

Health care industry essay

[Business](#), [Industries](#)



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Introduction

Health care industry consumes more than ten percent of the GDP of many developed countries. The industry can be rated as one the largest and also fast growing industry in the world thus demanding more resources to be invested in it. This industry mainly deals with the provisions of services and at times goods to give patients preventive, curative, palliative and rehabilitative care. In terms of management and finance, health care industry may be divided into three subsectors namely: hospital activities, dental and medical practice activities, and other activities of human health (Home Health Care Services Industry report, 2011). Health care services are delivered in three levels which include primary, tertiary, and secondary levels depending with the situation. This paper analyses what is happening in this industry for the last few years and the impacts of these forces in the near future.

General environment

For the last two decades, the main issue in the health care industry has been the increased costs of health care services. Government spending on health

care has been increasing yearly after the other making it impossible for the government to continue providing quality and affordable health care to the citizens (Cole & McCullough, 2006). For instance, in 2008, the US government spent \$7, 681 on average to provide health care services per resident. This spending accounted to about 16. 2 per cent of the country's GDP. Increased health costs is demonstrated in rising prices of prescription drugs, high premiums for insurance health policy, expensive costs for hospitalization and other health care services. As result, it has become difficult for many citizens especially the poor and the elderly in the society to afford even the basic health care services. Some people have opted to skip some doses of their daily prescription drugs since they cannot afford them. Others have remained uninsured since they cannot afford the increasing premiums for health care coverage. Increasing health care is attributed to the increased number of aging population as more and more baby boomers continue to attain retirement age. Other contributors include inflation, increased prevalence of chronic diseases, rising administrative costs among others. The situation is expected to worsen in the near future as the number of aging population, chronic diseases prevalence, and inflationary pressure increases. Increasing health care costs has raised debate for the past few years among health care economists, politicians, researchers, and other policy makers on how to address this problem. Consequently, several health care reforms were proposed in the health care reform Bill which president Obama government finally enacted into law in 2010(Cohn, 2010).

Task environment

All the players in the health care industry have been affected by this trend of increasing health care costs forcing them adjust their management strategies. These players include insurance companies, pharmaceutical companies, private and public hospitals, and other governmental and non-governmental organizations such as Medicaid and Medicare that distribute health care services to the public. For instance, hospital managers have to deal with increased costs of administration and high prices for prescription drugs. Increased Expenses for marketing, billing among others are forcing management teams of hospitals to look for survival strategies in the market. Hospitals are forced to look for pharmaceutical companies that will supply them with low costs prescription drugs for their patients. Health reform law requires insurance company to offer low premium policies and to extend their services to the wider society such as the poor (Harrington, 2010). There is also competition in the health care insurance companies as they try to win more customers especially the ones who are not yet insured. Medicare which is a federal government organization that provides health care benefits to the citizen is forced to adjust its operations due to low government funding. The new health care reform law cuts the costs of financing health care benefits of the elderly which forces the organization to operate with limited resources. The management teams of Medicare and other organizations have to look for cheap suppliers of their services and new ways of satisfying their customers with limited resources. Pharmaceutical companies which are the manufacturers and suppliers of prescription drugs are also searching for

ways to cut their expenses in order to lower their total productions and therefore retain their customers with affordable prices.

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