

THE BAXTER HEALTH POLICY REVIEW

Improving Health Policy and Management

Nine Critical Research Issues for the 1990s

**Edited by
Stephen M. Shortell
Uwe E. Reinhardt**



RESEARCH SYNTHESSES FROM
THE FOUNDATION FOR HEALTH SERVICES RESEARCH

THE BAXTER HEALTH POLICY REVIEW

Improving Health Policy and Management

Nine Critical Research Issues for the 1990s

**Edited by
Stephen M. Shortell
Uwe E. Reinhardt**

AHSR



**Health Administration Press
Ann Arbor, Michigan 1992**

**RESEARCH SYNTHESSES FROM
THE FOUNDATION FOR HEALTH SERVICES RESEARCH**

Copyright © 1992 by the Foundation for Health Services Research. Printed in the United States of America. All rights reserved. This book or parts thereof may not be reproduced in any form without written permission of the copyright holder. Opinions and views expressed in this book are those of the authors and do not necessarily reflect those of the Foundation of the American College of Healthcare Executives.

96 95 94 93 92 5 4 3 2 1

Library of Congress Cataloging-in-Publication Data

Improving health policy and management : nine critical research issues for the 1990s / Stephen M. Shortell. Uwe E. Reinhardt, editors.

p. cm.

At head of title: The Baxter health policy review.

"Research syntheses from the Foundation for Health Services Research."

Includes bibliographical references and index.


ISBN 0-910701-82-2 (alk. paper)

1. Medical policy—United States. 2. Health services administration—United States. I. Shortell, Stephen M. (Stephen Michael), date . II. Reinhardt, Uwe E. III. Foundation for Health Services Research. IV. Title: Baxter health policy review.

[DNLM: 1. Health Policy—United States. 2. Health Services—organization & administration—United States. 3. Health Services Research—United States. W 84.3 I347]

RA396.A1I46 1992 362.1'0973—dc20

DNLM/DLC for Library of Congress 92-1436 CIP

The paper used in this publication meets the minimum requirements of American National Standard for Information Sciences—Permanence of Paper for Printed Library Materials, ANSI Z39.48-1984. 

Health Administration Press

A division of the Foundation of the

American College of Healthcare Executives

1021 East Huron Street

Ann Arbor, Michigan 48104-9990

(313) 764-1380

Foundation for Health Services Research

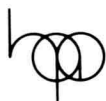
1350 Connecticut Avenue, NW

Suite 1100

Washington, DC 20036

(202) 223-2477

Improving Health Policy and Management



Editorial Board

Ronald M. Andersen, Chair
University of California, Los Angeles

Lu Ann Aday
University of Texas

Jon B. Christianson
University of Minnesota

Allyson Ross Davies
New England Medical Center

Deborah Freund
Indiana University

Elizabeth A. McGlynn
RAND

Ira Moscovice
University of Minnesota

Eugene E. Schneller
Arizona State University

Michael Shwartz
Boston University

Health Administration Press is a division of the Foundation of the American College of Healthcare Executives. The Editorial Board is a cooperative activity of the Association for Health Services Research and the Foundation of the American College of Healthcare Executives. The Press was established in 1972 with the support of the W. K. Kellogg Foundation.

Foreword

In the mid-1900s, a great deal of federal and state legislation was passed, and among private institutions health policies were established, without much reference to information provided by health services research. Universities, research centers, and the government had only begun to appreciate the value of such research at that time. And few decision makers were aware of or recognized the value of the information that was available.

The picture has changed in the past 20 years. Health services research has grown exponentially on a variety of fronts, including cost containment, access, quality, and rural health, and key staff in both the public and the private sector have grown to respect the worth of this work. In *Health Services Research: Key to Health Policy*, another recent work compiled by the Foundation for Health Services Research, Eli Ginzberg states that “health services research has demonstrated its capacity to make important and continuing contributions to the improved understanding of how our health care system operates and how it can be made to perform more effectively and efficiently for the benefit of the American people.”

Although progress has been made in bonding research more closely with decision-making processes, there are still impediments that need to be recognized and overcome. This is particularly important given the complexity of current public policy issues and the number of unresolved considerations facing public policymakers, health care professionals, corporate managers, and consumers. The research literature, although broad in scope and depth, is often too remote from decision makers, too difficult to understand, or prepared in a format that is not useful for practitioners. Furthermore, the studies that appear in journals represent completed works, and ongoing or recently completed research is largely inaccessible.

