

Chapter 3: Historical Overview of U.S. Health Care Delivery

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Learning Objectives

At the end of this lecture, student should be able to:

- Name at least three characteristics of health care delivery in pre-industrial America
- Name at least one notable development in medicine in the U.S. in the post-industrial era, and describe why
- Explain at least one reason why national health care has failed in the United States
- Describe at least two differences between Medicare and Medicaid

Introduction



Introduction



- Knowledge of U.S. health care history necessary for understanding today's system
- System's historical foundations help explain why America has resisted universal health insurance
- Despite many forces of change, health care still a private industry receiving financing from the government.
 - Ironically, despite private and public sources of financing, many people in the U.S. still go without health insurance

Major Forces of Change in Health Care Delivery



Cultural Beliefs and Values

- Self-reliance
- Welfare assistance only for the most needy



Social Changes

- Demographic shifts
- Immigration
- Health status
- Urbanization



Technological Advances

- New treatments
- Training of health professionals
- Facilities and equipment

Major Forces of Change in Health Care Delivery



Economic Constraints

- Health care costs
- Health insurance
- Family incomes



Political Opportunism

- President's agenda
- Domestic and foreign priorities
- Party politics
- Power of interest groups
- Laws and regulations

History Leads us to the
Present.....



- Science and tech advances make care in U.S. highly specialized
- Basic and routine care given secondary importance
- Providing latest treatments which are highly used by the population ↑ cost
- As insurance is extended to more Americans, that cost must be contained

Medical Services in Pre-industrial America

Health Care Delivery in Pre-industrial America

- Medical training and education not grounded in science
- Primitive medical procedures were practiced.
- Intense competition existed because any tradesman could practice medicine



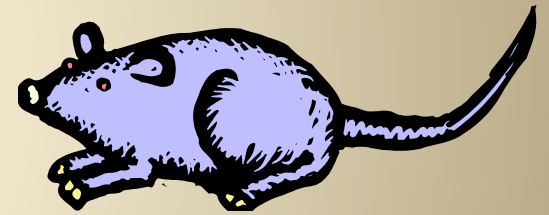
Health Care Delivery in Pre-industrial America

- People relied on family members, neighbors, and publications for domestic remedies
- Physicians' fees were paid out of personal funds
- Health care was delivered in a free market



Health Care Delivery in Pre-industrial America

- Hospitals were few and located only in big cities
- Hospitals had poor sanitation and unskilled staff
- Almshouses served the destitute and disruptive elements of society and provided some basic nursing care



Health Care Delivery in Pre-industrial America

- State governments operated asylums for patients with untreatable, chronic mental illness.
- Pesthouses quarantined people with contagious diseases.
- Dispensaries delivered outpatient charity care in urban areas.



Medical Training – the Pre-industrial Way

- Until around 1870, medical training through apprenticeship (rather than university)
 - Ironically, those doing the training themselves were poorly trained!
- Training a class could make more money than just training individual apprentices, so some tried to open schools
 - Lack of facilities and ability to confer degrees prompted these “physicians” to affiliate with local colleges
- In 1850, about 42 of these “medical schools” were in operation in the U.S.

Pre-industrial Medical School

Year 1: Attend 3-4 months of courses



Year 2: Repeat the same 3-4 months of courses.



Graduate with a 2-year MD degree.

Pre-industrial Medical Practice

PRACTICE

- Anyone could practice medicine.
- Medical procedures primitive.
- No rigorous course of study, most physicians with little actual expertise.
- Low status, often side job for extra income.
- Most families
 - Preferred self-reliance
 - Could not afford physicians' fees

EXAMPLES

- A barber sells herbal prescriptions in his shop.
- A woman gives birth at home with just the help of her sisters and mother.
- A tailor who doubles as a doctor visits the home of a boy cut by a sharp rock and sews up his wound
- A church pools its funds to have a doctor visit its pastor, who has been bedridden with a mysterious illness. The doctor bleeds him, and gives him herbal concoctions and enemas.

