Department of Health and Human Services

Timeline of Growth

by Chris Edwards

- 1798: Congress passes the Act for the Relief of Sick and Disabled Seamen. It provides health services to members of the merchant marine and funds a loose network of hospitals through the Marine Hospital Fund. The MHS is plagued by cost overruns, administrative mismanagement, and rationing of care. Some leaders oppose the new federal subsidies as an abuse of state sovereignty.
- 1852: Congress creates the Government Hospital for the Insane in Washington, D.C. Two years later, President Franklin Pierce vetoes legislation providing funding to the states for the establishment of similar mental hospitals, arguing that such expenditures would be unconstitutional.
- 1862: The Bureau of Chemistry is created within the new Department of Agriculture. The bureau is the forerunner of today’s Food and Drug Administration.
- 1870: After scandals regarding mismanagement at the Marine Hospital Fund, the system is restructured as the Marine Hospital Service. Congress creates a dedicated agency to administer the MHS, and the following year a Supervising Surgeon (later Surgeon General) is appointed. Over the years, the MHS expands its activities far beyond the original limited focus on aid to seamen.
- 1878: Congress passes the National Quarantine Act, which transfers authority over quarantines from the states to the MHS.
- 1889: Congress establishes the Commissioned Corps at MHS to staff quarantine stations and respond to health crises. This activity evolves into today’s U.S. Public Health Service Commissioned Corps.
- 1902: The MHS assumes a larger coordinating role with state health agencies and is renamed the Public Health and Marine Hospital Service (PHMHS). In 1912, it is renamed the Public Health Service (PHS), which today is an umbrella organization for numerous agencies.
- 1902: The Biologics Control Act gives the federal government responsibility for monitoring the manufacture and sale of medicinal products used by doctors. It is the federal government's first attempt to regulate drug sales.
- 1906: Concerns regarding food quality—probably exaggerated concerns—lead to passage of the Pure Food and Drug Act. The legislation focuses on the labeling of products, but also leads to crusades by overzealous regulators against particular products such as Coca-Cola.
- 1909: President Theodore Roosevelt holds a White House Conference on Dependent Children, or children dependent on charities and public assistance. Three years later, Congress establishes a Children’s Bureau in the Department of Labor, which focuses on child labor and related issues. In 1946, the bureau moves to the Federal Security Agency, a forerunner of today’s Department of Health and Human Services.
- 1912: Progressive Party presidential candidate Theodore Roosevelt campaigns on a platform calling for “the protection of home life against the hazards of sickness, irregular employment and old age through the adoption of a system of social insurance adapted to American use.”
- 1921: The Bureau of Indian Health Affairs is created, the forerunner of today’s Indian Health Service.
- 1921: The Sheppard-Towner Maternity and Infancy Hygiene Act authorizes grants to the states for providing health services to mothers and children. The American Medical Association calls the controversial grant program an “imported socialistic scheme.”
- 1927: The Food and Drug Administration (FDA) is created to enforce the Pure Food and Drug Act.
- 1929: One-third of one percent of the federal budget is allocated to the “promotion of public health.” Today, the Department of Health and Human Services accounts for almost one-quarter of the entire federal budget.
- 1934: President Franklin Roosevelt's Committee on Economic Security recommends the creation of three programs: old-age insurance, unemployment insurance, and public assistance for low-income elderly persons and families with dependent children.
- 1935: The Social Security Act is passed. The legislation creates the Aid to Dependent Children program, which provides funding to the states for aid to needy children in single-parent families. This open-ended welfare program is greatly expanded over the years and generates a range of social pathologies in the low-income population, such as illegitimacy and long-term dependency on government. It is replaced in 1996 by Temporary Assistance for Needy Families, which is a state block grant program providing more limited benefits.
- 1937: The Supreme Court upholds the constitutionality of the Social Security Act.
- 1938: The Food, Drug and Cosmetic Act requires manufacturers to demonstrate the safety of drugs before marketing them.
- 1939: Following the recommendation of the Brownlow Committee, the Federal Security Agency (FSA) is established to house the government’s health, education, and welfare programs. Concerned about socialized medicine, the American Medical Association is successful in preventing the agency from attaining cabinet status.
- 1940: The Food and Drug Administration is transferred from the Department of Agriculture to the Federal Security Agency.
- 1944: The Public Health Service Act creates the Office of the Surgeon General, the National Institutes of Health, and other new government bureaus.
- 1946: The Hill-Burton Amendment authorizes the Public Health Service to fund the construction and refurbishment of hospitals.
- 1946: The National Mental Health Act authorizes grants for mental-health research and training, as well as funding for the operation of community health facilities.
1965: The enactment of Medicare destroys a large existing market for retiree health insurance. Before 1965, about half of elderly Americans had health insurance, and the percentage of the elderly with insurance had been increasing steadily.21

