A Brief History: Universal Health Care Efforts in the US

(Transcribed from a talk given by Karen S. Palmer MPH, MS in San Francisco at the Spring, 1999 PNHP meeting)

Late 1800's to Medicare

The campaign for some form of universal government-funded health care has stretched for nearly a century in the US On several occasions, advocates believed they were on the verge of success; yet each time they faced defeat. The evolution of these efforts and the reasons for their failure make for an intriguing lesson in American history, ideology, and character.

Other developed countries have had some form of social insurance (that later evolved into national insurance) for nearly as long as the US has been trying to get it. Some European countries started with compulsory sickness insurance, one of the first systems, for workers beginning in Germany in 1883; other countries including Austria, Hungary, Norway, Britain, Russia, and the Netherlands followed all the way through 1912. Other European countries, including Sweden in 1891, Denmark in 1892, France in 1910, and Switzerland in 1912, subsidized the mutual benefit societies that workers formed among themselves. So for a very long time, other countries have had some form of universal health care or at least the beginnings of it. The primary reason for the emergence of these programs in Europe was income stabilization and protection against the wage loss of sickness rather than payment for medical expenses, which came later. Programs were not universal to start with and were originally conceived as a means of maintaining incomes and buying political allegiance of the workers.

In a seeming paradox, the British and German systems were developed by the more conservative governments in power, specifically as a defense to counter expansion of the socialist and labor parties. They used insurance against the cost of sickness as a way of “turning benevolence to power”.

US circa 1883-1912, including Reformers and the Progressive Era:

What was the US doing during this period of the late 1800's to 1912? The government took no actions to subsidize voluntary funds or make sick insurance compulsory; essentially the federal government left matters to the states and states left them to private and voluntary programs. The US did have some voluntary funds that provided for their members in the case of sickness or death, but there were no legislative or public programs during the late 19th or early 20th century.

In the Progressive Era, which occurred in the early 20th century, reformers were working to improve social conditions for the working class. However unlike European countries, there was not powerful working class support for broad social insurance in the US The labor and socialist parties' support for health insurance or sickness funds and benefits programs was much more fragmented than in Europe. Therefore the first proposals for health insurance in the US did not come into political debate under anti-socialist sponsorship as they had in Europe.

Theodore Roosevelt 1901 — 1909

During the Progressive Era, President Theodore Roosevelt was in power and although he supported health insurance because he believed that no country could be strong whose people were sick and poor, most of the initiative for reform took place outside of government. Roosevelt's successors were mostly conservative leaders, who postponed for about twenty years the kind of presidential leadership that might have involved the national government more extensively in the management of social welfare.

AALL Bill 1915

In 1906, the American Association of Labor Legislation (AALL) finally led the campaign for health insurance. They were a typical progressive group whose mandate was not to abolish capitalism but rather to reform it. In 1912, they created a committee on social welfare which held its first national conference in 1913. Despite its broad mandate, the committee decided to concentrate on health insurance, drafting a model bill in 1915. In a nutshell, the bill limited coverage to the working class and all others that earned less than $1200 a year, including dependents. The services of physicians, nurses, and hospitals were included, as was sick pay, maternity benefits, and a death benefit of fifty dollars to pay for funeral expenses. This death benefit becomes significant later on. Costs were to be shared between workers, employers, and the state.

AMA supported AALL Proposal

In 1914, reformers sought to involve physicians in formulating this bill and the American Medical Association (AMA) actually supported the AALL proposal. They found prominent physicians who were not only sympathetic, but who also wanted to support and actively help in securing legislation. In fact, some physicians who were leaders in the AMA wrote to the AALL secretary: “Your plans are so entirely in line with our own that we want to be of every possible assistance.” By 1916, the AMA board approved a committee to work with AALL, and at this point the AMA and AALL formed a united front on behalf of health insurance. Times have definitely changed along the way.

In 1917, the AMA House of Delegates favored compulsory health insurance as proposed by the AALL, but many state medical societies opposed it. There was disagreement on the method of paying physicians and it was not long before the AMA leadership denied it had ever favored the measure.

AFL opposed AALL Proposal

Meanwhile the president of the American Federation of Labor repeatedly denounced compulsory health insurance as an unnecessary paternalistic reform that would create a system of state supervision over people’s health. They apparently worried that a government-based insurance system would weaken unions by usurping their role in providing social benefits. Their central concern was maintaining union strength, which was understandable in a period before collective bargaining was legally sanctioned.

Private insurance industry opposed AALL Proposal

The commercial insurance industry also opposed the reformers' efforts in the early 20th century. There was great fear among the working class of what they called a "pauper's burial," so the backbone of insurance business was policies for working class families that paid death benefits and covered funeral expenses. But because the reformer health insurance plans also covered funeral expenses, there was a big conflict. Reformers felt that by covering death benefits, they could finance much of the health insurance costs from the money wasted by commercial insurance policies who had to have an army of insurance agents to market and collect on these policies. But since this would have pulled the rug out from under the multi-million dollar commercial life insurance industry, they opposed the national health insurance proposal.