Pre-industrial Medical Institutions (before 1880s)

UNITED STATES

- A few isolated hospitals:
NYC, Boston, New Orleans,
St. Louis, Philadelphia
- Characteristics:
 - Unsanitary
 - Poor ventilation
 - Unhygienic
 - Nurses unskilled and untrained
 - More dangerous than staying home!
 - “Houses of death and institutions of welfare”

EUROPE

- France and Great Britain expanded hospitals long before 1800s
- Medical professions readily adopted new science
- Considered advanced

Pre-industrial Medical Institutions

Mix and Match!







-
1. Almshouse (poorhouse) → E. Served elderly, homeless, orphans, ill, and disabled.
2. Asylum → C. For patients with chronic, untreatable mental illness.
3. Pesthouse → D. Served people with cholera, smallpox, typhoid, or yellow fever.
4. Dispensaries → A. Often staffed by medical students, this place provided drugs to patients.
- A. Often staffed by medical students, this place provided drugs to patients
- B. Goal was to contain the spread of communicable disease
- C. For patients with chronic, untreatable mental illness.
- D. Served people with cholera, smallpox, typhoid, or yellow fever.
- E. Served elderly, homeless, orphans, ill, and disabled.
- F. Residents were called inmates.
- G. Bleeding, forced vomiting, and hot and ice-cold baths used.
- H. Outpatient clinics to provide free care to those who could not pay.

Medical Services in Post-industrial America

Changes in... Medical Profession

- In aftermath of Civil War (1861-1865)
- In 1840, 11% U.S. population in urban areas, but in 1900, increased to 40%
 - *How did this change family-based care?*
 - *How did this change where medical services were offered?*
- Increasing driven by science and technology.
 - Good effects: Advances in x-ray technology. *Other good effects?*
 - Bad effects: Rise in cost. *Other bad effects?*
- Pressures of science/tech led to pressures for physicians to specialize
 - *Implications for care coordination?*

Post-industrial Groundbreaking Medical Discoveries

 ANESTHESIA	<ul style="list-style-type: none">• 1846• Horace Wells• Dentist• Surgery, quick amputations
 HANDWASHING	<ul style="list-style-type: none">• 1847• Ignaz Semmelweis• Hungary/Vienna• High death rate from child-birth
 PASTEURIZATION	<ul style="list-style-type: none">• 1860• Louis Pasteur• France• Germ theory of disease
 ANTISEPTIC SURGERY	<ul style="list-style-type: none">• 1865• Joseph Lister• Carbolic acid to wash wounds
 ADVANCES IN X-RAYS	<ul style="list-style-type: none">• 1895• Wilhelm Roentgen• Germany• Radiology the first machine-based medical specialty
 PENICILLIN	<ul style="list-style-type: none">• 1929• Alexander Fleming• Anti-bacterial properties of penicillin

From Exhibit 3.4 on page 61.

Changes in....American Medical Association



- Since 1847 (pre-industrial), took a back seat to uncoordinated actions of individual physicians competing in marketplace
- During post-industrial era
 - Organized members into state- and county-level societies
 - Started controlling medical education
 - Lobbied states for medical licensing laws
 - Discouraged “corporate control” – physicians working for hospitals or insurances
- AMA succeeded!
 - Prescriptions require physician authorization, health insurance only pays when prescribed by physician, etc.

Post-Industrial Education Reform

Mix and Match!

