# History and evolution of health care economics assignment

History and Evolution of Health Care Economics University of Phoenix History and Evolution of Health Care Economics Health care economics have drastically changed over the course of history in the United States. While some can contribute these changes due to the evolutionary changes the US has undergone since her inception, the major contributing factors that influence the changes in health care economics are advances in technology and medical care. By understanding the history of health care economics, and identify the flow of funds system, financial managers are able to be more adequately prepared for the future.

It is essential to remember that the driving force behind health care economics is money, and it plays an integral part to the success of the health care industry. “ Who pays for what has changed dramatically in the past 60 years. Whereas in the past, the majority of individuals paid their medical bills with private funds, today insurance companies and other third parties cover the majority of payments, with individuals paying only a small fraction of the total flow of funds with private money” (Getzen & Moore, 2007, p. 3, para. ). The flow of funds is a system in which financial managers are able to “ follow” the money through the health care system, and as stated above the initial flow of funds have drastically changed from past years. History shows that many physicians would trade services for non-money items (such as grain, cotton, livestock, etc. ) as forms of payment if the individual was unable to use money. Essentially, these physicians were tradesmen, with the patient paying one hundred percent of the cost for medical services rendered.

As the US began to progress, with advances in technology and other historical factors (such as the Great Depression and World War I and II), a new system had to be put into place to aid the American population in purchasing medical services. According to Melcher (2010), health cooperatives were in place to aid Americans with purchasing medical services during the Great Depression. Melcher goes to identify that sixty-two percent of all bankruptcies filed by Americans was due to health care costs, and this factor was contributing to a rise within the US's GDP Gross Domestic Product). Another contributing factor to this rise is due to changes in supply and demand. In Melcher's article, she discusses how American's in the past were more modest in terms of seeking medical care. With advances in medical technology, American's are demanding more (in terms of medical services) while not wanting to pay more for those services. According to Melcher (2010), " In the U. S. today, about 17 percent of GDP goes towards health care; for countries with universal coverage, 10 percent is the norm" (para. 9). To decrease this percentage, Melcher identifies that the only possible solution is to decrease health care expenses, but this could lead to negative results (i. e. someone is not going to be given enough funds for medical services). This form of economics is called macroeconomics (while there are some note to microeconomics in terms of who pays for what in the health care industry), which is integral part to understand when working with health care economics.

Essentially, funding is necessary to compete with the increase in demand for medical services (due to technological advances) and effective flow of funds is needed to maintain the health care industry. According to Merriam-

Webster (2010), elasticity is defined as “ the responsiveness of a dependent economic variable to changes in influencing factors. ” This view on economics is eloquently identified in Melcher’s article, when she was discussing ways to decrease the US’s GDP.

While this example does note both elasticity and inelasticity, Melcher argues that this country needs to return to its roots in terms of health cooperatives if the country is seeking ways to decrease their GDP, yet still provide adequate medical care for the public. Cooperatives is just another step towards a universal health care system, but financially this change could result into disaster if there isn’t careful management of this flow of funds.

The upside to this change could prove to be more cost effective for the US, especially with the ability for health care professionals and facilities receiving a higher percentage of reimbursement for their services than the percentages being received from public, private, and other third parties. Conclusion Health care economics have drastically changed in the past 100 years, due to a variety of different factors. Technological advances as well as advances in medicine have affected the supply and demand aspect of health are economics, with people seeking better medical care. In the past, medical professionals were also considered to be trades people, as these individuals would allow other forms of payment for their services (such as grains or cotton). In the past, it was also the responsible for the “ patient” to pay the full costs for medical services, but with changes in policy and evolutionary progression of the US, there are other organizations that aid citizens when seeking medical care (such as health insurance organizations or health cooperatives).

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