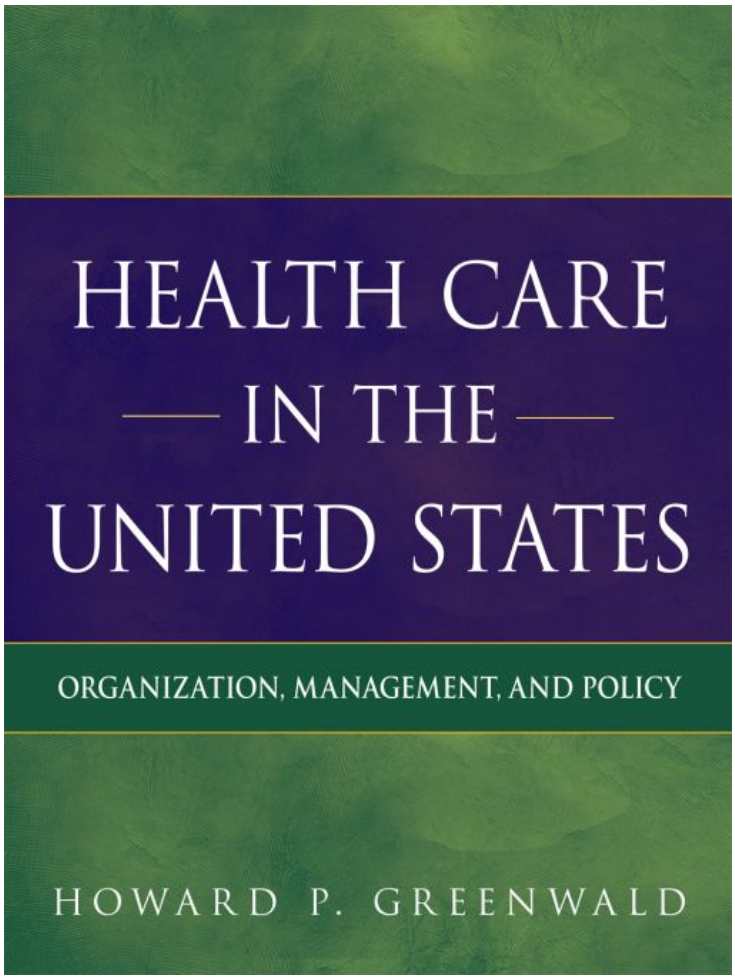
HEALTH CARE IN THE UNITED STATES

ORGANIZATION, MANAGEMENT, AND POLICY

HOWARD P. GREENWALD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To Romalee A. Davis, MD—
Seeker, healer, teacher

PREFACE

The chapters to follow have been written as a textbook in health care management and policy. The book may serve as an introduction to problems and issues in U.S. health care for people entering related professional fields. It is also intended for use by people already experienced in a particular aspect of management or policy for attaining perspective on the system as a whole. The book will have value far beyond the classroom. Every day, large numbers of Americans become newly interested in health care management and policy for a variety of reasons. The chapters to follow constitute an introductory resource for citizens, clinicians, and officials with an emerging interest in managing or changing the system.

For no reader will the material presented here be entirely new. Without exception, everyone reading these pages will have experienced health care as a consumer. It is hoped that this book will help readers of any background see their experience as part of a large, complex, and ever-changing system. An improved view of where the reader's experience fits within this firmament will enable him to better render direct service, manage human and material resources, influence policy, and utilize health care for his own needs.

Many observations and comments in this book are based on the U.S. health care system as it was in the twenty-first century's first decade. At the end of this decade, action by the U.S. Congress envisaged sweeping changes. But even these broad measures did not address many of the basic challenges facing managers, policymakers, and clinicians. Earlier innovations hailed as system-changing in fact have had limited overall impact. The U.S. health care system has

long been and remains predominantly private, decentralized, and employer-financed. These as well as certain essential characteristics of health care that prevail worldwide suggest that problems already encountered will prevail well into the future.