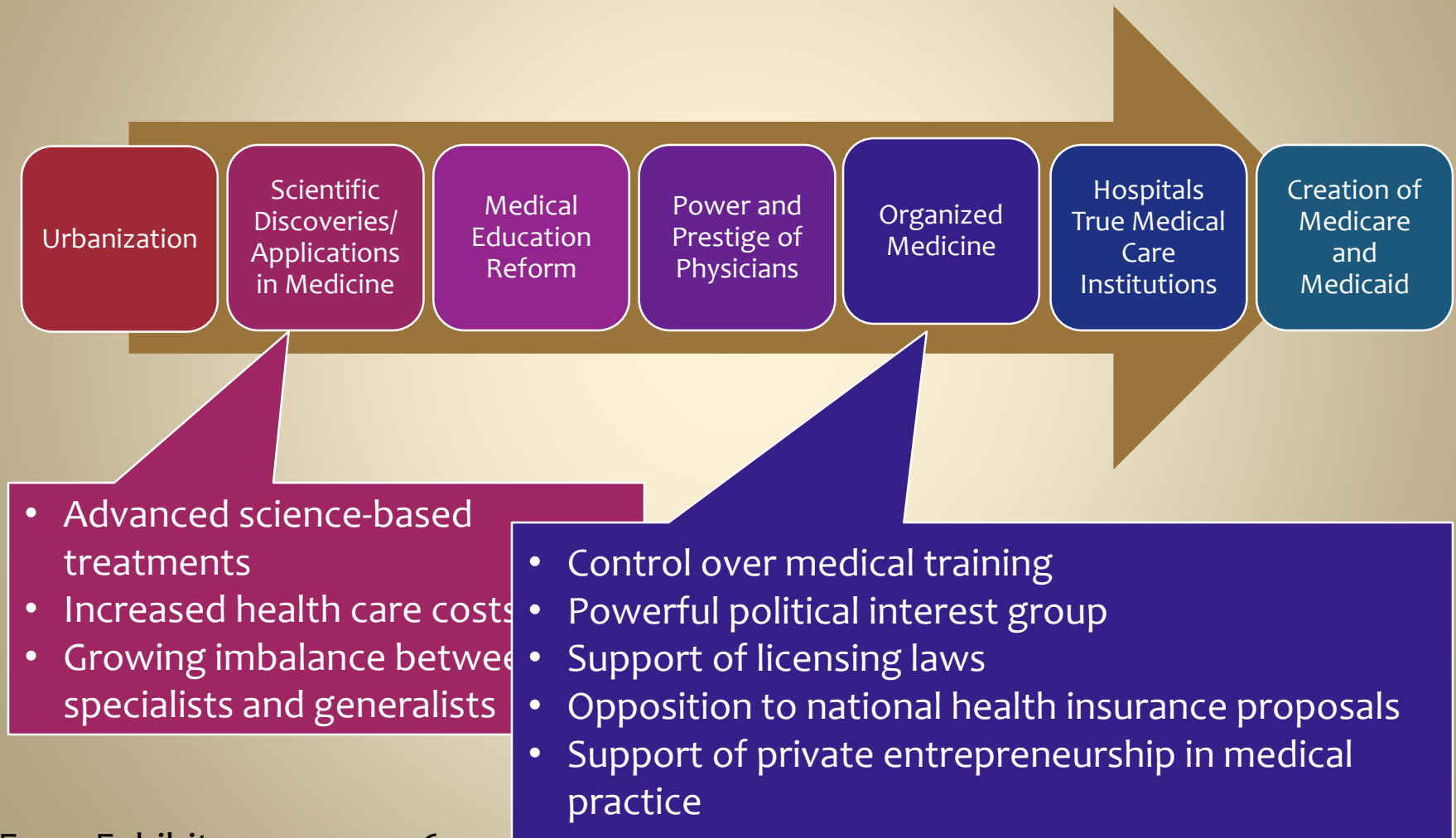
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1. 1869-Howard University School of Medicine
2. 1871-Harvard Medical School
3. 1876-Meharry Medical College
4. 1893-Johns Hopkins University
5. 1910-Flexner Report
6. 1910-Council on Medical Education
- A. Found widespread inconsistencies in medical training.
- B. Established to prepare black physicians to practice medicine
- C. Changed entrance requirements to medical school to include an undergraduate degree, not just high school diploma
- D. Formed by AMA, it pushed for state laws requiring graduation from medical school for licensure.
- E. Changed the academic year to follow the European model

Development of Hospitals



- The industrialization of medicine
 - Physicians could no longer afford equipment, facilities, etc.
- Hospitals needed physicians to keep their beds filled
 - Informal alliances between physicians and hospitals – physicians were not employed there, but had a strong say in hospital operations
- As more hospitals became available, competition for physicians' patients started to influence hospital policy

Notable Developments in Post-Industrial Era



From Exhibit 3.3 on page 60.