In summarizing the contributions made by health services research to a number of important areas of health policy over the past two decades, the authors of the book edited by Eli Ginzberg traced the roots of many current policies to key research findings, underscoring the need for more funding for health services research. They also made it clear that a better balance is needed between biomedical research and health services research if, as a society, we are to realize the full potential of new insights and technologies.

As the first in The Baxter Health Policy Review series, *Improving Health Policy and Management* is a natural extension of the above book and goes beyond it by presenting research findings in a way that makes them far more accessible to decision makers. Each chapter addresses a major public policy issue by synthesizing what we know about the issue and what more we need to know. References provided by each author give readers an opportunity to pursue issues in further depth. In addition, Part II of the book lists current and ongoing health services research projects related to each chapter topic, along with the names, addresses, and telephone numbers of principal investigators. The book provides a forward perspective and sharpened focus on what further research is needed, and it offers a key ingredient in the decision-making process—reliable information.

The inspiration for this work was provided by the Foundation for Health Services Research (FHSR). FHSR and its membership affiliate, the Association for Health Services Research (AHSR), comprise the best health services researchers in the United States. The Foundation has made health services research more accessible to decision makers for more than ten years. Alice Hersh, Executive Director, and Stephen Crane, Deputy Director, have given this project outstanding leadership and support.

During the formative stages of the project, a cross-sectional advisory committee of health care leaders helped to identify the issues and authors for the publication. They gave the project strong impetus. Their names are listed in the acknowledgments.

The interpretation and execution of the mission formulated by FHSR was provided by two senior health services researchers, Stephen Shortell and Uwe Reinhardt. Both Shortell and Reinhardt are internationally known and well-respected experts in the fields of health services research and health policy. They have written an excellent first chapter and have provided superb editorial guidance on each chapter. Steve Crane and Alice Hersh, along with Steve Shortell, also produced the provocative concluding chapter for the book.

Finally, this volume was made possible by The Baxter Foundation, in Deerfield, Illinois. Pat Morgan of The Baxter Foundation was quick to sense the significance of this project and courageous enough to facilitate its funding. The importance of The Baxter Foundation's role in funding projects such as this cannot be overestimated. Participation by the corporate sector is essential not only in providing the leadership necessary to make important changes in the health care system but also in providing support to the key change agents. All of us are grateful to The Baxter Foundation for establishing The Baxter Health Policy Review series for the publication of research syntheses such as this one.

The Foundation for Health Services Research will continue to pursue its mission of disseminating the findings from health services research by using this volume as an important part of its work with key public- and private-sector decision makers around the country. The project has already provided important experience that will greatly benefit a new and complementary project to be conducted jointly by FHRS and the Cecil G. Sheps Center for Health Services Research at the University of North Carolina at Chapel Hill. The project is supported by the Pew Charitable Trusts, and will catalog ongoing health services research and make this information available to researchers and users of research through a new computerized data base at the National Library of Medicine. FHRS members also hope to follow up this volume with subsequent works that will expand on the issues and consider other critical issues in health care policy, management, and clinical practice.

It appears as though the historical separation of research findings and both legislative action and program implementation is beginning to break down at last. The chief beneficiaries will be the many users of health services research in both the public and the private sector.

Walter J. McNerney, M.H.A.
Chair, Advisory Committee

Acknowledgments

This volume has benefited from the encouragement, time, and expertise of many people. As a starting point, we are indebted to The Baxter Foundation for their financial support of this important undertaking, and to Patricia Morgan for her encouragement of the original idea. This book would have been but a “gleam in the eye” if not for the vision and commitment of Alice Hersh, Executive Director of the Foundation for Health Services Research. Her belief in the importance of communicating research findings to users in an effective and understandable way was the starting point for the project. The book would not have become a reality, however, without the overall organization and direction of Steve Crane, Deputy Director, Foundation for Health Services Research. In addition to facilitating communication and coordination with all authors and reviewers, Steve’s substantive contributions to many chapters, in addition to his lead authorship of the final chapter, improved the quality of this volume in significant ways.

