

HEALTH CARE USA

Understanding Its Organization and Delivery



Third Edition

Harry A. Sultz • Kristina M. Young



AN ASPEN PUBLICATION

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

Foreword

The last few years have brought tremendous upheaval in the formerly tradition-bound and physician-dominated U.S. health care system. The widespread penetration of managed care with its service management and cost control strategies and the resulting open market competitions among health care providers have changed the face of the health care industry. In addition, medicine's most recent technological and pharmaceutical advances have altered the manner in which many diseases are treated and clinical services are delivered.

This volume, *Health Care USA*, has added significance in this period of enormous upheaval and turmoil affecting the health care professions and institutions. It offers a clear overview of the health care industry and the issues that confront it. It describes the changing roles of the components of the system as well as the technical, economic, political, and social forces responsible for those changes. Students of the health care and related professions and neophyte practitioners need a broad understanding of America's new health care system. Critical insights into diverse health care topics and issues are necessary to function effectively and relate intelligently to the various segments of the health care sector.

This, the third edition of *Health Care USA*, brings the reader up-to-date on the significant developments that have occurred in health care during the past few years. The Balanced Budget Act of 1997 and related legislation are creating major changes in Medicare and other government-sponsored programs. Those changes and the recognized dominance of managed care have required major adjustments by the health care industry. This text continues to retain its balanced, population perspective, which allows the reader to understand the forces that are driving these rapid changes in the organization and financing of health care as well as the changes themselves.

The breadth of this book is ambitious, as is required by any text in a course that attempts to analyze the complex structures, processes, and relationships of health care in the United States. The authors have crafted an exceptionally readable text by balancing and integrating the diverse subject matter and presenting it in appropriate depth for an introductory course on this topic. Since a "population" rather than an "individual" health care perspective is clearly the wave of the future, the authors' public health orientation makes this text particu-

larly valuable. Their combined experience in the public health and medical care fields has allowed them to interpret health care developments with objectivity. It is an important feature in an introductory text that strives toward analysis, not advocacy, thereby allowing the formulation of one's own position.

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Acknowledgments

Because one of us has an academic base as a professor of social and preventive medicine and a former academic dean, and the other has served in a variety of executive positions in voluntary agencies, hospitals, a managed care organization, and now a professional training center, we bring different experiences to our interpretations of health care developments. When we teach together, as we often do, our students are at first amused, and then intrigued by the differences between academic and applied perspectives. They learn, by our willingness to debate the merits of different interpretations of the same information, to appreciate that health care is fraught with variance in understandings, dissonance in values, and contradictions in underlying assumptions.

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

We acknowledge with our sincerest gratitude Susan V. McLeer, MD, Professor and Chair of Psychiatry at the School of Medicine and Biomedical Sciences, State University of New York at Buffalo, who contributed the chapter on mental health services. A consummate clinician and academician, Dr. McLeer provided an exceptionally clear and insightful overview of the complex issues and service responses that characterize the field of mental health.

We also express our appreciation to those who helped turn teachers into authors by providing the necessary editing, literature searches, word processing, and other support services: Karen Buchinger whose nursing, library, and information science expertise produced a most thorough and efficient publications search; Ebrahim Randeree, Meggan Brace, and Brian Crimi, three outstanding graduate students who painstakingly researched current information for this edition's updates; Alice Stein, our loyal and diligent editor whose uncommon good sense and literary competence is reflected in the readability of this manuscript; and Sharon Palisano, our word processing specialist, who produced the many drafts of this manuscript with as-

tute attention to the publisher's requirements and unparalleled attention to every detail.

We remain grateful to Michel Ibrahim, MD, Professor and former Dean of the School of Public Health of the University of North Carolina at Chapel Hill, who initiated our working relationship with the publisher. We also recognize the important contributions of the publisher's staff, who encouraged the effort, helped to shape the result, and motivated us to improve the book's utility for its users: Kalen Conerly, Senior Acquisitions Editor, and Tara Tomlinson, Senior Developmental Editor for Textbooks. To each of you, we offer our profound thanks.

Introduction

In spite of its long history and common usage, the evolving U.S. health care system has been a growing puzzle to many Americans. The prevention, diagnosis, and treatment of disease and injury, and the rehabilitation and maintenance of individuals challenged by the residual effects of those conditions have generated an enormously complex, trillion-dollar industry. It includes thousands of independent medical practices and partnerships; managed care and provider organizations; public and nonprofit institutions such as hospitals, nursing homes, and other specialized care facilities; and major private corporations. In dollar volume, the U.S. health care industry is second only to the manufacturing sector. For personal consumption, Americans spend more only on food and housing than they do on medical care. Further, health care is by far the largest service industry in the country. In fact, the U.S. health care system is the world's eighth largest economy, just behind that of France, and larger than the total economy of Italy.¹

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

As is frequently associated with progress, medical advances often create new problems while solving old ones. The explosion of medical knowledge that produced narrowly defined medical specialties has compounded a long-standing weakness of American medical care. The impressive capability to deliver sophisticated high-tech health care requires the support of an incredibly complex infrastructure that allows too many opportunities for patients to fall into the cracks between its finely tuned and narrowly defined services and specialists. In addition, our system has proven inept in securing even a modicum of universal coverage. Currently, over 44 million Americans are uninsured.

