

Business in Health Administration

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Abstract: Business and health care have gone toe to toe since the beginning of the 20th century since man gained a better understanding of the human anatomy and realized the ever growing need for medicine and health care administrators such as doctors. As the human population continues to grow, there is also an ever growing demand of health care administrators who will help in planning and coordinating health care services and will be able to balance between their medical expertises with their business solving skills.

Incorporation of business in health care

Health care is among the fastest growing industries of the 21st century since there is an ever growing need for medicine and health care. However, it was not always like this. In the early days, hospitals were created to contain and quarantine contagious and infectious diseases and also to provide care for needy people who did not have loved ones to care for them. This trend later took a turn after World War 2. Due to the increased number of casualties, the government could no longer meet the rising need for health care systems and needed assistance so as to improve its already existing health institutions and possibly build new ones. So to tackle this rising problem, the federal government of the United States of America passed a bill known as the Hill Burton Act which was the turning point for the health sector.

The Hill Burton Act.

The Hill Burton Act pushed for the construction of hospitals and other health care related institutions and the government would provide grants to push for these projects. This required accountability and clear recording of these funds thus health institutions started being business oriented.

Healthcare and business principles

Healthcare must use business principles but it is not like any other business. Due to its nature, the public does not have complete freedom of choice like in any other business thus it has become a monopoly even though it has been controlled. In addition, there is a third party payment system which means that the consumers do not really know the real costs of the services that they are paying for. With this in mind, we have seen a rise in the number of pharmaceutical companies which are trying to capitalize on this gold mine. Through this we get to see the value chain, which is where we see the outputs of industries serving as inputs for others who are categorized as buyers.

Value chain

The value chain involves 3 main categories, namely payers, providers and producers. Innovations in health care starts from the producers which then flows to the producers who then have to decide how much of the can afford to incorporate in medical care, which all depends on the amount of funds that come from the payers, which is not always adequate. Nevertheless the is always a demand for technological advances from patients and their physicians thus the producers have to

keep trying to satiate this need in exchange
for reimbursement.

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