

Example of essay on healthcare economics

[Business](#), [Management](#)



Many patients just like in the case of Sean Recchi have been shocked by expensive charges at the US healthcare centers. Many hospitals like MD Anderson in Houston have been faced with higher operational costs ranging from labor, medical and insurance among others. This has made the hospitals witness a diminishing profit margin consequently in the financial years. While most of the hospitals are nonprofit organizations, they are now classified as the most lucrative field to invest in.

As a consultant contracted to review the costs incurred by the hospital, I will critically examine every aspect in the current health plan and advise accordingly on the necessary adjustments to be made so as to improve in the profit margin realized by the health care. I will also review the terms of contract between my client and the insurance company in reference to the administration Service organization (ASO). In doing this, I will come up with a new health plan for the hospital.

There have been complaints from patients about the high bills they are supposed to pay in the hospital without clear explanations on how the huge bills were incurred in the first place. Reviewing the records on the past patients and the bills paid for their treatment, there was a clear indication of improper health plan at the hospital. The chargemaster installed at the hospital does not provide the actual costs per service provided. The situation further worsens when the management admitted that the costs there was no a clear procedure of determining the costs. In situation like this the bills will keep increasing even when the costs of inputs are low in the market. The management said that patients are not supposed to pay the huge bills which were only recorded for internal. This was not true because the records shown

the high bills paid by the patients.

Even the patients with insurance health covers have been affected by the current health plan. Under the Medicare, patients are supposed to benefit when part of their bill is covered. Insurance firm have been dominated by the hospitals making it difficult to implement proper times of the insurance. In most scenarios the hospital charges 50% to 60% discounts on top of the actual bills. For example an item that would cost \$13 is listed at a cost of \$199. 50 in the chargemaster. The insurance companies are aware of this yet they can mere protest lest they lose their clients. For example the cost of carrying a CT test on a patient in US is 71% higher than provision of the same service in Germany.

As a consultant I would propose that the hospital ought to reviews its operational costs from time to time in reference to the market costs. The management should formulate a mechanism that would allow the costs of their services to be controlled by the market prices instead of the inflated chrgemaster costs. By Listing all the services and their costs would promote the trust for the consumers as well as presentation of the true value of the hospital.

The investigation also relieved a higher margin between the cost incurred by the hospital to acquire medical equipments/service and the charge imposed on the patients through the chargemaster technology. In most cases the margin stands at a 35% and 40% (profit margin). There is a need to review the cost-benefits analysis to develop a reasonable margin. The hospital should think in the line of offering the services at a normal cost rates and attract more clients rather than charging high rates and losing the clients to

the competitors (Germany). The most influential costs under in the industry are labor and material costs. By formulating laws that govern the two items and keep them lower, the hospital would still make profit even if the cost of services are reduced.

In the long run when the patients are aware of the exploitation in the medical industry they would opt to seek help in other counties like Germany where the costs are too low. This means that the hospital would lose its market share, profit margin and finally close down. Secondly, there is need to collaborate with the insurance company and review the insurance terms offered to the patients. With proper medical covers a part of the bill would be taken care of leaving the patient will a small portion to clear.