

# Basics of the U.S. Health Care System

FIFTH EDITION

**Nancy J. Niles, MPH, MS, MBA, PhD**

Chair, Department of Health Professions  
Program and Internship Director, Healthcare Management  
Rollins College, Winter Park, Florida



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# About the Author

**Nancy J. Niles, PhD, MS, MBA, MPH**, is in her 19th year of full-time undergraduate teaching. She is in her 8th year of teaching undergraduate and graduate healthcare management and administration courses at Rollins College in Winter Park, Florida. Prior to Rollins College, she taught 8 years of undergraduate business and healthcare management classes in the AACSB-accredited School of Management at Lander University in Greenwood, South Carolina, and 4 years teaching in the Department of Business Administration at Concord University in Athens, West Virginia. She became interested in health system issues as a result of spending two tours with the U.S. Peace Corps in Senegal, West Africa. She focused on community assessment and

development, obtaining funding for business and health-related projects. Her professional experience also includes directing the New York State lead poisoning prevention program and managing a small business development center in Myrtle Beach, South Carolina.

Her graduate education focused on health policy and management. She received a Master of Public Health from the Tulane School of Public Health in New Orleans, Louisiana, a Master of Management with a healthcare administration emphasis and a Master of Business Administration from the University of Maryland University College, and a Doctor of Philosophy from the University of Illinois at Urbana-Champaign in health policy.





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# Preface

The COVID-19 pandemic had a dramatic impact on the U.S. healthcare system and the rest of the world. It impacted individuals both personally and professionally. It impacted individuals' health status as well as their families, their professional lives, and their mental wellness. It impacted how health services were delivered and how the labor force in many industries provided services. Many individuals left the workforce, which has created a continued work force shortage in many industries, including health care. Millions of lives were lost as a result of the pandemic. Many individuals are still grappling with the impact the pandemic had on their lives. Many educators were not able to physically be in their classrooms with students for nearly 2 years, which impacted both the students and the teachers. Fortunately, many educators are now back in the classrooms with their students. This text was originally created for online, hybrid, and traditional classroom settings and I have continued to emphasize that format.

The publisher conducted a recent survey of this text's users for recommendations for changes. Based on their comments, I updated the text. I appreciated their valuable input. I included a new chapter on Population Health. I also merged the chapter on Managed Care with the chapter on Healthcare Financing. I also included additional career opportunities in the chapter on the Healthcare Workforce. When appropriate, I included how the pandemic impacted different sectors of the healthcare industry. For the first time, I have included a sample syllabus and work schedule for a 15-week semester schedule. I also reviewed the PowerPoint slides and Instructor Manual for Universal Design Learning (UDL). The following is a summary of the chapters with a specific section in the summary with updates.

## Chapter 1: History and Overview of the U.S. Healthcare System

It is important as healthcare consumers to understand the history of the U.S. healthcare delivery system, how it operates today, who participates in the system, what legal and ethical issues arise as a result of the system,

and what problems continue to plague the healthcare system. Increasing healthcare consumer awareness or promoting health literacy will protect you in both the personal and the professional aspects of your life. You may decide to pursue a career in health care either as a provider or as an administrator. You may also decide to manage a business where you will have the responsibility of providing health care to your employees. This chapter provides a history of the development of the U.S. healthcare system, and a review of the different components of the system.

The U.S. healthcare system is one of the most expensive systems in the world. The United States is the only major country that does not offer a universal healthcare program, which means access to all citizens. Many of these systems are typically run by the federal government, have centralized health policy agencies, are financed through different forms of taxation, and payment of healthcare services is by a single payer—the government (Shi & Singh, 2019). A 2018 Gallup survey indicated that over 55% of Americans are greatly concerned about the availability and rising cost of health care, which marks the fifth year in a row that this issue ranked or tied first for concerns (Jones, 2018). Because the United States does not have universal health coverage, there are more health disparities across the nation. Persons living in poverty are more likely to be in poor health and less likely to use the healthcare system compared to those with incomes above the poverty line. If the United States offered universal health coverage, the per capita expenditures would be more evenly distributed and likely more effective. The major problem for the United States is that healthcare insurance is a major determinant of access to health care. Although there has been a decrease in the number of uninsured in the United States with the the increase in purchasing affordable healthcare insurance from the ACA marketplaces and the expansion of Medicaid eligibility in many states, there is still limited access to routine health care.

