Editor's Note

This issue of the Quarterly *is intended as one demonstration of the interaction between the findings of social research and policy-making and implementation. We should take encouragement from the fact that so large an organization of government as the Social Security Administration funds independent research designed to have bearing on its decision-making processes. We need more of this, perhaps more than ever before.*

I should like to acknowledge the work of Henry Brehm in putting this special issue together. In his dual capacity as Chief of the Research Grants Staff of SSA and as an Associate Editor of the Quarterly, *his contribution was invaluable.*

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Health Care Research in Social Security

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The Social Security Administration has a long history of research in the broad field of human resources and social welfare, including the interrelation of health and economic security. The research arm of the Social Security Administration is the Office of Research and Statistics. Research traditionally has been conducted by the professional intramural staff that is complemented by a relatively small but active extramural program. This special issue of the *Milbank Memorial Fund Quarterly* is devoted to a series of papers reporting on research supported through SSA's extramural research program.

The social security program of this country is basically a mechanism for replacement of lost income from earnings when people retire, or become disabled, or when the family breadwinner dies leaving dependents who are too young or too old to support themselves. In modern society, an assured, adequate level of money income provides a base of economic security for most needs. However, there are certain goods and services which are

universally needed and for which the private market economy is not the best organizer of supply and demand. Health care is a prime example of such a service area. The unpredictable nature of individual need for medical care, the high cost of care for serious illness, and the interest of society as well as the individual in limiting the incidence and durations of illness—all combine to make the availability and sharing of costs of medical services matters of public interest and concern.

The enactment of health insurance coverage for persons aged 65 and over under social security (Medicare) and renewed interest in some form of national health insurance have brought about a major expansion for the Social Security Administration of research and statistics activity in the health area.

Health insurance, whether financed publicly or privately, is a mechanism for paying the costs of medical care. The benefit structure and reimbursement mechanisms are significantly affected by the existing delivery system. An insurance program is also concerned with service availability, quality, and cost. The program can also produce data on utilization, charges, and other aspects of health care not available through other sources. A broad and comprehensive health insurance program can influence the structure of the delivery system for health services directly and indirectly. It can, for example, provide incentives to encourage physicians to practice in rural areas, fund the retraining of medical personnel, or experiment in alternate forms for medical practice or health services delivery. There is a wide range of questions for research and evaluation associated with any type of health insurance program.

Health care research within the Social Security Administration focuses on the economics of medical care—the costs and methods of financing medical care services—as well as the organization and delivery of such services. The rapid rise in prices and costs of medical care, particularly hospital care, since the Medicare and Medicaid programs were instituted has focused attention on the nature and causes of this inflation.

A major aspect of the research program involves measurement and evaluation of the Medicare program itself; the impact of Medicare on the cost, use, expenditures for and distribution of health services; and the effect of the program on the economic position of the aged. This focus on program monitoring and evaluation and on policy planning clearly provides direction to the re-

search efforts of the Office of Research and Statistics. The total research program is broad, however, and not restricted to studying problems related to the operations of the current programs. There is a recognized need to consider the emerging and future problems of a dynamic system and society. A balance between immediate and more broadly defined needs in health care research is therefore sought.

The extramural research program of the Office of Research and Statistics is an extension of the basic research program and is designed to fill the needs for program-related research that cannot be undertaken in-house and that can be more appropriately performed in a university or other research setting. Significant contributions to the over-all health and medical care policy formulation of the United States are made through these extramural research activities.

The articles that follow report on four out of a large group of research projects in the health area funded either as contracts or grants. Researchers with Social Security Administration funding were invited to submit papers for consideration in this special issue. The broader range of topics in the health area supported by the Office of Research and Statistics includes subjects relevant to the current Medicare program, the functioning of the entire medical care industry, the potential impact of alterations in the organization or financing of health care in this country. Specifically, we have supported projects studying the impact of Medicare on hospital utilization and financing; the effect of co-insurance on medical care use; standards for the audit of medical services; the economic costs of long-term care in various types of health institutions; the impact of Medicaid and Medicare on former welfare clients; evaluation of the effects of a surgical consultation program; administrative costs of filling a prescription; hospital management practices and hospital efficiency; use of health services and life problems in chronic disease. A detailed list of all the topics studied would be lengthy; an elaboration of the specifics of the projects is beyond the scope of this brief introduction. This partial listing is included to indicate the types and variety of projects supported, not to provide an inventory of completed or ongoing research in health care.

