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WE ARE AGAINST SOCIALIZED MEDICINE, BUT WHAT ARE WE FOR?:  
FEDERAL HEALTH REINSURANCE, NATIONAL HEALTH POLICY, AND THE  
EISENHOWER PRESIDENCY

BY

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Bachelor of Arts, University of Montana, Missoula, Montana, 2012

A Thesis

presented in partial fulfillment of the requirements  
for the degree of

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in History

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We Are Against Socialized Medicine, but What Are We For?: Federal Health Reinsurance, National Health Policy, and the Eisenhower Presidency

Chairperson: Dr. Michael S. Mayer

This project investigates the foundations of post-war health care in the United States by examining the first major proposal for federal involvement in health insurance, after the defeat of national health insurance in 1949. In doing so, this project aims to also illustrate Dwight Eisenhower's presidency as one of limited liberal, or "Tory," reform. The majority of primary sources were located at the Dwight D. Eisenhower Presidential Library in Abilene, Kansas. Secondary sources were chosen based on the frequency with which contemporary scholarship continues to rely upon and engage with them.

In the first two chapters, the thesis examines the state of American health care coverage and the dialogue of reform that surrounded it. These chapters show that a significant divide existed between the quality of medical care and its availability by the 1950s. At the same time, a wide gap divided those who supported either a federal or private solution. Chapters three and four examine the evolution of reinsurance as a bill and its progress through the House of Representatives. The Eisenhower administration's approach to the issue of health care coverage rested in between liberal calls for increased federal operation and conservative demands to leave the problem for private industry to solve. Eisenhower proposed reinsurance in the hope that it would increase the number of Americans with health insurance, while fending off the socialization of medicine. The thesis demonstrates that, instead of receiving even limited support from both sides of the spectrum, reinsurance was opposed by each.

Despite the existence of a welfare state that relied on both public and private support, health insurance proved an inhospitable sector for further federal involvement in the post-war era. While the costs of health insurance prevented nearly 60 million Americans from receiving such coverage by the early 1950s, demands for a direct federal solution were overridden by the demands of industry and fears of increased government controls. Furthermore, reinsurance represented an archetypal illustration of Dwight Eisenhower's "middle way" presidency. Reinsurance was a measure of Tory reform, designed to increase welfare while preventing a more radical option.

## ACKNOWLEDGEMENTS

The idea of Dwight Eisenhower's health reinsurance plan as my thesis topic began while reading the introduction to Michael S. Mayer's *The Eisenhower Years*. This was the first I had heard of the program. After researching it further, I found very little literature dealing with health reinsurance directly. This lack of coverage, combined with my interest in the plan itself, drove me to pursue the Eisenhower plan as the ultimate focus of my graduate study. Any project of this size, especially when conducted by a "first-timer" such as myself, is the product of numerous individuals offering their own efforts and insights.

Now, two years after I began this project, I gratefully acknowledge those who helped bring this master's thesis to fruition. They include, first and foremost my advisor, Michael Mayer, history professor at the University of Montana. An exceptional teacher and mentor, he helped grow this project from an idea to the capstone of my academic career. Dr. Mayer has guided me through the world of research, writing, and even job hunting. For the members of my committee, I am grateful for their time and tremendous insights. Dr. Jeff Wiltse and Dr. Robert Saldin were each approached late in the life of this project, yet they provided support wholeheartedly. Dr. Saldin's acumen for federal health policy, combined with Dr. Wiltse's expertise in modern American social and cultural history, took the project to new areas and expanded its range and effectiveness in its present form, while offering new directions for future research.

The University of Montana's History faculty and graduate students have also proved invaluable in this process. Their courses helped me to build a foundation of historical understanding, expanding my views of both the past and present. In particular, I would like to acknowledge the assistance of Dr. Kyle Volk who tailored course projects to support my thesis,

spent countless hours working to expand and improve it, and organized the Lockridge History Workshop where I was allowed to present what became my third chapter. The tireless efforts of Diane Rapp, the department's administrator, proved extraordinarily valuable to my coursework and research. Our numerous discussions offered much needed support over the past years.

The majority of this project was built on the research I conducted while at the Dwight D. Eisenhower Presidential Library in Abilene, Kansas. Archivist Kevin Bailey spent weeks finding and preparing research material prior to my visit, while he and Chalsea Millner worked with me everyday throughout my visit. This project certainly would not have been possible without the material collected in Abilene. This research trip was made possible through a generous grant from the Montana History Department's H. Duane Hampton Fund.

I know this project could not have even begun if it was not for the support of my family, friends, and especially my wife, Allison. Not only did they endure my academic absences and preoccupations, they have consistently participated in the project's growth by listening, asking questions, and offering insight. Again, my wife Allison has proved my greatest asset. Not only did her tireless work to actually earn money allow me the ability to pursue this degree, she has continually provided balance to a life that would have otherwise been consumed entirely by academia. This thesis is dedicated to her.

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## **Introduction:**

On January 6, 1954, Dwight Eisenhower wrote to his brother Milton, one of his closest confidants and advisers, to offer his understanding of the federal government's role in the "maintenance of prosperity." Such a role, the President contended, must vary with times in which it exists. Given the economic uncertainties in post-war America, Eisenhower stated, "In these days I am sure that the government has to be the principal coordinator and, in many cases, the actual operator for the many things that the approach of depression would demand." While he did not list health care as an example within the letter, President Eisenhower's belief that the government had a role to play in American welfare foreshadowed his call for a new form of federal involvement in the field of health care.<sup>1</sup>

Eisenhower delivered his second State of the Union Address on January 7, 1954. The first Republican president in over two decades, he had won a landslide election campaigning to end what conservative Republican senator, Karl Mundt, called, "K<sub>1</sub>C<sub>2</sub>" or "Korea, Communism, and Corruption." By the end of his first year, Eisenhower had already made good on some of his pledges. The "police action" in Korea had ended the previous July. Furthermore, the corruption that had plagued Harry Truman's presidency had largely disappeared. Despite the potential for a shrinking economy in post-war America, the United States had been experiencing steady growth. After a successful first year, the former five-star General of the Army and first Supreme Allied Commander in Europe seemed to be settling comfortably into the presidency.<sup>2</sup>

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<sup>1</sup> President Dwight Eisenhower to Dr. Milton Eisenhower, January 6, 1954, Milton S. Eisenhower Papers-1954 (1), Box 14, Milton S. Eisenhower Papers, DDEL.

<sup>2</sup> Eisenhower defeated Adlai Stevenson by winning 83 percent of the Electoral College and lost only nine of the 48 states, in "Election of 1952," *The American Presidency Project*, <http://www.presidency.ucsb.edu/showelection.php?year=1952>.

The State of the Union message focused on three areas: foreign affairs, the economy, and social welfare. In foreign affairs, the speech primarily highlighted success in Korea. It also alluded to potential issues arising in the Middle East, a proposal for atomic energy, and the administration's plan for national defense for the upcoming year. With respect to the economy, the president stated he would soon make a formal request for Congress both to cut taxes and reduce the budget significantly. He then turned to welfare. Along with calls for the desegregation of Washington D.C. and a reduction in the age of suffrage, the president fo his attention to the state of health care as major part of his administration's efforts in this area.<sup>3</sup>

The major problem for American health care, Eisenhower asserted, was the growing schism between available health insurance coverage and the number of Americans actually insured. Despite the Republican president's stated opposition to the socialization of medicine, he believed that the federal government could, and should, take a number of possible actions to assist American families in meeting rising medical costs. He proposed the creation of a federal reinsurance fund to support existing private health insurance plans. With this proposal, the government would underwrite private providers against disastrous losses, thus lowering costs and encouraging such companies to expand coverage to a larger population, especially to high-risk individuals. Two weeks later, Eisenhower presented the reinsurance plan in further detail through a special, health-centered message to Congress.<sup>4</sup>

This proposal for reinsurance came at a unique point in the history of American health care. As federal and employment-based welfare had grown significantly throughout the New

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<sup>3</sup> Dwight Eisenhower, "Annual Message to the Congress on the State of the Union," *Public Papers of the Presidents of the United States, 1954* (Washington, DC: GPO, 1960) 6-22.

<sup>4</sup> Despite 92 million people covered under private health insurance, nearly 75 percent of families with annual incomes below \$2,000 had no health coverage; see Michael S. Mayer, *The Eisenhower Years* (New York: Facts on File, 2010), xvi.

Deal and Second World War, many Americans had begun to see health care coverage as both a necessity and a right. By the mid-1940s, the course of the American health care system in many ways seemed as if it was on a track towards federally sponsored, compulsory health insurance. This trajectory peaked in 1945, when Truman endorsed a plan for national health insurance to Congress as an integral part of realizing the Economic Bill of Rights that Franklin Roosevelt had proposed in 1944. Many historians cite public support for Truman's plan reaching as high as 75 percent in 1945, with only 17 percent supporting voluntary insurance as the solution for meeting rising medical costs. However, the campaign against compulsory national health insurance (led by the American Medical Association) turned the tide, resulting in only 21 percent support by 1949.<sup>5</sup>

This change in public opinion reflected several insights into the perception of government interference into American health care on the part of individuals and business alike. It should first be pointed out that a large part of the drop could easily be traced to a drop in Truman's approval rating. However, historians have also greatly attributed this change in public opinion to changing American conceptions regarding the role of the federal government in the day-to-day lives of individuals, as well a public fear of socialism and communism taking hold in the United States. More than any other organization, the American Medical Association established itself

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<sup>5</sup> The Wagner-Dingell-Murray bill of 1943 served as the basis for Harry Truman's quest for national health insurance. Roosevelt's Economic Bill of Rights included the "The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment" and "the right to adequate medical care and the opportunity to achieve and enjoy good health," in Beatrix Hoffman, *Health Care for Some: Rights and Rationing in the United States Since 1930* (Chicago: University of Chicago Press, 2012) 36; The 1945 poll that indicates 75 percent support for the plan is found in Jill Quadagno, *One Nation, Uninsured: Why the U.S. Has No National Health Insurance* (New York: Oxford University Press, 2005), 6. However, her source for that data could not be located. Her use of the 1949 poll can be found in Gallup Polls, *Public Opinion, 1935-71* (Bloomington, IN: Phi Delta Kappa, 1973), 2:801. The 17 percent figure can be found at Gallup Polls, *Public Opinion, 1935-71* (Bloomington, IN: Phi Delta Kappa, 1973), 1:578.

as a leader in the shaping of American understanding of the federal government's role in medicine. The AMA proved a deciding force in 1935, when its opposition prevented any reference to health insurance in the Social Security Act of 1935. The AMA's most significant activity in the field to that point came with its opposition to the Truman plan. Totalling \$1.5 million, the AMA's 1949 campaign against the proposal for national health insurance was the most expensive lobbying campaign in American history to that point. The success of the AMA did not necessarily demonstrate widespread support for their viewpoint. Rather, its success may well have resulted from the fragmented nature of post-war health opinions, of which the AMA ably took advantage.<sup>6</sup>

Whereas the AMA contributed to the growing opposition to increased involvement by the government, both the support for national health insurance and the unease with voluntary insurance that was seen in 1945 had not disappeared. For Democrats in Congress, the defeat of Truman's plan did not end their pursuit of a health insurance option that featured the federal government as the principal coordinator and operator. By increasing federal involvement while encouraging private expansion, the Eisenhower administration's federal reinsurance proposal was designed to fit between these two sides of the health policy spectrum. A plan that had the potential to meet the needs of the two major sides of the health debate, and which also carried the support of an enormously popular president who had a Republican majority in Congress, would seem to have had a great chance to succeed. However, Eisenhower's proposal for government-indemnified healthcare ultimately failed in fewer than two years.

Instead of seeing reinsurance as supporting private, voluntary health insurance, the AMA and a majority of insurance companies saw the plan as an attempt to increase federal regulatory

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<sup>6</sup> Paul Starr, *The Social Transformation of American Medicine: The Rise of a Sovereign Profession and the Making of a Vast Industry* (New York: Basic Books, 1982) 266-269, 289.

powers, while potentially creating an opening to socialized medicine. Proponents of federal regulation, including most congressional Democrats and labor organizations, saw reinsurance's limited scope as inadequate to effect significant change. Moreover, the Republican Party was similarly divided. The midwestern conservative wing had continued to grow in opposition to the eastern liberal wing that had controlled the national party for decades. Conservative Republicans ultimately proved an enormous obstacle not just to reinsurance, but to Eisenhower's liberal Republicanism in general throughout his presidency.

By tracing the growth of health insurance coverage from the New Deal until the rise of reinsurance, and through the plan's defeat a short time later, this project will demonstrate that the competing interests of private and public welfare proved an inhospitable environment for a plan that did not directly support either. Numerous groups, which had been historically opposed to each other, joined forces to kill a bill that had the potential to exact a measure of the change that each desired. In addition to the shortsightedness of the bill's opponents, the potential shortcomings of the bill will become evident throughout the course of the project. Both side of the political spectrum criticized the initial \$25 million dollar funding as inadequate, while Eisenhower's administration only pursued the plan for fewer than two years.

The reliance on private insurance options that began to take hold in the American conscience at this time has continued to grow until today; most recently, the Affordable Care Act of 2010. Despite numerous popular efforts for federal health options for a majority of the population, a commitment to the tenets free enterprise have often proved overwhelming.

This project's exploration of the state of health care in post-war America will also reveal a key characteristic of Dwight Eisenhower as president. As the first Republican president following the New Deal, his term might have been the moment to attack or attempt to dismantle

the dramatic increase in federal controls. However, modern historiography classifies him as a Tory reformer, and his presidency is often termed the “middle way.” Like the Tory reform of nineteenth century leader Benjamin Disraeli, Eisenhower moved to cement and, in some cases, expand liberal programs. His administration supported increases in social security benefits and expansion of coverage, enormous public works projects, and new programs on public health and education. Further, the administration made strides towards protecting civil rights.

While Eisenhower believed in these programs, he knew that reversing the popular New Deal was not possible and that attempting to do so was political suicide. Without drastically changing the New Deal, Eisenhower, in true Tory form, pursued moderate increases in order to prevent more radical change. Reinsurance serves as a perfect example of this. Seeing the demand for health care reform, with socialized medicine becoming an increasing possibility, Eisenhower moved to initiate a plan that included tenets from both sides of the political, health care spectrum. If this limited option could be reached, the more radical alternative could be avoided while still offering a solution to the millions without health insurance.<sup>7</sup>

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<sup>7</sup> For more on Eisenhower as a Tory reformer or his “middle way” presidency, see Mayer, *The Eisenhower Years* viii-ix, 200-201; Steven Wagner, *Eisenhower Republicanism* (DeKalb, IL: Northern Illinois University Press, 2006); David L. Stebenne, *Modern Republican: Arthur Larson and the Eisenhower Years*, (Bloomington, IN: Indiana University Press, 2006); and Arthur Larson, *Eisenhower: The President Nobody Knew* (New York: Scribner’s, 1968).

## Chapter One:

### Health Reinsurance, American Health Policy, and the Battle Over “Socialized Medicine”

The American health care system of the 1950s derived from the growth of state welfare during the New Deal and the Second World War. Historians have come to comprehend the development of health coverage by this point in American history as the product of competing interests. They have particularly attributed varying degrees of effectiveness to the state, private industry, and labor unions.

In "Blurring the Boundaries: How the Federal Government Has Influenced Welfare Benefits in the Private Sector," historian Beth Stevens found that the American “private welfare state” developed between the 1920s and the 1940s. She argued that the rise of the private welfare state was the product of both intended and unintended consequences by the federal government between the 1920s and 1940s. According to Stevens, early attempts by the federal government to encourage private-sector benefits through the Revenue Act of 1926 failed. The Act offered tax breaks for funds placed into pension plans as well as employee benefits in an attempt to increase private welfare offerings. She found that the tax exemptions largely went unused as corporations were more focused on maintaining employment and wage rates than with individual security. Stevens argued that private indifference to state welfare initiatives continued into the New Deal.<sup>8</sup>

When Americans quickly took advantage of the protections provided by the Social Security Act of 1935, employers responded either by integrating their existing benefit plans with

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<sup>8</sup> Beth Stevens, "Blurring the Boundaries: How the Federal Government Has Influenced Welfare Benefits in the Private Sector" in *The Politics of Social Policy in the United States*, ed. Margaret Weir, Ann Shola Orloff, and Theda Skocpol (Princeton: Princeton University Press, 1988) 126-129.

federal offerings or cutting provided benefits altogether. They argued that private offerings would only duplicate the Social Security benefits. Facing labor shortages during the war, wartime legislation encouraged an increase in private benefits as a means of increasing employment and rewarding employees. While primarily designed to raise taxes to support war efforts, the Revenue Act of 1942 included two provisions that stimulated private pensions. The first required that benefit plans cover at least 70 percent of a company's employees in order to receive tax exemptions for payment made into employee pensions. The second created an 80-90 percent tax on excess corporate profits, causing employers to invest excess profits into benefit programs. Stevens finds that the new law resulted in an increase of employer contributions from \$171 million in 1941 to \$857 million in 1945. By the end of the war, health insurance coverage had tripled the 1941 levels. World War II proved to be one of the most influential forces in the history American health insurance.<sup>9</sup>

Stevens found that the period immediately following the end of the war was the moment when "federal influence on the development of private-sector benefits entered its most direct phase." Responding to pressure from labor and "autonomous interests," the federal government came to place private benefits within the framework of collective bargaining. Stevens argued that was the moment that the state moved to "rationalize and institutionalize" the private welfare state. Government influence that had begun as "inadvertent" byproducts had, by the 1950s, shifted to a conscious belief that encouraging private benefits provided labor harmony and prevented union pressure for public programs.<sup>10</sup>

Historian Sanford Jacoby examined the actions of private industry in the creation of the growing private welfare state in his article, "Employers and the Welfare State: The Role of

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<sup>9</sup> Ibid. 130-134.

