Topic Page: Health insurance

Definition: **health insurance** from *Merriam-Webster's Collegiate(R) Dictionary*

(1901) **:** insurance against loss through illness of the insured; *esp* **:** insurance providing compensation for medical expenses

Image from: **Medicare is a program in the United States...** in *Encyclopedia of Global Health*

Summary Article: **health insurance**
From *The Columbia Encyclopedia*

prepayment plan providing services or cash indemnities for medical care needed in times of illness or disability. It is effected by voluntary plans, either commercial or nonprofit, or by compulsory national insurance plans, usually connected with a social security program.

Health Insurance Worldwide

Compulsory accident and sickness insurance was initiated (1883–84) in Germany by Otto von Bismarck; it was adopted by Great Britain, France, Chile, the Soviet Union, and other nations after World War I. In Britain the National Health Insurance Act of 1946, which went into effect in 1948, provided the most comprehensive compulsory medical care plan introduced anywhere up to that time. Under the plan the individual obtained free medical attention from any doctor participating in the national health service. The cost was met by the national government and local taxation; a small charge for some services has been instituted since then. In 1958 the Canadian Hospital and Diagnoses Act provided full hospital service almost free of charge in public wards; more comprehensive coverage was added in 1967. The program is financed by the federal government but administered by the provinces. National health insurance has been widely adopted in Europe and parts of Asia. The United States is the only Western industrial nation without some form of comprehensive national health insurance.

Health Insurance in the United States

In the past, health insurance in the United States took the form of voluntary programs. Such programs date from about 1850, when health insurance was provided chiefly by cooperative mutual benefit and fraternal beneficiary associations. Limited coverage by commercial companies was also introduced during that period, and subsequently many plans were established by industries and labor unions.

Advocacy of government health insurance in the United States began in the early 1900s. Theodore Roosevelt made national health insurance one of the major planks of the Progressive party during the 1912 presidential campaign, and in 1915 a model bill for health insurance was presented, but defeated, in numerous state legislatures. After 1920 opposition to government-sponsored plans was led by the American Medical Association and was said to be motivated by the fear that government participation in medical care might lead to socialized medicine.

Over the years in the United States, many plans have been set up by societies of practicing physicians, but the largest enrollment has been in Blue Cross and Blue Shield plans. These were set up as community-sponsored, nonprofit service plans based on contracts with hospitals and with subscribers. Most general voluntary plans accept subscribers, in groups or as individuals. These plans extend coverage to dependents and exclude accidents and diseases covered by workers' compensation laws.

Although valuable in cushioning the financial distress caused by illness or injury, voluntary health insurance not only limits benefits in order to avoid prohibitive rates but excludes many people, particularly the poor, who cannot afford it, and senior citizens, for whom the cost is often prohibitive. By the mid-1990s many of the Blue Cross companies, which had been suffering financially, were reorganizing, and by 2002 more than 20% of Blue Cross members were covered by plans that had converted to for-profit status.

During the middle of the 20th cent. it became apparent that legislation was necessary to provide medical care for the elderly. A voluntary federal-state grant-in-aid program providing medical care to the elderly was first implemented in 1961. Legislation proposed by President Kennedy to provide medical care for the aged through the social security mechanism was defeated in 1961, but in 1965, during President Lyndon B. Johnson's administration, Federal legislation in the form of Medicare for the aged and Medicaid for the indigent was enacted. Since 1966, both public and private health insurance has played a key role in financing health-care costs in the United States.

Over 70% of all medical bills are now covered by government programs and insurance, and the number of people covered by some form of health insurance increased from about 12 million in 1940 to over 225 million in 1996. About 38 million Americans were enrolled in Medicare, and there were more than 36 million Medicaid recipients. In that same year, about 187 million people were covered by private health insurance. However, more than 44 million Americans were not covered by any health insurance, and those who are have seen significant cost increases. As premiums increased from $16.8 billion in 1970 to $310 billion in 1995, and national health-care costs rose from $75 billion in 1970 to just over $1 trillion in 1996, many businesses increased the amount of money employees contribute toward their health insurance. This situation has led to continuing political pressure for restructuring of the national health-care insurance system.

Congress debated many bills for a national health insurance plan in the 1960s and 70s, and in 1973 it passed the Health Maintenance Organization (HMO) Act, which provided grants to employers who set up HMOs (see health maintenance organization). Unlike insurers, HMOs provide care directly to patients; HMOs were viewed as low-cost alternatives to hospitals and private doctors. In 1997 approximately 651 HMOs provided care to 66.8 million people.

In the 1980s and 90s political leaders again advanced a variety of national health insurance proposals. One plan backed by leading Democrats was known as “pay or play” because it would have forced employers to provide health insurance or pay into a national fund that would cover uninsured workers. A second, advanced by President G. H. W. Bush in 1992, would have provided tax breaks, vouchers, and other incentives to employers to extend health insurance benefits. A third proposal, based on the Canadian model and nationalized health care, was opposed by most doctors and the insurance industry.

In 1993, President Clinton, who had been elected on a promise of health-care reform, proposed a national health insurance program that would have ultimately provided coverage for most citizens, but opposition by insurance, medical, small-business, and other groups killed it. In 1999, Clinton and Congress battled over developing a “patient's bill of rights,” to protect people from denial of service and other HMO limitations.

A federal overhaul of the U.S. health insurance system again became a national issue in 2009 after the election of President Barack Obama. The Democratic president and Democratic-controlled Congress attempted to craft a federal law that would expand U.S. health-insurance coverage, but despite securing broader support than President Clinton had they still faced difficulty in winning passage of the legislation, which was only achieved in Mar., 2010. The resulting legislation largely left the current U.S. health insurance system unmodified, attempting to increase the number of Americans covered by health insurance to an estimated 95% by 2019 by expanding Medicaid, providing subsidies to low- and middle-income families, requiring many companies to provide insurance and most Americans to have it, creating insurance exchanges on which individuals could shop for health insurance, and increasing taxes on the wealthiest Americans. Participation in the expansion of Medicaid (effective 2014) is voluntary for the states, and only about half have elected to participate. Many individual states have developed their own health insurance alternatives by using managed-health-care systems that monitor the type of services offered and have set fees for each service, by expanding Medicaid to help serve formerly ineligible patients, and by establishing statewide or small-business health insurance alliances that pool people into a large group that has more buying power. Donald Trump, who criticized the 2010 health-care law during his presidential campaign and called for its replacement, in 2017 moved to limit it and, after failing to secure its replacement, acted further to limit or undermine it, including ending government funding to health insurance companies to subsidize plans under the act.

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