WWI and anti-German fever

In 1917, the US entered WWI and anti-German fever rose. The government-commissioned articles denouncing "German socialist insurance" and opponents of health insurance assailed it as a "Prussian menace" inconsistent with American values. Other efforts during this time in California, namely the California Social Insurance Commission, recommended health insurance, proposed enabling legislation i n 1917, and then held a referendum. New York, Ohio, Pennsylvania, and Illinois also had some efforts aimed at health insurance. But in the Red Scare, immediately after the war, when the government attempted to root out the last vestiges of radicalism, opponents of compulsory health insurance associated it with Bolshevism and buried it in an avalanche of anti-Communist rhetoric. This marked the end of the compulsory national health debate until the 1930's.

Why did the Progressives fail?

Opposition from doctors, labor, insurance companies, and business contributed to the failure of Progressives to achieve compulsory national health insurance. In addition, the inclusion of the funeral benefit was a tactical error since it threatened the gigantic structure of the commercial life insurance industry. Political naivete on the part of the reformers in failing to deal with the interest group opposition, ideology, historical experience, and the overall political context all played a key role in shaping how these groups identified and expressed their interests.

The 1920's

There was some activity in the 1920's that changed the nature of the debate when it awoke again in the 1930's. In the 1930's, the focus shifted from stabilizing income to financing and expanding access to medical care. By now, medical costs for workers were regarded as a more serious problem than wage loss from sickness. For a number of reasons, health care costs also began to rise during the 1920's, mostly because the middle class began to use hospital services and hospital costs started to increase. Medical, and especially hospital, care was now a bigger item in family budgets than wage losses.

The CCMC

Next came the Committee on the Cost of Medical Care (CCMC). Concerns over the cost and distribution of medical care led to the formation of this self-created, privately funded group. The committee was funded by 8 philanthropic organizations including the Rockefeller, Millbank, and Rosenwald foundations. They first met in 1926 and ceased meeting in 1932. The CCMC was comprised of fifty economists, physicians, public health specialists, and major interest groups. Their research determined that there was a need for more medical care for everyone, and they published these findings in 26 research volumes and 15 smaller reports over a 5-year period. The CCMC recommended that more national resources go to medical care and saw voluntary, not compulsory, health insurance as a means to covering these costs. Most CCMC members opposed compulsory health insurance, but there was no consensus on this point within the committee. The AMA treated their report as a radical document advocating socialized medicine, and the acerbic and conservative editor of JAMA called it “an incitement to revolution.”

FDR’s first attempt — failure to include in the Social Security Bill of 1935
Next came Franklin D. Roosevelt (FDR), whose tenure (1933-1945) can be characterized by WWI, the Great Depression, and the New Deal, including the Social Security Bill. We might have thought the Great Depression would create the perfect conditions for passing compulsory health insurance in the US, but with millions out of work, unemployment insurance took priority followed by old age benefits. FDR’s Committee on Economic Security, the CES, feared that inclusion of health insurance in its bill, which was opposed by the AMA, would threaten the passage of the entire Social Security legislation. It was therefore excluded.

FDR's second attempt — Wagner Bill, National Health Act of 1939

But there was one more push for national health insurance during FDR's administration: The Wagner National Health Act of 1939. Though it never received FDR's full support, the proposal grew out of his Tactical Committee on Medical Care, established in 1937. The essential elements of the technical committee's reports were incorporated into Senator Wagner's bill, the National Health Act of 1939, which gave general support for a national health program to be funded by federal grants to states and administered by states and localities. However, the 1938 election brought a conservative resurgence and any further innovations in social policy were extremely difficult. Most of the social policy legislation precedes 1938. Just as the AALL campaign ran into the declining forces of progressivism and then WWI, the movement for national health insurance in the 1930's ran into the declining fortunes of the New Deal and then WWII.

Henry Sigerist

About this time, Henry Sigerist was in the US He was a very influential medical historian at Johns Hopkins University who played a major role in medical politics during the 1930's and 1940's. He passionately believed in a national health program and compulsory health insurance. Several of Sigerist's most devoted students went on to become key figures in the fields of public health, community and preventative medicine, and health care organization. Many of them, including Milton Romer and Milton Terris, were instrumental in forming the medical care section of the American Public Health Association, which then served as a national meeting ground for those committed to health care reform.

