

CHAPTER 2

Current Operations of the Healthcare System

LEARNING OBJECTIVES

The student will be able to:

- Identify the stakeholders of the U.S. healthcare system and their relationships with each other and the patient.
- Discuss the importance of healthcare statistics.
- Identify at least three current statistics regarding the U.S. healthcare system.
- Discuss complementary and alternative medicine and its role in health care.
- Discuss the role the health navigator can have with healthcare stakeholders.
- Discuss three patient rights and responsibilities.

DID YOU KNOW THAT?

- According to the Bureau of Labor Statistics, the healthcare industry projections for job growth over a 10-year period is 9.8 million jobs by 2024.
- Most healthcare workers have jobs that do not require a four-year college degree but health diagnostic and treatment providers are the most educated workers in the United States.
- Healthcare employment is found predominantly in large states such as California, New York, Texas, and Florida.
- Approximately 40% of U.S. adults use some form of non-traditional medicine.
- The healthcare industry and social assistance industry reported more work-related injuries than any other private industry.
- Life expectancy rates and infant mortality rates are an indication of the health of a population.

INTRODUCTION

The one commonality among 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 17.4% of the **gross domestic product (GDP)**, which is the total value of goods produced and services provided in a country during one year. Healthcare costs are 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. According to a 2014 Centers for Disease Control and Prevention (CDC) survey, there were 35.7 million uninsured people in the United States, which was a decrease from the 2011 reported CDC data of 48.2 million uninsured (CDC, 2016a). The government believes this is the result of the mandate by the Affordable Care for individuals to purchase health insurance coverage.

In the United States there are several **stakeholders** or interested entities that participate in

providing healthcare services. Some are trained professionals such as physicians, nurses, dentists, and chiropractors. Others include 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 the research and educational facilities (Sultz & Young, 2006). Each component plays an integral role in the healthcare industry. These different components demonstrate the complexity of the U.S. system. The current operations of the delivery system and utilization statistics will be discussed in this chapter. The role of the health navigator with each of the stakeholders also will be discussed along with how this relationship can help with the care of a patient.

OVERVIEW OF THE CURRENT SYSTEM

Between 2014 and 2024, nearly 10 million jobs are projected to be added in the healthcare industry (Bureau of Labor Statistics [BLS], 2016a). 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 (Jonas, 2003). The healthcare industry operates like traditional business industries. Organizations designated as for-profit, they need to make money in order to operate. The main goal of entities that are designated not-for-profit is based on a particular social goal, but they also have to make money in order to continue their operations.

Several major stakeholders 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, government (federal, state, and local), insurance companies, educational and training institutions, professional associations that represent the different stakeholders, pharmaceutical companies, and research institutions.

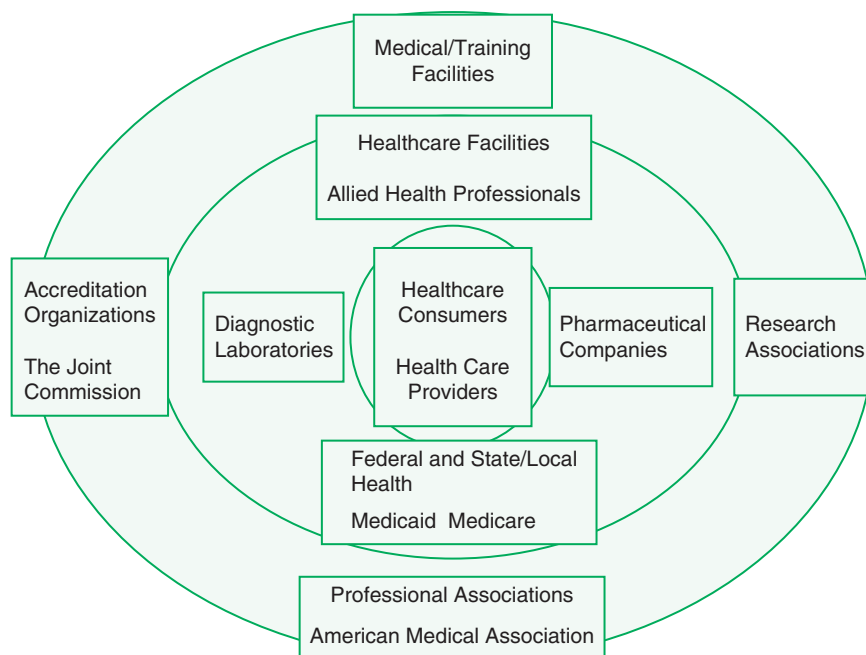
It is also important to mention the increasing prominence of alternative therapy medicine. Each role will be discussed briefly and the role of the stakeholders with the relationships of the patient and provider.

