

Containing Health Care Costs

I. Cost Containment

A. Governmental Regulation

1. Supply side controls

a. Limits on hospital inputs

(1) Hill-Burton Act

b. Restriction of physician supply

c. Health planning

(1) Health Planning and Resource Development Act of 1974

2. Price controls

a. Economic Stabilization Program, 1971

b. Omnibus Budget Reconciliation Act of 1989

c. Balanced Budget Act of 1997

3. Utilization regulation

a. Professional Standards Review Organizations

b. Peer Review Organizations

B. Market-based competition

1. Demand side incentives

2. Supply side regulation

3. Payer-driven competition

4. Utilization management

II. Framework

A. Fee-For-Service Systems

B. Capitated Systems

III. Analysis of Cost-containment Strategies

A. Fee-For-Service Options

1. Price Options

a. Hospital side

b. Physician side

c. Advantages

d. Disadvantages

e. DRG System

2. Quantity Options

a. Examples

b. Advantage

c. Disadvantages

3. Expenditure Options

a. Advantage

b. Disadvantage

B. Capitation Options

1. Items necessary for controlling expenditures

a. control of costs per person

b. number of persons

c. shifting costs

2. Strategies

a. HMO's

b. Managed competition

C. Additional Methods for Controlling Costs

1. Regulating utilization

2. Rate setting

3. Role of private payers

IV. Policies to Contain Costs

A. Strategies

1. Mandated fee schedules

2. Global Budgets

3. Resource rationing