# SOCIALIZED MEDICINE

The concept of health insurance was introduced by Chancellor Otto van Bismarck in 1883 in order to provide what he called “social” insurance for the working men of Germany. His program provided sickness insurance together with funeral benefits for three fourths of Germany’s employees and two thirds of the population. It was a dual public-private system based on withholding about 2% of salary that would be matched by the employer and with fees dictated by the government. Six years after it was implemented Bismarck added old age and disability insurance.

Other countries soon followed suit and by the end of World War I ten European nations had adopted some form of compulsory health insurance. In the United States during the early 20th century various reformers, including Theodore Roosevelt, proposed similar models to Germany and Great Britain. But health insurance was opposed by the life insurance industry whose business was directly threatened and Woodrow Wilson’s defeat of Roosevelt in the 1912 election ended T.R.’s style of Progressivism.

In 1917 the AMA’s House of Delegates briefly favored a comprehensive plan for compulsory health insurance, but this was opposed by many state medical societies. Most doctors were unwilling to submit to government management and rejected any form of payment by contract or capitation. America’s entrance into World War I that same year suspended all discussion of health insurance until what I like to call the “birth of the blues” began during the Depression era.

“The Bismarck Model” survived all the turmoil of the 20th century and continues today as the basic approach to health insurance throughout Europe as well as in Canada, Japan and elsewhere. Of course there are variations and trade offs and everything is not perfect. Most of these countries accept higher taxes and some delay for elective procedures - and while doctors receive free education, have virtually no administrative overhead and are rarely sued, they also earn less than in this country. As we all know, our multi-payer American model differs from everywhere else - we’re the outlier - and

whatever the problems may be elsewhere, you almost never hear that citizens of other affluent countries would trade their system for ours. So now let's review how and why we came to and continue to resist what seems so logical and seems to work well elsewhere. I'll begin by describing two individuals whom you've probably never heard of but who had a great deal to say about this back in the 1930s.

On the cover of the January 30,1939 issue of *Time Magazine* was the face of Professor Henry Sigerist of Johns Hopkins above the words "History Spirals toward Socialization." Sigerist, who was considered the world's greatest medical historian and the nation's most widely respected authority on health policy, was no ivory-tower scholar and he definitely had a political agenda. The Professor wanted to use the lessons of history to reform modern medicine and warned doctors against nostalgia for outmoded individualistic ideals which he believed obstructed progress. He maintained that although American medicine was technically brilliant, it was delivered through an irrational and disorganized system that was based on fee-for-service practice. As he said, "It is unworthy of his professional standing for the physician to be forced to express the value of each individual service in terms of money, as if he were a storekeeper. Those whose minds are on riches had better join the stock exchange." Remember this was 1939! (Yogi Berra would call it deja vu all over again.)

Professor Sigerist wrote that as society became more complex, states could no longer leave medicine to the whims of individual doctors but should encourage more structured and collaborative forms of medical care delivery. He emphasized the importance of pooling resources, providing comprehensive services and involving local communities in organizing preventive health care. He admired the efficiency of the state-sponsored German system and argued that socialism is rational and that socialized medicine was "the answer to over-specialization." He was explicit about what he had in mind - here's what he wrote:

> *Socialized medicine is a system under which medical care is not sold to the population or given as a matter of charity. Medical care under such a system [is] a function of the state, a public service to which every citizen is entitled. It is a system that allows the practice of preventive medicine on a large scale and makes it possible to apply all resources of medical science unrestrictedly.*

Henry Sigerist had special praise for the most outspoken advocate of an alternate approach - a dust-bowl physician by the name of Michael Shadid whom the professor described as “a doctor for the people.” It was an apt phrase since what befell this paragon of virtue was like an Oklahoma version of Ibsen’s *An Enemy of the People* - but in this case it was the local medical society who was undermining the idealistic doctor.

