

Fertile Ground: the History of Accounting in Hospitals

Against the background of worries regarding ageing populations, expensive medical technologies and health-care costs which exceed ten percent of GDP in many developed countries, the hospital has recently emerged as an important site for accounting research. The vast majority of research in this area has examined the roles and effects of accounting practices in contemporary hospital settings (e.g. Chua 1995; Kurunmaki 2004; Llewellyn and Northcott 2005; Lowe 2000). The history of hospital accounting, alternatively, has attracted much less interest, despite its significant potential to help us develop a better, more historically-grounded understanding of the financial issues facing hospitals in the present as well as in the past.

Whilst the historical study of hospital accounting has received only limited attention to date, it should be noted that a number of interesting and important studies have begun to map this field of enquiry over the last 25 years. Much of this emerging literature is UK-centric in its subject matter. The accounting practices adopted in the extensive system of voluntary hospitals that developed between the seventeenth and twentieth centuries have, in particular, been the focus of much research. Significant contributions to this literature include Holden, Funnell and Oldroyd (2009) and Funnell, Holden and Oldroyd (2014), who drew on the archives of Newcastle Infirmary to investigate its subscriber system and costing practices respectively; Jackson (2012), who examined the use of annual reports as a mechanism to promote greater funding efforts from philanthropic individuals at the Edinburgh Royal Infirmary; and Robson (2006), who explored the emergence of a uniform hospital accounting system for voluntary hospitals at the end of the nineteenth century. In addition, a number of economic and social historians have examined the funding sources of voluntary hospitals, and their implications for hospital management and the wider social setting (e.g. Berry 1997; Borsay 1991; Cherry 1996). Whilst these studies did not have accounting at the heart of their subject matter, they either drew upon or made reference to accounting information and provided important context by illuminating the setting of accounting practices in the voluntary hospital sector.

Jones and Mellett's (2007) history of hospital accounting in the UK from 1800 to the turn of the twenty-first century covered both accounting in voluntary hospitals and the second major focus of British hospital accounting history research, accounting in the National Health Service (NHS). Further work on this topic included Cutler's (2003, 2010) examinations of the roles of cost estimates and performance management in the early NHS, Mellett's (1992) article on depreciation accounting, and a series of papers by Robson (2003, 2007, 2008), which investigate the historical development of costing and budgeting practices in the NHS. More recently, Gebreiter (2015) explored how notions of clinical medicine, as an art or a science, affected attempts to introduce managerial accounting practices into the early NHS.

Outside of the UK setting, work on the history of accounting in hospitals has been much more sporadic. In the USA, Preston (1992) examined the emergence of hospital costing practices, whilst Jackson et al. (2013) traced the rise of clinical audit. Lacombe-Saboly (1997) and Bracci, Maran and Vagnoni (2010) investigated early French and Italian hospital accounting practices respectively, and Robbins and Lapsley (2008) explored accounting failure in the Irish voluntary hospital context. Finally, Van Peurse, Pratt and Tower (1996)

examined the motivation behind health care reporting in New Zealand. Sadly, beyond this handful of studies, there is little work on hospital accounting history in non-UK countries.

Regardless of their location, there can be little doubt that the effort required from individual researchers to assimilate sufficient knowledge of a new field of study can act as a significant barrier to entry. This barrier may well have affected the amount of research conducted into hospital history by accounting researchers. Walker (2005) observed that accounting history has grown up as a field apart from general history, and that it has by and large not engaged with its themes. It is clear that the concerns of mainstream accounting research have tended to centre on issues pertinent to the corporate world and the accountancy profession, and that this focus permeates historical accounting research. The average hard-pressed accounting academic, required to maintain technical competency in a dynamic regulatory environment and confronted by institutional pressures for research outputs, may struggle to find time to explore new avenues, particularly where the literature to support such a venture is limited.¹

We issued a call for papers for this special issue of *Accounting History Review* in the autumn of 2012 with the aim of focussing academic attention on the history of hospital accounting and stimulating further research in this field. Now, almost three years later, we have put together four publications in this special issue which, we believe, offer a significant expansion of our knowledge of hospital accounting history. The papers address a number of important gaps in the extant literature and develop new perspectives on the historical development of hospital accounting practices, as highlighted by the following paragraphs.

