

## Learning Objectives

- Identify current macro trends in financing of health care services.
- Identify reimbursement methods for physicians.
- Identify reimbursement methods for hospitals and other providers.
- Weigh the pros and cons of reimbursement based on tests and procedures versus time spent with patients.
- Understand the influence of financing of health care on the delivery of services and practice patterns of physicians.
- Understand the implications of moral hazard and adverse selection.
- Differentiate between community rating and individual rating for health insurance.

## Your Opinion Matters

### Your Opinion Matters: Should We Insure the Uninsured?

#### Background

- Over 46 million people in the United States are uninsured; this figure is growing in number and percentage of population.
- Despite Medicaid and CHIP, many people do not meet poverty eligibility and remain uninsured.
- A significant percentage of uninsured is young and healthy, and they elect to spend money on other necessities.
- Many people choose to remain uninsured even though they are healthy.
- The younger healthy who have never had large health care expenses may elect not to purchase employer-sponsored health insurance.
- The self-employed may elect not to purchase insurance and instead reinvest profits back into their company.
- Persons who lost jobs and whose unemployment benefits have expired may choose not to purchase insurance.

#### Yes

- Insuring the uninsured would reduce and perhaps even end filing for health care bankruptcies.
- The newly insured would seek care in a timely fashion and thus improve public health.

- Seeking care early and avoiding late intervention would reduce overall health care spending.
- How can the richest nation leave such a large percentage of its population without health care?
- Lack of access has resulted in relatively poor U.S. health compared to other developed nations.
- The United States is tied with Hungary and Slovakia for the highest infant mortality, ranked 23rd in life expectancy at birth.
- The United States is one of few if not the only developed nation that does not guarantee universal health coverage.
- The United States ranked first in per capita health care expenditures but 31st in life expectancy and 152nd in infant mortality rate.

## **No**

- Using tax revenue to provide health care to all Americans amounts to socialism.
- In a capitalist free market system, citizens have the right to choose to remain uninsured.
- The U.S. Constitution and other documents of law do not require the federal government to guarantee coverage.
- The Declaration of Independence includes language such as “promote the general welfare,” however, this is very broad and general, it is not a guarantee of health care.
- Guaranteeing will decrease the quality and availability of health care in the United States.
- The United States has the highest prostate and breast cancer survival rates in the world.
- The U.S. health care system is “most responsive” in the world to non-health aspects (e.g., patient confidentiality, consumer preference, short wait time for elective procedures).
- The United States ranks high in health care technology availability.
- The U.S. law prohibits hospitals from turning life-threatening conditions away due to inability to pay.
- Having insurance does not guarantee access to care; there is already a shortage of generalists and nurses.
- Even those Americans who do have insurance may not be physically close to primary care practitioners.
- By insuring the uninsured and increasing demand, shortages would be exacerbated (increasing waiting times and access to essential services for those who really need the

care).

- America may not be prepared to lose its premier ranking on providing care to patients with only short wait times by insuring the uninsured.
- There are many who elect to be uninsured.
- Low national rankings on some indicators are not necessarily explained by lack of insurance.
- Low rankings are because of the proportion of population that has third-world levels; most are on Medicaid. Improving access to care and raising health indicators requires other changes (increasing provider supply, patient education).
- Attention paid to insuring the uninsured only diverts energies from attacking the real problems.

## Talking Points

### 1. Is health insurance a right in a free democracy?

Consider whether “pursuit of happiness” extends to health insurance given the expense of purchasing health care; or whether insurance produces overuse thus driving up costs to unsustainable levels.

### 2. Is insurance the cure to access and health status problems, or is it something else?

Insurance provides fiscal access, but not necessarily physical access if providers are not available. Insurance helps with costs but does not guarantee that people will seek preventive health care before illness to improve overall health status. Insurance is one component, but there are others in assuring better health status.

### 3. Does insurance result in seeking preventive care and reducing late-stage, expensive interventions?

Insurance does reduce the financial barriers to seeking preventive care and attending to illnesses in earlier stages, but other barriers must also be overcome.

### 4. Because hospitals cannot turn anyone away, don't we already have a mechanism for the uninsured to obtain care?

Many argue that hospital law is tantamount to access for the uninsured, with the cost absorbed by those patients who pay for health care; although the hospital may not be the best source of care, universal health insurance will stimulate overuse and increase costs in an already costly health care system.