When Michael Shadid arrived in New York City from Lebanon in 1898, he was a penniless sixteen year old who was full of hope and believed in The American Dream. After peddling cheap jewelry for several years, he saved $5000 which was enough to pay for medical school in St. Louis. After practicing in several small towns in the Mid West and South, in 1923 Dr. Shadid moved to Elk City in rural Oklahoma which was a town of 4,000 inhabitants. He soon found that many of his patients had mortgaged their farms, or lost them, in order to meet doctor and hospital bills. Not only were they not getting the medical services they needed but, in his opinion, the local physicians were taking advantage. As he wrote, “The exorbitant fees charged by many specialists are a disgrace to the tradition of our guild. They indicate an attitude akin to that of the highwayman who demands your money or your life….Sickness and death should be to nobody’s advantage. No one should look at them as the hope of his livelihood. An injury to one should be felt an injury to all.” Dr. Shadid would later explain that he was “bitten by some filterable virus” which turned him into a reformer.

Like Henry Sigerist, Michael Shadid was an unapologetic socialist reformer, and he proposed a prepaid group plan which would be based on the successful model of farm associations that were “owned by their members and no one else.” For $50 an entire family became a member of the cooperative. The money was used for capital

expenditures to build a clinic and a small hospital which when it opened in 1931 was the country's first cooperative hospital. Even if they were not stockholders, a single person for $12 and a family of four or more for $25 a year could receive full medical care from a small group of salaried physicians with an extra charge of $2 for every day of hospitalization. Those who didn't want to prepay could pay for specific services. I'll read a little of what Dr. Shadid had to say:

> *Cooperative medicine will improve the conditions of the doctors by freeing them from the uncertainties of private practice: the charity cases, the burden of uncollectible debts, the overhead of office and equipment, the waste of time. It will give the doctor a chance for regular hours, the use of all essential facilities, freedom from economic pressures….The people can no longer afford the fee-for-service system since the cost of modern diagnosis, treatment surgical operations, hospitalization and specialist consultation has become prohibitive and beyond their means.*

Remember that was 1931 - how little has changed! The county medical society expelled Dr. Shadid and the state's Board of Medical Examiners tried to revoke his license. He and his staff were refused malpractice insurance and the Oklahoma medical society introduced a bill in the legislature to ban all medical cooperatives -- however, the Farmer's Union was too powerful and the bill was defeated. Michael Shadid was subjected to malicious rumors; he was accused of charlatanism and violation of medical ethics. He was called a "Communist Turk," "a rug peddler," a "fifth columnist," an "atheist," a "chronic drunkard," a father of a daughter that he drowned "because she married an American." Checks were forged to tie him to the Communist Party. In the dedication of his second autobiography *Crusading Doctor. My Fight for Cooperative Medicine* (1956) Dr. Shadid remained bitter:

> *This book is dedicated to those medical practitioners who have dared to break through the barriers of decaying medical tradition and dogma, and have suffered persecution and ostracism so that the way might be cleared to wider*

*opportunities for knowledge, truth, and service, to themselves, to the public, and to the profession.*

The Oklahoma program was followed during the 1930s by similar cooperatives in the Dakotas and other western states as part of New Deal efforts to assist rural communities. And Dr. Shadid's Elk City project was a prototype of later cooperatives such as Kaiser Permanente in California and the Health Insurance Plan (HIP) of Greater New York.

Although membership in health cooperatives was strictly voluntary, organized medicine considered them to be the first step down a slippery slope. An editorial in the *Journal of the Medical Society of New Jersey*, titled "Dictatorship in Medical Policies," said that "the promoters of the federalization of our social and economic life in any phase, ride the advancing crest of a great wave of dictatorship which dashes upon the shore and soon retreats leaving destruction behind." At the AMA's annual meeting in 1937 the New York delegation introduced a resolution for "The Development of a National Health Program" which proposed using federal funds to support medical education and research. But it noted that "compulsory health insurance does not offer a satisfactory solution…and [we] repeat our objections to its enactment in this country."