<sup>10</sup> Ibid. 134,126.

Marion B. Folsom." Jacoby used Marion Folsom, one of the pre-war era's leading advocates of welfare capitalism, to illustrate the growing corporate support for basic federal intervention as means of limiting local welfare costs while both maintaining and boosting private fringe benefits. In order to centralize corporate power and protect its interests during the creation of the Social Security Act of 1935, Folsom lobbied employers to support Social Security against more radical alternatives. He found that Social Security would act a Keynesian stabilizer, which "could coexist with – even subsidize – private efforts." Jacoby found that Folsom's contributions to the creation of the Act successfully provided protections for the private sector as well as lent a corporate structure to the pre-war welfare legislation.<sup>11</sup>

Much of the attention previously focused on Social Security before World War II shifted to the "unsettled question" of national health insurance after the war. Now chairman of the National Association of Manufactures' social security committee, Folsom argued that such coverage should be "purely private" and focused his attention of defeating the Wagner-Murray-Dingell bill for national health insurance. He and the NAM sought to replace such a plan with substantially increased private health benefits. Labor unions followed suit by similarly pushing for increased private pension benefits. Without support from business and labor, the national health insurance bill failed. Health benefits had become the domain of bargaining between

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<sup>11</sup> Sanford Jacoby, "Employers and the Welfare State: The Role of Marion B. Folsom," *The Journal of American History* 80, 2 (Sep. 1993): 525-556, 525-526. Jacoby defined welfare capitalism, as "A movement whose main idea was that corporations, rather than trade unions or government, should form the central structure in a society's welfare system." Marion Folsom's testimony to the Senate Finance Committee in 1935 requested the inclusion of several final protections and incentives for the private sector, most of which were included in the final Social Security legislation. See 540.

business and labor. Folsom later recalled, that by 1953, “you didn’t find any business people against social security.”<sup>12</sup>

Following the atrocities of World War II, international organizations began to include health as a key component of social justice. The World Health Organization’s constitution of 1946 stated, “the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being.” The United Nations declared the right to medical care in its Universal Declaration of Human Rights of 1948. Furthermore, many developed nations began to offer “cradle-to-grave” welfare in the form of pensions, unemployment insurance, and medical coverage. Beatrix Hoffman argued in *Health Care for Some: Rights and Rationing in the United States Since 1930*, that the American belief in the “individuals’ right to be free from government interference and to choose freely in the marketplace” precluded such comprehensive welfare action in the United States. For her, this fit into the classic American belief that often saw individual rights as impeding or contradicting social rights. She maintained that this “notion of rights” played, and continues to play, a crucial role within the evolution of the American health care system.<sup>13</sup>

When the Great Depression left millions of Americans unable to pay the costs of medical care, the federal government began providing numerous forms of emergency relief to private hospitals and other health care facilities. By 1935, Hoffman noted that financial support for voluntary hospitals from the government surpassed private funding. Federal support for health

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<sup>12</sup> Ibid. 550-551.

<sup>13</sup> Article 25 of the “Universal Declaration of Human Rights,” December 10, 1948, <http://www.un.org/en/documents/udhr>; “Constitution of the World Health Organization,” July 22, 1946, [http://whqlibdoc.who.int/hist/official\\_records/constitution.pdf](http://whqlibdoc.who.int/hist/official_records/constitution.pdf); Hoffman xix-xx. Hoffman’s book demonstrates the impact of private industry beyond its more tangible actions. She argued that American beliefs in individual choice within the construct of a free market ideal deeply affected popular support against increased state interventions.

care continued into wartime, when President Roosevelt proposed his Economic Bill of Rights in January of 1944. The bill included two portions that specifically addressed government protected rights to health care. While the plan marked one of the heights of proposed national health care before 1950, the failure of his plan to reach the status of law or policy demonstrated part of the dramatic shift away from health care as a “right” in the post-war era.<sup>14</sup>

By the 1950s, Harry Truman’s plan for national health insurance had failed. The United States was not following the movements of many international “cradle-to-grave” models of health care provision. Within Congress and the overall health care system, “ideas about universal rights were pushed back in favor of the ideology and practices of US-style rationing.” Hoffman found that, while the quality of health care in the United States grew exponentially in subsequent years, the benefits of such health care were not provided to all. Health care would not be provided as a “right,” but as economic options for those who had the ability.<sup>15</sup>

In his article, “Health Security for All? Social Unionism and Universal Health Insurance,” Alan Derickson focused on the role of labor in the development of health insurance by focusing on the actions of the American Federation of Labor, which represented the “progressive” force within conservative unionism. Before the 1930s, Derickson found that American labor generally opposed legislative proposals for health security, as demonstrated by the first president of the AFL, Samuel Gompers. Gompers publicly opposed compulsory health insurance and argued that workers should help themselves by paying the union dues that paid for their benefits. This changed sharply in the 1930s, when the United States was plunged into depression that caused a large percentage of the workforce to lose their jobs. As millions of

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<sup>14</sup> Ibid. 20; Roosevelt’s Economic Bill of Rights included the “The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment” and “the right to adequate medical care and the opportunity to achieve and enjoy good health.” Ibid. 36.

<sup>15</sup> Ibid. 62.

workers no longer had access to work-based health coverage, labor interests began to pursue compulsory health insurance. Labor leaders concluded that the 1935 Social Security Act “completely ignore[d]” dependency caused by illness, which had become a primary issue for labor. The AFL responded by fully endorsing the creation of “socially constructive health insurance legislation through Congress and the individual states.”<sup>16</sup>

The labor-led support for health reform transformed into support for the 1943 Wagner-Murray-Dingell bill, which sought to provide health security to all Americans by creating federally funded and compulsory national health insurance. The momentum peaked in 1945, when Truman endorsed the plan to Congress as an integral part of Roosevelt’s Economic Bill of Rights and numerous national organizations joined the coalition. Derickson argued that labor’s attempt to incorporate a comprehensive array of interests into the coalition proved to be the “crucial flaw” within the campaign by permanently altering its public perception. While national health care had been originally seen as a move to increase the security of Americans, it was now viewed as a ground for “interest group maneuvering.” Derickson determined that labor’s failure to identify and fix this issue contributed to the failure of Truman’s plan for national health insurance.<sup>17</sup>

Following the failure of organized labor to effectuate dramatic reform in federal health policy by 1950, Derickson argued that labor changed its stance on health benefits. It “retreated” away from advocating universal coverage and shifted toward proposals that worked within

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<sup>16</sup> Alan Derickson, “Health Security for All? Social Unionism and Universal Health Insurance,” *The Journal of American History* 80, 4 (Mar. 1994): 1333-1356, 1334-1338; In 1937, the new president of the AFL, William Greene, argued that the advent of a significant illness for 90 percent of Americans would create “heavy indebtedness” and that the state should intervene “to provide adequate health care for all.” *Ibid.* 1338.

<sup>17</sup> *Ibid.* 1341-1343. However much President Truman may have believed in the plan, Derickson argued that it was labor’s support for his vice-presidential nomination that played the biggest role.

existing structures of employment-based coverage. This shift was the death knell for labor's support for compulsory health care. As a consequence, "health security for some thus precluded the possibility of health security for all."<sup>18</sup>

In *One Nation, Uninsured: Why the U.S. Has No National Health Insurance*, historian Jill Quadagno argued that the actions of "the interest groups, stupid" provided the definitive explanation for a lack of American national health insurance. Her examination on the first half of the twentieth century covered the rise of the Progressive Era's campaign for compulsory health insurance, the dramatic increase of social welfare during the New Deal, and the postwar return to private welfare. Throughout this history, Quadagno illustrated the upward trend of interest groups.<sup>19</sup>

Despite the significant support for compulsory health insurance that existed before the Second World War, she found that interest groups systemically defeated each one of the options. In 1917, the American Association for Labor Legislation backed a bill in seventeen states that would offer workers free medical services, hospital care, sick pay, and a death benefit that was initially passed in the state of New York. Fearing this as the "wedge" that might lead to the end of the insurance industry, various New York insurance companies joined the American Federation of Labor in an effort to repeal the bill. When it was killed in congressional committee, she finds that push for compulsory health insurance in the Progressive Era had died with it.<sup>20</sup>

The New Deal saw a parallel potential for compulsory health care and a comparable defeat at the hands of interest groups. As the Roosevelt administration worked to create the

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<sup>18</sup> Ibid. 1356-1354

<sup>19</sup> Quadagno 6.

<sup>20</sup> Ibid. 21.

largest federal economic aid package in American history, it considered including national health insurance. Quadagno maintained that when the American Medical Association heard of this in 1934, they adopted a resolution arguing that medical services should be under the domain of the medical profession. They then “bombarded” Congress with various messages condemning compulsory health insurance. Fearing the potential failure of the entire Social Security Act, Roosevelt chose, “at the last minute,” to cut out the provision for national health care. While this case demonstrated the strength of the AMA and the rest of the medical lobby, Harry Truman’s struggle for national health insurance signaled its “arrival” as force in American politics. In order to kill Truman’s proposal, the AMA successfully used American fear of socialism and the public trust of physicians to reduce public support for the plan drastically. Quadagno argued that, as physicians became deeply involved in the political fight against national insurance, they lost much of their status as professionals and became one of the increasingly powerful interest groups.<sup>21</sup>

Political scientists Sven Steinmo and John Watts argued that the United States does not have comprehensive national health insurance, “because American political institutions are biased against this type of reform.” Their article, “It’s the Institutions, Stupid! Why Comprehensive National Health Insurance Always Fails in America,” found that a series of political reforms, from the Progressive era until the mid-1970s, further divided the inherently “fragmented” American political system. They argued this structure granted large amounts of

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<sup>21</sup> Ibid. 22-23, 46.

power to unyielding interest groups, thus making national health insurance impossible to achieve.<sup>22</sup>

Literature dealing with Eisenhower's plan for health reinsurance directly has been limited. Existing works have placed the story of reinsurance as a benchmark in the long line of failed attempts to achieve federally based health care in various forms. For Jacob Hacker, author of *The Divided Welfare State*, reinsurance demonstrated Eisenhower's belief in "preserving and strengthening existing social policy." Yet, Hacker also argued that the reinsurance proposal offered too little financial support for insurance companies to allow federal regulation in their industry. Without their support, "the bill was crushed." James Sundquist used reinsurance as an example of Eisenhower's "middle of the road" approach to politics. Sundquist found that the president apparently "felt pretty good" when he was criticized from both sides of an issue. He quoted Eisenhower as stating, "it makes me more certain I'm on the right track." In *The Heart of Power: Health and Politics in the Oval Office*, David Blumenthal and James Morone found that reinsurance typified Eisenhower's middle way approach to reform. They contended that the plan was meant to offer better health care for all, while also blunting "Democratic efforts to win more ambitious and expensive programs." They concluded that despite the plan's merits, reinsurance received little support from interests that pursued both an increase and decrease in federal regulation. Jill Quadagno concluded that the failure of the plan indicated the rise of the self-serving interests of the medical profession, especially that of the American Medical Association.

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<sup>22</sup> Sven Steinmo and John Watts, "It's the Institutions, Stupid! Why Comprehensive National Health Insurance Always Fails in America," *The Journal of Health Politics, Policy, and Law* 20,2 (1995): 329-372, 329.

After this failure, she contended that private health insurance rapidly expanded and became the sole enterprise of large corporations.<sup>23</sup>

When Eisenhower took the oath of office, American health care was already in a state of turmoil. From 1945 until the end of his presidency, Truman had pursued nationally subsidized health care through his support for the Wagner-Murray-Dingell Bill. The bill for national health care, which had failed to gain the support of President Roosevelt, now faced an unprecedented level of opposition from the AMA. Indeed, the AMA so feared the possible success of the bill, that it opened its first lobbying office in Washington D.C.<sup>24</sup>

On September 6, 1945, Truman proposed a package for post-war reconstruction that included an expanded form of Social Security, an increase in the federal minimum wage, a program of full employment, a broad housing program, and a national health care plan. Two months later, the president went back to Congress in order to propose his plan for national healthcare; it was introduced through the reincarnated Wagner-Murray-Dingell bill. The bill, which attempted to add national health care to Social Security, failed the next year in a Republican Congress.<sup>25</sup>

Following his only election as president, Truman renewed his support for federally operated health care. He returned to Congress in 1949 and asked for the adoption of the plan, arguing that the private health care system was leaving millions of Americans without coverage. If the United States were to adopt national health coverage, he argued, it would “mean that

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<sup>23</sup> Jacob S. Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (New York: Cambridge University Press, 2002), 238-239; James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Washington D.C.: The Brookings Institution, 1968) 420; David Blumenthal and James A. Morone, *The Heart of Power: Health and Politics in the Oval Office* (Berkeley: University of California Press, 2009) 112-113; Quadagno 46-47.

<sup>24</sup> Hoffman 58.

<sup>25</sup> Quadagno 38.

proper medical care will be economically accessible to everyone covered by it, in the country as well as in the city, as a right and not as a medical dole.” Despite this impassioned call, Truman abruptly stopped publicly pursuing the cause. The numerous other divisive issues that faced the president, such as accusations of Communist infiltration into his own administration and the Korean War, led Truman to withdraw from his leadership in the fight over health insurance. That role fell on the shoulders of the newly created Committee for the Nation’s Health.<sup>26</sup>

This new organization, which had been founded in 1946, included former First Lady Eleanor Roosevelt; president of the American Federation of Labor, William Green; businessman and former president of General Electric, Gerard Swope; and two-time president of the Massachusetts State Medical Society, Channing Frothingham. Although it contained the expertise and representation of many leaders of business, labor, and medicine, the proposal’s opponents proved far more effective in mobilizing popular resistance.

The primary opponent was the American Medical Association. It collected \$25 from each of its members, creating a war chest that paid for opposition measures such as hiring the public relations firm Whitaker and Baxter to create a national campaign against health care reform. This campaign included the use of a well-known painting of doctor at the bedside of sick child with the words “Keep Politics Out of This Picture,” which was sent to 65,000 physicians to be placed in their waiting rooms.<sup>27</sup>

Beatrice Hoffman contended that opponents primarily feared the potential harm that increased government control might have on the economy, especially the personal economy of physicians and the medical industry as a whole. Furthermore, challengers to the bill argued that

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<sup>26</sup> Laurence Burd, “Truman Asks Congress O.K. of Health Plan: Compulsory Insurance is Proposed,” *Chicago Daily Tribune*, April 23, 1949, 4; Hoffman 59.

<sup>27</sup> Hoffman 59-60.

the proposal would threaten the autonomy of medical professionals, thus eroding the quality of American medical care. The most significant of all the arguments contended that the very essence of the plan was contradictory to democracy, tagging it “Soviet-style socialized medicine.” Despite the popular support for the majority of New Deal programs, which had already increased the size of the federal government dramatically, the arguments against federal control of health care proved successful. Public support dropped to 21 percent in 1949. The proposal would never see the public support it had in 1945.<sup>28</sup>

Despite the defeat of Truman’s proposal for national health care, the issues of American medicine were far from settled. The large segment of Americans who had wanted a significant extension of health care coverage in the mid-1940 had become dissatisfied with the progress of Truman’s plan. Nonetheless, many continued to support a federal solution. At the same time, Eisenhower understood that the majority of Americans, especially those lacking medical insurance, would not settle for the existing system.<sup>29</sup>

In July of 1917, chairman of the Preventive Medicine Section of the AMA, Dr. Otto P. Grier, wrote a piece for *The New York Times* calling for an increased role for “Federal, State, and municipal health works.” Dr. Grier believed that “this type of socialized medicine will...discover disease in its incipency; it will prevent loss from illness.” He also argued that the socialization of medicine would mean, “the raising of the standards of medical practice.” While opponents of federal involvement came to use the term “socialized medicine” in a

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<sup>28</sup> Ibid. 60; Gallup Polls, *Public Opinion, 1935-71* (Bloomington, IN: Phi Delta Kappa, 1973), 2:801.