Present-day challenges will persist, no matter what role government plays in the U.S. health care system in the years to come or how much uniformity and regularization will be introduced into health care financing and professional practice. Throughout the world, health care is highly personal in nature, depended on for survival by many, widely viewed as a “right,” and steadily increasing in cost. These basic features of health care ensure continuing controversy over access to care, quality of services, responsibility for payment, and reliability of outcomes.

For generations, critics have characterized issues facing health care in the United States as unique. Yet similar challenges occur in many other countries. The wealthy democracies of Western Europe, which all have national health plans of some kind, experience socioeconomic disparities in health and life expectancy akin those observed in the United States. Sweden, a country as strongly committed to the welfare state as any on the globe, still reports overcrowding and delay in its hospital emergency facilities, just as we see in the United States. The health care system in Canada, to which Americans have looked for generations as a model for the United States, today faces severe challenges due to increasing health care costs and deteriorating facilities and services. The problems and issues covered in this book, then, are likely to remain important in the United States for many generations.

This book is intended to help readers see their own specialized area of the health care system in the perspective of the whole. It covers a broad spectrum of

health care-related subject matter, including such diverse areas as epidemiology, health behavior, the health care labor force, hospitals and ambulatory care organizations, and health care finance. The chapters to follow may not necessarily provide information that is new to specialists in the relevant area. But even for experts in a particular dimension of health care, the book will contribute to a comprehensive understanding of the system and its issues.

Within practical limits, this book attempts to be definitive and comprehensive—and to be definitive in this case requires a highly factual approach to each area addressed. Many unsupported assertions characterize management thinking and policy debate. The field of health services research, however, has produced a tremendous volume of relevant, high-quality studies. This book makes extensive use of such research.

The text attempts to be comprehensive in addressing the essential tasks of the health care system, the features of each system component, and issues relevant to the future. Truly comprehensive treatment of the U.S. health care system, however, would require many more pages than those in this volume. The more closely one examines any dimension of health care, the more complex and multifaceted it reveals itself to be.

Rather than attempting to be exhaustive, the book concentrates on matters with the broadest implications for the delivery of health services. Consistent with this approach, hospitals receive more attention than long-term care organizations or public health departments. The social and economic issues arising in long-term care are by no means unimportant. But services delivered in hospitals predominate as drivers of health care costs. Similarly, the labor supply and geographic distribution of physicians receive more attention than the supply and distribution of

nurses. None would dispute the importance of the nursing profession. Physicians, however, exercise more control over the delivery process, and their decisions crucially affect health care utilization and costs.

This book is divided into three parts. Part One, The System and Its Tasks, provides an overview of the U.S. health care system's components and challenges. Chapter One addresses the characteristics and dilemmas of health care as experienced by human beings everywhere and across historical eras. The chapter points out that although health care in the United States is poorly integrated and decentralized, it is indeed a system, each of whose components is interdependent with several others. Chapter Two identifies characteristics of the U.S. health care system that distinguish it from other countries, explains why these features exist, and raises questions about the type and degree of change acceptable to U.S. citizens. Chapter Three presents a very brief summary of the field of epidemiology and the health issues that lead Americans to utilize health services. Chapter Four identifies patterns of human behavior, including individual acceptance of risks to health, that help determine both need for and utilization of health care.

Part Two addresses actual operations of the system. Chapter Five highlights the importance of formal organizations—such as ambulatory care practices, hospitals, and managed care firms—as the system's actual operating components. Chapter Six addresses the supply, demand, distribution, and management of health professionals, placing special emphasis on physicians, nurses, and health care administrators. Chapter Seven covers the ways in which Americans pay for their health care and the implications of insurance for consumer behavior and costs. Chapter Eight treats research as a sector of the health care industry with special implications for the future of health

care. This chapter covers basic questions regarding the validity, usefulness, and potential misuse of research in the health field. It highlights the challenge of making decisions that are crucial for health care efficacy and cost on the basis of research findings.

Part Three examines approaches Americans have taken to improving the system, its output, and the means that will be required to put innovations into effect. Chapter Nine covers the effects of key innovations that have occurred in U.S. health care delivery over the past generation and assesses the impact of these measures. Chapter Ten addresses the contributions that prevention can make to the well-being of Americans and the control of health care costs. Chapter Eleven concentrates on government and the political process as potential agents of progress or, when misused, causes of stagnation and backsliding.