Wagner-Murray-Dingell Bills: 1943 and onward through the decade

The Wagner Bill evolved and shifted from a proposal for federal grants-in-aid to a proposal for national health insurance. First introduced in 1943, it became the very famous Wagner-Murray- Dingell Bill. The bill called for compulsory national health insurance and a payroll tax. In 1944, the Committee for the Nation's Health, (which grew out of the earlier Social Security Charter Committee), was a group of representatives of organized labor, progressive farmers, and liberal physicians who were the foremost lobbying group for the Wagner-Murray-Dingell Bill. Prominent members of the committee included Senators Murray and Dingell, the head of the Physician's Forum, and Henry Sigerist. Opposition to this bill was enormous and the antagonists launched a scathing red baiting attack on the committee saying that one of its key policy analysts, I.S. Falk, was a conduit between the International Labor Organization (ILO) in Switzerland and the United States government. The ILO was red-baited as "an awesome political machine bent on world domination." They even went so far was to suggest that the United States Social Security board functioned as an ILO subsidiary. Although the Wagner-Murray-Dingell Bill generated extensive national debates, with the intensified opposition, the bill never passed by Congress despite its reintroduction every session for 14 years! Had it passed, the Act would have established compulsory national health insurance funded by payroll taxes.

Truman's Support

After FDR died, Truman became president (1945-1953), and his tenure is characterized by the Cold War and Communism. The health care issue finally moved into the center arena of national politics and received the unreserved support of an American president. Though he served during some of the most virulent anti-Communist attacks and the early years of the Cold War, Truman fully supported national health insurance. But the opposition had acquired new strength. Compulsory health insurance became entangled in the Cold War and its opponents were able to make "socialized medicine" a symbolic is
sue in the growing crusade against Communist influence in America.

Truman's plan for national health insurance in 1945 was different than FDR's plan in 1938 because Truman was strongly committed to a single universal comprehensive health insurance plan. Whereas FDR's 1938 program had a separate proposal for medical care of the needy, it was Truman who proposed a single egalitarian system that included all classes of society, not just the working class. He emphasized that this was not "socialized medicine." He also dropped the funeral benefit that contributed to the defeat of national insurance in the Progressive Era. Congress had mixed reactions to Truman's proposal. The chairman of the House Committee was an anti-union conservative and refused to hold hearings. Senior Republican Senator Taft declared, "I consider it socialism. It is to my mind the most socialistic measure this Congress has ever had before it." Taft suggested that compulsory health insurance, like the Full Unemployment Act, came right out of the Soviet constitution and walked out of the hearings. The AMA, the American Hospital Association, the American Bar Association, and most of then nation's press had no mixed feelings; they hated the plan. The AMA claimed it would make doctors slaves, even though Truman emphasized that doctors would be able to choose their method of payment.

In 1946, the Republicans took control of Congress and had no interest in enacting national health insurance. They charged that it was part of a large socialist scheme. Truman responded by focusing even more attention on a national health bill in the 1948 election. After Truman's surprise victory in 1948, the AMA thought Armageddon had come. They assessed their members an extra $25 each to resist national health insurance, and in 1945 they spent $1.5 million on lobbying efforts which at the time was the most expensive lobbying effort in American history. They had one pamphlet that said, "Would socialized medicine lead to socialization of other phases of life? Lenin thought so. He declared socialized medicine is the keystone to the arch of the socialist state." The AMA and its supporters were again very successful in linking socialism with national health insurance, and as anti-Communist sentiment rose in the late 1940's and the Korean War began, national health insurance became vanishingly improbable. Truman's plan died in a congressional committee. Compromises were proposed but none were successful. Instead of a single health insurance system for the entire population, America would have a system of private insurance for those who could afford it and public welfare services for the poor. Discouraged by yet another defeat, the advocates of health insurance now turned toward a more modest proposal they hoped the country would adopt: hospital insurance for the aged and the beginnings of Medicare.

After WWII, other private insurance systems expanded and provided enough protection for groups that held influence in American to prevent any great agitation for national health insurance in the 1950's and early 1960's. Union-negotiated health care benefits also served to cushion workers from the impact of health care costs and undermined the movement for a government program.

Why did these efforts for universal national health insurance fail again?

For may of the same reasons they failed before: interest group influence (code words for class), ideological differences, anti-communism, anti-socialism, fragmentation of public policy, the entrepreneurial character of American medicine, a tradition of American voluntarism, removing the middle class from the coalition of advocates for change through the alternative of Blue Cross private insurance plans, and the association of public programs with charity, dependence, personal failure and the almshouses of years gone by.

For the next several years, not much happened in terms of national health insurance initiatives. The nation focussed more on unions as a vehicle for health insurance, the Hill-Burton Act of 1946 related to hospital expansion, medical research and vaccines, the creation of national institutes of health, and advances in psychiatry.