<sup>29</sup> Diary Entry, July 14, 1954, James C. Hagerty, *The Diary of James C. Hagerty: Eisenhower in Mid-Course, 1954-1955*, ed. Robert H. Ferrell (Bloomington, IN: University of Indiana Press, 1983), 90.

derogatory manner in the 1930s, this clearly had not always been the case. In the period after World War II, the term mostly referred to compulsory systems of universal health care to be operated and regulated through the federal government. Not all who used the term understood it in exactly this way. The phrase “socialized medicine” in the 1930s, and after, was increasingly tied into American anticommunism. As early as the Sheppard-Towner Act in 1921, historian Colin Gordon found that the AMA began to use the term “as a lightning rod for New Era red-baiting.” By 1948, Gordon contended that “medical McCarthyism really picked up steam after 1948” as the Wagner-Murray-Dingell bill progressed through Congress and “anticommunist posturing increasingly dominated partisan politics.” Reinsurance rarely received designation as “socialized medicine” from the AMA or their fellow opponents. Instead, they argued it would have opened the door to the socialization of medicine.<sup>30</sup>

The concept of “professionalism” also played a significant role in the story of reinsurance. According to sociologist Magali Larson, the “professional phenomenon” developed as groups, such as medicine, formed professional associations and created their own training, forms of self-governance, and codes of ethics. As this continued, public perceptions of physicians as a public good combined with medicine’s esoteric knowledge to elevate doctors to an elevated status. The AMA was able to use its status as a profession to shape public opinion in a manner that none of the other opponents of reinsurance could. The public trusted doctors with their health and it looked at the medical profession as an expert in the field of health coverage.

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<sup>30</sup> “World at War is Facing a Shortage of Doctors,” *The New York Times*, July 1, 1917; The Sheppard-Towner Act of 1921 provided federal funding for maternity and child care, in Colin Gordon, *Dead On Arrival: The Politics of Health Care in Twentieth-Century America* (Princeton: Princeton University Press, 2003) 142; *Ibid.* 142-144.

Thus, the AMA and the profession that it represented proved to be a particularly effective opponent of both national health insurance and Eisenhower's reinsurance plan.<sup>31</sup>

Using current scholarship as a barometer, the struggle over federal health reinsurance seems to be relatively minor in comparison to that of the Truman plan or even future proposals such as Medicare and the Affordable Care Act. Nonetheless, this particular time in the history of American medicine provides an opportunity to understand its modern foundations and the evolving function of the federal government. As the health needs of Americans came up against the economic drive of private industry, the social role of public and private welfare were continually reconceptualized. Furthermore, the proposal for reinsurance demonstrated Dwight Eisenhower's "middle way" presidency and his approach to reform.

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<sup>31</sup> Magali Sarfatti Larson, *The Rise of Professionalism: A Sociological Analysis* (Berkeley: University of California Press, 1977) 208. For historical analyses of the process of professionalization, see Burton J. Bledstein, *The Culture of Professionalism: The Middle Class and the Development of Higher Education in America* (New York: Norton, 1976) and Mary O. Ferner, *Advocacy and Objectivity: A Crisis in the Professionalization of American Political Science, 1865-1905* (Lexington: University of Kentucky Press, 1975).

## Chapter Two:

### Post-War Health Policy and the “Fratricidal Twin Brothers”

In his analysis of the Republican Party at the presidential election of 1952, historian Steven Wagner characterized the divided GOP as the “fratricidal twin brothers.” The popularity of President Franklin Roosevelt and his New Deal worked to split Republicans. Accepting the more expansive role of the federal government as a popular edict, the more powerful, liberal wing of the Republican Party put forth presidential nominees who likewise supported the continuation of New Deal programs, including Alf Landon in 1936 and Thomas Dewey in 1944 and 1948. For conservative Republicans, Dewey’s defeat in 1948 further proved that their counterparts had betrayed the historical tenets of the Grand Old Party and that doing so did not lead to a victory. In addition, liberal Republicans supported Truman’s policy of containment and his Europe-centered approach to foreign policy. The opposing notions with respect federal responsibility and foreign policy represented the “fratricidal twin brothers.”<sup>32</sup>

After another Democratic victory in 1948, conservatives responded by placing their full weight behind the dominant conservative leader, Senator Robert Taft of Ohio, for president in 1952. Looking to defeat Taft, liberal Republicans enlisted a popular war hero, Dwight D. Eisenhower, to run for the nomination. The subsequent struggle between Eisenhower and Taft further divided the party both philosophically and geographically. The mid-Atlantic states became the center for liberal Republicans, while the midwestern states formed the base for

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<sup>32</sup> This characterization by Wagner drew on Theodore White’s *The Making of the President, 1960* (New York: HarperCollins Publishers, 1961). White found this from the beginning of the Republican Party, when “Pure New England abolitionists let their conscience be joined with the skills of some of the most practical veterans of the old Whigs to form a party that would end slavery,” in Steven Wagner, *Eisenhower Republicanism* (DeKalb, IL: Northern Illinois University Press, 2006), 3.

conservatives. While the eastern and midwestern powers proved to be largely equal, Eisenhower's popularity proved the force needed to tip the party towards another liberal nominee.<sup>33</sup>

While Dwight Eisenhower's popularity led the way to his comfortable election as president, his party's factionalism presented significant barriers for Eisenhower's legislative agenda. The party schism that had greatly increased from 1948 until 1952 did not disappear when Eisenhower was elected. Eisenhower's coattails and the success of conservatives in congressional elections led the way for a Republican majority in the House of Representatives and the Senate. At the same, while liberal Republicans controlled the national party, strong Democratic opposition in the mid-Atlantic states (where liberal Republicans were strong) combined with weak Democratic opposition in the Midwest (where Republicans were most able to win elections), led conservatives to control the majority of Republican seats in Congress. Despite the party's control of Congress and the White House, its division often aided Democratic opposition to Eisenhower's legislative proposals. This struggle was especially visible in the pursuit of health care reform that had intensified over Harry Truman's push for national health insurance. While most Democrats continued to push for compulsory health insurance, conservatives wanted to limit federal power in the field of health care. Liberal Republicans largely sat in the middle.

This chapter will examine the state of the Republican Party in the years leading up to Eisenhower's election, as well as his first year as president. National health policy proved to be a major issue in the 1952 election. Eisenhower continued the traditions of the eastern wing of his party by campaigning on a platform of reform while simultaneously speaking out against the

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<sup>33</sup> Ibid. 3.

potential pitfalls of socialized medicine. A personification of liberal Republicanism, Eisenhower fashioned his campaign and subsequent presidency as a “middle way” between the right and left political extremes. His military career provided the tremendous popular support that would propel him into the White House, yet his middle-of-the-road approach often received little support from conservative Republicans and Democrats in Congress.

Eisenhower’s eventual proposal for federal reinsurance of voluntary private and nonprofit health insurance embodied his “middle way” legislation, while continued opposition from both Democrats and conservative Republicans typified the difficulty of passing such a plan in post-war America. When viewed on a grander scale, reinsurance entered into the long-standing debate concerning the role of the federal government in the lives of its citizenry. Whereas conservatives wanted less interference and liberals wanted more regulation, reinsurance offered a middle ground. Rather than compromise, however, each side of the spectrum held firmly to its ideological position.

The successor to a line of liberal Republican leaders, Thomas Dewey had come to exemplify liberal Republicanism in the 1940s. Dewey’s internationalist foreign policy and belief in social reform had made him a favorite of the American middle-class professionals who had become disillusioned with the Democratic Party’s racist southern fringe and its anti-business components. This professional middle-class formed the basis of Republican liberalism. They supported an American presence in post-war international organizations and the continuance of

many New Deal programs. Repeated defeats at the hands of Democrats, however, undermined support for the liberal wing and increased support for a conservative nominee.<sup>34</sup>

When Republicans reclaimed Congress in 1947, conservative Republicans assumed positions of power. Robert Taft (R, OH) became chairman of the Senate Republican Policy Committee and Joseph Martin (R, MA) became Speaker of the House. The newly conservative Congress began to combat New Deal-style legislation supported by liberal Republicans, Democrats, and president Truman. This infighting continued into the Republican National Convention of 1948. While Dewey won the Republican nomination, the party had become deeply divided. Moreover, the conflict between the 80<sup>th</sup> Congress and Truman led many to view the GOP as both inflexible and reactionary. Harry Truman used this perception to claim another victory for Democrats in 1948.<sup>35</sup>

While Truman's push for national health insurance had been dead for over a year, health care reform remained a major point of contention within American politics. The June 1950 issue of *Cosmopolitan Magazine* included an article written by Eleanor Roosevelt, entitled "If I Were a Republican Today." The former First Lady chided the Republican Party for not acting as an opposition to Democrats. She argued that limited Republican support for internationalist foreign policy and increased welfare spending were making the parties too similar. Roosevelt believed that it had become "difficult to form a clear-cut idea of what the two political parties actually represent." When she viewed the Republican platform, Roosevelt found "that it had some curiously reminiscent planks that might almost have made their first appearance in the New Deal." She complained that Republicans had chosen to support New Deal programs and

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<sup>34</sup> Nicole C. Rae, *The Decline and Fall of the Liberal Republicans From 1952 to the Present* (New York: Oxford University Press, 1989), 33-34.

<sup>35</sup> *Ibid.* 34-35.

opposed Democrats by stating that they could run these programs more efficiently. Eleanor Roosevelt was undoubtedly targeting the liberal wing of the Republican Party.

“If I were a Republican today I think I would ask my Party to take a clear-cut stand. At present it is not clear-cut.” The first “clear-cut” stand Roosevelt suggested they make was a position on Truman’s national health insurance bill. She argued that Republicans opposed the legislation as “socialized medicine,” yet they acknowledged the need for more medical services; “...and so they are vaguely for better medical care without specifying exactly how it is to be accomplished.”<sup>36</sup>

The Republican Party responded in August of 1950. In more than thirty pages, “A Point-By-Point Reply to Eleanor Roosevelt’s ‘If I Were Republican Today,’” addressed each comment from the *Cosmopolitan* editorial. With regard to their “unclear” stance on medical care, Republicans asked, “Now, what is so confusing about a Republican statement that specifically announces (as in the 1948 Platform) that Republicans stand for ‘strengthening of Federal-State programs...where the need is clearly demonstrated?’” They further quoted the platform by asserting that federal aid “must avoid socialization of the medical profession or of any other activity.”

In response to Roosevelt’s statement that Republicans were “vaguely for better medical care,” the document listed bills such as the Hill-Burton “Hospital Survey and Construction Act” and the establishment of health organizations such as the U.S. Public Health Service’s National Heart Institute. Regardless of the Republican stance on health care reform, it was clear that it was an issue with which the party was acutely concerned. Over the next few years, the GOP

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<sup>36</sup> Eleanor Roosevelt, “If I Were a Republican Today,” *Cosmopolitan Magazine*, June 1950, 29, The Eleanor Roosevelt Papers Project, George Washington University, Washington D.C. [http://www.gwu.edu/~erpapers/documents/displaydoc.cfm?\\_t=articles&\\_docid=artc026712](http://www.gwu.edu/~erpapers/documents/displaydoc.cfm?_t=articles&_docid=artc026712)

continued to refine its stance on health care as a major part of its effort to elect the first Republican president since Herbert Hoover left office in 1933.<sup>37</sup>

By 1952, the quality of medical care and the measures needed to improve it became the primary health concern of the Republican Party. While their updated platform in 1952 stated, “medical care cannot be maintained if subject to federal bureaucratic dictation,” it also asserted that the government should have a role in the health of the American people; “There should be a just division of responsibility between government, the physician, the voluntary hospital, and voluntary health insurance.” Making its obligatory stand against the “bureaucratic dead weight” of socialized medicine, the 1952 platform defined it as exceedingly expensive, inefficient, and devoid of quality medical standards. The party recognized the need for reform and stated that if the federal government was to have a role in such a change, it must be as stimulator of existing voluntary systems “without federal interference in the local administration.” These terms fell directly in line with Eisenhower’s own beliefs.<sup>38</sup>

On June 5, 1952, Eisenhower’s presidential campaign came to the general’s hometown of Abilene, Kansas. After delivering a speech on the aims of his potential presidency, Eisenhower opened up to questions from the press. When he was asked if he was “for compulsory health insurance,” Eisenhower answered that in his time away from the military “no one spoke out more than I did against the centralization of power in Washington,” including the socialization of medicine. The presidential hopeful reasoned that such a submission to a central authority would lead to socialism, “beyond pure socialism I believe lies pure dictatorship, and you don’t escape

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<sup>37</sup> A Point-By-Point Reply to Eleanor Roosevelt’s “If I Were Republican Today”, August 1950, Research Division Republican National Committee, Political-Republican National Committee Publications [A Point-by-Point Reply to Eleanor Roosevelt’s “If I Were a Republican Today”; The Hoover Commission Reports], Box 201, James P. Mitchell Papers, DDEL.

<sup>38</sup> Health Plan, 1952 Republican Platform, July 7 1952, Health, Box 7, Campaign Series, Papers of Dwight D. Eisenhower as President, DDEL.

it.” This belief did not inhibit Eisenhower’s conviction that decent medical care was a right that should be afforded to all Americans. Eisenhower stated that in his time as president of Columbia University, he had witnessed the “embarrassing” costs of medical education. As many medical schools had become desperate for funding, they had turned to the government for support. In an attempt to curb the trend towards federal medical regulation, Eisenhower had organized private funding for the school. “If we didn’t, I believe that it [would have been] the first step towards the socialization of medicine and I am against socialization! That is my answer.” Throughout the primaries, Eisenhower reaffirmed Republican calls for health reform through existing private and voluntary systems, while opposing national health care.<sup>39</sup>

The Republican National Convention in July of 1952 became a window into the party’s intense division. The convention began with Taft’s supporters charging Dewey and party liberals with failing to secure a Republican president in twenty years. Conservatives characterized them as “the same old gang of eastern internationalists and New Dealers who ganged up to sell the Republican Party down the river in 1940, in 1944, and in 1948.” The early support for Taft faded as refrains of “Taft can’t win” grew louder. On the first ballot, Dwight Eisenhower won the nomination, causing the opposition to swear revenge against the “Eastern kingmakers.” With the Republican nomination in hand, Dwight Eisenhower began his campaign against Democratic nominee and Governor of Illinois, Adlai Stevenson.<sup>40</sup>

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<sup>39</sup> Excerpt from General Eisenhower’s Abilene Press Conference, June 6, 1952, Health, Box 7, Campaign Series, Papers of Dwight D. Eisenhower as President, DDEL.

<sup>40</sup> Geoffrey Kabaservice, *Rule and Ruin: The Downfall of Moderation and the Destruction of the Republican Party, from Eisenhower to the Tea Party* (New York: Oxford University Press, 2012), 11. For more on Eisenhower and the 1952 presidential campaigns, see William B. Pickett, *Eisenhower Decides to Run: Presidential Politics and Cold War Strategy* (Chicago: Ivan R. Dee Publishing, 2000).

As the November election neared, Eisenhower's campaign became acutely concerned with the problem of health care, especially opposing the inequities of potential socialized medicine. Having seen such practices in "many nations of the old world," Eisenhower refused to recommend "such a disaster" or any step in that direction. He condemned the Truman administration for attempting to subsidize medical education, "because what the government subsidized it must eventually control." The general continued by voicing his appreciation for American doctors and the advances of American medicine. He lionized the "relationship of trust and confidence" that existed between doctor and patient. Eisenhower contended that if a bureaucratic system of medical care were created in the field of American medicine, medical advancements and doctor-patient relationship would deteriorate. "To tamper with the foundation of all the healing arts," he maintained, "is to run a catastrophic risk." Eisenhower promised that, if elected, the solution would not be compulsory. Rather, it would rely on "the immense forces of voluntary health insurance and all other state and local agencies." The answer, he believed, would come from the private sector if it were allowed to remain "unlegislated and unfettered by any federal government control."<sup>41</sup>

In October of 1952, the Research Division of the Republican National Committee released "Republicans, Social Security, and Health." The piece sought to paint the Republican Party as a long-time supporter of social security. In 1935, the document stated, "Republicans voted overwhelmingly for the original Federal Social Security Act." This support continued for each amendment to the Act, as the party contended that such measures offered the best opportunity to "meet the need of all Americans and at the same time further a sound economy." The publication used Eisenhower's statements as evidence of Republican plans to extend the

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<sup>41</sup> Draft Statement on Medical Care, October 1952, Statement on Medical Care, Box 7, Stephen Benedict Papers, DDEL.

social security program. For example, on October 9, Eisenhower said, “the millions of our people who ought to be covered by it and are not will be covered.”