MAJOR STAKEHOLDERS IN THE HEALTHCARE INDUSTRY

Consumers/Patients

The main group of consumers is patients who need healthcare services from a physician, hospital, or outpatient facility. A **patient** is any individual who is being evaluated by a healthcare professional. Patient rights focus on access to care, patients' informed decision-making and patient confidentiality (Patient rights, 2016). From an organizational perspective, the healthcare consumer is the most important stakeholder for an organization. The healthcare industry operates like a business. If a consumer has the means to pay out-of-pocket, from government sources, or from health insurance, the services will be provided. If an individual does not have the means to pay from any of these sources of funding, a service may not be provided. There is a principle of the U.S. healthcare system, **duty to treat**, which means that any person deserves basic care (Pointer et al., 2007). In some instances, healthcare providers will give care to someone who has no funding source and designate the care provided as a **charitable care or bad debt**, which means the provider either does not expect payment after the person's inability to pay has been determined or efforts to secure the payment have failed (Smith, 2008). Businesses also take the same action. Many of them provide a community service or donate funds to a charitable cause, yet both traditional businesses and healthcare organizations need to charge for their services in order to continue their operations.

There are also other consumer relationships in the healthcare industry. Consumers purchase drugs either from their provider or over the counter from pharmacies. The pharmaceutical companies market their products to physicians who in turn prescribe their products to their patients.

FIGURE 2-1 Major Stakeholders in the Healthcare Industry

The pharmaceutical companies also market their products to hospitals and outpatient facilities to encourage the use of their drugs in these facilities. Medical equipment companies also sell their products to facilities and individual providers.

Employers

Employers consist of both private and public employers. The healthcare industry is the largest U.S. employer. According to the **Bureau of Labor Statistics (BLS)**, there are several segments of the healthcare industry, including ambulatory healthcare services, hospitals, and nursing and residential care facilities. Ambulatory healthcare services are comprised of physicians, dentists, other health practitioners, outpatient care centers, medical and diagnostic laboratories, home healthcare services, and other ambulatory care. The hospital segment provides inpatient services primarily with outpatient as a secondary source. It includes general and surgical care facilities, psychiatric substance abuse hospitals, and other specialty hospitals. **Residential**

care facilities provide nursing care, mental health treatment, treatment for substance abuse and mental disabilities, community care for the elderly, and other residential care (BLS, 2016b). Healthcare employment opportunities can be more easily found in large states such as California, New York, Texas, and Florida (BLS, 2016c). Employers outside the healthcare industry also are stakeholders because they provide a large percentage of health insurance coverage to individuals nationwide.

Hospitals

There are approximately 11,000 hospitals across the United States. Hospitals provide total medical care that ranges from diagnostic services to surgery and continuous nursing care. They traditionally provide inpatient care, although more hospital systems now also provide outpatient care. Some hospitals specialize in treatments for cancer, children's health, and mental health. It is important to note that hospitals are an integral component of the healthcare system. Many of

the uninsured and underinsured present themselves at emergency departments (EDs) across the country and use EDs as their primary care provider. In 2013, more than 136 million individuals presented themselves to the emergency department as their entry into health care. During times of public health crises, hospitals are the backbone of providing care. In 2015, hospitals provided \$46.4 billion in uncompensated care, a \$7.1 billion increase from 2010 (American Hospital Association, 2016). A health navigator can be instrumental in assisting a patient who needs to be hospitalized to ensure they are proactive in their hospital care. They can also assist the patient when they are discharged from the facility.

Nursing and Residential Care Facilities

These types of facilities provide nursing, rehabilitation, and health-related personal care to those who need ongoing care. There are 76,000 facilities nationwide. Nursing aides provide the majority of care. Residential care facilities provide around-the-clock social and personal care to the elderly, children, and others who cannot take care of themselves. Examples of residential care facilities are drug rehabilitation centers, group homes, and assisted-living facilities (BLS, 2016b). A health navigator can be very helpful to residents of any type of residential care facility to ensure the residents' rights are protected.

