Observations on Corporatization of Healthcare Systems in America

by Alexander R. Hover, MD

This article may initially seem like a travelogue but bear with me, please. I am setting the stage to pose a thoughtful question. How was a Tuscan charitable health system, hospice, orphanage, and community service for the poor able to provide continuous service for 10 centuries? Moreover, are there lessons for us in modern healthcare governance?

I visited Siena in the Tuscany region of Italy. There I chanced upon a pilgrims' hospice from the Middle Ages. I was in awe that a pilgrim hospice evolved into a Middle Ages charitable health system continuously operating from 1093 until the 20th century. During the Middle Ages, a hospice functioned as a charitable rest stop for shelter, care, and food for religious pilgrims on their way to Rome and on to the Holy Land. A brief history will help to understand the Santa Maria della Scala organizational structure, business operations and service complexity that qualifies as a health system.

The Italian city of Siena was internationally important for commerce, art, and religion because it sat on the Via Francigena which was the Middle Ages highway from Europe to Rome.[1] Pilgrim hospices were built in many towns along this road. The Siena pilgrim hospice that became Santa Maria della Scala was originally established as a Catholic institution perhaps as early as 898 by legend or more likely in 1093 as recorded in a deed of gift.[2] In 1193 Pope Celestine III provided a Papal Bull granting Santa Maria della Scala autonomy from the church to be operated independently by the Siena community.[2,3] The hospital was operated by friars overseen by a Rector who was initially elected by the friars. The Rector was typically a wealthy community member who was obligated to give his entire wealth to the hospital and was then Rector for life.[3] As of 1404 the Rector was nominated and elected by the commune of Siena becoming a Siena city public officer.[2,] In contradistinction to the despotic rule of many large cities, some communities such as Florence, Lucca, Pisa, and Siena retained local autonomy.[1] "In those places merchant groups were usually too firmly in control to need a strong man to preserve order. They could accomplish this, for the most part, by themselves and so Republican forms of government which they could dominate were preserved."[1] As a result, Santa Maria della Scala was operated under Siena city control over the 10 centuries.

Over time, Santa Maria della Scala services offered to pilgrims went beyond hospice to include a sophisticated teaching hospital training Doctor of Medicine and surgeons, an orphanage, and staffing for wet nurses to accept babies.[2,3] Hospital staff included salaried doctors and surgeons who were obliged to "heal cheerfully and graciously."[3] Assistant doctors took the overnight shift (some things never change). Eventually, the hospital became an Italian university hospital.[3] Santa Maria della Scala flourished with generous donations from wealthy families as well as the assets from the Rectors who typically came from a wealthy family. Repeated ravages of the Black Death may also have inspired donors to help build churches and hospitals.[1]

Small hospitals were established in surrounding districts. A home health service was established to provide post discharge care. Farmlands were purchased and managed by Santa Maria della Scala to provide farm products to support the hospital either through sale or directly for the provision of patients and staff.[2,3]

As a result of the donors and presumably sensible fiscal management, a great wealth was available to support beautiful art to celebrate Christ's life and as well, documentation of the everyday work of the hospital. Apparently "nearly all" of the great Siena artists worked at some time producing art specifically

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for Santa Maria della Scala.[2] The (non-flash) photographs taken in September 2021 are beautiful 15th century murals by Domenico di Bartolo and other artists that depict the daily work. The murals depict surgery, almsgiving, care for the orphans, administration, and feeding the poor.[2] The murals adorn the Pellegrinaio, the large hall that served as pilgrims' hospice and hospital bay. Care and Healing of the Sick details the various robes and functions ascribed to the orders of the administrators and medical staff. Note the attention to hygiene for the patient about to undergo surgery. An orphanage was established that accepted newborns as well as older children. Children were educated, taught trades, and given a sum of money at discharge. Eligible girls received a dowry for their marriage.[2,3] These murals hung above bays of the patients as the care went on for ten centuries until the 1970s when a new general hospital was built in Siena. At that point, Santa Maria della Scala began to evolve into an art museum.[2] There is still ongoing excavation and restoration of incredible murals, and statuary.