Finally, Chapter Twelve examines alternative routes that Americans have considered toward an improved health care system. This chapter pays special attention to the legislation passed by Congress at the end of the 21st century's first decade. The reader is encouraged to recall that past innovations in the U.S. health care system have neither proven uniformly successful nor provided comprehensive solutions to the system's problems. Chapter 12 concludes by highlighting past controversies that are likely to continue into the future and new ones that will almost certainly arise.

Each chapter ends with a series of discussion questions. These questions focus not on review of principles or facts appearing in the chapters, but as means of encouraging the reader to develop her own synthesis of the facts and principles. The questions are intended to serve as the basis for personal reflection and group discussion.

TO THE STUDENT

Everyone using this textbook should consider it as one of many resources that can promote an understanding the U.S. health care system. Students especially should note that any observer of this system, its operations, and its components will inevitably apply his individual experience and point of view. For this reason, students should feel encouraged to challenge material they encounter in these pages. Everyone has ample opportunity to find updated facts and competing points of view in the many specialized journals concerning health care available today and from high-quality mass media sources. Most important, students should form their own opinions and outlooks in conversation with peers.

TO THE INSTRUCTOR

Several resources will be available to instructors as companions to this textbook. These include, first, an Instructor's Manual, containing PowerPoint slides, lecture outlines, and suggested topics for class discussion. Instructors are encouraged to select materials in the Instructor's Manual that best support their own outlook on the health care field and the topics that they believe deserve the greatest emphasis.

No textbook can anticipate the character and impact of major changes at the policy level. This textbook addresses challenges and choices regarding the U.S. health care system likely to remain important far into the future. Unanticipated developments, however, are sure to occur, driven either by policy or technology.

THE AUTHOR

Howard P. Greenwald is professor of management and policy at the University of Southern California School of Policy, Planning, and Development and clinical professor at the University of Washington School of Public Health. He is a specialist in program evaluation, organizational performance, health services research, and chronic disease epidemiology. He holds a PhD in sociology from the University of California at Berkeley. He has served as a faculty member at the University of Chicago Graduate School of Business, research scientist at Battelle Memorial Institute, chairman of the Network for Healthcare Management, director of the Health Services Administration Program at the University of Southern California, and commissioner on the Accrediting Commission for Education in Health Services Administration. His current research activities include studies of innovation and effectiveness in formal organizations, the political process of policy making, long-term quality of life among cancer survivors, and outcomes of multisite interventions designed to improve the quality of life in communities. In addition to *Health Care in the United States: Organization*, *Management*, *and Policy,* he has written four other books, the most recent of which are *Organizations: Management Without Control* (Sage, 2008) and *Health For All: Making Community Collaboration Work* (Health Administration Press, 2002), with William L. Beery. He is author alone or in collaboration of approximately fifty peer-reviewed articles in journals such as the *American Journal of Evaluation*, *Journal of Clinical Epidemiology, American Journal of Public Health, Journal of Women's Health, and Milbank Quarterly.* His opinion pieces

have appeared in the *New York Times,* the *Wall Street Journal,* and the *Sacramento Bee.*

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Finally, I must thank the members of my family—Romalee, Phoebe, and Jared—for their patience with the writing of this book and with my other incessant preoccupations.

PART 1

THE SYSTEM AND ITS TASKS

Health care serves a basic human need and for this reason is one of the oldest specialized human functions. Perhaps even before the recording of history, specialized personnel in the human group acquired some degree of healing art. Imperfect understanding, and perhaps even magic and mystery, characterize healing from the layperson's point of view. Still today, the layperson views health care with varying degrees of awe, uncertainty, and suspicion. As experienced by many in the modern world, the outcomes of health care are uncertain, the cost unjustifiable, and the practitioners aloof.

