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Corporate Presence in Health Bulks Large

BY PAUL STARR

MEDICINE HAS ALWAYS BEEN A BUSINESS, and some doubt that the rise of new health care corporations portends anything fundamentally new. Nonprofit hospitals have had to generate surpluses for capital investment and interest payments to their bondholders: what difference if the profits go to stockholders? Sure, new health care companies want to make money, but doctors in private practice do, too. Besides, the for-profit hospital chains represent only a small fraction of the nation's health care institutions. There is a corporate presence in American medicine, but no corporate control. So the argument goes.

In the final pages of *The Social Transformation of American Medicine*, I argued

that the growth of health care corporations is a major turning point for American medicine. Recent developments—the merger of Hospital Corporation of America (HCA) and American Hospital Supply; Humana's sponsorship of artificial heart operations; the purchases by for-profit chains of teaching hospitals; the Mayo Clinic's expansion into Arizona and Florida; the rise of national, for-profit HMO chains and the continued expansion of major insurance companies into the HMO industry, as well as the entry of the hospital companies into the insurance market—underline the magnitude of change overtaking the world of American medical practice.

There is, first of all, a change of organizational scale. The HCA-American Hos-

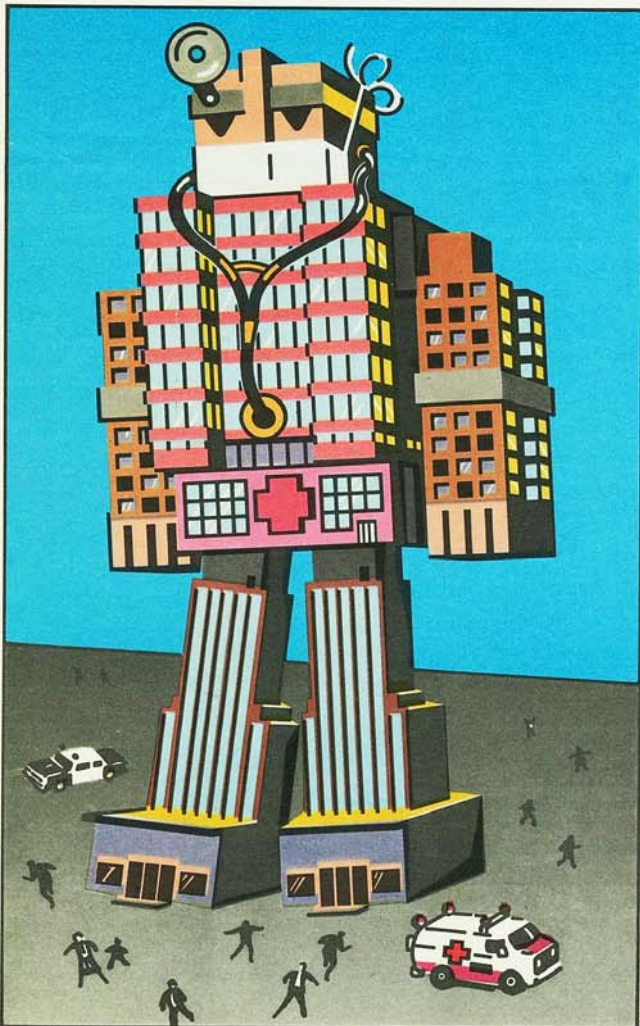
pital Supply merger creates the largest health care company of any kind. This new combination is the largest merger in history outside the oil industry. And we can rest assured there will be more big mergers to come. Some observers, such as Dr. Paul Ellwood (president of InterStudy Inc., Minneapolis), the man who coined the term "health maintenance organization," have been predicting that in 15 years some 20 corporations will provide health care for 60% of the American people. This would no longer be a corporate presence; it would effectively convey control of the key decisions in health care.

Traditionally, private decisions in health care have been local decisions. Indeed, one of the objections to government regulation has been that it is remote. But

today, private organization is moving from a local to a national framework. The emergence of national chains of physician groups—witness Mayo's move, as well as the spread of chains of convenience clinics and HMOs—repeats the pattern in hospital management. With that shift to national management come changes not only in who will control health care, but in how it will be organized and controlled.

Consider one of the facts of corporate life now being introduced into medical care. Unfriendly takeovers have not been an aspect of the development of community hospitals and physician practices in the past. But once control resides in publicly traded corporations, any company is fair game. And, as we have seen demonstrated

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THE WHITE HOUSE

WASHINGTON

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It gives me great pleasure to send greetings to the editors and staff of *Medical Tribune* on the 25th anniversary of your publication.

For a quarter-century *Medical Tribune* has reported on the events, discoveries and developments that have affected medicine in this country. Your timely articles have kept the practicing physician, medical administrator, insurance executive, government official and many others aware of the key medical issues and challenges of our time.

The birth and growth of your publication has coincided with many of the greatest accomplishments of medicine. You began with the Salk vaccine and carried through genetic engineering and the implantable artificial heart. Your pages also chronicled the efforts of this Administration and organized medicine to seek ways to restrain the costs of health care, so that Americans can continue to benefit from excellent health-care services in their communities. Your journal has performed an important public service in recording all these events and debates.

At this milestone in your publication's history, I send my congratulations and best wishes for the continuation of your good work.

Ronald Reagan