Physicians and Other Healthcare Practitioners

In 2014, there were nearly 700,000 U.S. physicians and surgeons. Physicians traditionally practiced solo, but more of them now participate in a group practice to reduce administrative costs. In 2014, there were 151,000 dentists in the United States. Job outlook for both physicians and dentists is very positive due to the aging of the U.S. population. Other healthcare practitioners include chiropractors, optometrists, psychologists, therapists, and alternative medicine practitioners (BLS, 2016c). A health navigator can be helpful to ensure ongoing communication between patients and their providers, and, ultimately, to enable healthy outcomes.

Alternative health or **complementary and alternative medicine (CAM)** practitioners practice unconventional health therapies such as yoga, vitamin therapy, and spiritual healing. Consumers must pay out-of-pocket for these services because health insurance companies generally do not cover them. Chiropractors and acupuncturists, also considered alternative medicine practitioners, are more likely to be covered. Recognizing consumer interest in alternative medicine, in 1998, as part of the National Institutes of Health, the **National Center for Complementary and Alternative Medicine (NCCAM)** was established. Its purpose was to explore these types of practices in the context of rigorous science, train complementary and alternative researchers, and disseminate information. More medical schools now offer some courses in alternative medicine. In the United States, nearly 40% of adults (about 4 in 10) and more than 10% of children (about 1 in 9) use some form of CAM. Adults are most likely to use CAM for musculoskeletal problems such as back, neck, or joint pain (National Center for Health Statistics, 2016). A health navigator can be helpful to a patient who is interested in pursuing nontraditional medicine to ensure the care provided is legitimate. The navigator plays an important role in this area of medicine because this type of treatment often is paid out of pocket by the healthcare consumer.

Home Healthcare Services

Home healthcare services, which offer medical care in the home, are provided primarily to the elderly, chronically ill, and mentally impaired. Mobile medical technology allows more medical problems to be treated in the home. Home health care is one of the fastest-growing components of employment in the industry because of consumer preference and the cost effectiveness of home medical care (BLS, 2016d). The health navigator can assist patients with choosing an appropriate home health agency for their care.

Outpatient Care Centers and Ambulatory Healthcare Services

Outpatient care centers include kidney dialysis centers, mental health and substance abuse clinics,

and surgical and emergency centers. Ambulatory healthcare services include transport services, blood and organ banks, and smoking cessation programs (BLS, 2016e). The health navigator can assist the patient to ensure their selection of outpatient centers is appropriate for their needed care.

Laboratories

Medical and diagnostic laboratories provide support services to the medical profession. Workers may take blood, take scans or X-rays, or perform other medical tests. This segment provides the fewest number of jobs in the industry (BLS, 2016f). The health navigator can provide support to the patient to ensure the prescribed tests are appropriate for their diagnosis.

Government

As a result of the Medicare and Medicaid programs, federal and state governments are the largest stakeholders in the U.S. healthcare system. The government at both levels is responsible for financing health care through these programs as well as playing the public provider role through state and local health departments. Veterans' Affairs medical facilities also provide services to those in the armed forces (Sultz & Young, 2006). The health navigator can be extremely helpful to patients when dealing with government programs such as Medicare, Medicaid, and private insurance companies to ensure they understand their insurance coverage.

Insurance Companies

The insurance industry also is a major stakeholder in the healthcare industry. It often is blamed for the problems with the healthcare system because of the millions of people who are underinsured and uninsured. The insurance industry also has been accused of routinely disapproving medical procedures and charging high rates for coverage. There are traditional indemnity plans such as **Blue Cross and Blue Shield**, but managed care, which is also considered an insurance plan, has become more popular for cost control. The Affordable Care Act has placed restrictions on what health insurance companies can do regarding reimbursement restrictions.

Educational and Training Organizations

Educational and training facilities such as medical schools, nursing schools, public health schools, and allied health programs play an important role in the U.S. healthcare industry because they are responsible for the education and training of healthcare employees. These institutions help formulate behaviors of the healthcare workforce. Many health navigators have clinical training or may decide to pursue additional education for their navigator position.

Research Organizations

Government research organizations such as the National Institutes of Health (NIH) and the CDC not only provide regulatory guidance but also perform research activities to improve health care. Private research organizations such as the **Robert Wood Johnson Foundation**, the **Pew Charitable Trusts**, and the **Commonwealth Fund** support research efforts through grants. If a patient has a rare disease, the health navigator may perform research to assist the patient with options for clinical trials.

