

# History of healthcare

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History of health insurance History of health insurance in United s This paper describes the progress of the United s' health insurance plan and its growth over the years. It elaborates the functions of vital factors including hospitals and physicians, medical technology, and government strategy that led to the advancement of Medicaid and Medicare.

Before 1920, medical technology was less developed and this implied that most sick were diagnosed in their homes. Hospitals were not modern until after the dawn of twentieth century when medical technology was improved with methods like use of antiseptic introduced. At that time, surgery was carried out in private homes. Given the primitive state of technology in medical field before 1920, most individuals spend little on medication (Davis, 1934). The main cause of illness at that time was not the charge or cost of medical care but rather the idea that ill people could not work therefore were not paid. Consequently, people felt that they did not require health insurance. Instead, families purchased ' illness' insurance related to modern disability insurance to grant income replacement incase of illness.

The unwillingness of people to purchase health insurance at that time precipitated commercial insurance firms reluctant to provide private health insurance laws or policies. The insurance firms had no faith in the idea that health could be insured because of low moral hazard and poor selection.

They thought that they lacked enough knowledge to calculate risks and issue premiums. The tribulation with moral danger may come up if people change their actions, more likely involving themselves in risky activities after they obtain health insurance. Due to people's unwillingness to purchase insurance for their health as opposed to ' illness' insurance, it aided in the opposition of compulsory, nationalized insurance in 1920. The main reason for the failure

of enacting compulsory, nationalized insurance act was due to the fact that proposal for the law was low due to low need for health insurance. In addition, commercial firms and physicians opposed this legislation.

Physicians thought that the legislation would undercut their fees while commercial firms feared that it would interfere with their business.

In the 1920s, various changes took place that aimed to increase the work that medicine did in peoples' lives. Attention of treatment of illness was transferred to hospitals from homes. These tremendous changes led to increase in cost of medical care as people needed more medical care.

Development of medical technology led to increase in demand for medical care among most households. Most patients rekindled their hope of healing because of new and improved medicine. Meanwhile, American medical association brought some changes that improved and enhanced the quality of physician services that led to increase in costs of medicine. The main factor that led to rise in the medical cost was the increasing needs for licensure and accreditation.

As the years progressed, the demand for hospital care rose tremendously in the 1920s; a new payment system at the end of ten years would revamp the market for health insurance. Teachers in Dallas founded the blue cross system. They collaborated with Baylor university Hospital to offer medical services to people for 30 days. Blue cross plan grew during the time of great depression in 1930s when both hospitals and consumers were affected by falling incomes. The pre-paid strategies helped people pay for medication; they also helped hospitals by offering them with funds during the time of dwindling hospital income. In addition, the blue cross plans aimed at decreasing competition among hospitals in America. With this plan,

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subscribers were given a chance to choose their own physician and hospitals, which ruled out some single hospital strategies from consideration.

The blue cross and blue shield plans in 1930s were successful which led to continued growth in the market because supply for health insurance services rose when commercial firms decided to come to market to provide health insurance. Advance and improvement in medical technology led to increased demand in medical care, and government laws familiarized health insurance among people as a means of employee compensation.

Commercial firms were successful in providing health insurance. The competitiveness of blue shield and blue cross strategies were restricted by the idea that their non-profit condition needed that they community rate their laws. The system of community rating meant that all companies offering health insurance services charged the same premium. Government policies benefited both insurers and employers under stabilization act of 1942. In addition, employees were exempted from paying income tax on their employers, payment to their health insurance strategies. In 1954, the internal revenue code, contribution of employers to the health strategies was excluded from taxable income of employees. This move increased further health insurance demand throughout 1950s.

In the 1960s, people in America had adopted the system of private health insurance. People realized that the only way to put in place government sponsored health insurance would be by focusing on the elderly. The Medicare system was introduced which required the government to provide compulsory hospital insurance to people once they reached age 65 and over. According to Faulkner (1960), financing for Medicare program come from <https://assignbuster.com/history-of-healthcare/>

income taxes, payroll taxes, premiums of enrollee and trust fund interest. Contrary to Medicare, Medicaid was formed to offer medical resources for various states of America based on their per capita income. Medicaid program stipulates that each state is responsible in establishing benefits upon providing insurance cover for its people. 1970s and 1990s are known as era of cost containment in history of health care in America. During this period, legislations were enacted to restrict Medicaid expenses (Palmer, 1999). The government advocated for inpatient payment plan, determined fixed payments upon discharge from hospital and finally, outpatient payment plan was introduced which established fixed payment based on ambulatory payment system. The government has put in place a new program to help in offering health care services at lower cost than initial plans through negotiation of hospital and physician fee discount and introduction of financing and provision of improved health care services to people. The late 1990s to present is known as the era of accessibility and accountability where there is documentation of value and effectiveness. The problems employers are facing have been addressed, and the government is deliberating on how to tackle these problems. The government is looking at the increasing health care costs, workers compensation prices, increasing rate of disability related prices, reducing profit margins of companies, stiff competition from global markets and high rate of aging workforce in America (Henderson, 2002). Accessibility of health insurance in the United States is very expensive and most people cannot access.

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