Again quoting Eisenhower, the statement on social security turned to the issue of compulsory health insurance: “Federal compulsion, with our health supervised under a Washington stethoscope, is not American and it is not the answer. Instead of more and better medical care, it would give us poorer medical care.” Representing the Republican platform, Eisenhower called for the reinforcement of existing voluntary health programs that had demonstrated tremendous growth in the last decade. Nonetheless, Eisenhower Republicans found that such private systems alone were not enough to cover issues such as catastrophic illness. “For the purposes like this” Eisenhower said, “the usefulness of Federal loans or other aid to local health plans should be explored.”<sup>42</sup>

The broader Republican health plank in 1952 included Eisenhower’s appeal for limited federal involvement. The GOP stated that it would support plans that placed “individual responsibility” at the forefront of health care reform, which it believed the Truman plan had lacked. The party also objected to the quality of benefits and the costs that would be associated with compulsory health insurance. The Republican statement argued that existing voluntary plans provided extensive hospital coverage, while the Truman plan would only provide a maximum of 60 days of the “least expensive multiple-bed accommodations available.” In terms of cost, Republicans claimed that by paying for the costs of health coverage through federal taxes, all Americans would pay into the scheme, “whether entitled to a benefit or not.” On the

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<sup>42</sup> “Republicans, Social Security, and Health,” Research Division of the Republican National Committee, Political-Republican National Committee Publications, October 1952, Box 201, James P. Mitchell Papers, DDEL.

other side, they saw private plans as flexible enough to tailor their costs and care to the services available in a given area, and only those who received benefits would pay into the system.<sup>43</sup>

The health plank closed by quoting Dwight Eisenhower's "middle way" approach to the issue: "legislation which compels you to join in a Federal health insurance plan is wrong." At the same time, Eisenhower argued that it was "morally and ethically wrong" to not address individual inability to pay for "adequate" health care and that "Federal aid to local health plans that helps make medical care available to those who need it is right." The platform contended that experimentation in the health field was needed before a solution could be found. It also noted that two types of solutions had begun to be introduced within this "middle way." The first left the majority of control to the state and local levels and not to a federal administrator. The second called for direct federal action, including "reinsurance by the federal government of voluntary health insurance policies," as well "indirect subsidies" for those purchasing health insurance through deduction of cost from federal income tax. The Republican message closed by stating that no sufficient solution would be possible until a Republican administration took office and brought with it "the firm knowledge that the nation will not have to submit to compulsory health insurance."<sup>44</sup>

While the infighting between the liberal and conservative wings of the Republican Party reached a fevered pitch at the party's convention, the presidential election was far more one-sided. Dwight Eisenhower won in a landslide, becoming the first Republican president in twenty years. In addition, Republicans gained control of the House and Senate. Eisenhower's immense

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<sup>43</sup> Ibid.

<sup>44</sup> The plans that focused on state and local controls included the creation of plans to support individual unable to "pay the whole costs of medical care," creation of "certain free medical services and medicines" for individuals, state subsidy to voluntary health insurance companies, and federal grants to states for health provisions, in *ibid*.

popularity had all but guaranteed that he would be elected, but it also covered up the deep factionalism within his party. While newly elected conservative Republicans in Congress were keen on overturning liberal domestic policies, Eisenhower refused to follow suit. The new president recognized that Americans saw the welfare state as essential and that removing it would be a radical act. In a letter to his conservative older brother Edgar, he warned “should any political party attempt to abolish social security and eliminate labor laws and farm programs, you would not hear of that party again in our political history.” Dwight recognized that a “tiny splinter group” believed this was possible, but “their number is negligible and they are stupid.” While Dwight Eisenhower clearly saw the political pitfalls associated with removing social welfare programs, his choice to support them also came from his personal belief that the federal government had a responsibility to offer such social supports.<sup>45</sup>

As he launched his administration, Eisenhower continued his support for the continuation, and often the growth of New Deal programs. He especially pursued increased federal spending for programs that would act as “catalyst” for change, while also preventing greatly increased responsibilities for the federal government. He later described this approach as “a liberal program in all of those things that bring the federal government in contact with the individual,” but he would act conservatively when it came to the nation’s economy. While midwestern Republicans derided what they saw as continuation of Democratic policy, Eisenhower cautioned the nation against the perils of swaying too far to the right or left in politics. The left, he contended, saw people as “so weak, so irresponsible, that an all-powerful

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<sup>45</sup> Eisenhower defeated Adlai Stevenson by winning 83 percent of the Electoral College and lost only nine of the 48 states, in “Election of 1952,” *The American Presidency Project*, <http://www.presidency.ucsb.edu/showelection.php?year=1952>; Wagner 4; Eisenhower to Edgar Eisenhower, November 8, 1954, Eisenhower, Edgar-1954 (2), Name Series, Papers of Dwight D. Eisenhower as President, DDEL.

government must direct and protect them.” That would essentially lead to a “dictatorship.” The right, however, denied “the obligation of government to intervene on behalf of the people even when the complexities of modern life demand it.”<sup>46</sup>

The president’s middle-of-the-road approach continued into the coordination of the budget. When Eisenhower took office, he instructed his first budget director that in areas such as social security, “I should like to put ourselves clearly on the record as being forward-looking and concerned with the welfare of all of our people.” Even when issues of social welfare came up against military spending, Eisenhower told the American Society of Newspaper Editors that “Every gun that is made, every warship launched, every rocket fired signifies, in a final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.” Eisenhower saw fiscal conservatism as a means to provide federal investment in public programs.<sup>47</sup>

Despite the loss of the nomination to Eisenhower, Senate majority leader, Robert Taft, worked closely with the new president. Eisenhower’s relationship with Taft allowed a short window of cooperation between eastern and midwestern Republicans. When Senator Taft died suddenly of cancer in July of 1953, Eisenhower lost the man who had kept conservatives in line with the administration. With a lack of Republican cohesion, the president often had to rely on congressional Democrats for support. Even though he won re-election overwhelmingly in 1956,

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<sup>46</sup> *The New York Times*, October 11, 1952; quoted in Wagner 5; For more on Eisenhower’s concerns for partisanship see L. Arthur Minnich Handwritten Minutes, March 20, 1953, January-April 1953 (3), Box 1, Cabinet Minute Series, White House Office, Office of the Staff Secretary, DDEL and L. Arthur Minnich Handwritten Minutes, March 29, 1953, L-2 (1) [March 23 - April 23, 1953], Box 1, Legislative Meeting Series, White House Office, Office of the Staff Secretary, DDEL.

<sup>47</sup> Dwight D. Eisenhower, “The Chance for Peace,” address delivered before the American Society of Newspaper Editors, April 16th, 1953, [http://www.eisenhower.archives.gov/all\\_about\\_ike/speeches/chance\\_for\\_peace.pdf](http://www.eisenhower.archives.gov/all_about_ike/speeches/chance_for_peace.pdf); Kabaservice 15.

which Eisenhower saw as proof that America approved of moderate Republicanism, Republicans lost every congressional election after 1952 until they won back control of the Senate in 1980. Eisenhower often found it easier to work with Democrats than with his own party in attempting to pass legislation.<sup>48</sup>

In his first year in office, Dwight Eisenhower proposed the creation of the Department of Health, Education, and Welfare to replace the Federal Security Agency. Harry Truman had made the same proposal, however the American Medical Association and conservative Republicans, who saw it as another vehicle for national health insurance, defeated the plan. With a Republican president and Congress, the reincarnated plan received little opposition. The department was created in March of 1953. When Oveta Culp Hobby was sworn in as secretary in April, she became only the second woman to hold a cabinet position.<sup>49</sup>

A decorated Army colonel, Hobby had commanded the Women's Army Corps from the beginning until the end of World War II. She was married to former Democratic Governor of Texas and publisher of the *Houston Post*, William P. Hobby. Oveta Culp Hobby returned to Texas after the war to manage her family's newspaper, radio, and television companies. Despite her position as a leader in Texas economic and Democratic circles, Hobby became a "Democrat for Eisenhower." Hobby saw Dwight Eisenhower as "an electable Republican alternative" to the

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<sup>48</sup> The administration's reliance on Democrats was seen early on with the defeat of the Bricker Amendment, which conservative Republicans heavily supported. Proposed by Senator John Bricker, the amendment called for Senate approval for all international agreements. As amendments to the Constitution require a two-thirds majority, the Bricker Amendment needed 61 of the 91 senators present to succeed. It was eventually defeated by a single vote. The deciding vote could have come from any of the 13 senators who had initially co-sponsored the proposal, only to remove support at the urging of Senate Minority Leader Lyndon Johnson. Thirty-two Republicans voted for the revised Bricker Amendment and fourteen voted against it. See Robert A. Caro, *Master of the Senate: The Years of Lyndon Johnson* (New York: Vintage, 2002) 536-539; Dwight Eisenhower, *The Eisenhower Diaries*, ed. Robert H. Ferrell (New York: Norton, 1981).

<sup>49</sup> Blumenthal and Morone 109-110.

Democratic candidates she found as “too liberal.” Her support for Eisenhower proved instrumental for Republican success in Texas. The new president reciprocated by making Hobby the director of the Federal Security Agency, which soon became the Department of Health, Education, and Welfare.<sup>50</sup>

Among the other candidates for the Secretary post was Nelson A. Rockefeller. Grandson of the co-founder of Standard Oil, John D. Rockefeller, Nelson had become a leading figure in the liberal wing of the Republican Party. Before 1953, Rockefeller had worked within both the Roosevelt and Truman Administrations as a leader on international policy. In the private sector, he managed many of his family’s oil, banking, and philanthropic organizations. Four weeks after Dwight Eisenhower won election, the president-elect named Rockefeller chairman of the newly created Special Committee on Government Organization. The committee was tasked to “study and make recommendations on the operation and structure of the executive branch.” Following his tenure with the Eisenhower Administration, Rockefeller went on to become governor of New York, a presidential candidate in 1964, and vice-president to Gerald Ford.<sup>51</sup>

Among the thirteen reorganization plans the committee (renamed the Advisory Committee on Government Reorganization when Eisenhower took office) submitted, was the creation of the Department of Health, Education, and Welfare to take the over the responsibilities of the Federal Security Agency. Following the committee’s recommendation, Dwight Eisenhower submitted “Reorganization Plan No. 1 of 1953” to Congress on March 12, 1953.

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<sup>50</sup> Robert T. Pando, “Oveta Culp Hobby: A Study of Power and Control” (Ph.D. diss., Florida State University, 2008) xi; Richard Norton Smith, *On His Own Terms: A Life of Nelson Rockefeller* (New York: Random House, 2014), 220.

<sup>51</sup> Smith, *On His Own Terms* 220; The Special Committee on Government Organization also included Eisenhower’s brother Milton, president of Pennsylvania State University; and the former director of the Office of Defense Mobilization, Arthur Flemming. Cary Reich, *The Life of Nelson A. Rockefeller: Worlds to Conquer, 1908-1958* (New York: Doubleday, 1996), xi-xx, 500.

Under the plan, a new department would be created to oversee “Federal activities in health, education, and social welfare.” The plan stipulated that a secretary would head the new department, and the secretary would be supported by an undersecretary and two assistant secretaries. The president stated that the plan was intended to improve the administration of the various fields that had fallen under the purview of the FSA. Eisenhower contended that the “importance and magnitude” of these responsibilities dictated a need to elevate the area to cabinet position in order to “give the needed additional assurance that these matters will receive the full consideration they deserve in the whole operation of the Government.”<sup>52</sup>

After the president submitted the plan to Congress, he turned his attention to the American Medical Association. Speaking to the AMA’s House of Delegates, Eisenhower stated that the new department did not mean that the AMA should “fear his administration would become ‘the big poobah’ of health and medical services.” Taft, who became majority leader after 1952, reasoned that the proposal offered the only opportunity to “clean out” the “entrenched bureaucrats” of the FSA. Taft called the plan “a step in the right direction.” The AMA voted 175 to 8 in favor of the plan. On March 30<sup>th</sup>, both houses of Congress approved the plan.<sup>53</sup>

While Rockefeller had seen himself as a natural choice for the new cabinet position, Hobby offered him the undersecretary position once she was made Secretary. From the beginning of his tenure as undersecretary, Rockefeller pursued an increase in Social Security coverage. Initially focusing on smaller options, such as increased funding for cancer and heart disease research, his plans took a distinctly larger shape when Rockefeller began to search for a

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<sup>52</sup> “Reorganization Plan No. 1 of 1953,” Press Release, March 12, 1953, Executive Departments and Agencies-Health, Education, and Welfare (2), Box 5, Laurin L. Henry Papers, DDEL.

<sup>53</sup> “AMA Backs Eisenhower Plan to Put FSA Into Cabinet,” *Washington Post*, March 31, 1953, Executive Departments and Agencies-Health, Education, and Welfare (2), Box 5, Laurin L. Henry Papers, DDEL

solution to the 63 million Americans lacking health insurance. The undersecretary saw the problem stemming from the refusal of insurance carriers to provide coverage to individuals regarded as high-risk, or low-reward. The challenge, as Rockefeller described it, “was to promote experimentation on the part of timid private insurers. Using doctors connected to the Rockefeller Foundation, Rockefeller came up with a plan of “reinsurance” in the summer of 1953. Rockefeller’s scheme attempted, through government-sponsored guarantees, to entice private and non-profit organizations into expanding coverage. These guarantees would “insure the insurers” by compensating insurance carriers against a share of the losses that accompanied extended coverage and benefits.<sup>54</sup>

Once Rockefeller and his team had formulated the plan, he presented it to Hobby in November of 1953. Hobby consulted with Rockefeller, Dr. Chester Keefer (special assistant for the department’s Health and Medical Affairs Division), and Keefer’s assistant, M. Allen Pond. Hobby then placed the reinsurance proposal on a list of the department’s potential legislative plans and submitted it to the White House in December. While reinsurance was towards the bottom of the department’s list, it “caught the eye” of Cabinet Secretary Maxwell Rabb. Seeing reinsurance as fitting into the administration’s “middle way,” Rabb instructed Hobby and Rockefeller to take the plan back to their department in order to provide more details.

With approval from the White House, Oveta Culp Hobby and Nelson Rockefeller established a task force to create a formal proposal. C. Manton Eddy, vice-president of Connecticut General Life, chaired the committee that included numerous “high powered” insurance executives, as well as members of HEW. When the proposal emerged in January of 1954, it reflected Dwight Eisenhower’s stated commitment to acting liberally in areas of human

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<sup>54</sup> Smith, *On His Own Terms* 220-221, 231.

need. While Eisenhower would not become an “active salesman” in the early stages of the push for reinsurance, his belief that the federal government had a role to play in the well being of its people led the president to support the proposal whole-heartedly. This belief placed reinsurance into the greater dialogue of the federal government’s role in the everyday lives of its citizens.<sup>55</sup>

The fear of economic instability that had plagued the United States in the decade before World War II again took center-stage after the war. Facing massive unemployment, the federal government employed Keynesian-style demand management by drastically increasing government spending towards reaching full employment. While government spending in the 1930s proved unable to end the depression, exponentially increased federal expenditures during World War II brought full employment and a booming economy. Furthermore, it seemed to prove Keynes’s theory. In the years after the war, federal economic decision making, led by Leon Keyserling and the Council of Economic Advisers, focused on maintaining aggregate demand in the economy as the foundation for sustaining American economic security. Whereas the federal government had stimulated the economy through military spending before the war, post-war spending focused on increasing consumer purchasing power through a number of avenues such as minimum wage increases and greater unemployment compensation.<sup>56</sup>

As prevailing economic theory came to support consumption as key to strengthening an uncertain post-war economy, historian Lizabeth Cohen found that a new debate regarding the extent to which the government would intervene economically began to grow. Conservative

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<sup>55</sup> Reminiscences of Roswell Burchard Perkins (April 2 and July 11, 1966), on pages 33-35 in the Columbia Oral History Archives, Rare Book & Manuscript Library, Columbia University in the City of New York.