Pelligrinaio Hall (Pilgrims Hospice)
The hall as it exists in the current restoration (non-flash photo permitted). Dominico di Bartolo painted in the 15th century.

Care and Healing of the Sick

A microcosm of the daily ward activities. From left to right, an aide lays an ill patient on a stretcher; two doctors confer regarding a urine specimen in a flask; hospital friars; the Rector; a surgeon observes an assistant washing a patient prior to surgery; a monk is confessing a dying patient; and two assistants are carrying a bier through the hall.

Santa Maria della Scala was a charitable organization serving the community poor with almsgiving and orphanage for foundlings and children. It was a not-for-profit teaching hospital, home health service, and hospice for pilgrims. Moreover, the Rector commissioned subsidiary hospitals throughout the district, and operated self-sustaining farming operations.[3] Certainly, that is the description of a not-for-profit health system as extensive as existing health systems within the United States today. What are the characteristics that allowed this not for profit health system to flourish for 10 centuries? Surely the community religious faith was a strong factor in sustaining the work. The Santa Maria della Scala operated in a much less complex regulatory, payor, and simpler technical environment than the healthcare environment today. However, I do think a crucial factor was likely the governance of a local philanthropic community board responsive to the Siena region. So, are there lessons for us today in healthcare? It is an important question as some would say American health care is in crisis due to corporatization.[10]

The Distribution of Alms
The scene depicts the work of clothing the naked, distributing bread to the sick, the poor, and the abandoned children.

While there are exceptions, American hospitals have evolved from local community board-operated individual hospitals to large healthcare systems with central corporate governance over the past three decades. During this time, U.S. healthcare costs have risen from 721 billion in 1990 to $4.2 trillion, almost 20% of the GDP in 2021.[11] The Centers for Medicare and Medicaid projection for national expenditures will reach 6.2 trillion in 2028.[11]

For this discussion, I define "corporatization," as consolidating previously independent parts of healthcare business into vertical and horizontal business structures with variable degrees of central corporate decision versus local autonomy. I leave it to economists to determine whether corporatization is a response or more probably the driver of rapidly escalating costs to the consumer. I also leave it to economist experts to help understand the role of public and private insurance in this mix. Despite increasing coverage, healthcare insurance and out-of-pocket expenses are both rising rapidly. Out of pocket expenses are projected to rise 10% per year through 2026.[12] Typically, there is economic rationale for business consolidation, so I would at least expect to see more benefits for patients and lower cost than what I observe. A corporate business such as Walmart relies on increasing their profit margin while lowering costs to consumers by improving worker productivity and creating business efficiencies. Certainly, U.S. healthcare "product" has miracles to be proud of and differs in many ways from commodity vendors. Still, I think it reasonable to ask if the corporatization has resulted in benefits to patients to be able to afford care.

Economy of scale, supply chain management, and standardization of some aspects of healthcare delivery, perhaps brought some improvements in service and cost early in the corporatization history. However, the per capita cost for healthcare in the U.S. is almost

The Education and Marriage of a Daughter of the Hospital

This scene depicts phases of life of the orphanage starting left to right with a tutor holding a rod and teaching reading, abandoned babies with the wet nurses, and finally a marriage celebration with the bride receiving her ring from her betrothed.

