



The Nature & Purpose of Private & Public Health Insurance



Health insurance is a financial resource to protect individuals and health delivery organizations against risk. In this context, risk refers to the possibility (and probability, in some cases) of suffering a financial loss. In health care, illnesses and diseases that require expensive treatments and possibly hospitalization can pose substantial financial risk to the patient and the provider. Similarly, the cost of most surgeries and subsequent treatment could go beyond the means of

some people to pay out of pocket. Health insurance is designed to primarily protect individuals from such occurrences. Health care providers are also subject to substantial risk when they are required to treat sick and injured individuals who cannot pay for services.

Private Insurance

The private insurance industry is pluralistic, which means it includes many types of health plan providers such as commercial insurance companies (Aetna, Cigna, Prudential), Blue Cross/Blue Shield, self-insured employers, and managed care organizations (MCOs). Private insurance is generally available in the form of individual and family plans. Government programs, like Medicaid and Medicare, do not offer group or family plans.

Private health insurance was envisioned as the major way of obtaining coverage under the Affordable Care Act (ACA). In reality, the vision just never panned out in this manner because the majority of people who were newly covered under the ACA received coverage under Medicaid.

Public Insurance

The U.S. health care delivery system does not have publicly financed health insurance specifically for the unemployed. Even though public insurance is financed by the government, services are purchased from providers *mainly* in the private sector. One exception is Veterans Affairs, which runs its own health care system for its beneficiaries.



Medicare finances medical care for persons 65 years of age or older, disabled individuals of any age who are entitled to Social Security benefits, and people of any age who have permanent kidney failure (end-stage renal disease). Of all government programs, Medicare poses the most significant challenge to taxpayers because Medicare expenditures are projected to grow faster than both workers' earnings and the nation's economy (CMS, 2021, p. 10). Deductibles, copayments, premiums, and noncovered services can leave beneficiaries with substantial out of pocket costs, particularly if they have traditional Medicare that does not include vision, dental care, eyeglasses, and long-term care.

Medicaid is a U.S. public health insurance program for the indigent that is a federal and state collaborative effort. Each state, however, administers its own program. Medicaid is a means-tested program based on income, real property, and other assets. The federal government provides matching funds to the states based on the per capita income of each state.

Financing plays a crucial role in health care delivery. For consumers, it pays for health insurance coverage, and for providers, it reimburses them for the services they deliver. While the ACA has been instrumental in expanding health insurance coverage, serious gaps remain.

FLuidity Writing Services has been greatly instrumental in reversing the downward financial trend of professional healthcare organizations by developing payer strategy platforms to increase revenue and expand their reach.

References

Centers for Medicare and Medicaid Services (CMS). (2021). *2021 annual report of the boards of trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*. <https://www.cms.gov/files/document/2021-medicare-trustees-report.pdf>