Chapter 21
Healthcare in the United States:
Achieving Fiscal Health in the Marketplace or Delivering a Sustainable Public Good?

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ABSTRACT

Healthcare in the United States is a dynamic mix of public and marketplace solutions to the challenge of achieving the maximum public good for the greatest number of people. Indeed, in the U.S. the healthcare industry generates over $3 trillion in the economy. This creates a uniquely American paradox that is examined here. The basic structure of the U.S. public-private healthcare delivery system is explored. The dynamics of public sector involvement in healthcare delivery is reviewed, with particular emphasis on the impact of the Patient Protection and Affordable Care Act. Economic impact, employment indicators, and recent cost estimates of public revenue investment will be considered. Finally, a discussion about the future implications of healthcare for public administration in the 21st century is presented. Eight tables and figures present a visual and detailed explanation to accompany the narrative.

INTRODUCTION

Healthcare in the United States is a unique combination of marketplace innovation and ownership and substantial public financing. In the United States, healthcare is both a public and private venture with multiple funding streams, diverse accountability structures, and a market driven accretion of healthcare responsibilities and treatment options. Historically, healthcare has been both a private business and a public interest. Whether it was the typhoid epidemics of the late 19th century or the creation of the NYC Department of Sanitation to ameliorate raging cholera epidemics, the health of our population has gradually become more of a public effort. As this chapter will provide, today, that public effort is substantial. Whether it is overseeing food safety in an effort to eliminate food borne injury and illness or serving our nation's veterans with direct healthcare services, healthcare as a public good assumes a variety of iterations.

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The following pages will provide readers with a solid background in the role of public administration in healthcare and its relevance for contemporary public administration. Fundamentally, any industry that has as large an economic footprint as the healthcare industry is bound to have extensive involvement by the public sector. This chapter will first explore the basic structure of our public-private healthcare delivery system. Next, the dynamics of public sector involvement in healthcare delivery will be considered. Economic impact, employment indicators, and recent cost estimates of public revenue investment will be examined. Finally, a discussion about the future implications of healthcare for public administration in the 21st century is presented.

BACKGROUND

Just when did the United States first determine that healthcare warranted public oversight and investment? Nearly from the beginning of our existence. In 1798 the first official effort to deliver healthcare to a segment of the US population was put in place. In this case, it was an economic interest that led President John Adams to the establishment of the Relief of Sick and Disabled Seamen Act. A tax was levied on seamen's wages to build hospitals and to support for medical care (O'Carroll, Yasnoff, Ward, Ripp, & Martin, 2003). Why did the President intervene? Because at the time sea-travel lay at the heart of economic power. Transporting goods across vast tracts of land internally via rivers and lakes or across the ocean to trade with Europe. While this unique tax was eventually abolished in 1884, the trajectory for public investment in healthcare was firmly set. Subsequent legislation established food safety programs, funding for research, vaccinations, health insurance and more. In 1862 the precursor to our current Food and Drug Administration was established as the Bureau of Chemistry. In 1878 the federal government consolidated quarantine power at the federal government, levering authority away from the states, and transferring it to the Marine Hospital Service (the predecessor of the Public Health Service).

Since the late 18th century, the U.S. healthcare system has been deeply collaborative with the public and private sectors. Over the decades, various legislation has resulted in changes to funding sources, systemic policy initiatives to eradicate disease, research to fund innovation, and building the necessary infrastructure to oversee the establishment of a complex, yet, comprehensive healthcare industry. Table 1 presents a brief overview of health-centered legislative action. Each act has resulted in more deeply cementing the indebtedness of the private healthcare industry to the public sector. Most obviously in terms of funding, but also with regard to oversight and accountability.

The basic structure of the United States healthcare system is one of complexity. As indicated in figure 1, there are multiple actors working to address population health. Why consider population health? Because a productive workforce is good for the economy. A health citizenry is cost effective. However, here is a question worth pondering: While paying for health care is costly, and a lack of good health is detrimental to funding sources, isn't this also simultaneously beneficial for the healthcare marketplace? This is the paradox of healthcare in the U.S. It is a commercial industry, employing millions of people, and largely dependent upon public sector financing. In other words, to a large extent, the multi-trillion dollar healthcare U.S. industry is supported heavily through public revenues. It depends upon the guarantee that populations will need healthcare at some point in their lives. That some people will be more expensive than others due to their lack of good health. That revenues will hold fairly study so that management decisions may be made to maximize profits or surplus revenues (for those in the non-profit sectors). These revenues may be direct payments to providers, research funding for research, and subsidies to