The U.S. health care system shares many of the essential characteristics of health care throughout history and across the globe. But the U.S. system is unusual in the degree to which it is privately owned and operated and lacking in direction by a central authority or agency. Values central to the American mind such as belief in the private sector have helped maintain these characteristics. A belief among Americans in the right to choice and maximization of the things life has to offer also helps maintain the system as it is.

The health care system's basic tasks are to prevent and remedy illness and injury. Chronic disease represents today's principal threat to health. Diseases of this nature tend to have multiple causes, both behavioral and environmental. They require close collaboration between clinician and client for control. Because of the need for

repeated treatment, such diseases tend to be expensive to care for. Recently, infectious diseases were relegated to historical accounts of epidemics and plagues. But the rise of serious pandemics such as human immunodeficiency virus (HIV) and H1N1 influenza have given infectious disease renewed currency.

Utilization of health services, and to some extent health itself, is an outcome of human behavior. Individual human beings vary significantly in the taking of health risks. Similarly, people differ in their perceptions and acceptance of illness. Demographic factors strongly influence the tendency of people to seek health care even when they perceive the need. The health care system’s tasks include development of cultural competence and health literacy as means of providing quality care.

CHAPTER 1

UNDERSTANDING HEALTH CARE

LEARNING OBJECTIVES

- To obtain an overview of health care as a concern in the U.S. and worldwide
- To appreciate the challenges experienced by health care consumers and providers
- To identify objectives and goals for heath care
- To highlight the importance of public trust and professional ethics
- To frame health care issues within three perspectives: a systems approach, critical thinking, and the public interest

HEALTH CARE AS A NATIONAL CONCERN

Health and health care are subjects in which everyone has an interest. When young mothers get together, talk soon turns to the health of their children. In search of health, men and women of all ages work out at the gym. Among elders, conversation inevitably involves aches, pains, and the merits and shortcomings of their physicians. Health and health care periodically become major election issues. But acute concern for health, health care, and associated costs are only a step away from each individual, who, if he has no direct concerns, almost always has a friend, relative, or neighbor in need of care.

Health care in the United States is arguably the best in the world, and much evidence suggests that the health of Americans is today the best it has ever been. Only a few examples can convince most people that this is true. Children with leukemia, whose illness amounted to a death sentence only a generation ago, now often survive to live normal lives. Elders who at one time would have been confined to wheelchairs and nursing homes now live active, independent lives thanks to procedures such as cataract surgery and hip transplants. Effective drugs and widely available surgery are chipping away at heart disease, for generations America's leading cause of death. AIDS is now often controllable, whereas at a time still well remembered it invariably led to a miserable death. Life expectancy in the United States has steadily increased, from 69.6 years in 1955 to 75.8 years in 1995, and to 77.9 years in 2005.[1]

Health care, however, has become a major source of dissatisfaction and controversy in the United States. A challenge affecting the United States as a whole, and Americans as individuals, is that of cost. As Figure 1.1 indicates, the cost of health care increased markedly during the late twentieth and early twenty-first centuries. Despite public policy aimed at controlling costs, the upward trend appeared to be accelerating as the twenty-first century began.

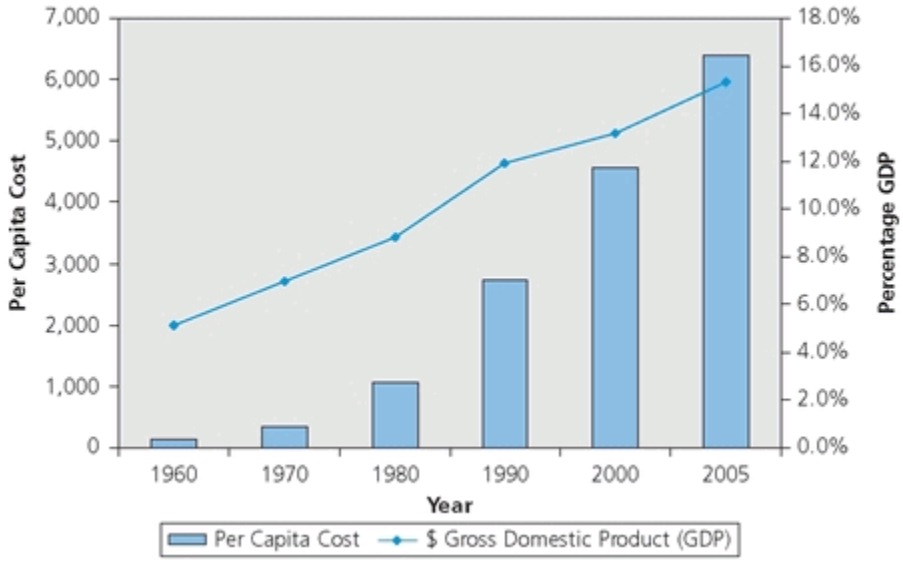
Figure 1.1 takes on added significance when viewed alongside changes in the health insurance available to the American public. Most of the dollars paid for health care come from health insurance of some kind. As recently as the late 1970s, large numbers of Americans paid nothing out of pocket for their health care. Hardly anyone today enjoys such generosity. Now, both private and public insurers continuously seek ways to reduce insurance coverage for individuals. Not only are health care costs higher today, but