<sup>56</sup> Alonzo L. Hamby, *Beyond the New Deal: Harry S. Truman and American Liberalism* (New York: Columbia University Press, 1973) 172-173.

business interests, led by the National Association of Manufacturers and the U.S. Chamber of Commerce, fought to increase free enterprise by removing New Deal initiatives. “Moderate” business, such as the Committee for Economic Development, also supported free enterprise plans, but proved open to cooperation with the government. Labor, and other groups on the left, wanted government intervention to ensure “mass purchasing power” in order to ensure full employment and large market that provided a high-volume of production.<sup>57</sup>

The Employment Act of 1946 defined federal social responsibility as “promot[ing] maximum employment, production, and purchasing power.” While conservatives opposed this philosophy on many fronts, Cohen argued that nearly all interests at this time supported federal defense expenditures. Along with defense spending, increased government supports, such as housing and highway construction, unemployment insurance, and social security, took hold and added to the post-war combination of private and public spending for social welfare projects. Cohen contended that Dwight Eisenhower typified this new understanding of federal participation in the private sector. Eisenhower’s definition of such federal spending in these areas as “crucial” demonstrated the new common ground shared by Democrats and liberal Republicans. The new debate on and public conceptions of state participation no longer centered on whether the government should be involved, but too what extent.<sup>58</sup>

With government involvement becoming the new reality in the United States, private interests were forced to adapt. Historian Wendy Wall stated that these groups understood the

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<sup>57</sup> Lizabeth Cohen, *A Consumers’ Republic: The Politics of Mass Consumption in Postwar America* (New York: Vintage Books, 2003), 114-116; For more on Keynesian demand management in post-war America see Robert M. Collins, *More: The Politics of Economic Growth in Postwar America*, (New York: Oxford University Press, 2000) 1-16.

<sup>58</sup> Cohen 117-119; For more on Dwight Eisenhower’s economic philosophies and policies, see Iwan W. Morgan, “Eisenhower and the Balanced Budget,” in *Reexamining the Eisenhower Presidency*, ed. Shirley Anne Warshaw (Westport, CT: Greenwood Press, 1993).

advance of federal authority in the context of the growth of socialism and communism. Communist parties in France, Italy, and Czechoslovakia had become major political entities, while communism threatened to take over China and many Latin American nations. Most disturbing to American business, according to Wall, was the defeat of Winston Churchill through democratic election. These interests worried that if an avowedly socialist opposition could defeat Great Britain's wartime hero, then "creeping state socialism" might take hold again in the United States. As hundreds of thousands of American workers began to strike in 1945 simultaneously with race riots and growing juvenile delinquency, some in American industry believed it necessary to "re-sell Americanism to Americans" as a countermeasure to American socialism. For Wendy Wall, the Advertising Council's "American Way" campaign typified this attempt. The campaign utilized education, movies, radio, television, and advertising, in order to encourage "national unity" by creating the impression that "a consensus on America's unifying values" existed at the nation's core.<sup>59</sup>

As communism continued to spread, both globally and in the United States, Wall found the campaigns began to shift toward promoting capitalism by arguing that free enterprise was essential to individual freedom. Thus, when Harry Truman was elected in 1948, the National Association of Manufactures, the U.S. Chamber of Commerce, and numerous other business interests attempted to curb Truman's expansion of the New Deal. They claimed that such federal involvement opposed the previously established core American values of free enterprise and individual freedom. Their subsequent campaigns focused on selling the public on the idea that

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<sup>59</sup> Wendy L. Wall, *Inventing the "American Way: The Politics of Consensus from the New Deal to the Civil Rights Movement* (New York: Oxford University Press, 2008), 169-172; The Advertising Council was the offspring of the War Advertising Council, which "provided a vital link between the White House, the nation's business community, and the news and entertainment industries," in *ibid.* 172.

American democratic values required an economy free from government interference. This ideology would present one of the major obstacles to federal reinsurance.<sup>60</sup>

In addition to the developing public fear of socialism and a divided Republican Party, Democrats in Congress provided yet another source of opposition to Dwight Eisenhower's health reinsurance proposal. Despite numerous similarities between Democrats and liberal Republicans, Democratic pursuit of a significantly larger role for the federal government in American health care precluded their support for reinsurance. The growing concept of an "American way" defined by its adherence to free enterprise offered business interests, such as the American Medical Association and the insurance industry, a platform to continue their opposition to increased federal entrance into the field of health insurance as socialistic or anti-democratic.

Despite their understanding of the political climate, the Eisenhower Administration also understood that millions of Americans lacked the ability to pay for medical care and that this demanded a solution. With pressure for some form of change building, the administration chose to fashion a solution that might appeal to both sides of the political spectrum. The subsequent struggle over reinsurance illustrated how health insurance demonstrated differing conceptions of the social responsibilities of the federal government in modern America.

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<sup>60</sup> Ibid. 186-190. Wall cites an estimated \$100 million of private expenditures to sell this philosophy, in *ibid.* 190.

## **Chapter Three:**

### Health Insurance in the “Middle Way” Presidency

On the same day that the House of Representatives debated the health reinsurance legislation, President Eisenhower wrote a letter to his friend Brigadier General Bradford G. Chynoweth. Regarding Chynoweth’s opposition to Eisenhower’s “middle way” approach to social welfare, the president wrote “It seems to me that no great intelligence is required in order to discern the practical necessity of establishing some kind of security for individuals in a specialized and highly industrialized society.” Eisenhower reasoned that the security once provided “by the existence of free land and a great mass of untouched and valuable resources throughout our country” no longer remained “for the asking.” While he understood that historical forms of security lacked the ability to support Americans and this required some response, Eisenhower warned against swaying too far towards federal security guarantees by pushing “further and further into the socialistic experiment.” This experiment, according to Eisenhower, would weaken an individual’s ability to provide for him or herself. “Excluding the field of moral values,” Eisenhower stated, “anything that affects or is proposed for masses of humans is wrong if the position it seeks is at either end of possible argument.”<sup>61</sup>

The rejection of “either end of the argument” encompassed Eisenhower’s approach to politics. He refused to remove the supports of the New Deal, while combating efforts to significantly expand it. Michael S. Mayer, in *The Eisenhower Years*, classified Eisenhower as “something of an American Disraeli.” Mayer finds that Eisenhower’s expansion of social security, increasing of the minimum wage, undertaking of massive public works projects, and

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<sup>61</sup> Steven Wagner, *Eisenhower Republicanism* (DeKalb, IL: Northern Illinois University Press, 2006), 7.

proposed health and education initiatives can be seen in the same way that the conservative British leader, Benjamin Disraeli, “stole the Liberal’s thunder” in Great Britain. Not only did Eisenhower believe in limited social security measures, he saw reform as a means of preempting more radical options. Thus when the Federal Security Agency (FSA) found that significant issues existed in American health care as Eisenhower entered office, the new president approached the problem through his “middle way.”<sup>62</sup>

By the time Dwight Eisenhower took office on January 20, 1953, health care reform seemed to be at an impasse. For the previous half decade, the health industry had opposed plans for compulsory health insurance, while the government continued to search for a solution to solve the problem of access to health care. A divide existed between the high quality of American medicine and the ability of individuals to take advantage of it. Would the pursuit of health care coverage follow the previous course towards state-sponsored health coverage? Or would the private sector dominate the field? In 1954, Dwight Eisenhower presented his administration’s answer, federal reinsurance of existing voluntary health insurance in order to reduce costs and expand access.

In order to provide a fuller understanding of the Eisenhower administration’s proposed program, this chapter will examine the ideas and events leading up to the congressional hearings on the proposed reinsurance legislation. While health reinsurance involved an incursion of federal power into an area predominately occupied by private industry, it continued to leave significant room for private enterprise. Although Eisenhower’s plan certainly offered an option that ran counter to many of the general free market beliefs of the health care industry, it made significant efforts to incorporate such ideas into the planning for reinsurance. The program

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<sup>62</sup> Michael S. Mayer, *The Eisenhower Years* (New York: Facts on File, 2010), ix.

therefore offered a middle ground between national health insurance and the existing private structure.

The Federal Security Agency released its findings on the state of health coverage in the United States, on January 4, 1953. With private insurance only covering between thirteen and seventeen percent of the “personal costs of sickness” in 1951, the FSA stated that private health insurance was proving inadequate. While it found that about half of the nation had health insurance, it argued that it was clearly not effective; 83 to 87 percent of medical costs incurred by those participating in voluntary health plans had to be paid by the individual. In response, the American Medical Association claimed that by including only private health insurance in their coverage statistics, the FSA and its “compulsory health insurance schemers” misrepresented the numbers in an “obvious attempt by a lame-duck administrator to discredit the voluntary health insurance programs.” The AMA claimed that the FSA should not have included individuals without insurance, as many chose not to buy it. They also claimed that many medical bills were paid by other sources such as workmen’s compensation, liability insurance, and private philanthropic foundations, thus skewing the statistics.<sup>63</sup>

In an attempt to repair much of this division, Secretary Oveta Culp Hobby (of the newly created Department of Health, Education, and Welfare) addressed the House of Delegates of the American Medical Association at their at the annual meeting in June of 1953. “There is little

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<sup>63</sup> The Federal Security Association was the precursor to the Department of Health, Education, and Welfare, which was created in March of 1953; Federal Security Agency Advance Release, January 4, 1953, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL; News Release from the American Medical Association, January 24, 1953, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL.

controversy on our objective,” she told the delegates. The administration wanted to ensure “the best medical care possible for the people. It is the means to this end which raise the problems we face in achieving this purpose.” Her speech focused on the problems of American health care and the administration’s proposals to solve them.<sup>64</sup>

She prefaced her presentation by stating that any government provisions must fall “within the democratic principle...In Democracy, no one need walk alone, but he does his own walking.” Under this guidance, Hobby rejected compulsory health insurance as a clear break from democratic values. She argued that socialized medicine not only violated democratic tenets of free choice and consent, but also that it was economically unsound. While socialized medicine might potentially provide the democratic right to “equal opportunity for medical care.” In the long-term, it would impair the previously stated democratic principles. “Socialized medicine is not a satisfactory solution of our problem,” she maintained, and she pondered the alternatives. In search of an answer, Hobby stated that the administration looked to doctors, individual Americans, and communities to find these alternative solutions. While these groups had to lead the way, she told the delegates that the Eisenhower administration believed “that under a democratic system, the government ha[d] an important role to play.” She closed her speech by imploring the delegates to continue to increase the existing cooperation between the medical field and the government. The following day, the chairman of the AMA’s Board of Trustees,

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<sup>64</sup> “American Medicine in a Changing Society,” Address to House of Delegates at the Annual Meeting of the American Medical Assoc. by Oveta Culp Hobby, June 1, 1953, Monday, June 1, 1953-Annual Meeting of The American Medical Association-New York. Address to the House of Delegates by O.C.H., Box 34, Oveta Culp Hobby Papers, DDEL.

Dwight Murray, sent a letter to Secretary Hobby assuring her “of the desire of the Association to cooperate with you in any way possible.”<sup>65</sup>

While the administration attempted to lessen the ideological divide in the field of health care coverage, it had to face the increasingly contentious atmosphere inherent in an issue of such a personal nature. In response to this health care divide, the House Committee on Interstate and Foreign Commerce convened a series of hearings in October and November of 1953 to evaluate “the overall problem of health legislation” and the course that such legislation should take. One of the committee members, Congressman John W. Heselton (R, MA), sent a letter to Sherman Adams, the White House chief of staff summarizing the hearings, which included testimony from experts in various fields, including medicine, insurance, labor, and industry. Heselton found that the hearings “amounted to a symposium on the advances that have been made and an estimate on what could be done.” The congressman told Adams that the chairman of the committee, Charles Wolverton (R, NJ), came out of the hearings primarily focused on finding a solution to the problem of “catastrophic illnesses.”

Upon returning home from Washington to discuss such a solution with his constituent base, Heselton came to realize how hotly debated the problems regarding a solution to catastrophic illnesses had become at the local level. He further discerned that “some, if not all, of the old-line insurance companies recognize the problem and want to be given an opportunity to solve it.” With many in the public seeing the administration’s image as one of “a big business operation, totally uninterested in the problems of average men and women,” he argued that the

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<sup>65</sup> While she outlined areas of governmental responsibilities such as disease prevention and the rehabilitation of the disabled, Hobby did not yet address the future plans of the administration to enter the field of health insurance. *Ibid.*; AMA Chairman Murray to Oveta Culp Hobby, June 2, 1953, Monday, June 1, 1953-Annual Meeting of The American Medical Association-New York. Address to the House of Delegates by O.C.H., Box 34, Oveta Culp Hobby Papers, DDEL.

field offers “the best single answer to the demagogic critics of the Administration.” He therefore told Adams that it should be included in the president’s State of the Union address. The administration agreed. HEW undersecretary, Nelson A. Rockefeller supported Hesleton’s assessment that the “problem of major medical expense (or catastrophic illness) is important and of genuine concern to the average American family.” Rockefeller then advised President Eisenhower to refer to it in the upcoming State of the Union address.<sup>66</sup>

After the Department of Health, Education, and Welfare had formulated its proposal for new health reform legislation, Secretary Hobby and her staff presented the plan to the Republican legislative leadership meeting on December 17, 1953. President Eisenhower used the body as a method of communication with Congress, as well as a way of consolidating Republican congressional support for the administration’s legislative proposals. Hobby began by stating that the problem with American health care was not with its quality, but its availability. Despite popular support for health care reform as witnessed by the 100 various health proposals offered in the previous congressional session alone, “all such legislation has come to naught.” The assistant secretary of HEW, Dr. Chester Keefer added that with respect to this lack of

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<sup>66</sup> Congressman John W. Hesleton to Sherman Adams, November 3, 1953, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL; Memorandum, Acting Secretary of Health, Education and Welfare to The Assistant to the President, November 23, 1953, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL.

coverage, the primary issue was the “high costs, especially in regards to chronic and long-term illnesses.”<sup>67</sup>

Dr. Keefer continued by presenting several figures representing health insurance coverage in the United States. He first showed the dramatic increase in the percent of the American population that participated in voluntary health insurance programs, which had grown from eight percent in 1940 to 59 percent in 1952. While insurance participation may have increased, he showed that the percent of benefits paid relative to total medical costs (six percent in 1940 to 39 percent in 1952) had not grown at the same rate. Keefer further illustrated this divide by illustrating the “uneven coverage” for the 59 percent of Americans covered. In five urban and wealthy states, 85 percent of the population was covered by insurance. While in five rural and poor states, only 24 percent of the population received coverage.<sup>68</sup>

Hobby continued by presenting the goal and pursuant policies that would guide the administration’s upcoming health program, which intended to close the gap seen in Dr. Keefer’s statistics. The primary aim of the program was “to increase cooperation between private and public to encourage private expansion.” The program would provide “good health for all as vital

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<sup>67</sup> During the Republican held 83rd Congress, the Legislative Leadership meetings included the Speaker of the House Joseph Martin, Senate Majority Leader Robert Taft (later Senator William Knowland), Senate President Pro-Tempore Styles Bridges, and various committee chairmen. President Eisenhower, Vice President Richard Nixon, members of the White House staff, and representatives from several Executive departments were also regularly in attendance. "Scope And Content Note," Legislative Meetings Series, Papers of Dwight D. Eisenhower as President, Finding aid at the Archives of the DDEL, [http://www.eisenhower.archives.gov/research/finding\\_aids/pdf/Eisenhower\\_Dwight\\_Papers\\_as\\_President/Legislative\\_Meetings\\_Series.pdf](http://www.eisenhower.archives.gov/research/finding_aids/pdf/Eisenhower_Dwight_Papers_as_President/Legislative_Meetings_Series.pdf).

<sup>68</sup> Four groups made up the majority of the 41 percent of the nation’s citizens without health insurance: about 20 percent of the aged, about 20 percent of those living in rural areas, about 30 percent of the self employed, and about 12 percent of individuals receiving public assistance; The five wealthy states that Dr. Keefer mentions were Rhode Island, Connecticut, Minnesota, Ohio, and Michigan, while Keefer focuses his “poor states” figure within southern and southwestern states; he does not say which states. The other 38 states range from 24 to 84 percent, in *ibid*.

to security and prosperity” and special help to the indigent where health insurance is not practicable,” while staying committed to maintaining the “traditional doctor patient relationship.” The secretary argued that private organizations could meet these goals, provided they received support from the federal government. She told the congressional leaders that this support should come in the form of a federally created reinsurance fund that would “guarantee, for a premium, insurance companies against losses from broadened benefits and broadened coverage.”<sup>69</sup>

As an example, Dr. Keefer discussed how reinsurance would generally work if applied to Blue Cross. In order for the organization to receive support from the reinsurance fund, they would need to increase their services outside of their usual area of hospitalization coverage. Keefer noted that 65 to 75 percent of medical care was given outside of hospitals; reinsurance would promote the expansion of coverage to an area of significant need.