Special appreciation is expressed to Walter McNerney as Chair of the project’s advisory committee. This committee helped to set the overall direction of the project and establish the priority of topics to be addressed. Appreciation is expressed to committee members Peter Budetti, David Jones, Stan Jones, Chip Kahn, Janet Kline, Dan Longo, Walter Maher, Robert Patricelli, Mark Pauly, Diane Rowland, Don Steinwachs, Margaret VanAmringe, Gail Warden, and Karl Yordy.

We also want to acknowledge the superb efforts of those who provided constructive and incisive reviews of each chapter. They include Charles Buck, Daniel Callahan, Jon Chilingarian, John Eisenberg, Judy Feder, Marsha Gold, David Jones, Judy Lave, Francis Miller, Michael Morrissey, Ira Moscovice, Peter O’Donnell, Mitchell Rabkin, Caroline Roberts, Diane Rowland, Bruce Vladeck, and Gail Warden.

A special recognition is due Marian Mankin, Research Assistant, of the Foundation for Health Services Research, for identifying and summarizing all ongoing health services research projects related to each chapter, and for assembling the list of these projects that appears in Part II. This resource should be of significant value to health policy users and practitioners.

Finally, we wish to express our appreciation to Ed Kobrinski and Daphne Grew of the Health Administration Press for their assistance in preparing this volume for publication, and to Alice Schaller for her assistance in coordinating project activities at Northwestern University.

Stephen M. Shortell
Evanston, Illinois

Uwe E. Reinhardt
Princeton, New Jersey

Contents

Foreword by Walter J. McNerney	vii
Acknowledgments	xi

Part I Research and Policy Reviews

1 Creating and Executing Health Policy in the 1990s <i>Stephen M. Shortell and Uwe E. Reinhardt</i>	3
2 Minimum Health Insurance Benefits <i>Deborah Chollet</i>	37
3 Caring for the Disabled Elderly: There's No Place Like Home <i>Joshua M. Wiener and Raymond J. Hanley</i>	75
4 An Overview of Rural Health Care <i>Kevin Fickenscher and Mary Lagerwey-Voorman</i>	111
5 Effectiveness Research and the Impact of Financial Incentives on Outcomes <i>Mark V. Pauly</i>	151
6 Changing Provider Behavior: Applying Research on Outcomes and Effectiveness in Health Care <i>Brian S. Mittman and Albert L. Siu</i>	195
7 Health Care Cost Containment: Results and Lessons from the Past 20 Years <i>Kenneth E. Thorpe</i>	227
8 Redesign of Delivery Systems to Enhance Productivity <i>Donald M. Steinwachs</i>	275

9	Medical Malpractice <i>Peter P. Budetti and Stephanie M. Spernak</i>	311
10	Prolongation of Life: The Issues and the Questions <i>Alexander Morgan Capron</i>	347
11	Challenges for Health Services Research in the 1990s <i>Stephen C. Crane, Alice S. Hersh, and Stephen M. Shortell . . .</i>	369
	Part II Current and Ongoing Health Services Research Projects	385
	Index	487
	List of Contributors	501
	About the Editors	505

1

Creating and Executing Health Policy in the 1990s

Stephen M. Shortell and Uwe E. Reinhardt

Health care has been variously described as a “maturing” or “smoldering” issue, reflecting its perennial secondary importance on the nation’s political agenda.^{1,2} Some Americans worry a lot about the health care system, and others worry a little, but no one worries enough to figure out how to translate their concern into effective political action.

If this situation changes in the near future it will most likely be because of a combination of factors, including (1) increased discontent with the current system; (2) the emergence of discernible and attainable options for change; (3) concrete suggestions and incentives for implementing such change; and (4) a nucleus of political, managerial, and clinical leadership to initiate and sustain the needed reforms.

The synthesis and dissemination of health services research can play an important role in the process of policy formulation and implementation. After all, that process inevitably proceeds on the basis of deeply held perceptions that may have been shaped by personal experience, by anecdotes, or by formally structured information from a variety of sources. Sometimes these perceptions may be an accurate reflection of the facts. At other times, however, they will rest on the most casual of empirical bases and border on folklore. Finally, at yet other times these perceptions may be deliberately manipulated through biased information supplied by particular interest groups. Health services research, when properly conducted, attempts to free itself from the imperatives of any one particular interest group. Instead, at its

best it seeks to bring the perceptions of decision makers as closely as possible to the facts of a situation.