Americans are more likely to have to pay them out of pocket.

The cost of health care has raised significant concern on many levels. Employers complain that high employee health care costs have strangled international competitiveness. Recipients of health care feel increasingly uncomfortable about increases in out-of-pocket expenses. Some researchers have reported that health care costs contribute to a majority of personal bankruptcies in the United States.[2] Programs that provide health care to the elderly and poor consumed a percentage of the federal budget far in excess of defense. Because of their responsibility to provide health care to the poor under Medicaid, individual states have experienced severe fiscal stress, forcing some to cut infrastructure maintenance and education to meet their health care obligations.[3]

FIGURE 1.1 *Growth in the cost of health care in the United States, 1960-2005*

Source: National Center for Health Statistics. 2009. *Health, United States, 2008.* Table 123. Hyattsville, MD: National Center for Health Statistics.



Often, the text to follow uses the term *consumer* in preference to *patient*, the traditional designation of a seeker or user of health services. The term consumer recognize the health care user as someone capable of making free choices and exercising economic power. Traditionally, the term patient has signified a suffering, dependent individual.

The economic downturns of the early twenty-first century sharpened the issue of health care costs for many individual Americans. At that time, a majority of Americans received health insurance through their employers or those of their parents or spouses. But by 2009 it was estimated that 3.7 million working-age Americans had lost their health care coverage as a result of unemployment.[4] Millions more, though still employed, worried that they might lose their health insurance if the economy continued to slide.

Despite the resources allocated to health care in the United States, observers have expressed doubts regarding the value Americans get in return. Although the United States ranks highest in the world in per capita expenditures, it has an infant mortality rate higher than most other wealthy industrialized countries. Singapore, the top-ranked

country in preventing infant mortality, recorded two infant deaths per 1,000 live births in 2004; the United States recorded 6.8.[5] In 2003, the United States ranked sixteenth in life expectancy worldwide.[6]

Concern over the quality of services received by the public is growing. A great deal of attention has focused on patient safety. A highly influential 1999 report by the Institute of Medicine estimated that between 44,000 and 98,000 Americans die each year due to preventable medical error. According to the report, more people die from such error than from motor vehicle accidents, breast cancer, or AIDS. The authors estimated total national costs (lost income, lost household production, disability, and health care costs) of preventable adverse events (medical errors resulting in injury) to be between $17 billion and $29 billion. The expense of additional health care required by the victims of medical error accounted for over half the total. In the opinion of the report's authors, health care is a decade or more behind other high-risk industries (such as aviation) in its attention to ensuring basic safety. Medication errors alone are estimated to account for over seven thousand deaths annually.[7]

The quality debate has also addressed the basic efficacy of medical procedures.[8] Strong scientific substantiation is lacking for many interventions widely used in medicine today. Consequently, patients do not always receive the most effective treatments available and may receive treatments that are ineffective or whose adverse side effects outweigh beneficial ones. Awareness of this problem has led to a movement called *evidence-based medicine,* whose goal is to develop standards of care validated through both new research and synthesis of existing studies.