1965: The Older Americans Act authorizes grants to the states to fund various social services for the elderly under a new federal Administration on Aging.

1966: The Department of Health, Education, and Welfare is a sprawling organization overseeing 210 different programs, of which 60 were created in just the prior three years.22

1966: The cost of the Aid to Families with Dependent Children program increases rapidly, prompting Senator Russell Long to say that the "welfare system is being manipulated and abused by manipulators, cheats, and frauds."23

1967: The House Ways and Means Committee projects that Medicare spending will be $12 billion in 1990, but spending actually soars to $110 billion that year.24

1969: The Office of Child Development is created by the merging of the Children's Bureau and Head Start. Head Start had been created in 1965 to provide social services to low-income children, but various studies over the decades find that the program is not effective.25


1970: A National Health Service Corps is created to subsidize rural health care.

1974: Congress adds a new Medicare benefit for home care, which is projected to cost $4 billion annually by 1993. It ends up costing $67 billion that year.19

1975: At the signing ceremony for Medicare, President Lyndon Johnson says: "No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligations to their parents."20 But unless Medicare's rapid growth is cut, the program will do the exact opposite of what Johnson claimed because rising taxes will severely eat away at the income of young families.

1977: The Health Care Financing Administration takes over control of Medicare from the Social Security Administration. In 2001, HCFA is renamed the Centers for Medicare and Medicaid Services. The agency's leader at the time, Tom Scully, admits that the name change is designed to paper over the agency's poor performance: "The fact is, the health care market... is extremely screwed up and it's largely because of my agency."26

1977: A member of President Jimmy Carter's staff says that a substantial portion of the Department of Health, Education, and Welfare's budget is lost to embezzlement and other improper payments. The following year, 15 HEW officials are indicted by a grand jury for fraud.27

1979: The Department of Health, Education, and Welfare is split into the Department of Education and the Department of Health and Human Services (HHS).

1981: President Ronald Reagan proposes turning Medicaid into a block grant program to control costs. The plan would put 25 different health care programs into one large block grant and cap the annual growth rate at a measure of inflation. The Senate passes the proposal but it is dropped in conference with the House.29

1987: Congress adds a special hospitals subsidy to Medicaid to aid facilities that serve large numbers of uninsured patients. The new program is projected to cost less than $1 billion annually by 1992, but it ends up costing a stunning $17 billion that year.29

1988: Congress adds a new Medicare benefit for home care, which is projected to cost $4 billion annually by 1993. It ends up costing $10 billion that year.30

1990: The Human Genome Project is established under the leadership of the National Institutes of Health. A parallel private effort to sequence the human genome is spearheaded by Craig Venter and Celera Genomics. Competition from the private venture spurs the government to speed up the timetable of its own project, and the two projects race to the finish line with a rough draft of the human genome in 2000. Celera’s project is far less costly than the government effort.

1993: The Clinton administration, led by first lady Hillary Clinton, drafts a plan for a vast and complex expansion of federal health care. The plan faces major opposition in Congress and in the general public, and its unpopularity helps lead to huge Democratic losses in the 1994 congressional elections.