In the pursuit of that goal, health services research might well be disquieting at times to one or the other party involved with a particular policy issue. For example, research that identifies inefficiencies in the current health system will naturally be seen as a threat to those whose livelihood depends on those very inefficiencies. Similarly, recent research that has identified disturbingly large gaps in access to needed health care has served as an embarrassment for a nation that prides itself on the egalitarian basis of its health care. That embarrassment may trigger reforms of the health system that would, in turn, redistribute economic privileges within the system.

Much of modern health services research, however, seeks neither to tilt lances with particular interest groups nor to embarrass anyone. Instead, that research seeks to provide a better understanding of the manner in which the various actors in the health care system typically respond to particular stimuli—for example, to a raising or lowering of prices, to increases or decreases in tax preferences, to incentives to better coordinate services and technology, or to professional labor surpluses or shortages. A better understanding of such response patterns may make it possible to eschew more direct government regulation of the health care sector in favor of the more indirect guidance that policymakers can give the health sector through properly structured incentives. Finally, through the evaluation of recent policy initiatives, research can also help identify those approaches that seem particularly promising.

The chapters in this volume synthesize what is known about a number of currently important policy issues as well as areas in which more knowledge is needed. The policy issues covered in the volume have been chosen with an eye both to illustrating the potential of health services research and to illuminating questions likely to be on the reader's mind. Inevitably, the chapters will convey the sense that the research task on any given issue is only rarely fully completed. Given the dynamics of the health care sector, research will more typically remain an ongoing task that usually leads to new questions as it answers old ones.

This chapter provides both the context for and a summary of the work that follows. Forces shaping the nature of the health care system are highlighted as background to the development of a framework for considering health policy in the 1990s. The rationale for the selection of topics and organization of the book is briefly noted and is followed

by a synthesis of the major findings and their implications for health care reform.

Key Forces in the Industry

Exhibit 1.1 highlights the major forces reshaping the health care industry. The first two—the growing number of uninsured and the demand for greater fiscal and clinical accountability—are the primary drivers behind much of the current health policy debate. They reflect the fact that implicit in this country’s respect for pluralism is an assumption that the health system should be capable of accommodating a great variety of tastes and preferences (not unlike our pluralistic educational system).

The result is a high-variance system in which some Americans have access to the most technologically advanced health care in the world while a substantial minority have no access at all. As discussed in Chapter 2, there is growing interest at both the national and the state

Exhibit 1.1 Key Forces Influencing the Health Care System

<i>Forces</i>	<i>Implications and Issues</i>
<ul style="list-style-type: none"> • Growing number of uninsured • Demand for greater accountability—fiscal and clinical • Technological growth and innovation 	<ul style="list-style-type: none"> • Creation of basic benefit package • State level experimentations • What does the country want to afford? • Search for value (greater quality for a given cost or lower cost for a given level of quality) • What works? • New diagnostic and treatment modalities • Growth of outpatient care • Increased issues involving prolongation of life
<i>Continued</i>	

Exhibit 1.1 Continued

<i>Forces</i>	<i>Implications and Issues</i>
<ul style="list-style-type: none"> • Changing population composition: growth of elderly and ethnically heterogeneous population • Changing professional labor supply • Globalization of the economy • Changing composition of the delivery system: consolidations and mergers—horizontal and vertical • Information management 	<ul style="list-style-type: none"> • Changes in demand for care • Increased number of ethical issues • Increased social morbidity • Shortages of key health professionals • Redefinition of professional roles • Productivity and quality issues • Increased scrutiny of health care costs • Increased potential for managing a continuum of care • Increased potential for providing care to defined populations • Facilitates accountability • Tool for increased productivity • Direct clinical applications • Opportunity to actively manage clinical care

levels in expanding financial access to a basic set of benefits for all Americans. The major considerations in developing such a program are what benefits should be considered “basic”; what the benefits will cost; how they should be financed; and what incentives should be developed for the delivery system to provide cost-effective care in meeting the increased demand.

On the cost or fiscal accountability side, the Medicare prospective payment legislation has been followed by the proposed resource-based relative value scale (RBRVS) for paying physicians, which in turn is to be tied to expenditure targets. In addition, there is the