The increasing size, complexity, and technological sophistication of health care in the United States have further complicated its long-standing problems of limited consumer access, inconsistent quality of services, and uncontrolled costs. In addition, the development of the health care system has done little to address the unnecessary and wasteful duplication of certain services in some areas and the absence of essential services in others.

These problems have worried this country's political and medical leaders for decades and have motivated legislative proposals aimed at reform by seven successive U.S. presidents. One of the most highly publicized was the National Health Security Act of 1993 developed by President Clinton.

In 1994 the American public witnessed an unusually candid and sometimes acrimonious congressional debate over President Clinton's proposal to alter significantly how health care would be financed and delivered in the United States. Vested interests advocating change and those defending the status quo both lobbied extensively to influence public and political opinion. In the end, the stakeholders in the traditional system convinced a public—apprehensive about more governmental control over personal health services—that the Clinton plan was too much, too liberal, and too costly, and it was therefore defeated. More recently, the Balanced Budget Act of 1997 contained the most sweeping Medicare reforms to date and other reforms affecting many other health care industry sectors. In a "universal coverage" initiative, it included funding for a program to provide health insurance for the nation's 11 million uninsured children. Besieged by health care industry opposition to Medicare reimbursement reductions and new regulations, the act already has been materially amended by the Balanced Budget Refinement Act of 1999, and Congress has other amendments under review.

Nevertheless, health care is undergoing a revolution. As evidenced by the failure of the National Health Security Act and the ongoing responses to the Balanced Budget Act of 1997, Congress is failing to enact health care reform legislation that is equal in strength to the market forces already altering the health care environment. Health care reform is occurring as a market-driven, not a policy-driven, phenomenon.

In a world of accelerating consolidation to achieve ever higher standards of effectiveness, the medical care system is a promising candidate for change. The effect of this new environment has been a surge of health care facility and service mergers and acquisitions, new programs, new names, and new roles that signal the onset of fundamental changes throughout the system. Hospitals are competing for patients. Clinics have sprung up in shopping plazas. Doctors have joined in networks, and the public has been inundated with a confusing alphabet soup of PPOs, HMOs, and DRGs.

Providers, who cherished the individual autonomy and privileged position afforded health care professionals, now face the vexing oversight of case and utilization management, practice guidelines, critical pathways, and clinical report cards. Those physicians, hospitals, and other providers who resist the dramatic system alterations taking place are likely to be victims of their own unwillingness to adjust to the new reality. It is likely therefore that, if legislated health care policy

reform ever takes place, it will have little effect on the trends already in progress. Whatever the public, and even many health care professionals, thought they knew about health care and its delivery system is no longer true. Much has already changed, and more changes are on the way.

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

To facilitate its use as a teaching text, this book has been organized in a succession of chapters that both stand alone as balanced discussions of discrete subjects and, when read in sequence, provide incremental additions of information to complete the reader's understanding of the total health care system. Although decisions about what subjects and material were essential to the book's content were relatively easy, decisions about the topics and content to be left out were very difficult. The encyclopedic nature of the subject and the finite length of the final manuscript were in constant conflict.

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

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

This book has been written from a public health or population perspective and reflects the viewpoint of its authors. Both authors have

public health and preventive medicine backgrounds and long histories of research into various aspects of the health care system, have planned and evaluated innovative projects for improving the quality and accessibility of care in both the public and voluntary sectors, and have served in key executive positions in the health field.

The authors have used much of the material contained in *Health Care USA: Understanding Its Organization and Delivery* to provide students, consumers, and neophyte professionals with an understanding of the unique interplay of the technology, work force, research findings, financing, regulation, and personal and professional behaviors, values, and assumptions that determine what, how, why, where, and at what cost health care is delivered in the United States.

Since the first edition of this book was completed in 1996, the magnitude of the changes taking place in health care and the rapidity with which they have occurred have been unprecedented. Though the forces reshaping the system are basically economic in nature, they impinge on every facet of health care from the education of the providers to the terminal care of the patients. Revered institutions, once thought immutable, have merged with others, completely altered their service missions, or just disappeared from the health care scene. Within incredibly brief periods of time, new organizations and corporations have become important influences in America's health care system. Bending reluctantly to the cost-driven principles of expanding managed care, the practice of medicine has become significantly different from what it was only a few years ago. In this third edition, we have included important additions and updates to provide a current perspective on the health care industry's continuously evolving trends.

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

NOTE

1. U.S. Bureau of the Census, *Statistical Abstract of the United States, 1995*, 115th ed. (Washington, DC: U.S. Bureau of the Census, 1995).

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