The infant mortality rate is often used to compare the health status of nations worldwide. Although our healthcare expenditures are extremely high, our

infant mortality rates rank higher than those of many countries. Racial disparities in disease and death rates continue to be a concern. Both private and public participants in the U.S. health delivery system need to increase their collaboration to focus on health education aimed to reduce the prevalence of obesity and disease and increase patient health literacy. Healthcare employees should receive training in cultural proficiency and social justice to ensure their patients receive equitable care while being respectful of their culture.

*Updates: All of the milestone tables were updated through 2022, when possible. New sections on social justice, the global pandemic, and an update on the Healthy Reports were added. The section on health literacy was expanded.*

## Chapter 2: Current Operations of the U.S. Healthcare System

The one commonality with all of the world's healthcare systems is that they all have consumers or users of their systems. Systems were developed to provide a service to their citizens. However, the U.S. healthcare system, unlike many other systems in the world, does not provide healthcare access to all of its citizens. It is a complex system that is composed of many public and private components. Healthcare expenditures comprise approximately 19.7% of the gross domestic product (GDP). Health care is expensive, and most citizens do not have the money to pay for health care themselves. Individuals rely on health insurance to pay a large portion of their healthcare costs. Health insurance is predominantly offered by employers. Approximately 8% of the population is uninsured which is the lowest percentage ever reported, however, in real numbers, it is approximately 22 million individuals.

In the United States, in order to provide healthcare services, there are several stakeholders or interested entities that participate in the industry. There are providers, of course, that consist of trained professionals such as physicians, nurses, dentists, and chiropractors.

There are also inpatient and outpatient facilities; the payers, such as the insurance companies, the government, and self-pay individuals; and the suppliers of products, such as pharmaceutical companies, medical equipment companies, and research and educational facilities (Sultz & Young, 2006). Each component plays an integral role in the healthcare industry. These

different components further emphasize the complexity of the U.S. system. The current operations of the delivery system and utilization statistics is discussed in depth in this chapter. An international comparison of the U.S. healthcare system and select country systems is also discussed in this chapter, which provides another aspect of analyzing the U.S. healthcare system.

*Updates: The statistics were all updated. There was a section on the impact of the global pandemic on OECD countries as well as the global vaccination efforts and mental health issues. New OECD tables and figures were added including socioeconomic factors on COVID 19 OECD countries, a dashboard on health status of OECD countries, the extent of health coverage, and the dashboard on risk factors for health. New figures include access to care, affordability and use of services and user satisfaction, self-reported weight issues, smoking, alcohol use from both children and adults were also added, as well as a discussion on avoidable mortality.*

## Chapter 3: Government's Role in U.S. Health Care

During the Depression and World War II, the United States had no funds to start a universal healthcare program an issue that had been discussed for years. As a result, a private-sector system was developed that did not provide healthcare services to all citizens. However, the government's role in providing healthcare coverage evolved as a regulatory body to ensure that the elderly and poor were able to receive health care. The passage of the Social Security Act of 1935 and the establishment of the Medicaid and Medicare programs in 1965 mandated the government's increased role in providing healthcare coverage. Also, the State Children's Health Insurance Program (SCHIP), now the Children's Health Insurance Program (CHIP), established in 1997 and reauthorized by the Affordable Care Act (ACA), continues to expand the government's role in children's health care (CHIP, 2022). In addition to the reauthorization of the CHIP program, the ACA increased governmental interaction with the healthcare system by developing several governmental initiatives that focus on increasing the ability of individuals to make informed decisions about their health care. In these instances, the government increased accessibility to health care as well as provided financing for health care to certain targeted populations. This chapter focuses on the distinct roles that the federal, state, and local governments play in the U.S. healthcare system. There is a special mention of the role each government level played in the pandemic. This chapter also highlights different governmental programs

and regulations that focus on monitoring how health care is provided.

*Updates: The descriptions of each of the federal, state, and local government responsibilities were updated. A new section on the government's role at each level during the global pandemic from 2020–2022 was added.*

## **Chapter 4: Public Health's Role in Health Care**

The development of public health is important to note as part of the basics of the U.S. healthcare system because its development was separate from the development of private medical practices. Public health specialists view health from a collectivist and preventive care viewpoint: to protect as many citizens as possible from health issues and provide strategies to prevent health issues from occurring. The definitions cited in the previous paragraph emphasize this viewpoint. Public health concepts were in stark contrast to traditional medicine, which focused on the relationship between a provider and a patient. Private practitioners held an individualistic viewpoint—people more often would be paying for their services from their health insurance or from their own pockets. Physicians would be providing their patients guidance on how to cure their diseases, not preventing disease. This chapter discusses the concept of health and healthcare delivery and the role of public health in delivering health care.