When the president asked what the role of the federal government would be in such a plan, Dr. Keefer responded that its foremost role would be the provision of funds to protect against catastrophic losses. These resources would come from a “revolving” reinsurance fund “at rates high enough to protect the government,” as well as to maintain the fund’s monetary levels. Therefore federal reinsurance would operate as a “loan guarantee for a fee to help new plans and to help expansion of existing plans.” In addition, the fund would set the yet to be determined requirements necessary for insurance plans to become reinsured, as well as act as the fund’s supervisory body.

The legislative leadership meeting then turned to the matter of who would oversee the premiums, an area where states generally had acted as the regulatory body. As states

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<sup>69</sup> L. Arthur Minnich Handwritten Minutes, December 17, 1953, Pgs. 128-143, L-6 (2) [December 17, 1953], Box 1, Legislative Meeting Series, White House Office, Office of the Staff Secretary, DDEL; Budget Estimates for New Health Legislation, December 28, 1953, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL.

consistently prevented insurance companies from operating at a loss, many of the meeting's members questioned why there was even a need to insure against losses. Rockefeller responded by claiming, among the many potential reasons for promoting such a plan, that it would "head off any Federal program of 'socialized' medicine." Rockefeller added, "there are bills in the hopper which go far beyond." When Senate President Pro-Tempore Styles Bridges (R, NH) stated that it appeared as if the program was "pushing state and local governments into a big new program," Keefer responded that it was not "forcing" them.

When the members asked about the medical profession's reaction to the plan, Hobby conveyed surprising confidence in their potential reaction. While she had not yet presented it to the AMA, Hobby doubted the plan would encounter "much opposition" from the medical profession. When Dr. Keefer stated that he had not yet checked with the Blue Cross or the Blue Shield, Hobby expressed confidence that they would not likely present much support or opposition yet, but would offer only their general position that they could not "say yet because of a lack of actuarial knowledge."<sup>70</sup>

The meeting closed with Hobby's discussion of the proposed cost of the plan. When she added the cost of grants (\$30 million), surveys (\$2 million), and salaries (\$400,000), she approximated the total cost of the program at \$32 million. When Rockefeller submitted the estimated budget for the administration's proposed health reinsurance the Bureau of the Budget on December 28, the number had shrunk. The estimate for the principle funding was revised downward to \$25 million. Salaries and expenses (for the first five years), as well as the "special actuarial studies and services," were estimated at \$1 million and \$200,000 respectively. The proposal also requested a "specified appropriation" for the fiscal years of 1955 and 1956 "to

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<sup>70</sup> Ibid.

insure prompt initiation of this special program.” The amount requested for 1955 was \$5 million, while the amount for 1956 was \$17 million. The administration then released its general plan to the public.<sup>71</sup>

On December 23, *The New York Post* ran an article covering the administration’s new health insurance program, to be tentatively titled the “National Health Act of 1954,” that would be presented during the president’s State of the Union address. In the article, Secretary Hobby emphasized three points in her explanation of the “still unannounced health program.” First, “It will be wholly voluntary. Unlike the rebuffed Truman proposal, the Administration’s project has nothing remotely compulsory about it.” Second, Hobby stated that it would be up to the “individuals in states and communities to initiate and operate the health plans...The Federal government will impose nothing on anyone.” Hobby concluded that it would not be necessary to increase the federal budget substantially, as the government’s cost would be small. *The New York Post* reported that the plan was born out of the administration’s belief that “the great mass of Americans are not getting adequate medical care, are aware of this and are demanding measures be taken to meet this need.” While conceding that numerous “voluntary prepayment health services” were already in operation, Hobby emphasized that the cost of these existing plans were more than most Americans could afford. “The primary purpose of the Administration’s program,” she explained, “is to expand the inclusiveness of the private plans.”<sup>72</sup>

On January 6, 1954, Eisenhower wrote to his brother Milton, who was one of the president’s closest advisors. The president had continuously maintained regular correspondence

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<sup>71</sup> Ibid.

<sup>72</sup> This material comes from a news bulletin sent out by the Bureau of Accident and Health Underwriters to its members that included the article; Bureau of Accident and Health Underwriters’ News Bulletin on *New York Post* Article, December 23, 1953, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL.

with his brother throughout their adult lives. The letter focused on the actions available to the government in taking an active role in sustaining the prosperity of the United States. While the president contended that the extent of federal obligation and authority varied with the times, he believed that “in these days I am sure that the government has to be the principal coordinator and, in many cases, the actual operator.” These mechanisms included several potential government actions, including: tax law revision, direct loans and grants, increased government-sponsored construction projects, soil conservation, water storage, public housing, as well as “all types of reinsurance plans.” Eisenhower trusted his brother completely and confided in him, thus this letter provided an accurate indication of Eisenhower’s thinking.<sup>73</sup>

The State of the Union address in 1954 was divided into three areas: foreign affairs, a strong economy, and human problems. After covering issues such as the Korean War, increased aggressions in the Middle East, and a proposed tax cut, President Eisenhower turned his attention to the state of American health. “I am flatly opposed to the socialization of medicine,” he began. While he stated his faith in private options as the best means to meet the rising costs of medical care, he argued, “the Federal Government can do many helpful things and still carefully avoid the socialization of medicine.” The president listed options such as supporting medical research, health rehabilitation, and the construction of new medical facilities. This was not enough for the president, who contended that the “war on disease” required an improved relationship between the government and private initiative. In order to combine the existing private and non-profit insurance plans with federal support, Eisenhower proposed the creation of a “limited Government reinsurance service.” He specified that the goal of the program was to allow private and non-profit insurance companies the ability to offer increased protections “to more of the

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<sup>73</sup> President Dwight Eisenhower to Dr. Milton Eisenhower, January 6, 1954, Milton S. Eisenhower Papers-1954 (1), Box 14, Milton S. Eisenhower Papers, DDEL.

many families which want and should have it.” The president closed his coverage health matters by saying he would forward the plan to Congress on January 18, at which point he would present the details of the administration’s plan.<sup>74</sup>

Before January 18<sup>th</sup> arrived, the administration had already begun to receive limited support for their plan from the medical profession. On January 13, Dr. U.R. Bryner, president of the American Academy of General Practice, sent a letter to Eisenhower. He began by voicing his full support for the president’s recent speech on the State of the Union. In particular, Dr. Bryner was elated to hear Eisenhower say that he “flatly opposed” socialized medicine. That single statement, backed by the acts of the administration would “do more to keep socialized medicine from being a part of the American life than anything that has been said or done for the part twenty years.” Bryner then discussed a recent trip he took to Great Britain with the American Medical Association, where the group studied the effect of socialized medicine on medical services received by British patients. The group concluded that “beyond any doubt” socialization was destroying both the ability of British individuals to choose their care provider as well as the quality of that care. While Bryner was obviously an opponent of socialized medicine, he shared the president’s belief that the government had a limited role to play in America’s health care. According to Bryner, that role should be limited to stimulating and nurturing private endeavors and “only as its need is absolutely proven necessary.” He closed the letter by giving the president his “entire support.” On February 3, Eisenhower responded to Bryner, thanking him for his support. The president stated his belief that the only way for Americans to receive the “best health which modern science makes possible” was for

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<sup>74</sup> Dwight Eisenhower, “Annual Message to the Congress on the State of the Union, January 7, 1954,” in *Public Papers of the Presidents of the United States: Dwight Eisenhower, 1954* (Washington, DC: Government Printing Office, 1960) 6-22.

professional groups, such as Bryner's, are able to come together with the various groups of involved citizens and the government "in a cooperative and mutually beneficial way."<sup>75</sup>

In response to requests from various New York newspapers, Charles Garside, president of the Blue Cross of New York released a statement on the proposed federal reinsurance plan. His press release on January 17 began by stating that the proposal to cover catastrophic illness appeared "entirely feasible." Garside argued that while the costs of "catastrophic hospitalization [was] negligible" to Blue Cross, for families who faced such hospitalization, "the catastrophic is anything but negligible." He noted the general success of Blue Cross's coverage. In the New York City area, 94 percent of percent of their subscribers were discharged in less than three weeks. Of those subscribers who used Blue Cross member hospitals, 90 percent had their hospital bills paid in full. In the relatively few instances where a participant's catastrophic case exceeded his or her benefits, he understood that reinsurance would cover the excess.<sup>76</sup>

Garside maintained that the insurance premiums of the 5,300,000 subscribers to New York City's Blue Cross had to be applied toward the "average hospitalization requirements." If his organization's coverage were to be extended to cases of tremendous medical costs exceeding individual benefits, such as chronic illness and chronic hospitalization, the Blue Cross would be "unduly" forced to raise all subscription rates. Thus, Garside left room for federal reinsurance to "eliminate the economic tragedy that confronts families in cases of catastrophic illness."

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<sup>75</sup> Dr. U.R. Bryner to President Dwight D. Eisenhower, January 13, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL; President Dwight D. Eisenhower to Dr. U.R. Bryner, February 3, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (1), Box 509, Official File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL.

<sup>76</sup> The Blue Cross excluded cases of maternity and private room patients from the 90 percent whose hospital costs were fully covered, in *ibid.*

“Obviously,” he conceded, “there will be problems to work out, but the proposal has great merit, and should be explored, and if possible, implemented.”<sup>77</sup>

On January 18, 1954, Dwight Eisenhower sent his message to Congress on the “Health of the American People.” It began by laying out the current state of health in the United States. From a 19-year increase in average life span, to two-thirds reduction in child mortality rates, the president found that the health of Americans during the previous fifty years had improved dramatically. He attributed this success to the “partnership and teamwork” within the numerous public and private medical entities. Despite the gains Eisenhower noted, he moved on to discuss the existing problems of American health. Cancer, heart disease, and diabetes were increasingly affecting millions of Americans. While the nation had numerous capacities to reduce the growing figures, they were not available “where and when they [were] needed.” This disparity led to the “two key problems in the field of health today,” availability of medical treatment and the costs associated with medical care. Assuming that medical care was available to an individual, “its costs [were] often a serious burden.” Long-term, major illnesses for average American families often became “a financial catastrophe.”<sup>78</sup>

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<sup>77</sup> Statement by Charles Garside, President, Associated Hospital Services, New York’s Blue Cross Plan, January 17, 1954, GF 131-O Socialized Medicine - Health Insurance (1), Box 1030, General File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL; When Garside sent a copy of his statement to Gabriel Hague, administrative assistant to the President, Hague thanked Garside for his consideration of the plan relative to existing private plans. “This one will take a lot of careful work as well as a great deal of effort to move firmly entrenched prejudices...If we are going to show there are alternatives to socialized medicine, we have to find them.” Gabriel Hague to Charles Garside, January 25, 1954, GF 131-O Socialized Medicine - Health Insurance (1), Box 1030, General File, Records of Dwight D. Eisenhower as President, 1953-61, DDEL.

<sup>78</sup> “Recommendation to Improve the Health of the American People, Message from the President of the United States to the House of Representatives, January 18, 1954, Messages of the President, 1952-1955 (1), Box 10, Laurin L. Henry Papers, DDEL.

While he argued that action was required, Eisenhower cautioned that any solution must not interfere with the established relationship between doctor and patient, or the freedom of the individual to select the manner of his or her care. “In adhering to this principle, and rejecting the socialization of medicine,” he said, “we can still confidently commit ourselves to certain national health goals.” In order for this to occur, he called for the most complete cooperation possible between the citizens, physicians, research scientists, schools, and especially between public and private institutions. The subsequent recommendations were “designed to bring us closer to these goals.”

In order for Americans to provide themselves with the ability to gain quality medical care, the president advocated participation in voluntary health-insurance plans. The dramatic growth of such plans indicated to the administration that voluntary providers could reach “more people and provide better and broader benefits” than the government could. “The government need not and should not go into the insurance business.” Nonetheless, Eisenhower maintained that it should work with these voluntary programs to develop improved insurance protections in order to meet the existing public need.<sup>79</sup>

With the issues and guiding principles laid out, President Eisenhower recommended the creation of a “limited Federal reinsurance service” that would encourage both private and non-profit health insurance companies to broaden their coverage. The fund would reinsure these organizations against the additional risks that would follow such an increase in protections. The fund would be launched with \$25 million of government capital and would be supported by reinsurance fees paid by the carriers. The message closed with a plea for Congress to consider

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<sup>79</sup> The president specifically cited hospital insurance, the “most widely purchased type of health insurance,” which covered “approximately 40 percent of all private expenditures for hospital care,” in *ibid.*

the president's recommendations favorably. "No nation and no administration," declared Eisenhower, "can ever afford to be complacent about the health of its citizens." While this could not mean the "regimentation of medicine," he stressed that it must mean a continued dedication to the discovery and implementation of "new methods of achieving better health for all of our people."<sup>80</sup>

Before the reinsurance legislation reached congressional committee hearings, public interest into health care and related health care legislation had begun to increase. From February 15 through the 18, *The Washington Daily News* ran a series of three articles covering upcoming congressional "probes" into health insurance. The first article titled, "The Gimmicks of Health Insurance," focused on a lack of insurance coverage for major, chronic illnesses. The article found that in such cases, most existing plans had the ability either to cancel a policy whenever it chose or refuse to renew one's policy when the next premiums came due. The next article focused on "What the Government is going to do about it." It discussed the two congressional committees and one federal agency that were currently "taking long looks at the thriving health insurance business." The House Interstate Commerce Committee was considering various proposals for government support for private insurance companies, while it also listened to "outspoken testimony against 'a fatal shortcoming' of most individual policies – the company's much-used right to take away a person's policy when his health fails." The final article focused more intently on the Commerce Committee's investigation into the "inequities" of several insurance policies. *The Daily News* article said that the committee was waiting to make any significant decisions until the administration announced the details of its proposed "Government

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<sup>80</sup> Ibid.

assistance of some health protection plans” so that it could combine its inquiry with “any proposed set of standards for companies which might want Government ‘reinsurance.’”<sup>81</sup>

On February 26, the president’s cabinet heard the final reinsurance proposal from the Department of Health, Education, and Welfare. After assessing the recent growth of various health insurance programs and pointing to the existing need for an extension in coverage and benefits, Hobby proposed the creation of a federal reinsurance fund that would be voluntarily available to both private and non-profit organizations. According to the proposal, reinsurance would encourage these organizations to “experiment” with extensions of service that would likely not occur because of the financial hazards involved. After “minor comment” regarding the program’s potential success, the proposal was approved.<sup>82</sup>

With the reinsurance proposal now approved by both the legislative leaders and the cabinet, the administration presented the full details of plan to Congress as well as the public. Hobby met the press on March 11th. Her press conference began with Hobby’s statement of the belief that the president’s reinsurance program offered “new hope for coping with many of the health problems which confront the American people.” While the quality of American medicine had seen tremendous progress, she deplored the fact that many American families were unable to make use of such progress. In order to address the existing lack of health insurance coverage for an inordinate number of Americans, Hobby presented the administration’s plan for a \$25 million

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<sup>81</sup> “The Gimmicks of Health Insurance,” *The Washington Daily News*, February 15, 1954, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL; “Hill is Taking Look at Health Insurance,” *The Washington Daily News*, February 16, 1954, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL; “Hill Will Probe ‘Gimmicks’ in Health Insurance Policies,” *The Washington Daily News*, February 18, 1954, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL.

<sup>82</sup> Assistant Secretary Keefer and the Vice-President of Connecticut General Life, Manton Eddy, assisted Secretary Hobby in the presentation; Minutes of Cabinet Meeting, February 26, 1954, Cabinet Minutes, January 4-April 30, 1954 (3), Box 1, Cabinet Meeting Series, White House Office, Office of the Staff Secretary, DDEL.

federal reinsurance service. The service was intended to “encourage” existing voluntary health insurance plans to “offer broader and better insurance protection against the cost of illness.” The plan would allow insurance providers to test new types of “actuarial risks” that they “might not wish to assume alone.”<sup>83</sup>

While Hobby did not guarantee the eventual results of the program, the administration anticipated that it would likely offer several improvements. First and foremost was an increase in health insurance coverage. The administration further expected to see a reduced number of “exclusions from coverage” that existed under various types of health policies. “With respect to the total limits of health insurance” she expected a broadening of comprehensive benefits “in order to reach more effectively into the areas of catastrophic illness.” Those benefits included greater number of hospitalization days to be paid by insurance, the removal of certain age restrictions in policies so that “more older persons may continue to have the protection of health insurance,” and new insurance coverage for individuals “now considered uninsurable”. Finally, the “development of health insurance programs that will be realistic in terms of paying the costs of early diagnosis and treatment of chronic diseases.”

