

# Introduction to Health Insurance

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MHA631  
Health Insurance

## Lecture 1



# Objectives

- Understand Health Insurance & Key terms.
- Explore the evolution of Health Insurance events.
- Discuss the importance and purpose of medical documentation.
- Identify and differentiate among various record systems (e.g., POR, EHR, EMR, PHR).

# Health Insurance

- **Health insurance** is a *contract* between a *policyholder* and a *third-party payer or government program* to reimburse the policyholder for all or a portion of the cost of medically necessary treatment or preventive care provided by healthcare professionals.
- Health insurance is available to individuals who participate in group (e.g., employer sponsored), individual (or personal insurance), or prepaid health plans (e.g., managed care).

# Health Insurance Terms



# Health Insurance Terms

## Group Health Insurance

**Traditional** healthcare coverage subsidized by **employers** and **other organizations** (e.g., labour unions) where part or all of premium costs are paid for and/or discounted group rates are offered to eligible individuals.

## Individual Health Insurance

**Private** health insurance policy purchased by **individuals** or **families** who do not have access to group health insurance coverage. Applicants can be denied coverage, and they can also be required to pay higher premiums due to age, gender, and/or pre-existing medical conditions.

# Health Insurance Terms

## Public Health Insurance

**Federal and state government** health programs (e.g., Medicare, Medicaid, TRICARE) available to eligible individuals.

## Single-payer Plan

**Centralized healthcare system** adopted by some Western nations (e.g., Canada, Great Britain) and funded by taxes. The government pays for each **resident's health care**, which is considered a basic social service.

# Health Insurance Terms

## Socialized Medicine

A type of **single-payer system** in which the **government** owns and operates healthcare facilities and providers (e.g., physicians) receive salaries. The VA (Veterans Affairs) healthcare program is a form of socialized medicine.

## Universal Health Insurance

The goal of providing **every individual** with access to health coverage, regardless of the system implemented to achieve that goal.

# **Significant Events in Healthcare Reimbursement**

## Significant Events in Healthcare Reimbursement

| Year  | Event                         | Description                                                                                                                                                                             |
|-------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1860  | First health insurance policy | The Franklin Health Assurance Company of Massachusetts was the first commercial insurance company in the US to provide private healthcare coverage for injuries not resulting in death. |
| 1940s | Group health insurance        | To attract wartime labor during World War II, group health insurance was offered to full-time employees.                                                                                |
| 1948  | ICD                           | The World Health Organization (WHO) developed the International Classification of Diseases (ICD), a classification system used to collect data for statistical purposes.                |

## Significant Events in Healthcare Reimbursement

|      |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1950 | Major medical insurance is offered | <p>Insurance companies began offering major medical insurance, which provided coverage for catastrophic or prolonged illnesses and injuries. Most of these programs incorporate large deductibles and lifetime maximum amounts.</p> <p>A deductible is the amount for which the patient is financially responsible before an insurance policy provides payment.</p> <p>A lifetime maximum amount is the maximum benefits payable to a health plan participant.</p> |
|------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Significant Events in Healthcare Reimbursement

|      |                            |                                                                                                                                                                                                                                               |
|------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1966 | Social Security Amendments | <p>Medicare provides healthcare services to Americans over the age of 65.</p> <p>Medicaid is a cost-sharing program between the federal and state governments to provide healthcare services to low-income Americans.</p>                     |
|      | CPT is developed           | <p>Current Procedural Terminology (CPT) was developed by the American Medical Association. Each year an annual publication is prepared, which includes changes that correspond to significant updates in medical technology and practice.</p> |

## Significant Events in Healthcare Reimbursement

|      |       |                                                                                                                                                                                                                                                                                                                            |
|------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1970 | OSHA  | The Occupational Safety and Health Administration Act (OSHA) was designed to protect all employees against injuries from occupational hazards in the workplace.                                                                                                                                                            |
| 1985 | COBRA | The Consolidated Omnibus Budget Reconciliation Act (COBRA) allows employees to continue healthcare coverage beyond the benefit termination date.                                                                                                                                                                           |
| 1996 | HIPAA | The Health Insurance Portability and Accountability Act (HIPAA) mandates regulations that govern privacy, security, and electronic transactions standards for healthcare information. The primary intent of HIPAA is to provide better access to health insurance, limit fraud and abuse, and reduce administrative costs. |

## Significant Events in Healthcare Reimbursement

|      |                                                                                 |                                                                                                                                                                                          |
|------|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2000 | Consumer-driven health plans                                                    | Consumer-driven health plans are introduced as a way to encourage individuals to locate the best healthcare at the lowest possible price with the goal of holding down healthcare costs. |
| 2009 | Health Information Technology for Economic and Clinical Health Act (HITECH Act) | It was established an Office of National Coordinator for Health Information Technology to improve healthcare quality, safety, and efficiency.                                            |

# Medical Documentation



# Medical Documentation

- **Healthcare providers** are responsible for **documenting** and authenticating **legible, complete, and timely** patient records in accordance with federal regulations and accrediting agency standards.
- The provider is also responsible for **correcting** or **altering errors** in patient record documentation.
- A patient record (or medical record) documents **healthcare services** provided to a patient by healthcare provider.
- **The records include:**
  - patient demographic/ identification data,
  - documentation to support diagnoses and justify treatment provided,
  - results of treatment provided.

