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Policy Process: Health Care Costs Lori Ann T. Cruz HCS/455 "Health Care Policy: The Past and the Future" Denise Morrow March 07, 2011 The United States has one of the most comprehensive health care systems in the world. However, the cost of health care and expenditure continues to increase faster than the rate of inflation and the national income growth. Millions of Americans are also uninsured, which limits access to health care. Moreover, the increasing cost of health care and the number of uninsured has prompted policy makers to form and implement policies that address these issues.

In addition, the current health care reform addresses major issues such as health care cost control and providing insurance coverage. Therefore, the purpose of this paper is to discuss issues concerning health care costs and spending and discuss major proposals to help contain costs. The implantation and legislative stage of the current health reform will also be discussed. Current Issue According to the Kaiser website, for several years the cost of health care in the United States has been increasing and in 2008 health care expenditure surpassed \$2.3 trillion. Health care cost expenditure in 2008 was three times the \$714 billion spent in 1990 and in 1980 was over eight times the \$253 billion spent.

Controlling and reducing the growth in health care costs has become a major priority for policy makers. Moreover, health care spending in 2008 per resident was about \$7,681, which accounts for 16.2% of the United States Gross Domestic Product (GDP) and health care expenditures grew 4.4%. Although health care expenditure in 2008 was a slower rate compared to

recent years, expenditures still outpaced inflation and the national income growth (Kaiser Edu, 2011).

Darling (2010) indicates that compared to other countries in the world, such as Germany, Switzerland, Sweden, and Norway, the United States has the highest health care costs. The costs of health care have been a challenge and at the current health care spending rate, by 2018 the proportion of the GDP is projected to be at 20.3%. Moreover, the largest influence on health care spending is prices for medical care and the second largest influence is medical care utilization (Darling, 2010).

Government funded programs such as Medicare and Medicaid has accounted for a major amount of health care spending. However, the spending growth rate of Medicare and Medicaid has been slower than the spending growth rate of private insurance. Moreover, different factors have contributed to the growth in health care spending. Prescription drugs and technology, chronic disease, the aging population, and administrative costs are some important factors to consider (Kaiser Edu, 2011).

New technology and prescription drugs have been considered one of the leading contributors to the increase in health care spending, resulting from the development and costs of new technology and prescription drugs.

Increased prevalence of chronic disease and longer life-spans has increased demands for health care services, which include ongoing treatment for chronic disease and long-term care. Moreover, providing medical care for the aging population has contributed to the growth in health care spending, however; this population only account for a small portion of the expenditure

growth rate. In addition, administrative costs accounts for 7% of health care spending (Kaiser Edu, 2011). Formulation Stage: ProposalsThe new administration and the current economic recession presents a new opportunity to address current issues of health care spending and control costs is presented.

Different proposals have been presented in the policy arena and are divided by debate for either a market-based model or government negotiated health care system. Moreover, major proposals to contain the costs of health care include information technology investment (IT), improving efficiency and quality, provider compensation adjustments, government regulation, prevention, increasing consumer involvement, and tax alteration for employer-sponsored insurance (Kaiser Edu, 2011). Investment on IT and increase use in technology such as electronic medical records has been encouraged because research indicates that IT has the potential to efficiently share health care information and reduce costs. The current health care reform allocates \$19 billion in federal funds to upgrade health care IT. Different initiatives aimed at improving the efficiency and quality of the current health care system are also in place. Moreover, decreasing unnecessary medical care and unwarranted medical practice is a priority of policy makers (Kaiser Edu, 2011).

Recommendations have been made to adjust the current provider compensations to ensure that physician fees are paid based on health care outcomes instead of care volume. This type of adjustment will help eliminate unnecessary health care, which will result in decreased health care costs. Some policy makers are also in favor of increased government involvement

in the health care sector. Moreover, proposals have been presented to emphasize prevention by providing financial incentives to employees who engage programs for wellness and prevention.

Involvement in wellness and prevention programs will help decrease the prevalence of chronic conditions and incurring treatment costs for long-term care (Kaiser, Edu). Supporters for a consumer-driven health care believe that increasing the involvement of consumer purchasing would encourage consumers to be more prudent purchasers and price sensitive. This type of buying behavior can help save money for consumers and employers. Moreover, alteration of tax preferences of insurance provided by employers can help finance the cost of health coverage by elimination or changing employer tax exclusion (Kaiser Edu, 2011).

Implementation Lyke (2009) indicates that health care reform is driven by concerns regarding spending, costs, coverage, and quality. Currently over 45 million people have no health insurance, which limits their access to health care and the ability to pay for care. Health care costs are increasing for everyone and the United States spends more on health care service compared to other industrialized countries (Lyke, 2009). The Patient Protection Care and Affordable Act, also known as the health care reform is a comprehensive law enacted on March 23, 2010. According to the health care website, the act implements comprehensive health insurance reforms that will hold insurance companies more liable, provide more health care choices, reduce health care costs, and improve the quality of care. In addition the health reform is anticipated to reduce the costs or premiums for millions of Americans and their families as well as business owners. The reform could

help those millions of uninsured Americans have access to affordable health care (Health Care, 2011). Health care expenditure cost containment is an important area addressed by the Health Reform Law.

Some provisions in the law targets health care costs focused on prices, mainly premiums charged by insurers (Kaiser Edu, 2011). To help decrease the costs of health care, the health reform law places a competitive new market for private health insurance provided through state exchanges, which provides millions of Americans and small businesses access to affordable health care coverage. Moreover, the law the holds private insurance companies more liable by keeping the price of premiums low and preventing insurance abuse and denial of care, as well as eliminate discrimination against individuals with pre-existing conditions. In addition, the law helps the nation's budget and economy become more stable because the law is expected to help reduce the deficit over the next ten years by \$100 billion (Health Care, 2011).

Legislative Stage Upon passage of the health reform law on March 23, 2010 implementation will take place over the next several years. The health reform includes a number of improvements in health insurance, which includes allowing young adults to stay with their parent's health insurance till age 26, restricting annual and lifetime limits on coverage, and forbidding coverage denials for children with pre-existing medical conditions. Moreover, starting this year till 2013, Medicare and Medicaid no cost sharing for preventative service, increased payments for primary care, decreased payments for health plans and Medicare providers, new delivery system models for Medicare and Medicaid, and changes in tax for new industrial fees

will be implemented. However, important reforms and major expansions for coverage won't be implemented till 2014, such as Medicaid expansions and premium subsidies (Kaiser Edu, 2011).

Silvia and Vitner (2010) indicate that over the near term, the passage of the new health reform will have a relatively small impact on the economy. The new law appears to accomplish much of its first objective to increase the number of insured. Under the new law, employers with 50 or more employees will be required to provide affordable insurance coverage to all employees or pay a \$3,000 fine per employee. However, little evidence exists that indicate the new law will be able to help control increasing costs of health care. Moreover, instead of reducing health care costs, the reform seems to shift costs to higher income households and employers. In addition, most of the provisions will take place over the next several years and costs will most likely be higher than estimated and the budget deficit will be larger (Silvia & Vitner, 2010). Conclusion Compared to other industrialized nations the United States spends the most on health care and has the highest health care costs. Controlling and reducing the cost of health care has become a major concern for policy makers.

Factors such as prescription drugs and technology, chronic disease, the aging population, and administrative costs are some major factors that contribute to the growth in health care spending. Moreover, the passage of the Patient Protection Care and Affordable Act also in March 2010 includes provisions that will help control health care costs and increase health care coverage. Major provisions of the health care reform are expected to be fully implemented by the year 2014. References Darling, H.

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