## Overview of Vignette(s)

### Vignette: Necessary Medicine or Defensive Medicine?

- Susan Webster, a Yale sophomore, was experiencing mild abdominal discomfort.
- Final exams and planning a travel schedule for winter break had been stressful, and she thought her symptoms were a function of that.
- Susan used over-the-counter pain medication to cope and to sleep.
- After a week of persistent pain, she visited the local ER.
- After three hours, a nurse took vital signs, with no abnormalities, and scheduled a CAT scan.
- One hour later, when Susan was still in discomfort, the CAT scan revealed the presence of an ovarian cyst.
- The ER physician prescribed pain medication and scheduled another visit to examine the size of the cyst and to verify that the pain medication was eliminating persistent discomfort.
- The hospital billed the insurance company for \$8,500; Susan paid a small deductible and a 20 percent copay.
- Unknown to the ER staff, Susan's father was a physician and medical director of a local group practice.
- Susan's father concluded that a history, pelvic examination, and ultrasound would have been adequate and are standard practice; these would have been far less costly, and the CAT should only have been used as a further measure if the less extensive actions proved inconclusive.
- Dr. Webster said the hospital could not justify the CAT scan because they did not do lower level procedures first.
- The hospital defended the CAT scan, claiming that ultrasound might have missed something more serious.
- Although her father agreed, he argued that the hospital should have started with ultrasound and used a CAT only if necessary.
- Dr. Webster contacted national media, accusing the hospital of trying to cover equipment costs and using unnecessary defensive medicine.

## Discussion Questions and Suggested Solutions

**1. Do you think it was possible that the hospital staff was practicing unnecessary defensive medicine in order to cover the costs of expensive CAT scan equipment?**

- The goal of this question is to provide an example of the decision-making process that may occur whenever expensive health care technology are purchased by hospitals that may also face the risk of litigation. If ovarian cysts are missed and the patient suffers harmful after-effects, litigation may follow. Hospitals also must use the equipment in order to be reimbursed for fixed cost investment.
- In this example, there is no way to know what the hospital staff or the radiologist was actually thinking when they ordered the CAT scan, but it raises the question of whether the risk of malpractice lawsuits plays a part in treatment decisions.

**2. Based on your experience as a patient, do you think that the lower level tests would have revealed the ovarian cyst?**

- Regular pelvic and lower abdominal assessments are the best means to identify the presence of an ovarian cyst.
- Endovaginal ultrasound is the next best way to identify or confirm the diagnosis of a cyst and whether it is a solid mass or filled with fluid.

**3. Is this a case of 20/20 hindsight and judgment after the fact, or did the ER circumvent quality care for financial reasons and protection from litigation?**

- It is impossible to know, but there are factors that you could identify to determine whether such pressures exist in the example, such as past exposure that the hospital and staff have had to medical malpractice lawsuits.
- The diagnostic and treatment preferences of the clinicians ordering the imaging tests must also be taken into account. If these physicians have been exposed to malpractice liability in the past from similar cases, they may be more prone to order the most definitive test to make their diagnosis.

**4. Have you ever questioned whether a diagnostic test or procedure was necessary as a patient?**

- This question illustrates the point that patients rarely if ever question their physician's diagnostic test decision(s), regardless of the variations in cost or accuracy.

- It also illustrates how patients do not bear the full cost of their care and therefore have limited incentives to understand the appropriateness of diagnostic testing in terms of their cost and their accuracy.

**5. Do you think that there is an imbalance of information between health professionals and patients that causes patients to accept the need for diagnostic tests and procedures that are ordered for them?**

- Most individuals will likely answer “no” to this question, and it illustrates that patients do not typically seek information about the cost and efficacy of the diagnostic tests that are ordered for them by their physician.
- Patients bear a very small percentage of the actual cost of the test and have limited incentive to question or refuse tests when they perceive them to be ordered for their own benefit.

**Module 5 Individual Project Assignment**

Create a 5 slide PPT presentation that outlines reimbursement models for physicians. The cover slide and the reference slide do not count. Each slide should have a 150 word note page. Use at least two scholarly sources.

Submit your completed project to the Dropbox.