The first study, authored by Gebreiter, examines the role of hospital accounting in rationing health care in the NHS between its creation in 1948 and the election of the New Labour government in 1997. The paper shows that, unlike in the USA, hospital accounting did not play a significant role in allocating or withholding health services in the NHS, neither before or after the introduction of New Public Management reforms in the 1980s. Underdeveloped information systems and resistance from doctors are identified as obstacles in this context, both of which are argued to reflect the historically nationalised and non-commercial nature of the NHS. Gebreiter moreover suggests that concerns regarding the rationing of health care – one of the most prominent health-policy issues in the UK during the last 25 years – are neither natural nor inevitable, but historically contingent. Specifically, the paper argues that such concerns initially emerged in the 1960s and 1970s in response to the application of economic theories to health care, and that rationing only became an issue of wider concern when the NHS increasingly came to resemble economic models of health services from the early 1990s onwards.

Flesher and Pridgen note that whilst, in general, the USA has been one of the principal sites of historical accounting research over the last few decades, the historical development of American hospital accounting practices remains largely unexplored. Their paper contributes towards addressing this gap in the literature by charting the history of financial accounting practices in American hospitals from the turn of the twentieth century to the present. Flesher and Pridgen show that, until the 1970s, hospital financial accounting in the USA was largely disconnected from professional accounting bodies and standards. Instead, they emphasise the impact of health service administrators, health insurance schemes and the government-sponsored Medicare reforms on hospital financial accounting during this period. They go on to show that, since the 1970s, the Financial Accounting Standards Board has been the principal influence on hospital financial accounting in the USA. Flesher and Pridgen argue

that, as a result of this, the financial accounting practices of American hospitals have lost much, but not all, of their distinctiveness.

Ferry and Scarparo examine the post-war development of performance measurement in the British NHS, with a particular focus on the New Labour era between 1997 and 2010. The paper provides a detailed account of the performance measurement and management arrangements introduced during the New Labour years which sought to account for all aspects of financial and operational performance in the NHS. Ferry and Scarparo subsequently explore the effects of New Labour's reforms on the NHS with reference to Dean's analytics of government framework. They argue that the reforms led to the creation of new kinds of knowledge, fostered new identities and enabled new forms of visibility and control in the health services.

Finally, Malmlose offers something of a departure from the other studies. Rather than examining specific examples of hospital accounting practice in a national context, she has identified the World Health Organisation (WHO) as a significant actor in shaping and disseminating hospital accounting and management discourses. Specifically, she uses a governmentality framework to examine the construction of the discourse of New Public Management in the context of health care and hospitals. Malmlose argues that the formation of the NHS in the UK had a disproportionate impact on the international guidelines produced by the WHO, and that these guidelines have subsequently had a significant impact on the way in which other nations have implemented initiatives; in particular in promoting centrally-planned health systems. Further, the paper argues that the WHO played an important role in ideas central to New Public Management and specific hospital-based initiatives such as diagnosis related groups. The Anglo-American hospital sector, as a major focus of government activity, is seen as central to this and as a site of important experimental calculative practice, which strongly informs WHO guidelines and their international dissemination.

Collectively, these studies offer some important new insights into the development of hospital accounting. Significant gaps have been filled in our understanding of the emergence of hospital reporting in the USA and of rationing and performance measurement in the UK's NHS. Further, an entirely new topic of research has been opened up by the examination of the supranational WHO as an important mediator and disseminator of health policy and hospital accounting internationally. Yet, great scope for further research remains in the field of hospital accounting history. The following paragraphs point to a number of opportunities in this context.

Much of the extant literature examines how various social and institutional developments have affected the history of hospital accounting. Despite the almost complete dominance medical rationales and professionals exerted over 'Western' hospitals during large parts of the last 150 years, the impact of medical developments on hospital accounting has, with few exceptions (i.e. Gebreiter 2015; Preston 1992), received little attention from accounting researchers. Future research in this area could further our understanding of how the professionalisation of doctors as well as changes in medical thinking and practice have affected the historical development of hospital accounting practices.

The extant literature's emphasis on exploring how their social and institutional environment has shaped hospital accounting has unfortunately not been matched by a similar focus on examining the historical role of hospital accounting in shaping its environment. Whilst

numerous ‘contemporary’ studies of hospital accounting have shown how economic calculation can shape and transform health-service organisations (e.g. Chua 1995; Llewellyn and Northcott 2005; Lowe and Doolin 1999), the potentially constitutive effects of historical hospital accounting practices remain largely unexplored. For centuries, hospitals have been keeping meticulous records on doctors and patients, as well as on operational and financial matters. There can be little doubt that such record-keeping created visibilities relating to clinical activities as well as to the lives and well-being of patients. More could be done to explore the historical impact of such record-keeping on doctors, their practice and their patients. Similarly, the historical attitudes and responses of clinicians towards accounting and other forms of hospital records merit further examination.

