

Navigating the U.S. healthcare system

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1 An overview of the U.S. healthcare system

There are nine types of hospitals in the United States:

1. Short-term acute care hospitals
2. Long-term acute care hospitals
3. Children's hospitals
4. Critical access hospitals
5. Psychiatric hospitals
6. Rehabilitation hospitals
7. VA (Veterans Administration) hospitals
8. Department of Defense hospitals
9. Religious non-medical health care institutions

A **payer** (sometimes spelled **payor**) is the entity responsible for processing patient eligibility, services, claims, enrollment, and payment [1]. In other words, the **payer to a health care provider** is the organization that

- negotiates or sets rates for provider services
- collects revenue through premium payments or tax dollars
- processes provider claims for service, and
- pays provider claims using collected premium or tax revenues.

Payers include:

- Preferred Provider Organizations (PPOs)
- Health Maintenance Organizations (HMOs)
- healthcare service contractors
- state insurance agencies
- claim handlers
- and more

2 How prices are set

The hospital **charge master** (also known as the **chargemaster**, or sometimes **charge description master (CDM)**) is a table that lists each procedure

(identified by a **procedure code**) with its **base price**, similar to the MSRP price listed for everyday purchases. Because the charge master price is the MSRP price, patients often pay a lower price, one that is negotiated by the payor (the insurance company).

In a simple diagram, the price paid by the patient is derived as: base price → payor-negotiated price → deductible (the “balance bill”).

3 The different kinds of health insurance

4 Finding the hospital with the best care

5 The multi-objective optimization problem: a guide

References

- [1] URL: <https://blog.definitivehc.com/top-healthcare-payers>.