# The history and evolution of health care economics

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The History and Evolution of Health Care EconomicsRosa MarcelinoUniversity of PhoenixEconomics: The Financing of Health Care440Maria-Cristina SeslerOctober 01, 2010The History and Evolution of Health Care Economics

In order to understand the health care industry, we must first understand and know the history of health care and have knowledge of the events that lead the country to where it is today. The history of health care and its economics has changed drastically over the course of history. During the early years of America??™s colonization, there were very few trained physicians, and the select few that were available only catered to the wealthy. If a person required any type of health care, this was usually handled by whoever was available at the time (Kestner, n.

d.). Early physicians did not have a vast knowledge of diseases and treatments used were not what we would consider appropriate. Treatments included bleeding, purging, and enemas. The medicines that were used to treat any and all ailments were tonics and herbs (??? 19th century doctors???, 2009). Patients did not go to the doctor??™s office to be treated for an ailment; they were treated in their homes.

Even though there were hospitals, many refused to go to the facilities. Hospitals were considered to be unsanitary and many people believed that their conditions would worsen and they would die if they were treated at a hospital (??? 19th century doctors???, 2009). Physicians at the time were unable to quench their fear as they themselves were unaware as to how diseases spread throughout the facilities (??? 19th century doctors???, 2009).

As physicians learned more about the human body, diseases, and effective treatments, the cost of their services increased. During the 18th and 19th centuries, doctors would trade services for items such as grain or livestock as forms of payment. During this time in history, doctors were tradesmen, and at the time patients had to pay 100% of the cost out of pocket. With the advancement of medicine, the method of payment had to change. This change was the beginning of health care insurance. The health care funding timeline could be traced to the 1930s when in an effort to ease the health care issue; Baylor Hospital implemented a system which would later be known as Blue Cross.

This system was created to help people pay for health care as the cost continued to increase due to great advancements in medicine. Because of the success of this plan, many other companies decided to offer health insurance and many employers decided to adopt this idea and use it to lure potential employees as there was a shortage of laborers due to World War II (??????, How did health care). As the use of health care increased due to medical advancements, supply and demand caused many companies to see health care as a lucrative endeavor, therefore causing them to enter the market. The new insurance companies charged premiums depending on several factors. These factors were age, gender, health, and pre-existing conditions.

Many sick people who wanted to purchase health care were turned down because these companies did not want to lose money, so they insured only the healthy that would not use the insurance as frequently as a person with health issues or pre-existing conditions. Health care as it is known today did

not exist until after World War II. Employer paid benefits were not common until the 1960s and 70s when the government decided to take part in the health insurance industry.

The government decided to enter the health care industry for economic reasons. Since economics is the study on how resources are allocated, the government determined that they would compete with insurance companies and offer health insurance to the elderly, the poor, and the retirees. They would insure the people who had no insurance or who lost all benefits upon retirement; hence, the inception of Medicare and Medicaid.

Medicare and Medicaid were established in 1965 as Title XVII and Title XIX of the Social Securities Act (??? Medicare???, 2009). The Social Securities Act was created to protect the less fortunate and the elderly with amendments added in future years to protect the handicapped and those with End Stage Renal Disease (ESRD), however as Americans live longer lives, the costs for all health insurance including Medicare continues to rise. Due to the continuous demand for health, 16. 8 % accounts for the gross domestic product (Getzen & Moore, 2007). The flow of funds is constantly changing through the system. In order to make predictions or changes, financial managers must be able to determine how the money is moving.

For example, commercial insurance, this type of health insurance the member pays a premium and the carrier then pays the provider at a contracted rate. These rates were determined at the signing of the contract between the insurance carrier and the provider. Medicare, the premiums are deducted from the members paycheck, these funds are taken from younger

Americans and are used to pay for the health care of the older and disabled people. In conclusion, it does not matter if health insurance is called Medicare, Blue Cross, Humana, the bottom line is revenue. The cost continue to rise at astronomical rates, the services seem to be less and less.

In terms of economics, many Americans consider insurance to be inelastic, because it does not matter how much it costs, it is necessary to all.

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