Professional Associations

Professional associations play an important role in healthcare policy. Associations represent physicians, nurses, hospitals, long-term care facilities, and other health industry stakeholders. Most are represented by a professional organization that offers guidance about their role in the healthcare industry. They also lobby at all government levels in an attempt to influence government regulations in favor of their constituents. The following are examples of professional associations that represent some of the major stakeholder organizations in this industry. Health navigators are encouraged to join a professional association appropriate for their background to ensure they are current with regulations and education and care.

- **American Hospital Association (AHA)**

The AHA is the most prominent association for all types of hospitals and healthcare networks. Founded in 1898, the AHA, which is a membership organization, provides education and lobbies for hospital representation in the political process at all governmental levels (AHA, 2016).

- **American Health Care Association (AHCA)** Founded in 1949, the AHCA is a membership organization that represents not-for-profit and for-profit nursing, assisted living, and developmentally disabled and sub-acute providers. Its focus is to monitor and improve standards of nursing home facilities (AHCA, 2016).
- **American Association of Homes and Services for the Aging (AAHSA)** The AAHSA (recently renamed Leading Age), which is a membership organization, represents not-for-profit adult day care services, home healthcare services, community services, senior housing, assisted living facilities, continuous care retirement communities, and nursing homes. It lobbies all government levels regarding legislation that can affect this industry and provides technical assistance for these organizations (LeadingAge, 2016).

Pharmaceutical Companies

A functioning healthcare system needs medicine that is prescribed by a provider or is purchased as an over-the-counter medicine from a pharmacy. The pharmaceutical industry is integral to the success of a healthcare system. Innovative drugs have improved people's quality of life. There has been an internal division within the pharmaceutical industry between the manufacturing of **brand name drugs** and generic or "me too" drugs. **Generic drugs**, which do not have name recognition, are a less costly alternative to a brand name drug. The generic drug manufacturer must provide the same active ingredients as the brand name drugs; however, the generic drug approval process is less costly. Generic drugs have no patent protection and are sold at discounted prices (Zhong, 2012).

Brand name drugs such as Lipitor and Viagra are typically more expensive than generic drugs because they cost a pharma company more than \$1 billion over several years to develop. The Food and Drug Administration, which is responsible for approving the drug for human use, has traditionally upheld a very strict and lengthy approval process. However, recently, the FDA has been removing red

tape and speeding up the process for drugs that are prescribed for serious diseases. When a patent is awarded, a pharma company typically has 20 years of patent protection to develop a drug. However, because of the length of time it takes to determine the safety and effectiveness of a drug, once the drug is available for the public, the patent may be reduced several years (Mandal, 2014). Once that patent protection has ended, there are more opportunities for generic drug companies to control the market (Herper, 2013).

Like health insurance companies, the pharmaceutical industry often is vilified because of the cost of some prescribed medicines that may preclude some consumers from purchasing without health insurance assistance. The industry's response to why some medicines cost so much is that they take millions of dollars and years of research to develop. The pharmaceutical industry is represented by the **Pharmaceutical Research and Manufacturers of America (PhRMA)** (PhRMA, 2016).

Many medical errors are related to prescription and non-prescription drug errors. A health navigator should have resources available to ensure the patient has received the appropriate drugs for their condition.

PATIENT RIGHTS AND RESPONSIBILITIES AND THE ROLE OF THE HEALTH NAVIGATOR

Each of the stakeholders described plays a direct or indirect role in the relationship between the provider and patient. Because many stakeholders are involved, many lines of communication are required. Patients may have difficulty managing the care needed to achieve a healthy outcome. A patient needs to be proactive in understanding the care required as well as their rights in how care is provided to them. In 1997, President Clinton appointed a commission to provide recommendations for consumer protection and quality in the healthcare industry. These recommendations still apply and include the following: consumer information disclosure, choice of healthcare providers, access to emergency services, participation in treatment decisions, respect and nondiscrimination,

health information confidentiality, and complaints and appeals processes (Maldonado-Schullo, 2010). The Affordable Care Act provided new guidelines to patients by empowering the patient with opportunities to make informed decisions about their health, which often can be overwhelming. It is the reason why the ACA designated health navigators to assist patients with their healthcare marketplace decisions to assist patients with understanding the information presented to them.

