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Heart Transplants:

Pros & Cons from the HMO, Medicaid, and Medicare Perspective

The rising costs of healthcare, and the concomitant problems of inadequate insurance and access to services, continue to dominate health policy debates in the U.S. (Bodenheimer & Grumbach, 2002). To control spiraling costs, many HMOs have replaced fee-for-service financing, arrangements that tend to encourage greater use of services, with systems that discourage use, such as capitation (Bodenheimer & Grumbach, 2002). Here, the risks associated with patient care are shifted from the HMO to the provider (Bodenheimer and Grumbach, 2002). Denying a request for an expensive procedure like a heart transplant is a means of controlling costs, and also allows the HMO to increase its profit margin (Bodenheimer and Grumbach, 2002). This provides benefits to shareholders, administrators, and often the physicians that are rewarded for limiting use of services (Stone, nd, cited in Conrad, 2001). However, while an HMO may benefit financially, denying expensive procedures will not impact national healthcare expenditures as a whole (Bodenheimer and Grumbach, 2002).

The most obvious disadvantage to denying a heart transplant is not providing necessary and effective medical treatment to an individual in need. There is a 70% chance that a heart transplant recipient will survive at least 5 years (Bodenheimer and Grumbach, 2002), whereas without one, will likely die. In addition to financial scarcity, “transplantation presents a classic case of commodity scarcity” (Bodenheimer and Grumbach, 2002). In light of this, it may make more sense to offer a transplant to a child, than to an adult or elderly person that has already lived a substantial number of years. The fixed nature of payment within HMOs provides incentives to limit care, which run the risk of appealing to the economic concerns of providers, at the expense of patients’ health (Bodenheimer and Grumbach, 2002). While denying services is a type of cost-sharing - something that is designed to reduce inappropriate use of services

(Bodenheimer and Grumbach, 2002) - this system is not only ineffective (Bodenheimer and Grumbach, 2002), but also brings up ethical issues: an exclusion of benefits means that services will be available only to persons with the financial means to pay for them (Bodenheimer and Grumbach, 2002). Lastly, in the competitive healthcare market, if a HMO makes it standard practice to deny certain procedures, they could suffer by losing customers to other plans that offer better coverage as well as through negative publicity, and potential lawsuits.

Medicaid, a public assistance model of insurance, is financed by federal and state taxes (Bodenheimer and Grumbach, 2002). This program is impressive in its ability to provide comprehensive coverage to over 40 million people (Iglehart, nd, cited in Lee & Estes, 2001). However, due to limited financial resources, it is unable to provide benefits to all poor people that lack health insurance (Iglehart, nd, cited in Lee & Estes, 2001), and currently provides reimbursement rates that are quite low...

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