The hospital is also a site where an unusually large number of professionals and paraprofessionals – including doctors, nurses, administrators, accountants, social workers, physiotherapists, medical technicians, pharmacists and paramedics – work together. As such, the hospital represents a great opportunity to study the relations between accounting and other professions. Whilst contemporary studies of hospital accounting have made significant use of the opportunities hospitals offer in this respect (e.g. Jackson et al. 2014; Kurunmaki 2004; Llewellyn 2001), historical work in this area is restricted to a study by Samuel, Dirsmith and McElroy (2005). Similarly, the histories of the professionalisation of hospital accountants, and of professional associations like the UK’s Healthcare Financial Management Association, remain largely unexplored.

Broadening the range of sources beyond the organisational archives favoured by ‘traditional’ accounting historians is one of the ambitions readily associated with Miller, Hopper and Laughlin’s (1991) call for a ‘new accounting history’. Historical studies of hospital accounting have heeded this call, as much of the recent work in this field, including the four papers in this special issue, have drawn on government papers, professional journals and other public documents rather than hospital archives (e.g. Gebreiter 2015; Jackson et al. 2013; Jones and Mellett 2007; Robson 2003, 2006, 2007). Archival studies of hospital accounting, alternatively, have become relatively rare (e.g. Holden et al. 2009; Jackson 2012). We would encourage researchers to re-engage with hospital archives. In particular, we would encourage researchers to look beyond the large general hospitals, which have been the principal focus of previous research in this field, and study the archives of cottage, infectious disease, maternity, military and other specialist hospitals. These hospitals operate in very different social and institutional environments, and thus may open up new perspectives on the history of hospital accounting.

Consistent with the field of accounting history more generally, the historical literature on hospital accounting would benefit from a greater number of contributions which adopt oral history methods, and which hail from beyond the Anglo-Saxon settings that have historically dominated this field. With regard to the former, oral histories could provide a substantial new perspective on the historical development of hospital accounting and give voice to those whose views and experiences have not been reflected in public debates and official records. With regard to the latter, it would be particularly interesting to see studies set in developing countries, which face very different health and demographic challenges than do Anglo-Saxon nations. Similarly, studies set in countries where non-Western medical traditions (e.g. traditional African or Chinese medicine) are influential may add new dimensions to our understanding of hospital accounting in different times and contexts.

Finally, whilst much remains to be done with regard to the history of hospital accounting, the health services beyond hospitals represent an even less charted territory for accounting historians. The historical role of accounting in public health, primary care and health insurance, as well as in the health-related efforts of international organisations, such as the European Union, the Organisation for Economic Co-operation and Development and the United Nations, offer significant opportunities for future research. Malmrose's paper takes a first step in this direction, but much more could be done.

We hope that it can be seen from the above discussion that the opportunities for research into the history of hospital accounting are sufficiently varied and extensive to merit investment in further work in this area. We would also wish to make it clear that we do not consider the foregoing to be a comprehensive listing of the opportunities for historical hospital accounting research. National approaches to health care are diverse and the inevitable variations in organisational forms, as well as different traditions of medical practice, offer a plethora of opportunities that we are unable to encompass within the scope either of our knowledge or this editorial. We commend the studies in the special issue to readers as a significant extension of the extant research into this subject area. At the same time, we want to emphasise that we have only begun to scratch the surface of a field which we believe to be as fertile as it is large, and we hope that researchers will be encouraged to come in and break new ground.

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¹ Whilst there are limits to the historical hospital accounting literature, aspiring hospital accounting historians could also look to the work of medical historians to develop an understanding of the history of hospitals more generally. The social history of medicine, which emerged from technicist medical and descriptive administrative approaches over the last few decades, may be particularly helpful in this respect. Whilst social histories of medicine rarely display a primary concern with hospital management or accounting practices, aspiring hospital accounting historians can find valuable context for their research in this literature. UK researchers, for example, will find much use in the writings of Rivett (1986) and Waddington (2000), as well as in the aging but still excellent work of Abel-Smith (1964). Researchers based in the USA will find Rosenberg (1987) helpful, and it is likely that the corpus of work in other languages contains similar treasures.