History of Health Insurance

Early Blueprints for Health Insurance

Workers Compensation

1910-1915 – laws made, opened idea for government-sponsored insurance




Birth of Blue Cross

1940-1950 – hospital insurance for inpatient stays



Birth of Blue Shield

1939 – started for physician fees, in 1974 began to merge

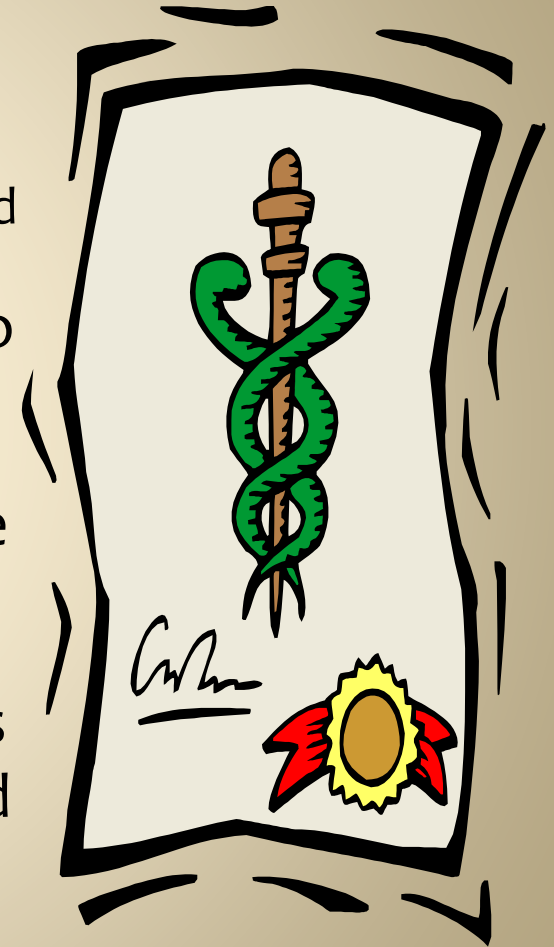


Employer-based Health Insurance

Started in WWII as part of preventing inflation, laws in 1948, 1954

Emergence and Rise of Private Health Insurance

- Began in early 1900s to guard against unexpected disability
 - Medical care had become a more entrenched way of life – and expensive!
- 1916-1918 first (unsuccessful) attempts to compel employers to offer health insurance by legislation
- Hospital plan/Blue Cross grew out of dire conditions in Great Depression
- Blue Shield (physician fees) started in 1939, but merged in 1974 with Blue Cross
- Employer-based health insurance started in World War II and subsequently enshrined in tax law in 1954



National Health Care in America

Who Brought up the Idea of National Health Care in the U.S.?