### Primary purpose of patient record:

1. To provide *continuity of care*, which involves documenting patient care services so that others who treat the patient have a **source of information** to assist with additional care and treatment.
2. It serves as a *communication tool* for physicians and other patient care professionals and assists in planning individual patient care and documenting a patient's illness and treatment.

**Secondary purposes of the record (do not relate directly to patient care) and include:**

1. Evaluating the quality of patient care.
2. Providing data for use in clinical research, epidemiology studies, education, public policy making, and healthcare statistics.
3. Providing information to third-party payers for reimbursement.
4. Serving the medico-legal interests of the patient, facility, and providers of care.

**Documentation includes** dictated and transcribed, typed or handwritten, and computer-generated notes and reports recorded in the patient's records by a healthcare professional.

**Documentation must be** dated and authenticated (with a legible signature or electronic authentication).

**Documentation** in the patient record serves as the basis for coding. The information in the record must support codes submitted on claims for third-party payer reimbursement processing.

The patient's diagnosis must also justify diagnostic and/or therapeutic procedures or services provided. This is called *medical necessity* and requires providers to document services or supplies that are:

1. **Proper and needed** for the diagnosis or treatment of a medical condition.
2. **Provided for the diagnosis, direct care, and treatment** of a medical condition.
3. **Consistent with standards** of good medical practice in the local area.
4. **Not mainly for the convenience** of the physician or healthcare facility.

*It is important to remember that .....*

*“If it wasn’t documented, it wasn’t done.”*

## Chapter

## 01

- The patient record serves as a medico-legal document and a business record. If a provider performs a service but does not document it, the patient (or third-party payer) can refuse to pay for that service, resulting in lost revenue for the provider.
- In addition, because the patient record serves as an excellent defense of the quality of care administered to a patient, *missing documentation* can result in problems if the record has to be admitted as evidence in a court of law.

**Support of Medical Necessity:** The patient underwent a chest x-ray, and the provider documented “severe shortness of breath” in the record. The coder assigned a CPT code to “chest x-ray” and an ICD code to “severe shortness of breath.” In this example, the third-party payer will reimburse the provider for services rendered because medical necessity for performing the procedure has been shown.

**Missing Documentation:** A representative from XYZ Insurance Company reviewed 100 outpatient claims submitted by the Medical Center to ensure that all services billed were documented in the patient records. Upon reconciliation of claims with patient record documentation, the representative denied payment for 13 services (totaling \$14,000) because reports of the services billed were not found in the patient records. The facility must pay back the \$14,000 it received from the payer as reimbursement for the claims submitted.

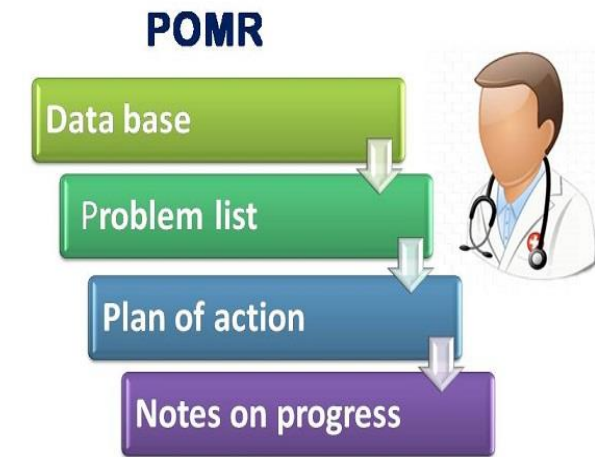
# ***Different Record Systems***

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**01**

# Problem-oriented Record (POR)

It is a systematic method of documentation, consists of four components:

- Database
- Problem list
- Initial plan
- Progress notes



Problem Oriented Medical Record (POMR)

# Problem-oriented Record (POR)

The **POR database** contains the following patient information collected on each patient:

- Chief complaint
- Present conditions and diagnoses
- Social data
- Past, personal, medical, and social history
- Review of systems
- Physical examination
- Baseline laboratory data

# Problem-oriented Record (POR)

The **POR problem list** serves as a table of contents for the patient record because it is filed at the beginning of the record. It contains a numbered list of the patient's problems, which helps to index documentation throughout the record.

The **POR initial plan** contains the strategy for managing patient care and any actions taken to investigate the patient's condition and to treat and educate him or her.

# Problem-oriented Record (POR)

The *initial plan* consists of three categories:

- Diagnostic/management plans (plans to learn more about the patient's condition and the management of the conditions).
- Therapeutic plans (specific medications, goals, procedures, therapies, and treatments used to treat the patient).
- Patient education plans (plans to educate the patient about conditions for which he or she is being treated).

