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Hospital accounting and the insoluble problem of health expenditure

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ABSTRACT

Amid discourses on ageing populations and increasingly costly medical technologies, the problem of health expenditure is perceived as one of the most significant socio-economic challenges facing Britain and other developed societies. The “need” for ever more elaborate hospital accounting systems is often expressed with reference to this problem.

This paper aims to further our understanding of the problem of health expenditure, and of its relationship with hospital accounting, by examining the conditions under which it emerged. Drawing on textual data from government reports and professional journals, the paper argues that the nationalisation of the British health services, the compilation of national health accounts and changing conceptions of the nature of disease transformed perceptions of health expenditure in the mid-20th century – from a “profitable” investment in the productive capacities of the nation to an “insoluble” socio-economic problem threatening to bankrupt the country. The paper furthermore links this transformation to the introduction of the first national hospital costing system in 1957.

Building on these suggestions, this paper proposes that present day concerns regarding health expenditure are not an inevitable consequence of demographic and technological change but contingent upon conceptions of the nature of disease as well as healthcare funding and accounting arrangements which emerged in the 1940s and 1950s.