*Updates: A new figure on the Social Determinants of Health and a new figure of the Epidemiology Triangle were added. A new section on the evolution of the COVID-19 virus including the role of politics in public health and a discussion of disinformation and misinformation in public health and a health equity perspective on COVID-19 was added. Discussion of PFAs—the new forever chemical, increase in measles cases and the introduction of the monkey pox virus, all new public health issues, were discussed. I included a section on the United Nations Sustainable Development Goals and the expansion of public and private medicine. Also included is a case study on the opioid epidemic and the pharmaceutical industry's role in this epidemic.*

## **Chapter 5: U.S. Population Health**

### **New Chapter**

A new “old” approach to the system of effective healthcare delivery is the population health approach. Morris and Titmus created the models of population health

during World War II, which outlined the concepts of social determinants of health (Swarthout & Bishop, 2017). The concept of a population approach has continued to evolve over the years. There are different viewpoints of what the concept of population health is and its impact on the healthcare industry. One definition focuses on the study of health outcomes of designated groups and the influences of their health outcomes by the social determinants of health. The key is to clearly define the parameters of the population. Some leaders define the populations as a geographic area, patient type, or type of disease. This concept can be applied to different areas of health care. There has also been a focus on an integration of population health and primary care (Silberberg, Martinez-Bianchi, & Lyn, 2019). The Institute for Health Improvement's Triple Aim's goal is to focus on population health management by improving the individual patient experience, which overall increases the health of a community. This approach is linked to patient-centered, accountable delivery through performance measures by the clinicians. Examples of the type of care received include team-based care, coaching to develop healthy skills, and disease registries that focus on the population health component. The ultimate goal of population health is how to manage this type of health. Programs targeted to specific populations use different interventions to improve health outcomes. This chapter discusses the difference between public, population, and community health and how they interact with each other. There is an overview of the CDC population health project and two case studies on population health.

## **Chapter 6: Inpatient and Outpatient Services**

Historically, the U.S. healthcare industry was based on inpatient services provided by hospitals and outpatient services provided by physicians. As our healthcare system evolved, hospitals remained the mainstay of the healthcare system, offering primarily inpatient services with limited outpatient services. Over the last two centuries, hospitals have evolved from serving the poor and homeless to providing the latest medical technology to serve the seriously ill and injured (Shi & Singh, 2019). Although their original focus was inpatient services, as a result of cost containment and consumer preferences, more outpatient services are now being offered by hospitals. Hospitals can be classified by who owns them, length of stay, and type of services provided. Inpatient services typically focus on acute care, which includes

secondary and tertiary care levels that most likely require inpatient care. Inpatient care is expensive and, throughout the years, has been targeted for cost-containment measures. Hospitals have begun offering more outpatient services because they do not require an overnight stay and are less financially taxing on the healthcare system. The percentage of the U.S. gross domestic product comprising healthcare expenditures continues to increase, and consequently, more cost-containment measures have evolved. Outpatient services have become more prevalent for that reason and because outpatient services are preferred by consumers. Technological advances in health care have allowed for more healthcare services to be performed as outpatient services. This chapter discusses the evolution of inpatient and outpatient healthcare services in the United States.

*Updates: All hospital and outpatient data is current. A discussion of micro hospitals and rural emergency hospitals was added and there is a new section on promoting health equity in healthcare.*

