an organization, such as a managed care practice, to choose an action that could be unethical. A decision-making model is presented that can help resolve ethical dilemmas in the healthcare field. This chapter will discuss ethical theories, codes of healthcare conduct, informed consent, confidentiality, special populations, research ethics, ethics in public health, end-of-life decisions, genetic testing and profiling, and biomedical ethics, which focuses on technology use and health care.

▶ Chapter 13

According to the World Health Organization, mental wellness or mental health is an integral and essential component of health. It is a state of well-being in which an individual can cope with normal stressors, can work productively, and is able to make a contribution to his or her community. Mental health behavioral disorders can be caused by biological, psychological, and personality factors. By 2020, behavioral health disorders will surpass all physiological diseases as a major cause of disability worldwide. Mental disorders are the leading cause of disability in the United States. Mental illnesses can impact individuals of any age, race, religion, or income. According to the Substance Abuse and Mental Health Services Administration's 2014 National Survey, an estimated 43.6 million (18.1%) Americans age 18 or older experienced some form of mental illness. In 2014, 20.2 million adults (8.4%) had a substance use disorder. Anxiety disorders are the most common type of mental disorders, followed by depressive disorders.

Different mental disorders are more likely to begin and occur at different stages in life and are thus more prevalent in certain age groups. Lifetime anxiety disorders generally have the earliest age of first onset, most commonly around age 6. Although mental health is a disease that requires medical care, its characteristics set it apart from traditional medical care. U.S. Surgeon General David Satcher released a landmark report in 1999 on mental health and illness, *Mental Health: A Report of the Surgeon General*. The Surgeon General's report on mental health defines mental disorders as conditions that alter thinking processes, moods, or behavior and result in dysfunction or stress. The condition can be psychological or biological in nature. The most common conditions include phobias, which are excessive fear of objects or activities; substance abuse; and affective disorders, which are emotional states such as depression. Severe mental illness includes schizophrenia, major depression, and psychosis. Obsessive-compulsive disorders (OCD), intellectual disabilities, Alzheimer's disease, and dementia are also considered mentally disabling conditions.

According to the report, mental health ranks second to heart disease as a limitation on health and productivity. People who have mental disorders often exhibit feelings of anxiety or may have hallucinations or feelings of sadness or fear that can limit normal functioning in their daily life. Because the causes or etiologies of mental health disorders are

less defined and less understood compared to traditional medical problems, interventions are less developed than in other areas of medicine. This chapter will discuss the following topics: the history of the U.S. mental healthcare system, a background of healthcare professionals, mental healthcare law, insurance coverage for mental health, barriers to mental health care, the populations at risk for mental disorders, the types of mental health disorders as classified by the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders (DSM), liability issues associated with mental health care, an analysis of the mental healthcare system, and guidelines and recommendations to improve U.S. mental health care. A section on family and caregivers is also included.

▶ Chapter 14

The U.S. healthcare system has long been recognized for providing state-of-the-art health care. It has also been recognized as the most expensive healthcare system in the world and the price tag is expected to increase. Despite offering two large public programs—Medicare and Medicaid for elderly, indigent, or disabled individuals—current statistics indicate that millions of individuals are uninsured, although the Affordable Care Act's individual mandate to purchase health insurance coverage has reduced those numbers.

The U.S. healthcare system continues to evolve. Technology will continue to have a huge impact on health care. Consumers have more information to make healthcare decisions because of information technology. Healthcare providers have more opportunities to utilize technology such as robotic surgery, e-prescribing, and clinical decision support systems that will assist them with diagnoses. The Green House Project is an exciting initiative that may transform how long-term care will be implemented. As our population becomes grayer, more citizens will want to live as independently as possible for a longer period of time, and the Green House Project is an excellent template for achieving this goal. All of these initiatives are exciting for the healthcare consumer. The implementation of an EHR, which will enable providers to share information about a patient's health history, will provide the consumer with the opportunity to obtain more cost-effective and efficient health care. The Veterans Administration hospitals use the EHR system. Duke University Health System also uses an

EHR system in North Carolina. There are hospitals, physician practices, and other healthcare organizations that utilize EHR systems across the country. Even though implementing the system nationally will be extremely expensive—costs have been estimated in the billions—it will eventually be a cost-saving measure for the United States. The Affordable Care Act has provided many incentives to improve the quality of and access to the U.S. healthcare system. The Center for Medicaid and Medicare Innovation has over 40 demonstration projects that focus on different types of financing models that are based on the performance of healthcare providers.

The discussion concerning different countries' healthcare systems indicate that all countries have problems with their healthcare systems. Establishing a universal healthcare system in the United States may not be the answer. There are aspects of each of these programs that could be integrated into the U.S. system. There are a surprising number of similarities. The major differences are in the area of the control the government places on pharmaceutical prices and health insurers. Some governments limit drug manufacturers' and insurers' profitability in order to increase

healthcare access to their citizens. The main difference between these three countries and the United States is in the willingness of individuals to pay more so all citizens can receive health care. That collectivistic attitude does not prevail in the United States and would be difficult to institute. However, the mandates for both business and individuals to purchase health insurance coverage through the establishment of state health insurance marketplaces should improve the overall health of the United States.

This chapter will compare the U.S. healthcare system and the healthcare systems of other countries and discuss whether universal healthcare coverage should be implemented in the United States. This chapter will also discuss trends that may positively impact the U.S. healthcare system, including the increased use of technology in prescribing medicine and providing health care, complementary and alternative medicine use, new nursing home models, accountable care organizations, and the universal-healthcare-coverage programs in Massachusetts and San Francisco, California. The Affordable Care Act (ACA) will also be discussed because of its major impact on the U.S. healthcare system.