1995: The Social Security Administration is split off from the Department of Health and Human Services to become an independent federal agency.31

1995: Republicans propose major reforms to Medicaid in their 1996 budget plan, which passes the House and Senate but is vetoed by President Bill Clinton. The proposal would have turned Medicaid into a block grant and capped the annual growth at four percent to cut costs by $182 billion over seven years.32

1996: Congress enacts major welfare reform. The Personal Responsibility and Work Opportunity Reconciliation Act replaces AFDC with a state block grant called Temporary Assistance for Needy Families (TANF). The reform restrains spending on the program and dramatically reduces the number of Americans on welfare by increasing incentives to work.

1997: Congress creates Medicare Part C, which is a managed care option for seniors as an alternative to Parts A and B. The option's name is changed from Medicare + Choice to Medicare Advantage in 2003.

1997: The State Children's Health Insurance Program (CHIP) is created to subsidize state governments for extending health care
coverage to families that don't qualify for Medicaid.

- **2002:** Following an anthrax scare, the Office of Public Health Emergency Preparedness is created to meet bioterrorism threats and other health emergencies.

- **2003:** Congress passes the huge Medicare Part D drug benefit in 2003. The new benefit has no funding source, and thus adds enormously to federal debt over the long term. To aid passage of the bill, the Bush administration suppresses internal information from Medicare's chief cost analyst that the new drug benefit will cost more than officially claimed.33

- **2003:** The Bush administration proposes to allow states to receive Medicaid funding in the form of a block grant, which would give the states more flexibility and greater incentive to control costs.34 Unfortunately, the administration does not push the proposal very hard and it dies.

- **2009:** The Government Accountability Office estimates that Medicare pays about $17 billion of fraudulent and improper payments each year and Medicaid pays about $33 billion.35 Those estimates are probably low. Harvard's Malcolm Sparrow, a top specialist in health care fraud, estimates that up to 20 percent of health care budgets are consumed by fraudulent and improper payments, which would be about $150 billion a year for Medicare and Medicaid combined.36 As an example of the problem, the Washington Post reports that a high-school dropout with a laptop computer single-handedly cheats Medicare out of $105 million by electronically submitting 140,000 fraudulent claims for equipment and services over four years.37

- **2009:** The American Recovery and Reinvestment Act, or "economic stimulus" bill, authorizes about $90 billion of additional spending on health care, welfare, and other HHS activities.38

- **2009:** The Congressional Budget Office projects that Medicaid is expected to double in cost as a share of the nation's economy by 2035 and Medicare is expected to more than double in cost by that date.39

- **2009:** The Department of Treasury reports that the present value of Medicare's unfunded obligations is $36 trillion over the next 75 years.40 The Treasury's estimate for the funding gap over an "infinite horizon" is a staggering $86 trillion. That means that the government would need to deposit $86 trillion right now in an interest-bearing account to cover all of Medicare's future unfunded liabilities. Thus, unless Medicare spending is cut, young Americans face massive and sustained tax increases that will substantially reduce their standard of living for decades to come.

- **2010:** An authoritative federal study on Head Start finds that the program provides few if any lasting benefits to participating children.41

- **2010:** President Barack Obama signs into law the Patient Protection and Affordable Care Act, which is the largest and most expensive health care bill passed since 1965.42 The legislation expands Medicaid and adds new subsidy programs, and will likely cost more than the advertised $1 trillion over the first decade. The health bill expands federal power in many ways, including imposing a mandate on Americans to buy health insurance or pay a fine. The bill also contains large and damaging tax increases, while conferring added power on the Internal Revenue Service.

---


3 For example, see www.nps.gov/history/nr/travel/charleston/omh.htm.


6 Department of Health and Human Services, "Historical Highlights," www.hhs.gov/about/hhshist.html.


14 Budget of the United States Government, Fiscal Year 2010, Historical Tables, p. 79.


31 Department of Health and Human Services, "Historical Highlights," www.hhs.gov/about/hhshist.html.


42 For a description of the legislation, see Washington Post staff, Landmark: The Inside Story of America's New Health-Care Law and What It Means for Us All (New York: Public Affairs, 2010).