Germany/ Europe

- WW II – anti-German sentiment

FDR

- 1940s – proposals defeated by AMA

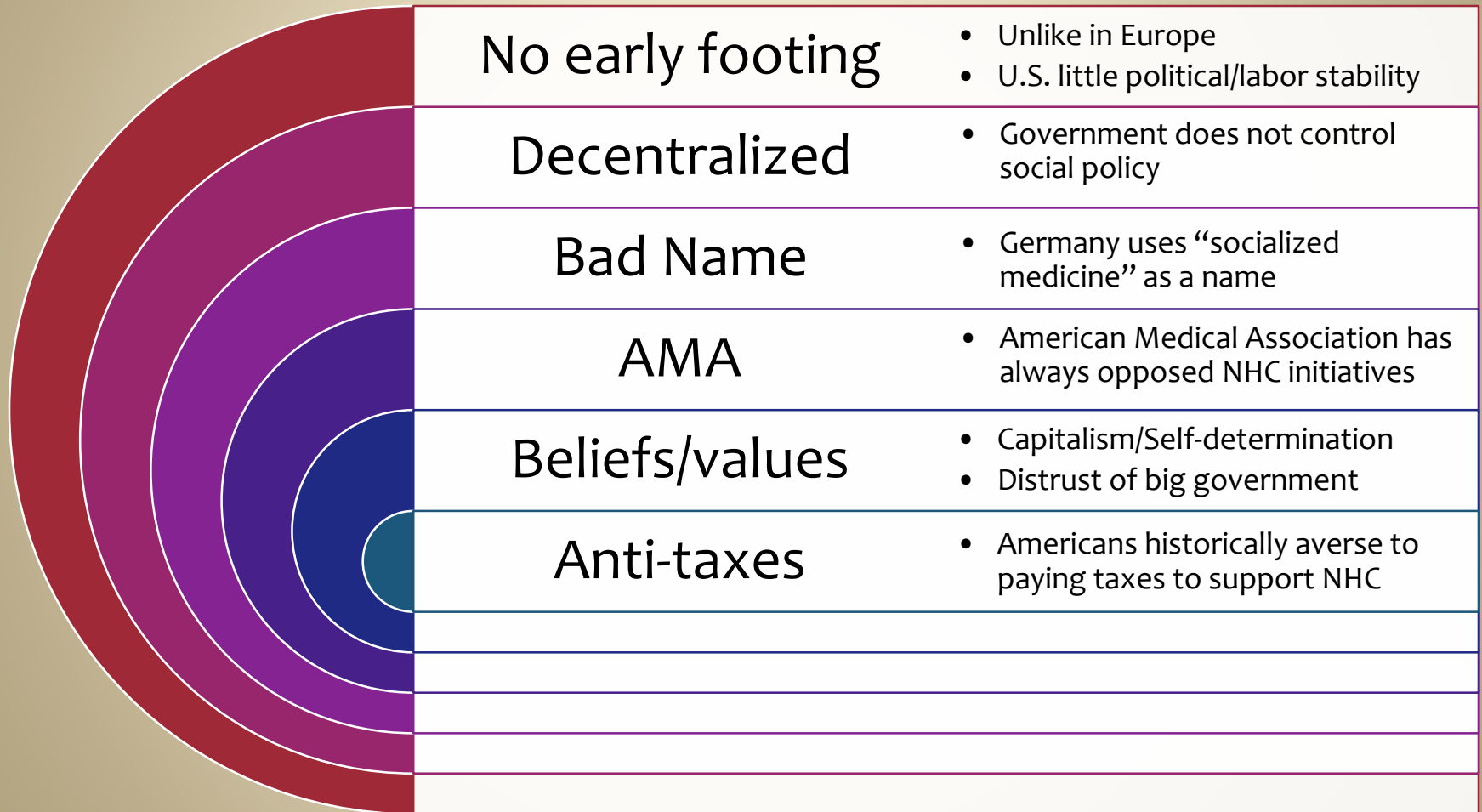
Truman

- 1946 – direct appeal for government plan, but shot down

Clinton

- 1993 – proposed plan defeated

Why National Health Care has failed in America



Medicare and Medicaid

Creation of Medicare and Medicaid

- Before 1965, only private health insurance available
- Americans were against government-sponsored health care except for special classes – poor, and now seniors
- Original Medicare bill started in 1957
 - AMA discredited it
 - Liberal congresspeople said “humiliating” to elders
 - States resisted implementing
- 1965 – Lyndon Johnson made top priority
 - Medicare and Medicaid born together
 - Medicaid had stigma of class that Medicare did not have
 - Medicare expanded to cover disabled, ESRD
 - Over the years, has caused state/federal budgets to grow astronomically
- 1997 – Originally HCFA – now CMS
 - Medicare/Medicaid brought more regulation

Comparisons Between Medicare and Medicaid

Category	Medicare	Medicaid
Coverage	Covers all elderly persons, nonelderly disabled persons on Social Security, and nonelderly persons with end-stage renal disease	Covers only the very poor
Income	No income/means test	Income criteria established by states (means test)
Class	No class distinction	Public welfare
Services	Part A for hospitalization and short-term nursing home stay Part B for physician and other outpatient services	All services are covered under one program
Uniformity	Nationally uniform program	Program varies from state to state

From Exhibit 3.6 on page 71.

Comparisons Between Medicare and Medicaid

Category	Medicare	Medicaid
Laws	Title 18 of the Social Security Act	Title 19 of the Social Security Act.
Financing	Part A financed through Social Security taxes Part B subsidized through general taxes, but the participants pay part of the premium cost.	Financed by the states, with matching funds from the federal government according to each state's per capita income.