double that of most industrialized countries and without clear, discernably better health outcomes.[13,14] "No margin, no mission" is indeed a reality. The issue is not a health system or health insurers' requirement for a margin of profit. The issue is the degree of integration and effective monopolization particularly for health insurers. Health insurer merger and acquisitions such as the United Healthcare and Change Healthcare are now receiving anti-trust scrutiny that has been less common in the past.[10,12] In the past few years, my observation is that corporatization has improved health systems' and health insurers' revenue but has not reduced costs nor made great improvements in patient satisfaction. Federal policy and reimbursement control along with health insurer requirements, complex technology requirements for electronic records and required participation in complex "pay for quality" programs have also been a pressure for the evolution from community hospitals to large complex health systems. I do think electronic medical records are safer particularly for medication administration, but to date, they have not enhanced physician productivity. This all combines to reduce physician time for clinical care with patients. Requiring physicians to see more patients in less time, to me, makes as much sense as a commercial airline telling its pilots: "Yes, operating airplanes today is more complex, no we can't afford more jet fuel, but you need to get the plane from Chicago to New York an hour faster."

Not being an economist, I am going to confine my comments to my observations of how healthcare business decisions are affecting physicians and patients. My observation is that corporatization applies in similar fashion both to for profit and not for profit health systems. Many health systems have adopted central governance with subsidiary boards that vary between corporate style function and philanthropic boards. I have not seen a clear consensus on the best organization and distribution of decision making at the corporate and subsidiary board level.

An American College of Physicians position paper concerning financial profit in medicine noted as its first concern: the corporatization in the healthcare market.[4] The concerns were primarily around equity investment, but the point was missed that these recommendations also apply to not-for-profit corporatization. This is particularly so for the points made with respect to relationship with physicians such as allowing physicians sufficient time and resources to care for patients.[5]

I do not intend my remarks as a general condemnation of all central corporate governance for health systems. However, there is need to thoughtfully balance central corporate governance with strong local community board governance and decision authority. Like the longevity of Santa Maria della Scala, my

experience with major health systems over decades convinces me that a strong community board is vital whether it is primary or subsidiary. I have always been impressed with community boards incorporating dedicated, thoughtful local business leaders, physicians, along with faith and lay leaders. Strong local boards are beneficial for the hospital, the community, and the health system.

Many of the same pressures birthing corporatization over the past three decades have also adversely affected physicians providing care. Physician practice management has changed from small office independent practice to large multispecialty practice or health system employment with sophisticated, but expensive administrative resources. The American Medical Association Benchmark Survey reported that only 49.1% of physicians were in private practice as of 2020. The requirement for electronic medical records, well-intentioned but complex quality programs, increasing requirements for staff solely to perform preauthorization and revenue cycle management are all increasing pressures for physicians to seek employment.[6]

True, there is increasing desire in newly graduated physicians to find a better work life balance and to try to manage the rising debt for medical school. However, my observation is that the complexity, cost, and risk of practice management today is a major factor driving both young and mature physicians into employment. I am certainly not the first or only MSMA member to note that whether equity investors or hospitals purchase physician groups, health care costs rise.[15] Reports by young physicians are much the same.[8] Hospital Medical Staff committees that previously offered protection for hospital privileges are now dominated by health system administration. I note recent reductions in force that have included employed physicians by contracts that allow termination "without cause." That should be notice to all physicians that employment in some health systems is not a safe harbor. As one of the "mature" physicians, I am grateful to currently be in a health system with community board governance and leadership that allows me the time I need to be able to provide the best care I can. For physicians, that is consistently at the top of quality concerns for patient care.[5]

I leave a final question and its answer, to you the reader. Would today's health systems achieve the same success and service to the community over 10 centuries like that of Santa Maria della Scala? I do not think the answers are found in continued corporatization, but I must leave how to improve to another message. Policy changes and specific recommendations to consider may be found in the references that would likely improve our healthcare delivery and costs. There are many other models to consider that are not addressed in this message such as found in the Commonwealth Fund report; "Four features distinguish top performing countries from the United States: 1) they provide for universal coverage and remove cost barriers; 2) they invest in primary care systems to ensure that high-value services are equitably available in all communities to all people; 3) they reduce administrative burdens that divert time, efforts, and spending from health improvement efforts; and 4) they invest in social services, especially for children and working-age adults.[14]" I hope to hear your answers! Email me at alexhover@gmail.com.

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