# Problem-oriented Record (POR)

The **POR progress notes** are documented for each problem assigned to the patient, using the **SOAP format**:

**Subjective (S)** (patient's statement/words about how he or she feels, including symptomatic information [e.g., "I have a headache"]).

**Objective (O)** (observations about the patient, such as physical findings, or lab or x-ray results [e.g., chest x-ray negative]).

**Assessment (A)** (judgment, opinion, or evaluation made by the healthcare provider [e.g., acute headache]).

**Plan (P)** (diagnostic, therapeutic, and education plans to resolve the problems [e.g., patient to take Tylenol as needed for pain]).

# SOAP Format

- ✓ **Subjective:** Patient's own words (symptoms, concerns).
- ✓ **Objective:** Measurable data (exams, labs, imaging).
- ✓ **Assessment:** Provider's medical conclusion.
- ✓ **Plan:** Action steps (tests, medications, referrals, education).

***Check the following example  
for SOAP Format***

# SOAP Format

**Adjust medication:** Increase metformin from 1000mg to 1500mg daily.  
**Diet:** Refer to nutritionist for carb-counting guidance.  
**Monitoring:** Check fasting glucose daily; return in 1 month for repeat HbA1c.  
**Education:** Teach signs of hypoglycemia (dizziness = possible low sugar).

**Uncontrolled Type 2 Diabetes** (HbA1c >7%)  
 Possible **dawn phenomenon** (high fasting glucose)

*"I've been checking my blood sugar like you said, but it's still high in the mornings. I've been eating less rice, but I sometimes feel dizzy."*

- Blood Glucose:** Fasting: 160 mg/dL (high), Post-meal: 210 mg/dL
- HbA1c:** 8.5% (up from 8.0% 3 months ago)
- Weight:** 185 lbs. (unchanged)
- BP:** 130/85

**Subjective (S)**

**Objective (O)**

**Assessment (A)**

**Plan (P)**

# Electronic Health Record (EHR)

- **EHR** includes the collection of patient information documented by a number of providers at different facilities regarding one patient.
- **EHR** uses multidisciplinary (many specialties) and multi-enterprise (many facilities) recordkeeping approaches to facilitate *record linkage*, which allows patient information to be created at different locations according to a unique patient identifier or identification number.

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# Role of Electronic Health Record (EHR)

1. It provides access to complete and accurate patient health problems, status, and treatment data.
2. It allows access to evidence-based decision support tools (e.g., drug interaction alerts) that assist providers with decision making.
3. It automates and streamlines a provider's workflow, ensuring that all clinical information is communicated.
4. It prevents delays in healthcare response that result in gaps in care (e.g., automated prescription renewal notices).
5. It supports the collection of data for uses other than clinical care (e.g., billing, outcome reporting, public health disease surveillance/reporting, and quality management).

# Electronic Medical Record (EMR)

- It has a more narrow focus than EHR.
- It is the patient record created for a single medical practice using a computer.
- It includes a patient's medication lists, problem lists, clinical notes, and other documentation.

## Role of EMR:

- It allows providers to prescribe medications, order and view results of ancillary tests (e.g., laboratory, radiology).
- It alerts the provider about drug interactions, abnormal ancillary testing results, and when ancillary tests are needed.

## Total Practice Management Software (TPMS)

It is used to generate the EMR, automating the following medical practice functions:

- Registering patients
- Scheduling appointments
- Generating insurance claims and patient statements
- Processing payments from patient and third-party payers
- Producing administrative and clinical reports

# Personal Health Record (PHR)

**PHR** is a web-based application that allows individuals to maintain and manage their health information (and that of others for whom they are authorized, such as family members) in a private, secure, and confidential environment.



# SOAP Format

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**Adjust medication:** Increase metformin from 1000mg to 1500mg daily.  
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**Education:** Teach signs of hypoglycemia (dizziness = possible low sugar).

**Subjective (S)**

**Objective (O)**

**Assessment (A)**

**Plan (P)**

Chapter

01

# Key Takeaways

1. Health insurance is a contract between a policyholder and a third-party payer or government program for the purpose of providing reimbursement of all or a portion of medical and health care costs.
2. The history of healthcare reimbursement can be traced back to 1860, when the Franklin Health Assurance Company wrote the first health insurance policy.
3. A patient record (or medical record) documents healthcare services provided to a patient, and healthcare providers are responsible for documenting and authenticating legible, complete, and timely entries.

Chapter

01

# Key Takeaways

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4. The primary purpose of patient/medical record is to provide for continuity of care.
  5. The *problem-oriented record (POR)* is a systematic method of documentation that consists of four components: database, problem list, initial plan, and progress notes (documented using the SOAP format).

Chapter

01

# Key Takeaways

6. The *electronic health record (EHR)* is a global concept that includes the collection of patient information documented by a number of providers at different facilities regarding one patient.

7. The *electronic medical record (EMR)* has a more narrow focus (as compared with the EHR) because it is the patient record created for a single medical practice and uses total practice management software (TPMS) to generate the EMR and automate medical practice functions.



Thank You