

Reducing the cost of healthcare expenditures



Abstract

The purpose of the research paper is to analyze methods for lowering government spending, including both state and federal levels, on healthcare expenditures. This will be accomplished by analyzing two popular methods. The first method includes reallocation money in programs to help reduce cost. The second method focuses on fixing the person and solving the root of the problem. There are many who favor and resist each argument, each with having valid points. The best option of the two is to be determined by the study of peer reviewed (academic) journals, online articles and various news sources paired along with the opinions of authors, healthcare professionals and doctorate professors.

Introduction and Background

Federal, state and local levels of government play a crucial role in the literal and figurative health of our economy. If you only consider the three main health insurances provided by the government: Medicaid, Medicare and CHIP you will notice that it takes up twenty five percent of our national budget. With expenditures growing at alarming rates it is imperative that we are able to reduce these cost. Healthcare did not become a major part of the federal pudget until the later part of the progressive era. President Roosevelt really advocated for health insurance policies but most of the planning and organizing was left to the discretion of the state. When the Depression hit, it brought about a change in priorities. Focus was primarily on welfare, social benefits and unemployment. Lack of concern for comprehensive health insurances lead to the creation of private insurances like Blue Cross Blue

Shield. The Social Security act was passed but overseas affairs captured the attention of policy makers. As advances in health care, technology and medicine begin to occur prices also began steadily to rise. Which in turn left us in with a very unstable healthcare system. Those who could afford private health insurances were taken care of, the rest of the medical cost of the poor were covered by the federal government, and those who fell in between had to make due. These events lead to President Lyndon B. Johnson signing Medicare and Medicaid into law, allowing comprehensive coverage for millions of Americans. By 1975 Medicaid expenses rounded up to thirteen billion dollar while Medicare accumulated another fifteen billion. Both of these figures were higher than experts predicted. Which in turn has allowed for the programs to go over budget since the early years of their existence. Now our main goal to dramatically reduce the debit that we have accumulated over all these years. There are many ways that this can be done. With all the advanced technology we have it is possible to keep people healthy for longer periods of times. However it is very expensive for people to seek the care that they need to remain healthy for as long as possible. The goal is to a harmonious balance between bettering the person and cutting cost.

Support of Controlling Cost

Budgeting is hard, but when the people of a country depend on it, it must be done. There are many approaches and ideas about how to reallocate funds and other resources in order to save money in the healthcare field. Rapidly increasing cost put immense pressure on budgets ultimately affecting the effectiveness of the services that are provided. Many of these options that

deal with cutting of money call for standardization across the country and the need for stricter guidelines.

One proposal is to cut cost in areas that are not relevant or of necessity. This would accomplished by increasing regulations in hospitals and having them abide by stricter guidelines. With increased regulation hospitals would be encouraged to “ off-peak use of facilities and equipment and to avoid costly cosmetic surgery” (Bloch p. 123). This method would limit many practices to only dealing with basic situations. Hospitals and other healthcare providing facilities currently expect to receive a certain amount from the patient and the remaining portion from a health care provider or another party.

Therefore practices would not have to deal with complex and expensive issues that cause them to lose money. Their many focus would be on procedures that they are confident they would be reimbursed in. The bottom line in this method is to plain cut anything that provides uncertainty as far as reimbursement is concerned.

The second popular option that is “ addressing and labeling the quality of care” (Baucus p. 5). There is no doubt that everyone wants the best care that they can possibly receive. The definition of best care differs in different parts of the country. What’s good in the South might be considered mediocre in the West. This solutions proposes that we look at practices across the country and determine which ones are most successful and cost efficient. Then we would require hospitals around the country to go by those procedures. This would allow a universal from state to state and would trim the grey areas of comparison. If all states would adopt this organizational structure “ Medicaid spending would decline by thirty percent. (Baucus p. 7).