## Chapter 7: Long-Term Care Services

As our life expectancy has increased over the decades, there has been a focus on long-term care services and the costs associated with them. According to the Department of Health and Human Services, long-term care services include a broad range of health, personal care, and supportive services that meet the needs of older people and other adults whose capacity for self-care is limited because of a chronic illness; injury; physical, cognitive, or mental disability; or other health-related condition. People with intellectual and developmental disabilities need long-term care services. Most long-term care is not medical care but rather assistance with the basic personal tasks of everyday life. (“Long-Term Care Insurance Research Brief | ASPE”) These tasks are sometimes called activities of daily living (ADLs) and include bathing, dressing, eating, and going to the bathroom. Long-term care services also provide assistance for instrumental activities of daily living (IADLs) such as housework, money management, taking medications, grocery or clothes shopping, pet care, and using the telephone. Individuals may need these services for years. In general, long-term care services usually are provided by unpaid caregivers—family and friends—in home- and community-based settings. Over the last 20 years, the shift of institutional long-term care provision has been toward community- and home-based settings as a result of the *Olmstead*

decision. The Supreme Court’s *Olmstead* decision (June 22, 1999) found that the Americans with Disabilities Act violated the rights of persons with disabilities by keeping them institutionalized, resulting in the unnecessary segregation of people with disabilities, therefore increasing the need for community-based services (Reaves & Musmeci, 2015). According to a 2022 report, a U.S. adult who reaches 65 years of age should expect to live approximately 20 years, requiring a need for long-term care services, either in a facility or the community, with one in five individuals needing services for more than 5 years (Markowitz, 2022). In general, healthcare experts recognize the need for creating innovative ways to deliver long-term care services. One component of this type of innovation is the long-term care navigator. This service can assist individuals and their families with researching the types of long-term care services provided by the state, reviewing their financial support for long-term care services, researching the types of long-term care facilities in the local area, and assisting them with the transition to a long-term care provider.

International statistics indicate that the older demographic will be increasing significantly worldwide, indicating the need to develop programs to create a healthy and safe environment for older people. WHO has recognized this need and has created strategic safe and healthy ageing plans for the older demographic. They have created a global network of Age Friendly Worlds which countries can join. Although many countries have universal healthcare coverage, for many citizens, there are still out-of-pocket expenses. Like the U.S., the older populations’ healthcare needs will have a financial burden on country governments. There have also been creative services in the U.S. such as the Green House project and the Village Movement, which offer the older population ways to remain independent but live in a safe environment.

*Updates: All statistics have been updated. The discussion on long-term care insurance has been expanded and there is a new international section on the WHO Integrated Care for Older People (ICOPE) guidelines.*

## Chapter 8: Careers in the Health Industry

The health industry is one of the largest employers in the United States and employs more than 14% of the U.S. workforce. Because of the aging of our population, the Bureau of Labor Statistics (BLS) indicates that the health industry will generate nearly 2 million new jobs by 2021 (BLS, 2022a). When one thinks of



healthcare providers, one automatically thinks of physicians and nurses. However, the healthcare industry is composed of many different health services professionals, such as dentists, optometrists, psychologists, chiropractors, podiatrists, nonphysician practitioners (NPPs), administrators, and allied health professionals. Allied health professionals, who represent nearly 60% of the healthcare workforce, provide a range of essential healthcare services that complement the services provided by physicians and nurses (What is allied health?, 2020).

Health care can occur in varied settings. Depending on the level of education and career goals, allied health professionals may have their own practices or work in hospitals, mental health facilities, managed care organizations, skilled nursing facilities, or community health centers. They may also hold government positions, teach at a university, or be employed by an insurance company. Health professionals, in general, may work at many different for-profit and not-for-profit organizations. This chapter provides a description of the diverse types of healthcare jobs; their educational requirements, job responsibilities, and median annual salaries; and their roles in the healthcare system.

*Updates: All labor statistics have been updated. Seven new job descriptions have been added.*

## **Chapter 9: Healthcare Payers and Financing**

The percentage of the U.S. gross domestic product (GDP) devoted to healthcare expenditures has increased in recent decades. The national health expenditures grew 2.7% to \$4.3 trillion in 2021, or \$12,914 per person, which accounted for 18.3% of gross domestic product. Healthcare costs continue to rise for the following reasons: (1) the aging of the population resulting in more individuals requiring more healthcare, (2) the pandemic increased healthcare expenditures because of COVID care, and (3) the increase in innovative care which can be effective but costly (Peter G Peterson Foundation, 2023).

To understand the complexity of the U.S. healthcare system, this chapter will provide a breakdown of U.S. healthcare spending by source of funds, and the major private and public sources of funding for these expenditures. It is important to reemphasize that there are three parties involved in providing health care: the provider, the patient, and the fiscal intermediary, such as a health insurance company or the government. Therefore, also included in the

chapter is a description of how healthcare providers are reimbursed for their services and how reimbursement rates were developed for both private and public funds. There is also a section on managed care healthcare plans, which are a popular health insurance plan for consumers and employers because of their cost control methods. There is also a section on the ACA, the landmark healthcare reform legislation that is patient centered, focusing on affordable and quality healthcare opportunities for consumers.

