PROVIDING EFFICIENT, COST-EFFECTIVE, QUALITY HEALTH SOLUTIONS IN THE 21ST CENTURY

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Engaging Cutting Edge Care Technologies

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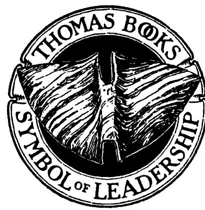

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This book is dedicated to my daughter and son-in-law who have provided encouragement and reasons for living a long life–Jennifer and Michael and their two beautiful children, Camryn and Mathew.

J.R.C.

To all individuals who strive to learn more about the delivery of quality health care.

J.E.C.

PREFACE

This book is intended as a supplemental text for professional nurses, social workers, physicians, therapists, case managers, health administrators, and other care professionals engaging cutting edge care technologies and innovative organizations that strive to provide efficient, cost-effective, quality health solutions in the twenty-first century for the elderly.

Many of the cost containment concepts, technologies and organizations included in this book are constantly changing *what, how, when, where,* and *who* will be providing health care services and managing the wellness, health promotion, acute, and chronic disease management programs for specific populations. This text contains up-to-date cost containment tools used in different organizational forms of health care organizations including:

- Case Management–CM
- Critical Pathways and Care Maps–CP
- Disease State Management–DSM
- Health Maintenance Organizations–HMOs
- Social Health Maintenance Organizations–SHMO
- Program of All-inclusive Care of the Elderly–PACE
- Telemedicine and Telehealth

It also contains recent data and information on cost containment tools and managed care strategies, case management techniques, outcomes, and programs introduced and led by mature and forward-looking HMOs, health care benefit management (HCBM) entities, and health care organizations and pharmaceutical companies. Included are seven care and cost containment strategies that are constantly changing the designs of existing care systems, reshaping the roles of health care professionals, and the shapes of organizations in which they are integrated.

Each of these care and cost management techniques is always changing how people perceive care and the vehicles by which services are provided to populations. As we welcome the next century, we all must look in anticipation of the new ways well and sick people will care for themselves and how health care organizations, networks, integrated care organizations and sys-

tems of care, and managed care organizations will care for people who are in greatest need of the attention.

John Robert Coleman
Karen Becky Zagor
Judith Elaine Calhoun

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PROVIDING EFFICIENT, COST-EFFECTIVE, QUALITY HEALTH SOLUTIONS IN THE 21ST CENTURY

Chapter One

INNOVATIVE COST MANAGEMENT OF HIGH COST DISEASES

Learning Objectives

After completing this chapter one should be able to:

- Explain why the cost of chronic illness contributes to the majority of health care costs.
- Describe why the rise in chronic disease cost is a tremendous challenge in today's health care market.
- Explain how the changes in demographics affect health care delivery and associated costs.
- Describe the many changes to the health care system since the 1990s.
- Describe the various cost containment tools used to keep health care costs reasonable.
- Describe the role of the nursing profession in minimizing the rising cost.

INTRODUCTION

We as a nation are growing older with each passing day. The median age of the nation in the year 1999 was 35.7 (U.S. Bureau of the Census, 1998a) and a person born at that time could live to a ripe age of 75.9 (U.S. Bureau of the Census, 1998b). Since 1900, the percentage of Americans 65 plus years of age has more than tripled (1% in 1900 to 12.7% in 1999) and the number has increased 11 times (from 3.1 million to 34.5 million). In 1999, the age 65–74 age group (18.2 million) was eight times larger than in 1900, but the 75–84 year-old age group (12.1 million) was 16 times larger,

and the 85-plus age group (4.2 million) was 34 times larger (Shagan, 2001).