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When hospitals, doctor's offices and insurances are unable to pay their bills the burden eventually falls on the state and the loss takes an unforeseen punch on their budget. With options such as these, there is a smaller chance that these losses will occur. Providing stricter guidelines and addressing the quality of care are options that can make positive impacts on our budget immediately. Without protocols in place doctors are less likely to accept welfare patients because they fear that they will not be repaid. Since 2001 Medicaid spending has increased by thirty- three percent (Wilson p. 150), by simply implying these procedures we could offset this trend within three years.

Support of Health Promotion

Health Promotion is anew area of care that focuses on ones holistic lifestyle and preventive care. Many universities and colleges are offering programs and major in this rapidly growing field. Even insurances are jumping aboard the bandwagon and offering this as a part of some health insurance plans. This method of lowering the deficit offers a more individualized approach with benefits that will be reaped in the long run.

Michael O'Donnell, health promotion advocate and editor of Science of Health Promotion, appeared before congress to answer their question if health promotion can help the deficit. His response is as follows

“ There are eighty-three studies which show people with unhealthy habits have higher rates of cost, there are an additional fifty studies that show health promotion reduces those cost and promote absenteeism of those habit after going through a program and most importantly there are thirteen

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studies that show the savings that are produced by this program are greater than the cost themselves.”

With his speech to congress he explained the benefits of health promotion within a matter of five minutes. As we continue to do studies on this area this proof will continue to be produced. The benefits are already showing in the patients who have participated in these programs.

One of the first steps in starting a health promotion and holistic care program is “ identifying all of the services the patient might need and is interested in (Guba p. 32). With current insurances plans all part are not utilized. According to most people who are insured they agree that their insurance either provided to much insurance or not enough. Tailoring programs to fit their needs and desires will ultimately save insurances thousands of dollars per insured person a year.

Johnson & Johnson family company allowed an independent research group to perform a study on the health care benefits and options that it provided to its employees. With their plan employees were encouraged to workout, quit smoking and other habits that were beneficial to their health. As they committed to these task the received a reduction in price of their health care insurance. According to the Harvard Business Review it is “ estimated that wellness programs have cumulatively saved the company \$250 million on health care costs over the past decade; from 2002 to 2008, the return was \$2. 71 for every dollar spent” (Berry). If s basic health promotion plan was able to save a company this much money, imagine the benefits our budget would see in the long run.

An Assessment of the Arguments

Health promotions and holistic care and reallocation resources both offer promising benefits for our budget however they both contain many flaws. When we consider the first argument, it could also seem as if we are limiting doctor's discernment in treating their patients. With this option practices would not be reimbursed if they did not follow the protocol verbatim. In the world of medicine many odd and unexplainable miracles happen because doctors use their discretion to fix a situation, there is a real and respectable fear that this would be lost with the cost allocation method. It is a common belief among economist that a "reduction in medical inflation can be best achieved if regulation is decreased rather than increased" (Bloch p. 120). If this is to be true it would completely deflate the argument advocating for controlled cost. When it comes to health promotion the down fall is the lack of time we have had to study this field. Purposeful and intense research in health promotion did begin until the late nineties. While many positives results are starting to reap we are also waiting to see if there is any backlash. Those results will come as my generation continues to growing.

Conclusions and Future Recommendations

The amount of debit that we have is something that is not to be considered lightly. There is no quick to any problem that will provided long lasting and stable results. With the cost allocation method it seems as if we would be cutting gashing wound, that is in obvious needs of stiches with a band aid. Yes, there would be a quick sigh a relief but the rush would definitely be back before we realized it. Therefore health promotion and holistic care is

the best option for our country to cut the deficit. We may not have years of information behind it but what we have been doing hasn't been working so a new a fresh approach is what we need. For this program to be successful it is imperious that policy makers listen to the concerns and opinions of the professionals with in the health care field. There is a bright and prosperous future with health promotion. The people tend to lose trust with the government when they are forced to do something. If we encourage citizens to perform these actives and reward this can catch fire across America.

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