

CHAPTER ONE

A Brief History of Healthcare Management

IN MANY WAYS, healthcare management is a “hidden” career. When we think of a hospital or a clinic, we tend to think of physicians, nurses, and other caregivers. The myriad of people who work in the organizations that support health services delivery organizations, like insurance and managed care companies and government policy-making and regulatory agencies, are even more invisible and are not who we think of when we hear the phrase “health services.” However, they play very important roles in making health services available and accessible.

Think of medical dramas on television or in the movies. Rarely do you see a health services executive among the characters, and when you do, it is many times in a rather unflattering light, such as the greedy executive who is more concerned about money than patients. The news media also tend to focus on hands-on caregivers in health services organizations or to present executives in these organizations negatively.

This book will help you see the range of work options that are available to health services executives. It will also help you see that careers in this field take many different directions and many different paths. Most of all, we hope that this book will help you see the incredibly important role that healthcare executives play in health services delivery in the United States. While these executives may often be hidden

and work behind the scenes, they have a tremendous effect on the availability, accessibility, and quality of health services in our communities. They help to provide an environment in which physicians, nurses, and other caregivers can practice effectively and efficiently, and they help provide safe, comfortable, and compassionate places for people to receive health services when needed. Although they are concerned about the business side of healthcare, ultimately they are concerned about the health of people in the communities they serve.

There is not one term for the field we are talking about or the people who practice it—healthcare management, health services administration, and other variants can be used interchangeably. People who practice in this field may be called health services executives, healthcare administrators, health services managers, or other similar names. This can be confusing if you are new to healthcare, but it will become second nature. Another source of confusion is the fact that administrators may be identified by the specific type of organization in which they work, for example, as a hospital executive or nursing home administrator. However, the meaning of such terms is usually clear.

The development of healthcare management as a career field has largely followed the development of medical science and the growth of hospitals in the United States. Until the early part of the twentieth century, very little could actually be done in hospitals to improve the health of patients. People who had enough money received nursing care in their homes when they were ill or dying or having a child. Those who became hospital patients were generally poor and without family or friends to care for them. However, with the advent of antiseptics and anesthesia, the development of modern surgery, and the discovery of antibiotics in the late 1800s and early 1900s, hospitals became places that could offer cures and relieve suffering. Between 1875 and 1925, the number of hospitals in the United States grew from just over 170 to about 7,000, and the number of hospital beds increased from 35,000 to 860,000 (Rosner 1989).

Early hospital administrators were called “superintendents” and typically had little specific training for their jobs—many were nurses who had taken on administrative responsibilities. Over half of the superintendents who belonged to the American Hospital Association

in 1916 were graduate nurses, and the first formal hospital administration and nursing school administration educational program, in health economics, was established for nurses at Columbia Teachers College in New York in 1900 (Stevens 1999). Other hospital superintendents were physicians, laypersons, and Catholic sisters.

The first degree-granting program in hospital administration was established at Marquette University in Wisconsin. The original idea for this program came from Father Moulinier, a force behind the Catholic Hospital Association and a member of the 1922 Rockefeller Commission on the Training of Hospital Executives. In 1927, two students, both women religious, received their degrees, but by 1928, the program, with no other graduates, had failed (Neuhauser 1983).

In 1929, Michael Davis published his book *Hospital Administration, A Career: The Need for Trained Executives for a Billion Dollar Business, and How They May Be Trained*, proposing a two-year graduate degree curriculum in hospital administration. The first year of this curriculum was centered on coursework in accounting, statistics, management, economics and the social sciences, and the history of hospitals and the health professions, with limited practical observation. The second year was mostly spent in practical work with some coursework in business policy, public health, and labor relations.

Following on Davis' proposal for graduate training in hospital administration, the Committee on the Costs of Medical Care in October 1932 stated:

Hospitals and clinics are not only medical institutions, they are also social and business enterprises, sometimes very large ones. It is important, therefore, that they be directed by administrators who are trained for their responsibilities and can understand and integrate the various professional, economic, and social factors involved. Definite opportunities should be provided in universities or in institutes of hospital administration connected with universities, for the theoretical and practical training of such administrators. The administration of hospitals and medical centers should be developed as a career which will attract high-grade students.

However, before the founding of the first graduate program in hospital administration, a group of practicing administrators came together in 1933 to form the American College of Hospital Administrators (now the American College of Healthcare Executives), the first professional association for hospital administrators. And, while both clinically trained and lay administrators could affiliate with the new College, the emphasis was clearly on the lay administrator. Among the 106 charter fellows of the College, 16 were women and 32 were physicians (Stevens 1999).