*Updates: All statistics have been updated. A new section on the Biden administration's focus on reducing maternal morbidity and mortality rates has been added.*

## **Chapter 10: Information Technology Impact on Health Care**

The goal of health information technology (HIT) is to manage the health data that can be used by patients—consumers, insurance companies, healthcare providers, healthcare administrators, and any stakeholder that has an interest in health care (Goldstein & Blumenthal, 2008). A huge component of HIT is the implementation of the electronic health record (EHR), which is a system that collects and houses electronic patient records. The continued increases in healthcare costs and the lack of access to quality health care have resulted in the need to develop more efficient healthcare delivery, which has resulted in the increased use of technology. HIT impacts every aspect of the healthcare industry. All of the stakeholders in the healthcare industry use HIT. Information technology (IT) has had a tremendous impact on the healthcare industry because it allows faster documentation of every transaction. When an industry focuses on saving lives, it is important that every activity has a written document that describes the activity. Computerization of documentation has increased the management efficiency and accuracy of healthcare data. The main goal of HIT is the national implementation of an electronic patient record. Both President Bush and President Obama supported this initiative. This is the foundation of many IT systems because it will enable different systems to share patient information, which will increase the quality and efficiency of health care. This chapter discusses the history of IT, the different applications of IT health care, the implementation and status of EHRs, and the barriers for its implementation as well as innovative applications of technology.

*Updates: The former Chapter 8 (Healthcare Payors) and former Chapter 9 (Managed Care) were merged into one new chapter 9. All statistics have been updated. An updated section on the use of RFID and robot technology in hospitals was added.*

## Chapter 11: Healthcare Law

The healthcare industry is one of the most heavily regulated industries in the United States. Those who provide, receive, pay for, and regulate healthcare services are affected by the law. Law is a body of rules for the conduct of individuals and organizations. Law is created so that there is a minimal standard of action required by individuals and organizations. Public law enforces relationships between entities and the government, and private law deals with issues among individuals. Public law is created by federal, state, and local governments. As the judicial system interprets previous legal decisions regarding a case, judges are creating common law (Pozgar, 2020). The minimal standard for action is federal law, although state law may be more stringent. Legislative bodies, such as the U.S. Congress, create laws that are called statutes. Both common law and statutes are then interpreted by administrative agencies by developing rules and regulations. To be an effective healthcare manager, it is important to understand basic legal and ethical principles that influence the work environment, including the legal relationship between the organization and the consumer—the healthcare provider and the patient. The basic concepts of law, both civil and criminal healthcare law, tort reform, employment-related legislation, safety in the workplace, and the legal relationship between the provider and the patient are discussed in this chapter.

*Updates: The discussion on tort reforms has been expanded and a new section on healthcare legislation related to the pandemic was added. Discussion of the Supreme Court decision to overturn Roe v. Wade was added..*

## Chapter 12: Healthcare Ethics

Legal standards are the minimal standard of action established for individuals in a society. Ethical standards are considered one level above a legal action because individuals make a choice based on what is the “right thing to do,” not what is required by law. There are many interpretations of the concept of ethics. Ethics has been interpreted as the moral foundation for

standards of conduct (Taylor, 1975). The concept of ethical standards applies to actions that are hoped for and expected by individuals. Actions may be considered legal but not ethical. There are many definitions of ethics but, basically, ethics is concerned with what are right and wrong choices as perceived by society and individuals.

The concept of ethics is tightly woven throughout the healthcare industry. It has been dated back to Hippocrates, the father of medicine, in the 4th century BC, and evolved into the Hippocratic Oath, which is the foundation for the ethical guidelines for patient treatment by physicians. In 1847, the American Medical Association (AMA) published a *Code of Medical Ethics* that provided guidelines for the physician–provider relationship, finally updated in 2008, and emphasizes the duty to treat a patient (Moran, 2017). To this day, physicians’ actions have followed codes of ethics that demand the “duty to treat” (Wynia, 2007). Applying the concept of ethics to the healthcare industry has created two areas of ethics: medical ethics and bioethics. Medical ethics focuses on the decisions that healthcare providers make concerning medical treatment of patients. Euthanasia or physician-assisted suicide would be an example of a medical ethics topic. Bioethics are concerned with the ethical implications of certain biological and medical procedures and technologies, such as cloning; alternative reproductive methods, such as in vitro fertilization; organ transplants; and genetic engineering (Adelaide Center for Bioethics and Culture, n.d.). Additionally, the rapid advances in medicine in these areas raised questions about the influence of technology on the field of medicine (Coleman, Bouesseau, & Reis, 2008).