Of course, those doctors were concerned with their own practices, but what about hospitals? During the Depression they were in financial peril. In 1929 Baylor's nearly bankrupt University Hospital enrolled nearly 2,000 Dallas schoolteachers in a prepaid plan which provided a steady stream of income - soon other hospitals and communities developed collaborative plans which eventually combined under the auspices of the American Hospital Association under the name Blue Cross. Blue Cross marketeers preached that national health insurance was unnecessary, private insurance was preferable and health care was a personal responsibility best left to the marketplace - that was "The American Way." In 1935 Nyack Hospital joined one hundred other hospitals in the Metropolitan area in what was promoted as the "Three Cents a Day Plan" (90 cents/month = $10/year.)

The AMA slowly came around to supporting *voluntary* group prepayment for hospitals, at least in principle, but many doctors feared that hospitals would move into the realm of controlling their practices - or even worse, that the government would. Some medical societies formed their own plans to cover doctor bills using the name Blue Shield and eventually Blue Cross and Blue Shield merged.

A Gallup poll in January 1939 found that some 25 million Americans would be willing to pay **three dollars a month** for complete medical and hospital care, but when *Modern Medicine* polled some 16,000 physicians only about half supported the use of public funds to provide medical care for low income groups. In order to maintain the status quo industry spokesmen proposed limiting the size of medical school classes, establishing tighter licensure and certification requirements and limiting immigration of foreign physicians (at a time when so many were desperately trying to escape Nazi Germany.) The rural cooperative movement was hindered by the power of organized medicine which controlled hospital appointments, could deny admitting privileges to rebellious physicians and therefore deprive their patients of hospital care.

In 1939 New York's Senator Robert Wagner led another push for national health insurance as an amendment to the Social Security Act. He supported a national health program to be funded by federal grants-in-aid to states which were given broad discretion and could choose not to participate (like with "Obamacare"). FDR gave tepid support, but Henry Sigerist said that it didn't go far enough. When the first bill failed, it was modified in 1943 and became known as the Wagner-Murray-Dingel Bill. It called for compulsory national health insurance with a payroll tax that would cover physician's fees subject to limitations set by the federal government. Opposition was scathing, there was flagrant red-baiting and although the bill was reintroduced every session for the next 14 years, it never passed.

In tme the AMA reluctantly concluded that insurance was less onerous than the alternatives and, led by the surgeons, medical leaders began to change their minds about reimbursement for doctors. State and local medical societies were encouraged to establish plans in order to ward off National Health Insurance and in 1946 these combined to become Blue Shield. It did not provide for preventive medical services and was based on the fee-for-service model. Enabling legislation passed which, like for Blue Cross, allowed Blue Shield plans to be tax-exempt and free from usual provisions of insurance laws.

Because of the bitter opposition of organized medicine, FDR concluded that health insurance was an issue best avoided when he was planning the reforms of the New Deal (although the Social Security Act of 1935 did provide federal grants to the states for public health service programs.) The esteemed surgeon Harvey Cushing wrote to the President that national health insurance would “lead to the deterioration of the doctor, the demoralization of his professional code and the placing of the profession under a bureaucracy.” Secretary of Labor Francis Perkins was the most vocal proponent of universal health care and she continued to pursue the matter with the President, but the nation’s mood had changed and Roosevelt no longer was willing to risk political capital on domestic programs; moreover, people were less inclined to seek government aid than they had been in 1934. In fact, during Roosevelt’s second term the economy was starting to mobilize for war, unemployment was down and some employers were providing private health coverage for people who were relatively young and healthy. Still at risk were sick people who lost their jobs or old people who became unemployable.

The reform campaign toward universal health insurance petered out with the start of World War II. As late as 1943 FDR still was lamenting “We can’t go up against the state medical societies; we just can’t do it” but he suggested that after the war the matter would be revisited – of course he ran out of time.