The professional status of the field was furthered in 1934 when the University of Chicago established the first graduate program in hospital administration, naming Michael Davis as its head. The new program was largely based on the model that Davis had proposed a few years earlier. In the 1940s, eight new university graduate programs in health administration joined the Chicago program, nine more followed in the 1950s, with 15 more in the 1960s. Many of these programs followed the Davis model of one year of coursework and one year of practical experience. In 1958, the Sloan graduate program in hospital administration at Cornell University in New York started a new trend toward a two-year graduate program, a model that is followed by most programs today (Stevens 1999). The early programs used the term “hospital administration” in their titles; however, this, too, has changed to “healthcare administration” or some similar phrase, as the field has changed to include a broader range of organizations in which healthcare executives work.

Just as the American College of Hospital Administrators modified its name to the American College of Healthcare Executives (ACHE) a number of years ago to reflect the wider range of organizations in which administrators worked, other professional associations have undergone name changes, reflective of the changing nature of the field and employment opportunities. The National Association of Clinic Managers, founded in 1926, changed its name to the Medical Group Management Association (MGMA) in 1963. The American Association of Hospital Accountants, established in 1946, changed its name to the Hospital Financial Management Association in 1968 and then changed its name again, in 1982, to the Healthcare Financial Management Association (HFMA).

The number of academic programs for healthcare executives has grown over the years, and the programs have organized to continue to improve the quality of health administration education. In 1948, several early graduate programs in the field joined together to form the Association of University Programs in Health Administration (AUPHA). This association now includes both graduate and undergraduate health administration programs and focuses its efforts on the development and continuous improvement of health management education.

In 1968, the Accrediting Commission on Graduate Education for Hospital Administration was incorporated as the accrediting agency for graduate programs in health administration. The name of this accrediting body was changed in 1976 to the Accrediting Commission on Education for Health Services Administration (ACEHSA). Today, ACEHSA is sponsored by a group of educational and professional associations (including the American College of Healthcare Executives, the American College of Medical Practice Executives, the American Hospital Association, the American Public Health Association, the Association of University Programs in Health Administration, the Blue Cross Blue Shield Association, the Canadian College of Health Services Executives, the Healthcare Financial Management Association, the Health Information Management and Systems Society, and the Health Insurance Association of America) devoted to accountability and quality improvement in the education of health administration professionals and serves as the recognized accrediting body for master's programs in health administration in the United States and Canada.

Over the course of the last century, the field of healthcare administration and the organizations in which executives work have changed dramatically. Hospitals have become large, complex organizations; technology has advanced at an almost unbelievable rate; the financing of healthcare has moved from self-pay to a complicated third-party reimbursement system; and government has taken an increasingly larger role in healthcare delivery (Rosenberg 1987). Despite these increased complications, the field continues to sustain three primary objectives.

First, healthcare administrators are responsible for the business and financial aspects of hospitals, clinics, and other health services

organizations, and are focused on increasing efficiency and financial stability. Their roles include human resources management, financial management, cost accounting, data collection and analysis, strategic planning, marketing, and the various maintenance functions of the organization. Second, healthcare administrators are responsible for providing the most basic social service: the care of dependent people at the most vulnerable points in their lives. Third, healthcare administrators are responsible for maintaining the moral and social order of their organizations, serving as advocates for patients, arbitrators in situations where there are competing values, and intermediaries for the various professional groups who practice within the organization. As healthcare services have become increasingly expensive and as the environment for the organizations that deliver these services has become more turbulent and hostile, these three objectives seem more and more contradictory (Rosner 1989). However, the three objectives remain. The greatest challenge for health services executives and for the educational programs that train them is to find the skills and competencies needed to balance these objectives and to achieve them in a continuously changing environment.

Today, the opportunities for healthcare administrators are increasing and the challenges they face in ensuring effective, efficient healthcare services for communities are many. Shortages of nurses and other healthcare workers, concern for the safety and quality of healthcare services, rising costs, a growing number of uninsured Americans, an aging population, and rapidly changing medical technology and practice all make the field of health administration a very big job for those who are willing to accept the challenge. For those who do, the rewards come in knowing that you are making a positive difference in the lives of people and communities.

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About the book:

Information and inspiration for the novice or student

The field of healthcare management offers unique challenges and rewards, both emotional and financial. This book provides healthcare management career advice including information about where managers work, the type of management positions that are available, and the skills managers need to be successful. Suggestions are offered for finding and using a mentor, pursuing graduate or continuing education, and honing management skills.

The heart of the book contains 51 profiles of healthcare managers at various career stages. In their own words, these managers describe how they prepared for their careers, what their greatest challenges have been, and what advice they would provide to new managers. These profiles illustrate the wide range of opportunities and the sense of purpose and fulfillment the healthcare administration profession has to offer.

To learn more, and to order the book, visit <http://www.ache.org/pubs/haddock.cfm>