*Updates: All statistics have been updated. A new section on the problems with the U.S organ transplant program has been added. A more in-depth discussion on social justice in health care including the different types of implicit biases is also included.*

## Chapter 13: Mental Health Issues

According to the World Health Organization (WHO), mental wellness or mental health is an integral and essential component of health. It is a state of well-being in which an individual can cope with normal stressors, can work productively, and is able to make a contribution to their community. Mental health behavioral disorders can be caused by biological, psychological, and personality factors (WHO, n.d.). Mental disorders are the leading cause of disability in the



United States. Mental illnesses can impact individuals of any age, race, religion, or income. There are two broad categories of mental illness: any mental illness (AMI), which is a mental, behavioral, or emotional disorder, and all mental illness and serious mental illness (SMI), which is also a mental, behavioral, or emotional disorder but it impacts how patients function in daily life. In 2020, there were 53 million people 18 years or older that have an AMI. This number represents 21% of adults. The prevalence of AMIs was more common in females (25.8%) than males (15.8%) and higher in multiracial adults (35.8%), followed by white adults (22%). Nearly 6% of adults were diagnosed with an SMI, higher among females (7%) than males (4%) and highest among multiracial adults (10%) (National Institute of Mental Health [NIMH], 2023a). Although mental health is a disease that requires medical care, its characteristics set it apart from traditional medical care. Anxiety disorders are the most common mental health issues in the United States. In 2022, there were nearly 43 million adults diagnosed with anxiety disorders. The global pandemic had a major impact on mental health and wellness worldwide. In May 2020, the United Nations reported that stress and anxiety had risen dramatically during the pandemic. Fears of contracting the disease, isolation from family and friends, grief from losing family and friends, financial issues, and losing one's job amplified people's existing mental health issues as well as instigating new mental health issues in the population.

*Updates: All statistics have been updated. Mental health surveys regarding the pandemic were added and an expansion of the culturally healing arts is now included.*

## Chapter 14: Review and Analysis of the U.S. Healthcare System

The U.S. healthcare system has long been recognized for two characteristics: providing state-of-the-art health care and as the most expensive healthcare system in the world. According to 2020 statistics, the

United States spent \$4.12 trillion or \$10,328 per person on healthcare expenditures, which is 19.7% of its gross domestic product. Despite Medicare and Medicaid, two large federal programs for the elderly and indigent, there are still uninsured many individuals in the U.S. According to the Department of Health and Human Services (DHHS), there are still 27 million uninsured in the U.S. Uninsured rates vary by state and are impacted by whether the state expanded their Medicaid programs' coverage, which was a component of the ACA. Texas has the highest uninsured rate of 18.4%, and Massachusetts has the lowest uninsured rate of 3% (Mak, 2021).

Although the United States spends the most per person on health care, when compared to 10 other developed countries, the United States ranks last in overall healthcare performance of efficiency, equity, and healthy lives (Deloitte, 2019). The United States is the only major country that does not offer health care as a right. Most developed countries have a universal healthcare insurance, which means access to all citizens. Many of these systems are typically run by the federal government, have centralized health policy agencies, are financed through different forms of taxation, and payment of healthcare services are by a single payer—the government (Shi & Singh, 2019).

This chapter compares the U.S. healthcare system and the healthcare systems of other countries. This chapter will also discuss trends that impact the U.S. healthcare system, including the increased use of technology in providing health care, complementary and alternative medicine use, new nursing home models, systems, and design thinking, pay for performance and value-based purchasing, and two unique universal-healthcare-coverage programs in Massachusetts and San Francisco, California.

*Updates: All statistics were updated. An in-depth discussion on mass shootings in the U.S. has been added. Also included is a discussion on why population health matters to this industry. A section on system and design thinking was added. The Sections on telemedicine and healthcare navigators were expanded.*