STAKEHOLDERS' ENVIRONMENT

Working Conditions

Healthcare workers have many varied opportunities for workplace settings. Hospitals are a typical work environment, as are physician offices. As outpatient services have become more popular, healthcare professionals can work from their homes. Healthcare professionals can work in outpatient facilities, schools, laboratories, corporations, and other unconventional settings. They are exposed to serious health hazards, including contaminated blood, chemicals, drugs, and X-ray hazards. Depending on the job, there may be ergonomic issues due to heavy lifting of patients and equipment. This industry has one of the highest injury and illness rates. U.S. hospitals recorded nearly 58,000 work-related injuries and illnesses in 2013, amounting to 6.4 work-related injuries and illnesses for every 100 full-time employees. This rate is almost twice as high as the overall rate for private industry (OSHA, 2015). In 2013, healthcare personnel reported seven times the national rate of musculoskeletal disorders compared with all other private sector workers. Nurse assistants and nurses have the highest injury rates of all occupations (Centers for Disease Control, 2015).

Projected Outlook for Employment

The healthcare industry's employment outlook is positive. By 2024, an additional 22 million jobs are projected. Growth will most likely be outside the inpatient hospital centers because cost containment is the major priority for health care. Health care will continue to grow for three major reasons: the aging of the U.S. population, advances in medical technology, and the increased focus on outpatient care.

HEALTHCARE STATISTICS

U.S. Healthcare Utilization Statistics

The **National Center for Health Statistics (NCHS)**, which is part of the CDC, produces an annual report on the health status of the United States. This annual publication, *Health, United States, 2015*, provides an overview of healthcare utilization, resources, and expenditures. This publication examines different aspects of the U.S. healthcare delivery system and assesses the health status of U.S. citizens. The following information was summarized from this publication.

U.S. Demographics and Health Care

Life expectancy rates are an indication of the health of a designated population. This rate indicates the average number of years an individual is expected to live. They are typically calculated by gender. In 2014, life expectancy at birth in the United States was 78.8 years—76 for males and 81.2 years for females. Racial disparities exist in life expectancy at birth rates, although they have narrowed. In 2014, the rate of white male life expectancy at birth was 4.2 years longer than that for black males, and the rate for white females was 3.0 years longer than that for black females. In 2014, Hispanic males (79.2 years) and females (84 years) had longer life expectancy rates than non-Hispanic white or non-Hispanic black males and females (CDC, 2016a).

Healthcare Payers

U.S. statistics (2013) indicate that more than 34% of personal healthcare expenses were paid by private health insurance, 22% were paid by Medicare, and nearly 14% were paid by consumers. The other 30% was paid by other types of programs and insurance. In 2013, the Medicare program had more than 52 million enrollees with expenditures of nearly \$585 billion. The Medicare Part D drug program accounted for \$68 billion. Children under 21 accounted for nearly 20% of Medicaid expenditures. The aged, blind, and disabled accounted for 61% of Medicaid expenditures.

America's Health Rankings 2014 Edition

The partnership of the United Health Foundation and the American Public Health Association and

Partnership for Prevention, for the past 25 years, has produced the American's Health Rankings, which is an annual assessment of U.S. health by state. Overall, the healthiest states by rank are Hawaii, Vermont, Massachusetts, Connecticut, and Utah. The five unhealthiest states by rank are Arkansas, Louisiana, Kentucky, Oklahoma, and Mississippi. Health status is based on low prevalence of smoking, obesity, poverty, preventable hospitalizations, and small disparity in health status by education, cancer, and cardiovascular deaths. Cardiovascular disease remains the leading killer (NHS, 2014). However, Hawaii has issues with alcohol abuse and low immunization coverage. Although Mississippi has ranked in the bottom of the states for many years, it does have a low prevalence of binge drinking, high immunization coverage for children, and low disparity in health status. Its low ranking is the result of a high prevalence of obesity, low birth-weight infants, children in poverty, and limited availability of primary care providers. Despite these rankings, many health issues need to be addressed regardless of the state ranking. Since 2013, there has been a 154% increase in pertussis incidence. Adult obesity increased 7% to nearly 30%, with physical inactivity increasing to nearly 24% of adults who did not exercise in the last 30 days. There was a 3% decrease in adults who smoke, although there has been an increase in using electronic cigarettes. The role of the health

navigator could be invaluable in all of the states regardless of their rankings.