Which of the following people are likely to qualify for Medicare or Medicaid, and which would he/she qualify for?

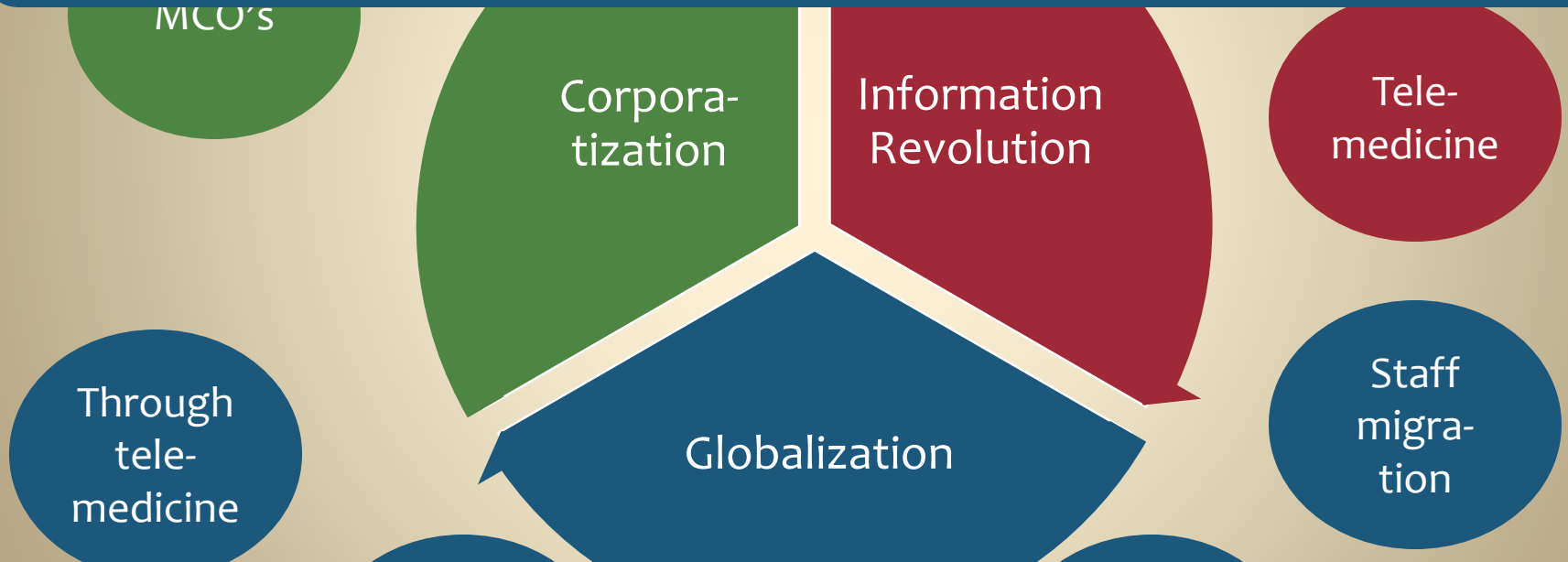
- A poor but non-disabled 20-year-old in Mississippi?
- A 70-year-old disabled person in New Orleans?
- A 30-year-old blind person who lives in New York?

From Exhibit 3.6 on page 71.

Corporatization of Health Care Delivery

Medical Services in the Corporate Era

- Globalization presents opportunities for cross-border health care
- Globalization also presents threats of bioterrorism and cross-border diseases



- E-health includes online web sites from the Mayo Clinic and the National Institutes of Health, as medical services offered over the internet.
- Tele-medicine has made it so health care can be provided from a distance

Conclusion

- Pre-industrial Era: Medical training, practice, and institutions
- Post-industrial Era: Notable developments and discoveries, the AMA, educational reform, and the development of hospitals
- History of health insurance in America
 - The emergence and rise of private health insurance
 - The failure of National Health Insurance in the U.S.
 - The differences between Medicare and Medicaid
- Corporate Era: MCOs/IDSs, information revolution, globalization

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