Johnson and Medicare/caid

Finally, Rhode Island congressman Aime Forand introduced a new proposal in 1958 to cover hospital costs for the aged on social security. Predictably, the AMA undertook a massive campaign to portray a government insurance plan as a threat to the patient-doctor relationship. But by concentrating on the aged, the terms of the debate began to change for the first time. There was major grass roots support from seniors and the pressures assumed the proportions of a crusade. In the entire history of the national health insurance campaign, this was the first time that a ground swell of grass roots support forced an issue onto the national agenda. The AMA countered by introducing an "eldercare plan," which was voluntary insurance with broader benefits and physician services. In response, the government expanded its proposed legislation to cover physician services, and what came of it were Medicare and Medicaid. The necessary political compromises and private concessions to the doctors (reimbursements of their customary, reasonable, and prevailing fees), to the hospitals (cost plus reimbursement), and to the Republicans created a 3-part plan, including the Democratic proposal for comprehensive health insurance ("Part A"), the revised Republican program of government subsidized voluntary physician insurance ("Part B"), and Medicaid. Finally, in 1965, Johnson signed it into law as part of his Great Society Legislation, capping 20 years of congressional debate.

What does history teach us? What is the movement reacting to?

1. Henry Sigerist reflected in his own diary in 1943 that he "wanted to use history to solve the problems of modern medicine." I think this is, perhaps, a most important lesson. Damning her own naivete, Hillary Clinton acknowledged in 1994 that "I did not appreciate how

sophisticated the opposition would be in conveying messages that were effectively political even though substantively wrong." Maybe Hillary should have had this history lesson first.

2. The institutional representatives of society do not always represent those that they claim to represent, just as the AMA does not represent all doctors. This lack of representation presents an opportunity for attracting more people to the cause. The AMA has always played an oppositional role and it would be prudent to build an alternative to the AMA for the 60% of physicians who are not members.
3. Just because President Bill Clinton failed doesn't mean it's over. There have been periods of acquiescence in this debate before. Those who oppose it can not kill this movement. Openings will occur again. We all need to be on the lookout for those openings and also need to create openings where we see opportunities. For example, the focus on health care costs of the 1980's presented a division in the ruling class and the debate moved into the center again. As hockey great Wayne Gretzky said, "Success is not a matter of skating to where the puck is, it is a matter of skating to where the puck will be."
4. Whether we like it or not, we are going to have to deal with the persistence of the narrow vision of middle class politics. Vincente Navarro says that the majority opinion of national health insurance has everything to do with repression and coercion by the capitalist corporate dominant class. He argues that the conflict and struggles that continuously take place around the issue of health care unfold within the parameters of class and that coercion and repression are forces that determine policy. I think when we talk about interest groups in this country, it is really a code for class.
5. Red-baiting is a red herring and has been used throughout history to

evoke fear and may continue to be used in these post Cold War times by those who wish to inflame this debate.

6. Grass roots initiatives contributed in part to the passage of Medicare, and they can work again. Ted Marmor says that "pressure groups that can prevail in quiet politics are far weaker in contexts of mass attention — as the AMA regretfully learned during the Medicare battle." Marmor offers these lessons from the past: "Compulsory health insurance, whatever the details, is an ideological controversial matter that involves enormous financial and professional stakes. Such legislation does not emerge quietly or with broad partisan support. Legislative success requires active presidential leadership, the commitment of an Administration's political capital, and the exercise of all manner of persuasion and arm-twisting."
7. One Canadian lesson — the movement toward universal health care in Canada started in 1916 (depending on when you start counting), and took until 1962 for passage of both hospital and doctor care in a single province. It took another decade for the rest of the country to catch on. That is about 50 years all together. It wasn't like we sat down over afternoon tea and crumpets and said please pass the health care bill so we can sign it and get on with the day. We fought, we threatened, the doctors went on strike, refused patients, people held rallies and signed petitions for and against it, burned effigies of government leaders, hissed, jeered, and booed at the doctors or the Premier depending on whose side they were on. In a nutshell, we weren't the sterotypical nice polite Canadians. Although there was plenty of resistance, now you could more easily take away Christmas than health care, despite the rhetoric that you may hear to the contrary.
8. Finally there is always hope for flexibility and change. In researching

this talk, I went through a number of historical documents and one of my favorite quotes that speaks to hope and change come from a 1939 issue of Times Magazine with Henry Sigerist on the cover. The article said about Sigerist: “Students enjoy his lively classes, for Sigerist does not mind expounding his dynamic conception of medical history in hand-to-hand argument. A student once took issue with him and when Dr. Sigerist asked him to quote his authority, the student shouted, “You yourself said so!” “When?” asked Dr. Sigerist. “Three years ago,” answered the student. “Ah,” said Dr. Sigerist, “three years is a long time. I’ve changed my mind since then.” I guess for me this speaks to the changing tides of opinion and that everything is in flux and open to renegotiation.

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Much of this talk was paraphrased/annotated directly from the sources below, in particular the work of Paul Starr:

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