CONCLUSION

The U.S. healthcare system is a complicated system comprised of both public and private resources. Health care is available to those who have health insurance or who are entitled to health care through a public program. One can think of the healthcare system as several concentric circles that surround the most important stakeholders in the center circle: the healthcare consumers and providers. Immediately surrounding this relationship are health insurance companies and government programs, healthcare facilities, pharmaceutical companies, and laboratories, all of which provide services to consumers to ensure they receive quality health care, as well as support providers to ensure they provide quality health care. The next circle consists of peripheral stakeholders that do not have an immediate impact on the main relationship but are still important to the industry. These consist of the professional associations, the research organizations, and the medical and training facilities. The health navigator has many opportunities to assist a patient with many of the stakeholders that interact with the patient to achieve a desired health outcome. The health navigator is responsible for receiving training in the appropriate areas to assist the patient with their rights and responsibilities.

Summary

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Vocabulary

American Association of Homes and Services for the Aging (AAHSA)
American Health Care Association (AHCA)
American Hospital Association (AHA)

Blue Cross and Blue Shield
Brand name drugs
Bureau of Labor Statistics (BLS)
Charitable care or bad debt

Commonwealth Fund
 Complementary and alternative medicine (CAM)
 Duty to treat
 Generic drugs
 Gross domestic product (GDP)
 Home healthcare services
 Life expectancy rates
 National Center for Complementary and
 Alternative Medicine (NCCAM)

National Center for Health Statistics (NCHS)
 Patient
 Pew Charitable Trusts
 Pharmaceutical Research and Manufacturers of
 America (PhRMA)
 Professional associations
 Residential care facilities
 Robert Wood Johnson Foundation
 Stakeholder

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Student Activity 2-1

In Your Own Words

Based on this chapter, please provide a definition of the following vocabulary words in your own words. DO NOT RECITE the text definition.

Duty to treat

Infant mortality rate

Life expectancy rates

Charitable care or bad debt

Complementary and alternative medicine

Professional associations

Residential care facilities

Student Activity 2-2

Real-Life Applications: Case Scenario One

You have decided to become a health education teacher for a high school. One of your first class lessons will be on explaining the complexity of the U.S. healthcare system to your students.

Activity

You want to be creative so you have your students role play the stakeholders in the healthcare system. You develop a lesson plan that is outlined below. Your lesson plan outlines the major stakeholders in the system and shows how they interact with each other.

Case Scenario Two

Your grandmother is considering moving to a continuous care retirement community, but she is unsure of how to evaluate them. She asked you for assistance.

Activity

Visit the American Association of Homes and Services for the Aging (AAHSA) website to find out what information is available for continuing care communities. Give that information to your grandmother to help her make a decision.

Case Scenario Three

You eventually would like to work for a pharmaceutical company. You decided to perform research on pharmaceutical companies such as Pfizer and GlaxoSmithKline. You did not realize that there are brand name drugs and generic drugs.

Activity

Perform an Internet search on the difference between generic and brand name drugs. Discuss the difference between the two products.

Case Scenario Four

You are interested in becoming a health navigator for patients who require home health agency services. You are not sure what training you need for this type of service.

Activity

Research home health agency services on the Internet and locally and develop a specific training plan for your health navigator career.

Student Activity 2-3

Internet Exercises

- Visit each of the websites listed here.
- Name the organization.
- Locate its mission statement on the website.
- Provide a brief overview of the activities of the organization.
- How does this organization participate in the U.S. healthcare system?

Websites

<http://www.rwjf.org>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

<http://www.commonwealthfund.org>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

<http://www.phrma.org>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

<http://www.oecd.org>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

<http://www.bls.gov>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

<http://www.ahcancal.org>

Organization Name

Mission Statement

Overview of Activities

Importance of Organization to U.S. Health Care

Student Activity 2-4

Discussion Questions

The following are suggested discussion questions for this chapter:

1. Which of the state statistics surprised you about the United States?
2. Identify three stakeholders and their role in the healthcare industry.
3. Do you think the United States should have a universal healthcare system? Defend your answer.
4. Select one of the healthiest states and discuss three of its statistics.
5. Discuss the relationship a health navigator can develop with one of the stakeholders.

Student Activity 2-5

Current Events

Perform an Internet search and find a current events topic that relates to this chapter. Provide a summary of the article and the link to the article and explain how the article relates to the chapter.