Despite her cautious optimism, Hobby acknowledged that the plan would face certain limitations. First, reinsurance would affect only individuals who were willing to participate in health insurance. Again, as the plan would cover only those insured, it “may not immediately

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<sup>83</sup> The bill was introduced to Congress on the same day. In the House, the bill was introduced by Charles Wolverton (R, NJ) and designated as House Resolution 8356. In the Senate, the bill was introduced by Howard Alexander Smith (R, NJ) and designated Senate Resolution 3114; While the press conference focused on reinsurance, it also included the president’s other recent recommendations to Congress related to American health. These included an expansion of the existing Hospital Survey and Construction provision of the Public Health Service Act (which had already passed in the House), increased government programs for rehabilitation of the disabled, and a “new, simplified approach grants-in-aid” for “public health, child health and welfare, vocational rehabilitation, and vocational education.”

solve some of the problems of coverage for the aged.” The final limitation of reinsurance came from the willingness of private organizations to utilize the service to assume “new and broader risks.” “This recommendation,” she noted, “is built on a sensible base of voluntary participation, private operation, and government leadership.” Hobby’s press statement ended by reaffirming that the administration’s belief that voluntary, private and nonprofit health insurance provided the “best means” of closing the gap between quality of medical care available and the care received.<sup>84</sup>

In order to provide a fuller account of the administration’s plans, Hobby prepared over thirty answers to potential questions following her statement. “What is reinsurance and what are you reinsuring?” Hobby explained that reinsurance, simply stated, spread risk between two or more carriers beyond the initial pooling of an individual carrier. In the case of federal reinsurance, the established fund would insure carriers against 75 percent of losses from approved prepayment plans in a given year. She emphasized that the plan did not provide protection against particular risks, but rather insured “against loss from the operation of a plan.” The proposal, Hobby contended, would “make more comprehensive care available to more people at a cost they can afford to pay,” but the success of the plan would be completely dependent on the “ingenuity and voluntary action of insurance carriers.” In short, these carriers would be the parties responsible for writing more comprehensive and affordable policies. These

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<sup>84</sup> Hobby pointed out that even for households with incomes under \$2000 annually, 25 percent had “some form of health insurance.” While the plan would immediately effect the 26 percent of people over 65 years old, Hobby was optimistic that Reinsurance would gradually allow for increased coverage for the aged currently not covered; Statement by Oveta Culp Hobby at Press Conference on the Administration’s Health Proposals, March 11, 1954, Press Conference-March 11, 1954-Reinsurance Bill, Box 48, Papers of Oveta Culp Hobby, DDEL.

protections would be available to any carrier that offered a prepayment health insurance plan that met “certain minimum standards of eligibility.”<sup>85</sup>

Distinguishing the administration’s plan from socialized medicine, Hobby stated that such a socialized system would include three elements: compulsion, federal operation, and the “restriction of the right of free-choice of physicians.” Thus the “completely voluntary” reinsurance program was neither socialization, nor an “opening wedge” to federal operation of insurance regulation. While some could construe reinsurance as such a wedge if it operated as a federal subsidy, the secretary clarified how the fund differed. Federal funding would support the initial capital and first five years of “administrative expenses,” yet the fund was designed to support itself through reinsurance premiums rates to be set by the federal government under the advice of both private and public entities. Additionally, the federal government would not have authority over insurance premiums for participating carriers.<sup>86</sup>

The response to a question asking if the “original bill [would] have to be toned down to meet AMA objections,” the secretary stated that she had seen not the American Medical Association take a position on the program yet, and was not aware of any objections. “Apparently you disagree with the AMA which said that insurance companies could do this job if they were left alone?” Hobby asserted the administration’s belief that insurance companies could “do it and will do it insofar as the prepayment method is suitable” was reflected in the

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<sup>85</sup> Possible Questions for Secretary’s Press Conference on the Administration’s Health Proposals, March 11, 1954, Press Conference-March 11, 1954-Reinsurance Bill, Box 48, Papers of Oveta Culp Hobby, DDEL. These prepared questions have been used in place of the questions that were actually asked, as those questions have not yet been found; Hobby also stated that the fund would not be applied to individuals, only insurance carriers; the six eligibility requirements are specified in Section 304 of the Reinsurance bill.

<sup>86</sup> Hobby stated that Reinsurance might have an indirect affect on insurance premiums. In the event that government actuaries believed such premiums were inadequate to provide basic coverage, Reinsurance would not cover their potential losses, in *ibid*.

plan's reliance on existing firms. According to Hobby, the plan intended only to "encourage carriers to move more rapidly" as well as to be more "venturesome." With the plan now submitted for public consideration, it faced congressional approval, its biggest challenge yet.<sup>87</sup>

In its first year of office, the Eisenhower administration put together its answer to the problems of American health care coverage by recognizing two facts. They recognized first that Americans with low income, chronic illness, or of advanced age were largely unable to get health insurance, which could result in significant financial hardships. While the administration understood this problem, they also rejected socialized medicine as the solution. Eisenhower firmly opposed such a solution, which he believed diverged from the democratic tenets of free choice and consent. In order to solve the nation's health dilemma while also heading off socialized medicine, Eisenhower sought to continue a limited liberal policy as a means of preventing radical change. This typified Eisenhower's general approach to social policy, an approach that marked him as a Tory reformer.

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<sup>87</sup> Ibid.

## **Chapter Four:**

### **We Are Against Socialized Medicine, But What Are We For?<sup>88</sup>**

“In all things which deal with people be liberal, be human. In all things which deal with the people’s money or their economy, or their form of government, be conservative.” These instructions from President Dwight Eisenhower to the secretary of Health, Education, and Welfare, Oveta Culp Hobby, aptly encompassed the president’s “middle way,” or Tory reform-style conservatism. While the administration had maintained a philosophical ideal that it should help people to help themselves, it also concluded that it was the duty of the federal government to “cushion the shock of personal disaster” for the individuals unable to help themselves. In this way, the provision of limited federal guarantees could forestall radical change.<sup>89</sup>

Hobby used Eisenhower’s statement at the beginning of her memorandum to the president, dated November 18, 1954, which reflected on the body of her department’s previous two years of work. She contended that in 1953, the administration’s human welfare philosophies had been embodied in the creation of HEW, whereas 1954 had addressed the problems of “individual security.” While the memorandum read optimistically, there was a clear deficiency. Despite its stated commitment to solving the lack of coverage for a vast portion of Americans, the administration’s plan for health reinsurance was not among the administration’s triumphs of 1954. Shortly after reinsurance had been introduced to the public, a bill embodying the

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<sup>88</sup> The title come from Dwight Eisenhower’s comments the Republican Legislative Leadership meeting regarding the recommitting of the Reinsurance bill. The president asked, “What will we tell the American people? I say I’m against socialized medicine, but are we for?” In, L. Arthur Minnich Handwritten Minutes, July 19, 1954, L-15 (2) [July 19 and 26, 1954], Box 2, Legislative Meeting Series, White House Office, Office of the Staff Secretary, DDEL.

<sup>89</sup> Memorandum for the President, Secretary Oveta Culp Hobby, November 18, 1954, Budget 1955-1956 (4), Box 9, Administration Series, Papers of Dwight D. Eisenhower as President, DDEL.

administration's principles went before the Committee on Interstate and Foreign Commerce in March of 1954. Only after fierce debate over the bill in committee, did the bill make it to the floor of the House of Representatives in July, where it failed.<sup>90</sup>

While reinsurance illustrated a middle ground approach to the problems of health care coverage, the battle for and against it revealed the dominant ideologies regarding government intervention in American life. In the end, the bill failed. The private sector generally believed that even this case of limited state intervention represented too much federal interference. For those who had supported Truman's national health insurance plan, reinsurance proved too limited. Medical and insurance organizations were some of the most outspoken opponents to the plan. Midwestern conservative Republicans joined these organizations, as did Democrats. The fate of health coverage in the 1950s was determined by a standoff between those who wanted more and those who wanted less.

The House Committee on Interstate and Foreign Commerce convened at ten o'clock on the morning of Wednesday, March 24<sup>th</sup> to begin its hearings on the proposed health reinsurance plan. Oveta Culp Hobby appeared first and began by laying out the details of House Resolution 8356. The primary objective of the bill, Hobby began, was "the stimulation of voluntary health insurance plans to do a more effective job in providing protection for our people against the mounting costs of medical and hospital care." After she laid out the administration's opposition to socialized medicine, Hobby gave way to Dr. Chester Keefer, an assistant secretary of HEW. Through a series of charts, Dr. Keefer illustrated the current state of health coverage in the United States. He argued that a large portion of the American population did not have health

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<sup>90</sup> Ibid.

insurance. Even for those who did have coverage, Keefer further argued that the scope of their protection was not adequate.<sup>91</sup>

Once the assistant secretary had finished, Hobby continued to press the case. “We need,” she said, “more and better voluntary health insurance...to achieve the full potential of private plans, pioneering efforts must continue.” For this to occur, the administration believed that such plans needed encouragement to take on new risks. Reinsurance, which proposed sharing these risks, would accomplish this.<sup>92</sup>

Hobby continued by taking the committee through the “significant provisions” of each of the bill’s sections. The first section, Title I, offered the essential and general definitions of the bill, while also offering “several broad administrative provisions.” Of these provisions, Hobby outlined three that the department regarded as crucial. The first would establish a National Advisory Council on Health Service Prepayment Plans to be made up of 12 members from the health insurance field. This council would provide technical expertise to the Secretary of Health, Education, and Welfare. The second major provision stipulated the necessary qualifications for health insurance companies to receive reinsurance, while recognizing the authority of state agencies to regulate health insurance carriers. The third strictly forbade federal regulation of any

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<sup>91</sup> Testimony of Oveta Culp Hobby, Secretary of the Department of Health, Education, and Welfare, House Committee on Interstate and Foreign Commerce, *Health Reinsurance Legislation, Hearings before the Committee on Interstate and Foreign Commerce*, 83 Cong. 2 sess. (March 24, 1954), 19-36.

<sup>92</sup> Statement of Secretary Oveta Culp Hobby, Hearing Before the Committee on Interstate and Foreign Commerce, House of Representatives, 83 Cong. 2 sess., on H.R. 8356, March 24, 1954, Hearings on HR 8356, Committee on Interstate and Foreign Commerce, March 24, 1954 (1), Box 53, Papers of Oveta Culp Hobby, DDEL, 4-5.

carrier, hospital, or provider of medical services. This section reiterated the bill's recognition of state regulation over health insurance.<sup>93</sup>

Title II, "Studies and Advisory and Informational Services," authorized the secretary of HEW to "conduct studies and collect information concerning the organizational, actuarial, operational, and other problems of health service prepayment plans and their carriers." This information would be made public and available to any insurance carriers, who could also receive further technical advice. Title II intended primarily to provide a greater, and more current understanding of the state of American health insurance. In addition, it offered a basis for the creation of premium rates in areas where carriers had no experience. In summation, Hobby told the committee that titles I and II offered a framework for a "cooperative effort by Federal, State, and local agencies, public and private" in order to ensure "the broadest possible approach will be made to the problem."<sup>94</sup>

Hobby then turned her attention to Title III, the heart of the reinsurance bill. "In its simplest terms, Mr. Chairman, this Title would establish a reinsurance fund...to encourage and stimulate insurance carriers to broaden benefits and areas of service." Hobby detailed how insurance companies would be defined as eligible carriers to receive support from the fund. Under the bill, a "carrier" could be an insurance company, nonprofit association such as Blue Cross or Blue Shield, or a cooperative or partnership that offered prepayment protection for health service. In short, this encompassed "all groups in the voluntary health insurance field."<sup>95</sup>

With regard to the approval of individual plans that would apply for reinsurance, Hobby reemphasized the "wholly voluntary" nature the program. This meant that plans would be

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<sup>93</sup> Ibid. 5-7. The three provisions were, respectively, Sections 102, 104, and Sections 107 (b) of H.R. 8356.

<sup>94</sup> Ibid. 8-10.

<sup>95</sup> Ibid. 11.

reinsured only if carriers chose to apply to the fund. The types and kinds of plans that would qualify for the “general purposes” of the program would be governed by the primary objectives of experimentation and extension of prepayment plans. This would include coverage for “classes of individuals” where insurance coverage was “feasible, but [was] not adequate,” geographic regions where such protection was not “adequately available.” Finally, plans that would offer coverage for issues “as to type, range, amount, or duration” that were not adequately available. The section also included specific limitations. Plans with excessive “deductible amounts and maximum liability amounts” and plans that might include “undue exclusions or limitations” would be excluded. Hobby emphasized that in these cases, the bill did not sanction federal regulatory authority over premium rates. “These requirements,” she stressed, “would apply only to a carrier which voluntarily agree[d] to them as a part of reinsurance contract.”<sup>96</sup>

The bill did not set rates for the premiums charged to participating insurance carriers. Hobby stated that reinsurance premiums would be set at differing rates for the various health insurance plans to be reinsured. These would vary based on how well the plans reflected the “actuarial principles” of the program. Essentially, rates would reflect the extent of the company’s willingness to enter into areas of risk. Once a plan was approved, the carrier would be issued a reinsurance contract only covering specific qualifying plans, not the entire carrier. The federal government’s actuarial liability under the contract was subject to two principles. First, the fund would reinsure only against abnormal losses under a “particular reinsured plan.” Second, carriers would share the burden of these abnormal losses. The fund would meet 75 percent, with the individual organization assuming the remaining losses. Collected premiums would make up most of the reinsurance fund. In order to set up the fund initially, the bill

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<sup>96</sup> Ibid. 12-19.

authorized the appropriation of “\$25 million to a capital-advance account in the Treasury.” As the government’s funding would be limited to this initial advance of capital and not an open-ended authorization of funds, Hobby stressed that the program did not constitute a federal subsidy.<sup>97</sup>

Despite the many advantages of the bill might offer, Hobby acknowledged three limitations that were inherent in such a plan. First, as the fund was designed to support Americans through private insurance coverage, it would benefit only those individuals who either chose to pay for insurance or who received it from their employers. Second, Hobby warned that the program “may not immediately solve some of the problems of coverage for those who are now aged or of those who already are chronically ill.” Finally, Hobby explained that the plan’s success relied on the carriers’ willingness to make use of reinsurance as well as their assumption of “new and broader risks.”

Hobby closed by stating the administration’s general expectations for the plan. She argued that combining the “stimulus of reinsurance protection” with the “incentives of free competition” would increase the extent of health insurance coverage as well as the benefits provided. “We are persuaded that the bill before you can, in the traditional American way of individual responsibility and private endeavor, do much in providing the means by which better health protection may be attained by a large segment of our population.”

The floor was then opened to questions from the committee members. Responding to Hobby’s allusion to the use of technical advisors from the field of private health insurance,

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<sup>97</sup> Ibid. 20-25. Hobby defined these abnormal losses as “those in excess of premium income, after making reasonable allowance for the carrier’s administrative costs,” in *ibid*; Hobby did specify that in addition to the initial \$25 million capital, the bill would authorize further fiscal support from the government over a five fiscal year “transitional period.” After that period, the fund would be financially self-supporting. *Ibid* 23.

James Dolliver (R, IA) began by asking what the role of these advisors were. Hobby said that after her department drafted the bill, it was sent to the advisory committee, which then spent six days attempting to “perfect” it. Dolliver then asked if it was “fair to say that...they are in accord with the provisions of the bill.” Hobby answered by stating that the eight members all agreed that bill was the “best way to implement the President’s reinsurance proposal.” Dolliver continued by asking whether there were any existing private reinsurance companies in the field of health insurance. Acting as an expert for the administration and as member of the department’s advisory committee, James Stuart answered that at the present time there were not.<sup>98</sup>

Congressman John Beamer (R, IN) asked Hobby if any groups had referred to the plan as “an opening wedge for socialized medicine.” “I do not believe anyone has referred to that,” Hobby responded. When asked by Beamer if “all of the medical associations” supported the bill, Hobby stated that despite two meetings with the American Medical Association, that organization had not made its opinion known. Beamer observed that these groups would likely testify in the hearings and relinquished the floor.<sup>99</sup>

Robert Hale (R, ME) asked the secretary how the administration expected the bill to accelerate health coverage. Answering for Hobby, James Stuart reasoned that by assuming much

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<sup>98</sup> Testimony of Oveta Culp Hobby, *Health Reinsurance Legislation*, 38-40. The advisory counsel was made up of eight members: C. Manton Eddy, vice-president of Connecticut General Life; Henry Beers, vice-president of Aetna Insurance; Jarvis Farley, secretary treasurer and actuary from Massachusetts Indemnity Insurance; Dr. Charles Hayden, executive director of Massachusetts Medical Service; William S. McNary, executive vice-president of Michigan Hospital Service and chairman of Government relations of the American Hospital Association; Louis Rietz, vice-president of Lincoln National Life Insurance; Henry Smith, vice-president and actuary of Equitable Life Assurance Society; and James E. Stuart, the chairman of the Blue Cross Commission and the executive vice-president of the Hospital Care Organization.