Whereas Roosevelt chose not to pursue universal health care, Harry Truman was totally committed. In April 1946 he proposed a single program that would include all classes,

insisted that it was *not* socialized medicine and that “we can afford to spend more for health.” (At the time medical costs absorbed 4% of GNP; today it is over 16%.) Truman’s words of more than six decades ago are particularly informative in light of the current controversy over health insurance. He got the same reaction as did Bernie Sanders when he proposed “Medicare For All” in September 2017. This is extracted from Truman’s message to Congress in May, 1947:

> *National health insurance is the most effective way to meet the Nation’s health needs…..Although the individual or small groups of individuals cannot successfully or economically plan to meet the cost of illness, large groups of people can do so. If the financial risk is spread among all our people, no one person is overburdened. More important, if the cost is spread in this manner more persons can see their doctors, and will see them earlier. This goal can only be reached through a national medical-insurance program, under which all people who are covered by an insurance fund are entitled to necessary medical, hospital and related services…..The total health program which I have proposed is crucial to our national welfare [and] the heart of the program is national health insurance. Until it is part of our national fabric, we shall be wasting our most precious national resource and shall be perpetuating unnecessary misery and human suffering.*

Truman’s call for a single comprehensive plan that would cover all ages and classes became enmeshed in Cold War politics – once again “socialized medicine” became a symbolic issue in the growing crusade against Communist influence in America. The AMA claimed that the Truman plan would make slaves out of doctors and in 1949 they used Sir Luke Filde’s famous painting *The Doctor* as a ploy to suggest the dangers of impersonal government sponsored medicine. Spending roughly $1.5 million a year on lobbying, they distributed hundreds of thousands of posters, brochures, billboards and direct mailings with the accompanying slogan “Keep Politics Out of This Picture.” The obvious implication was that the best features of American medicine would be violated if

the United States followed the European model. The campaign was enormously effective and Truman's proposal died in congressional committee. But he didn't give up.

Next he proposed a scaled back program to cover only people over age 65 but he had no more success than before. Later with John Kennedy's victory this was revived in modified form. One of his advisers declared that the AMA "subverted the will of the majority [with] methods of vilification and intimidation of anyone who does not agree with their position." But conservative opposition was adamant. In 1961 the actor Ronald Reagan, acting as spokesman for the AMA in a ten minute recording warned, "If you don't [reject national health care], this program, I promise you, will pass as surely as the sun will come up tomorrow. And behind it will come other federal programs that will invade every other area of freedom as we have known it in this country. Until one day… we will awake to find that we have socialism."

But with Lyndon Johnson's landslide victory over Barry Goldwater, a Democratic majority was swept into Congress and health care became a centerpiece of "Great Society" reforms. The AMA redoubled its efforts but now the political cards were stacked against them. By then private Blue Cross plans were operating in all states and membership nationwide was more than 60 million which was approximately one third of the total population. Most people also were enrolled in a companion Blue Shield Plan. But national health expenditures had risen to $39 billion, ten times more than in 1940.

In 1965 at a stormy session of the AMA convention, many leaders called for pragmatism but hold-outs accused them of "appeasement" or "surrender" – of leading them like sheep into "involuntary servitude." But despite their opposition, the Medicare bill passed. It was thirteen years since Truman's proposed revision and Johnson said that the country was finally harvesting "the seeds of compassion and duty" that his predecessor had sewn. President Johnson flew to Independence, Missouri to sign the bill in the presence of Harry Truman.

My purpose in discussing the history of the Birth of the Blues and related developments is to emphasize how today's rhetoric against "Obamacare" is virtually unchanged from earlier times. "Socialized medicine" is still cast as the bogeyman and any suggestion of compulsion is anathema. Despite the fact that Medicare and Medicaid and the Veterans Administration all are widely accepted - but during the last presidential election one mindless zealot pleaded "Don't let the government get their hands on my Medicare."