HEALTH CARE POLICY & ECONOMICS

Health Systems Science Learning Series

INTRODUCTION

Health care policy is a major force of change in the U.S. health care system, and health care economics motivates health care policymaking on a federal and state level. Economic challenges in our health system, such as affordability and rising health care costs, have driven health care reform efforts. A basic understanding of health care policy and economics can help health care professionals contain costs and positively impact patient health.

PRINCIPLES OF HEALTH POLICY IN THE US

Health care policy refers to a blend of plans, laws, social strategies and funding decisions directed toward achieving health goals among a population. Health policy is generated or changed when three forces align:

1. **Scientific evidence base**: Sound data regarding the nature of the problem to be addressed by policy

2. **Social strategy**: Detailed policy plan to address a problem and the social infrastructure to support the strategy

3. **Political will**: Public understanding/support for the resources needed to implement the strategy and achieve the solution

The four primary stakeholders in health policy are:

- **Patient**: Beneficiaries and consumers of health policy and health care
- **Provider**: Those who provide health care services (e.g. physicians, other health care professionals and hospitals)
- **Payer**: Those who pay for health care (e.g. insurance companies, employers, federal and state governments)
- **Public Entity**: Government and public health agencies that regulate and provide health insurance and direct health care services

The three core aims of health policy and reform in the U.S., captured by the Institute of Healthcare Improvement’s Triple Aim, are: enhancing the patient care experience, improving the health of populations and reducing the per capita costs of care. Most health policy initiatives seek to address one or more aims. Health policies can, however, lead to unintended consequences and have unforeseen effects.

PRINCIPLES OF HEALTH CARE ECONOMICS

Health insurance plans help pay for health care. People share in the cost with their insurance plans and also pay taxes that finance government-sponsored programs such as Medicare and Medicaid.
The components of a cost-sharing structure include:

**Premium**: The price paid by a consumer to hold an insurance plan.

**Deductible**: Amount of a health care bill that a patient must pay before the health insurance plan begins to pay.

**Co-insurance**: After the deductible has been met, the share of the health care bill for which the policyholder is responsible.

**Co-pay**: A flat fee for a health care encounter paid by the patient at the location where care is received.

A significant concern for all stakeholders is the cost of health care. Health care costs rise when prices increase and/or when the quantity of health care services sought increases. As health care costs increase, carriers pass on the costs to their customers.

\[ \text{COST} = \text{Price} \times \text{Quantity} \]

**GOVERNMENT-SPONSORED PROGRAMS**

People may seek health care coverage through a government-sponsored program if private insurance is unavailable or unaffordable. Government sponsored programs grew out of a need for health care coverage for certain populations (e.g., seniors, children, veterans, native populations) whose medical needs were not served through the private insurance market.

**REFORM EFFORTS AND THE AFFORDABLE CARE ACT**

There are many competing values and principles involved in health system reform efforts including equitable access to care, equitable financing, efficiency, quality improvement and accountability. Some government regulation of health care is necessary, but there is debate over the optimum level of involvement. Reforms that have significantly shaped today’s system include:

Prior to the Affordable Care Act, many federal and state level reforms focused primarily on expansion of coverage. In order for the system to be truly effective other deficiencies in the health care system needed to be addressed including: rising health care costs, research demonstrating poor quality of care and poor health outcomes.

The Affordable Care Act was signed into law in 2010. Major components of the law include:

- Expanded access to health insurance
- Cost-saving mechanisms
- Consumer benefits and protections
- Quality improvement measures

**QUESTIONS TO ASK:**

- Can you recall a situation in which your actions/decisions led to a positive patient outcome with considerable cost savings for the health system?
- How can you better help your patients be informed and empowered so they can make good health care decisions?
- What resources can you access to stay knowledgeable on current health care policy trends and insurance plans?