Concomitant to the aging population of the nation is the social and technological imperative to find the causes of all debilitating diseases and the need to retard their advancement and/or symptoms. We want to live longer with high quality and at a reasonable cost. Technological improvement in genetics and pharmaceuticals will undoubtedly transform the way some chronic diseases are identified and managed. Based upon Census Bureau statistics, the projected total cost of Medicare services will nearly double between 1987 and 2020 (Schneider & Guralnik, 1990). This expense causes an escalated quality because the cost of health care in 1990 was $699.4 million and it is predicted to grow to $2,176.6 million in 2008, an increase of 67.86 percent. Furthermore, the cost is predicted to be 16.2 percent of GDP by 2008 (Smith, Heffler, Freeland, et al., 1999). The increase in costs comes at a time when simultaneously, 44 million Americans lack health care coverage. Of the 44 million without coverage there is a depressing number of persons over 55 and between the ages of 18 and 30 that have chosen not to purchase health insurance because of the associated reduction of their disposable income. Despite research that suggests the advantages of case management and movement toward a continuum-based care model, many chronically ill remain unsupported (Scott, & Rantz, 1997).

The economic winds are blowing gusts on our delivery care system as well. Hospitals continue to suffer losses and many have had to close their doors (on average 37 hospitals have closed between 1995 and 1997), skilled nursing facilities (many have fallen on hard times and have filed bankruptcy protection in the last two years), HMOs (54% suffered losses in the last two years), and the nursing shortage is worsening. Around the country, the Balanced Budget Act of 1997 has become the scapegoat (Hospital Outlook, 2000).

COST CHALLENGES CAUSED BY THE RISE OF CHRONIC DISEASE

Two ongoing trends in American society create great challenges for the future U.S. health care system: the growth of managed care juxtaposed against the growing prevalence of persisting health conditions (Druss, Schlesinger, Thomas, & Allen, 2000). According to William Richardson, chair of the committee that wrote the report, “Crossing the Quality Chasm: A New Health System for the 21st Century,” our health care system has three underlying problems: (1) its’ failure to use evidence-based medicine; (2) its’ inability to place the patient at the center of the system; and (3) a lack of col-

laboration and communication among professions and organizations (Sibbold, 2001). In addition, the U.S. system had been designed to treat acute illness and today the emphasis has shifted to chronic care.

Two major forces today are transforming medical care in the United States. Chronic illness has become the greatest challenge in our population (Hoffman, Rice, & Sung, 1996), accounting for 76 percent of direct medical care costs (Freeborn, Pope, & Mullooly, 1990; Gruenberg, Tompkins, & Porell, 1989). Between 1984 and 1995, the common chronic diseases–arthritis, diabetes, cancer, stroke, and heart disease–became more prevalent among men and women aged 70 years and older (Guttman, 2000). Chronic conditions are not only the leading cause of disability and activity restriction but are also the leading cause of death (Garrison, 2000).

Older persons have at least one chronic condition and many have multiple conditions. More than four of five adults age 65 years and older have at least one chronic condition (Tichawa, 2002). In 1998, approximately 13 percent of the U.S. population experienced some form of activity limitation due to a chronic condition (USDHHS, 2000). The most frequently occurring conditions per 100 elderly in 1995 were: arthritis (49), hypertension (40), heart disease (31), hearing impairments (28), orthopedic impairments (18), cataracts (16), sinusitis (15), and diabetes (13) (AARP, 1999). As a result, a health care system focused on providing acute care is now being asked to effectively handle chronic diseases of a rapidly aging population. Concurrently, the fundamental organization of medical care is changing from fee-for-service to capitation to effectively handle increasing financial pressures.

POPULATION GROWTH INCREASES COSTS

The aging of America is, in essence, a success story. The dramatic increase in the number of Americans living to age 65 years, age 85 years, and age 100 years is testimony to the benefit of a host of scientific, clinical, and social advancements (Cassel, 2001). This increase in longevity presents clinicians with a variety of challenges, one being how to make long-term care an increasingly significant aspect of the health care system. As shown in Figure 1-1, the number of people over the age of 65 years will increase from 33.5 million in 1995 to 70 million in 2030 (American Association of Retired Persons (AARP), 1996). Older adults will increase from below 13 percent of the U.S. population in 1995 to 20 percent of the total population by the year 2030 (AARP, 1996). The very old, or those over the age of 85 years are increasing–the most rapidly growing segment in terms of percentage. As the