1. INTRODUCTION

Over the past 50 years, there have been a series of attempts to change the system of mental health care in the United States. The first large movement was deinstitutionalization, which began in 1955 and proceeded in earnest in the late 1960's and 1970's. It was followed by a series of economic initiatives that affected all of health care in the late 1970's and early 1980's. Now, mental health care is being overwhelmingly dominated by a new system of administration and financing called managed care.

A question all European psychiatrists should justly ask is “Why should we care about this crazy American fad; our systems are national, rational, and of high-quality; why should we change?” The answer unfortunately must be—because American fads, whether jeans or McDonalds or movies, tend to be adopted by other countries with
both positive and negative results and if you can see the future, you may be able to avoid some of the negative experiences we have had.

2. THE HISTORY AND FINANCING OF CARE IN AMERICA

Before I discuss managed care specifically, however, I must briefly review the history and financing of mental health services in America over time to better put the newest development in American health care reform in context.

Psychiatric services in our country were absent from the time of our colonization in 1642 until the development of the large state mental hospitals, which began in the late 18th and early 19th centuries. By 1955, 558,992 Americans were in such hospitals, which were supported entirely by state taxes.

Starting in 1855, the first alternative to hospital care in America was established with the Farm of Saint Anne in Illinois and over the next 100 years, the number and types of such alternatives increased. They have included: home care, outpatient and aftercare clinics, travelling and satellite clinics, crisis intervention, day and night hospitals, halfway and quarterway houses, and social and vocational rehabilitation. These alternatives were also initially funded by state taxes.

In time, hospital alternatives to state mental hospitals also arose (e.g., general hospital psychiatric units, hospitals for veterans of the armed forces, and community mental health centers). Both these hospitals and the alternative services that were then established were funded by different levels of government (federal, state, and city or county) or by private philanthropy and patient fees.

In 1929, the first health insurance company in the United States—Blue Cross/Blue Shield—was begun by a general hospital in Texas that wished to offer services to a group of school teachers. Over time other companies have been established to provide insurance to other groups of working citizens. Thus, no longer did citizens pay for their care directly (Fig. 1), they now had an insurance company as an intermediary. I should emphasize that for most Americans, insurance is linked to employment, and choice or lack of choice, is under the employer’s control. In addition, in the USA, the increased growth of and in health insurance companies came during World War II, when prices and wages were controlled but benefits could be increased to meet workers’ demands.

Private insurance was really the only insurance in America from the 1930's until the 1960's, (up to that point the poor or “medically-poor” received care in “public hos-

![Figure 1. Evolution of Health Care Financing & Provision.](image-url)