The articles in this issue represent different aspects of concern for health care and the input of different disciplines to study in this area. All four studies have a common base of concern for the con-

trol of costs in the delivery of health services. They differ in perspective and approach.

The article by Coe, Brehm, and Peterson starts with the assumption of Medicare as an economic overlay on the system of delivery of health services. The amendments to the Social Security Act which authorized the Medicare program did not provide control over the delivery of medical care; they established a mechanism for paying some of the medical care costs of the aged. However, some implicit incentives for change in the system were built into the legislation. These were in the form of support for the use of less intensive levels of care such as extended-care facilities or home health services, where appropriate. The questions asked in the study were whether any changes in the system of delivery of health services were observed after Medicare and, if so, whether these changes were in the direction of more coordinated, comprehensive, and appropriate use of health services for the aged.

This study of medical care delivery in one metropolitan area indicates no basic change in the system from the advent of Medicare. The approach to patient care and use of facilities was not altered because of the availability of payment for alternative levels of medical care. Medicare increased the access of older persons to needed health services and greatly reduced the depletion of their fixed assets by the expenses of prolonged medical care. However, if the system is to be encouraged to change in the direction of more effectively serving the needs of the aged who are chronically ill, incentives for providers to change have to be incorporated into present or future programs.

The research by Bailey and Tierney on non-hospital clinical laboratories developed from an initial effort to assess factors contributing to the cost of tests in such laboratories that was broadened to include a review of the operations of this rapidly expanding industry. The suggestion is strong that the basic nature of this industry changed, with the advent of Medicare, which guaranteed demand and payment for laboratory tests for the aged. The full significance of the changes in this industry and their impact upon use, cost, and prices for laboratory tests have yet to be determined. Review of public policy considerations must await the results of more definitive analysis.

The Berry paper reports on a research effort to identify and measure the effects of those factors which significantly affect the cost and efficiency of short-term general hospitals. The reference

point for the analysis was the advent of the Medicare program. The year before, 1965, and the year after, 1967, provided the periods of comparison and evaluation of trends. The implementation of the Medicare program was accompanied by an accelerated rate of inflation in the cost of hospital care. The Social Security Administration's responsibilities under Medicare and the possibilities for passage of a National Health Insurance program make containment of hospital costs and an understanding of the factors affecting cost and efficiency of vital concern.

One particular finding in Berry's paper should be commented upon because of its relevance to the complexity of the health services delivery system and to the other papers in this issue. Berry notes that the provision of community medical services significantly affects hospital costs—specifically, that there is a significant positive relationship between outpatient visits as a proportion of total inpatient days and average cost and a similar if less significant relationship between average cost and the availability of home-care program and a social services department. Since average daily cost is a function of the average daily census and average daily census relates to inpatients only, involvement in community medical services contributes to total costs. The use of outpatient and home-care services, however, probably reduces over-all patient-care costs. While the use of these less expensive levels of care, when appropriate, may contribute to greater efficiency of the entire system, they are not reflected in a study and review of hospital costs alone. If community medical services are effective in reducing rates of hospitalization or shortening average lengths of stay, they may reduce the total cost of medical care. The effect on hospital costs may well be to increase average cost per day.

The concern of the Morse, Gordon, and Moch article is similar to the Berry article, but it has a different focus of analysis. In their work the analysis centered on the relationships among various measures of organizational structure, performance, and control and their impact upon the quality and cost of hospital care provided. For their analysis they used a proxy measure of quality of care, based on the hospital's adoption of specific innovations in medical technology rated by experts as important for the provision of high-quality care within a specific area. Berry used accreditation status and availability of certain services and facilities that enhance the quality of basic hospital services rather than expand the scope

of services. There are interesting differences to be noted in the relationship between quality of care and cost in the two studies.

Of primary interest in these last two articles is the awareness of the potential value to be derived from viewing the complex area of quality and cost in the provision of hospital services from the perspective of several disciplines. The unique approaches of these disciplines could be combined to gain maximum benefit from these research efforts and understanding in this complex area.

The presentations in the articles are the efforts of independent teams of researchers pursuing interests derived from their own backgrounds into a highly complicated area of great practical as well as academic interest. Their efforts are noteworthy and deserving of recognition.

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