Testimony of Oveta Culp Hobby, *Health Reinsurance Legislation*, 38.

<sup>99</sup> Ibid. 44-45.

of a carrier's risk, the plan would encourage these organization to enter fields where actuarial risk were not well known. "But this reinsurance fund, or whatever it is called," asked Hale, "is never going have any direct relation to any individual or any group." Stuart conceded that it would not. "Do you think, for example," continued Hale, "that a man in a low-income group would be more ready to select health-insurance programs if he knew that this reinsurance fund existed." Stuart stated that he did not believe that this would happen, but that insurance carriers would be more likely to "try to work out programs that would cover him if we felt we were not taking the total risk." While individuals might not be more likely to choose insurance coverage due to reinsurance, Stuart contended that insurance companies would be more likely to extend coverage if reinsurance existed.<sup>100</sup>

The final question of the day focused on whether reinsurance qualified as a subsidy. Dwight Roger (D, FL) asked how, if the government was to provide financial support for private losses, reinsurance would not be considered a government subsidy. As the fund would underwrite multiple plans in order to pool the risk, Stuart believed the success of some would offset the costs of others. Federal expenses would be limited to the \$25 million principal, thus limiting the costs of the program to the confines of the fund's profits. Stuart added that the initial principal was likely to be repaid if the administration's actuarial calculations proved correct. Congressman J. Arthur Younger (R, CA) added that he believed that any program that required a premium charge for risk could not be called a subsidy.<sup>101</sup>

By the end of the first day of hearings, the administration had laid out the foundation of reinsurance. In addition to providing the system of reinsurance, the administration had emphasized several key features of the bill. It had recognized state authority in the field of

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<sup>100</sup> Ibid. 46-47.

<sup>101</sup> Ibid. 47-51.

health insurance regulation, distinguished the plan from subsidies, and reiterated the voluntary nature of reinsurance. At 12:30, the committee went into recess until the following day.

Thursday, March 25th, was set aside for the committee's questioning of the administration's experts. Members of the committee began by asking the experts to weigh in on the idea of the fund as a subsidy. Roswell Perkins, another assistant secretary for HEW, offered a more restrained response than Hobby. While he conceded that it could initially be seen as a partial subsidy, the reinsurance program was by no means an "outright subsidy." The ability of the fund to become self-sustaining, Perkins added, prevented such an occurrence.<sup>102</sup>

The committee shifted the conversation and asked Perkins for examples of fields where the administration expected to see an expansion of coverage. Perkins used tuberculosis and mental illness as fields where expansion was greatly needed. Congressman John Bennett (R, MI) asked "Do you feel that in cases where tuberculosis and similar types of chronic diseases are presently excluded, that the adoption of this bill will be an incentive for those companies to provide such?" Perkins answered, "Precisely; an incentive. We do not want to go any further than that." Bennett asked the panel why existing carriers did not currently cover these areas. James Stuart told the committee that as costs of coverage went up, so did the premiums. As these premiums became too expensive, either the insured or the insurer found it to be no longer in their best interests to continue the coverage.<sup>103</sup>

The discussion turned to the popular interest surrounding with the bill. Conservative Republican Thomas Pelly (R, WA) stated that his own inquires had found a lack of interest in the

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<sup>102</sup> March 25<sup>th</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 53-54. The experts available for questioning on March 25<sup>th</sup> were Assistant Secretary of HEW, Roswell Perkins; Special Assistant for Health and Medical Affairs for HEW, Dr. Chester Keefer; James Stuart; Robert Myers, Chief Actuary for the Social Security Administration; and Theodore Ellenbogen of the Office of the General Counsel of HEW.

<sup>103</sup> Ibid. 55-57.

plan, which he attributed to the result of a lack of understanding. While Perkins conceded this point, Chairman Charles Wolverton (R, NJ) found that he knew of “no subject” in his time in Congress “that [had] created so much interest as this particular legislation.” The chairman’s comment sparked a flurry of commentary from the committee. Hale derisively asked if Wolverton meant health insurance or reinsurance in particular? “I am talking about both,” Wolverton responded. Priest added that the majority of individual support for the bill that he had witnessed came from a general misconception of the proposal. He found that most people believed that they would receive direct support from the government “which, of course, as I understand it, is not true.” In order to illustrate this point, he furnished a letter of support from a constituent that supported the bill so that he could eventually apply for support from the reinsurance fund. Before closing the matter, Wolverton, a classic mid-Atlantic liberal Republican, added that the bulk of the mail he had received reflected the opposite. Instead, he found that popular comprehension did see the benefits of reinsurance as indirectly providing “a better protection than the policies that they” currently had. “I venture to say,” he concluded, “that anybody who looks at this mail will be impressed with that fact.”<sup>104</sup>

The remainder of the day was spent on the actuarial fine points of the plan. The committee focused on questions such as what the reinsurance premiums would look like, how the plan would define various classes of individuals and the risk involved in coverage, and how

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<sup>104</sup> Ibid. 58-60. Born in Camden, New Jersey, Charles Wolverton had served as a prosecutor in Camden County until he was elected to the Seventieth Congress in 1926. While serving in Congress until 1959, Wolverton twice chaired the Committee on Interstate and Foreign Commerce, “the House committee with jurisdiction over health” (Eightieth and Eighty-third Congresses). When Democrats controlled Congress, he was the “ranking Republican member.” See James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Washington D.C.: The Brookings Institution, 1968) 420; Diary Entry, July 14, 1954, Hagerty 300 and “Wolverton, Charles Anderson, (1880-1969)” *Biographical Dictionary of the United States Congress*, <http://bioguide.congress.gov/scripts/biodisplay.pl?index=W000683>.

the plan would affect both profit and nonprofit plans alike. The hearings took a philosophical turn when John Bell Williams (D, MS) asked Roswell Perkins whether it was the “proper role of the government” to “encourage people to take out health-insurance policies.” While Perkins acknowledged that such encouragement would likely be an “incidental benefit,” he stated that the bill did not “tell anyone to buy anything.” The assistant secretary went further by stating that in comparison to the Social Security System and old age and survivors benefits, the bill was by no means as coercive. Williams continued to push the point by asking if the government should “encourage participation of the people in any particular private business.” Perkins responded, “We think that anything that has the tendency of making available to the people better protection against expenditures for medical care so that they in turn can receive better medical care, is something that promotes the welfare of the American people.” Despite Williams’ skepticism about the bill’s ability to improve the “general welfare,” he closed his comments by congratulating the administration “for bringing in the what is very obviously a voluntary program.”<sup>105</sup>

On the following day, the committee heard the first testimony from an opponent of the bill. Dr. Edwin J. Faulkner, president of Woodmen Central Life, Woodmen Accident, and Woodmen Central Assurance Company from Lincoln, Nebraska, also spoke on behalf of the United States Chamber of Commerce. He began by supporting President Eisenhower’s denunciation of socialized medicine in the pursuit of improved health for Americans. Faulkner then proceeded to detail the success of insurance companies in that same quest. He spoke of exponential growth in the number of American with health insurance since 1939 and the establishment of major medical insurance. He argued that, as such success by private companies

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<sup>105</sup> Ibid. 83-86.

continued, it would “be but a short time until substantially all of the population enjoys the protection.” When he turned to the proposed reinsurance program, Faulkner maintained that it would not decrease the costs of insurance. Of greater concern to Dr. Faulkner was the incursion of federal authority into an area of private enterprise. “Such a portion of the of the health insurance business as may become reinsured,” Faulkner contended, “will become subject to Federal regulation.”<sup>106</sup>

During the course of questioning by the committee, Faulkner offered his opinion that if the federal government offered reinsurance it “might be a first step” towards socialized medicine. He argued that giving the secretary of Health, Education, and Welfare the power to determine whether or not reinsurance would be offered to a given plan amounted to a federal regulation. Even when Faulkner was asked if he would support the plan if it were to work as the administration hoped, he flatly answered, “No, sir, I would be personally opposed to the federal government getting into this picture.” He stated that his opposition was based on “what it will lead to.”<sup>107</sup>

After the committee heard Dr. Faulkner’s testimony, it committee opened the floor to William McNary, chairman of the American Hospital Association’s Council on Government Relations, as well as a spokesman for the Blue Cross. In his brief opening statement, McNary stated that his organizations supported the bill. While the AHA and Blue Cross found that bill offered the ability to extend coverage significantly to Americans without insurance, he stated that they wished to continue to develop the plan to ensure its success. To this effect, he proposed a

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<sup>106</sup> March 26<sup>th</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 102-107. Faulkner stated that the number of American insured against the costs of hospitalization had grown from 6 million in 1939 to 92 million by 1952. Ibid. 103.

<sup>107</sup> Ibid. 120-124.

few amendments to the bill, such as requiring a committee be created to approve the decisions made by the secretary of Health, Education, and Welfare regarding regulation of the fund.<sup>108</sup>

Chairman Wolverton thanked McNary for coupling his criticisms with “suggestions that are of a constructive character.” The committee’s questions for McNary focused primarily on how reinsurance would effect organizations such as the Blue Cross. For example, McNary discussed how reinsurance might tangibly change the coverage of mental illness. At that time, he told the committee, Blue Cross covered patients for only 30 days of hospitalization, as compared to 120 days for most other cases. Since Blue Cross had “comparatively little experience” in the area of long-term mental care, the risk outweighed potential returns. He foresaw “making use of [reinsurance] to offer a plan of extended medical benefits...because we wouldn’t be taking a chance with all of our capital that we would otherwise have to take.”<sup>109</sup>

By providing the foundations of reinsurance and answering the various concerns of the committee, the hearings had started off well for the administration. On March 31, the proposal experienced its first significant setback when Henry Beers, one of HEW’s advisors from the private sector and a representative for the American Life Convention as well as the Life Insurance Association of America, refused to support the bill. He began his statement by outlining what he believed to be the strengths of the bill, especially with regard to its reliance on voluntary action through nongovernmental agencies. Beers also believed that the plan’s strengths also lay in its acknowledgement of state authority, its availability to both profit and nonprofit plans, and the tangible incentives for carriers to extend coverage.

Despite his confidence that he did not “believe that you can get a much better bill than this,” the insurance executive also testified that “since the plan is new and so many important

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<sup>108</sup> Ibid. 151-153.

<sup>109</sup> Ibid. 153, 160-161.

details are yet unknown and therefore many uncertainties remain unresolved, we are not in a position to go on record in favor of the bill at this time.” The insurance executive went even further by contemplating whether he would approve the bill if it were to be amended. “A bill incorporating standards, eligibility, premium rates...would result in inflexibility.” Even if the plan were to be amended as they might see fit, his organizations would not support it.<sup>110</sup>

Throughout the debate over the administration’s plan, the opposition from the insurance industry echoed similar laments. Opposition to federal interference with the private sector was coupled with concern over a “lack of planning.” Even though the insurance industry regarded the bill as the least objectionable government option, it was already clear that most private insurance interests would not support federal incursion into the field.

The administration had cause for hope following the setback with Beers. Two representatives from the American Federation of Labor testified the next day. One of these representatives, Nelson H. Cruikshank, the director of Social Insurance Activities for the AFL, had long advocated the direct government subsidization of voluntary insurance. While clearly not a proposal for such a dramatic measure, the bill was certainly a step in that direction. If the corporate interests as expressed by the insurance companies would not support the plan, then surely the AFL, a historic foe of such interests, would not join their ranks.<sup>111</sup>

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<sup>110</sup> March 31<sup>st</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 207-210. Henry Beers was also the vice president of the Aetna Life Insurance Company.

<sup>111</sup> Odin W. Anderson, *An Uneasy Equilibrium: Private and Public Financing of Health Services in the United States* (New Haven, CT: College & University Press, 1968), 143. For more on the AFL’s, and other labor interests support of national health insurance, look at Raymond Muntz, *Bargaining for Health: Labor Unions, Health Insurance, and Medical Care* (Madison, WI: University of Wisconsin Press, 1967), as well as Alan Derickson’s “Health Security for All? Social Unionism and Universal Health Insurance,” *The Journal of American History* 80, 4 (Mar. 1994): 1333-1356.

Cruikshank's testimony began with a summary of the needs of the "working people," which he believed were representative of the general population. These needs included: preventive care, access to medical facilities and personnel, comprehensive protection, full family coverage, ability to pay, and an improvement in the quality of medical care. Second, he listed what his organization had found as general needs of most communities: care for the chronically ill and elderly, expansion of local health facilities, aid to medical education, and expansion of health facilities. He found the "worthy purposes" of the bill to be encouraging, "However, as we analyze the proposed implementation of these very worthy objectives, we are deeply disappointed." For the AFL, the bill's major failing was the impetus, or lack thereof, it placed on insurance companies to provide extended coverage. "The principle of reinsurance may make it possible for commercial companies to extend their limited type of protection to meet some of these needs," he said, "but we find nothing that effectively encourages them to do so."<sup>112</sup>

On April 5, the bill faced its most ardent adversary, the American Medical Association. Despite its prior statement that it would not take a stand on the proposal until all of the details were made known, the AMA's history with Truman's proposal left little doubt as to their likely position. The testimony of Dr. David Allman, chairman of the AMA's Legislative Committee, followed this expectation. Dr. Allman began by stating that his association had "serious doubts" regarding the necessity and efficacy of reinsurance. He argued that voluntary insurance had taken tremendous strides in expanding both the quantity and quality of its coverage. The

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<sup>112</sup> April 1<sup>st</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 241-246.

trajectory of this coverage, according to Allman, offered a real promise that voluntary insurance, free from government intervention, would meet the “needs and demands of the public.”<sup>113</sup>

When asked by the committee’s chair, Charles Wolverton, to address why the AMA opposed the bill despite the failing of the current system to cover the medical needs of a large portion of the nation, Allman cast his most derisive criticism of the bill. Not only did the association believe that federal reinsurance would not accelerate the coverage of these individuals, the AMA believed it would become “the opening wedge to something which might lead much further.” Wolverton asked what was “the opening wedge” that Allman believed “it might lead to.” “Eventually,” Allman replied, “what is called socialized medicine,” which he defined as “Government-controlled medicine.” He continued by relating its potential effect on Blue Shield. “When the Government controls the Blue Shield,” Allman warned, “they will soon, we are afraid, control the doctors, which in turn would work to the detriment of the patient.” “I certainly would like to have someone show me the path by which that would happen,” Chairman Wolverton replied. Allman argued that it was “a question of money.” “When Federal moneys become involved,” he admonished, “Federal control follows.”<sup>114</sup>

For several minutes Wolverton attempted to understand what Allman and the AMA found in reinsurance that resembled socialized medicine. When Allman stated that he did not believe local care of the indigent was socialized medicine, the chairman asked at what point medicine would be considered “socialized.” Finally Allman argued that it was when the federal

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<sup>113</sup> April 5<sup>th</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 295-297.

<sup>114</sup> *Ibid.* 314.

government became involved. Wolverton attempted to dispute why federal involvement signaled such a state more so than state or local involvement, but Allman refused to concede.<sup>115</sup>

Wolverton pushed him for any alternative ideas that the AMA had conceived. He stated that the hearings were “an effort to meet [the lack of health coverage] which is recognized to exist...Does the AMA have any substitute bill for that which we have before us?” Before allowing Allman to answer, Wolverton heatedly added that “it is very easy to criticize...what this committee would like to have are constructive criticisms upon the part of those who say the bill will not do.” When Allman was allowed to answer, he simply stated, “The AMA has no bill to offer...we do not think you need this bill and we do not think you need a substitute bill.”<sup>116</sup>

Wolverton pressed the issue by comparing the reinsurance of health insurance with the existing federal reinsurance of bank deposits. He asked why, since such a principle has not led to the socialization of the banking industry it would socialize health insurance. Allman refused to answer on the basis that he did not consider himself an expert in the field of banking or insurance. The testimony closed with a final statement on that topic by the chairman. “Do you have to be an insurance man or a banker or a businessman to determine whether the principle is socialistic or not? If so, it has not been harmful to the country in my opinion.”<sup>117</sup>

When the hearings heard more from organized labor, the bill drew opposition on a different basis. In his testimony as a spokesman for the federated unions of the Congress of Industrial Organizations, Joseph Childs stated that the administration’s program was “too meager.” While he commended the Eisenhower administration for recognizing the problems of American health care, Childs argued that the plan could neither offer the funding needed to

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<sup>115</sup> Ibid. 314-315.

<sup>116</sup> Ibid. 316-317.

<sup>117</sup> Ibid. 318

provide comprehensive health coverage for Americans who already had insurance, nor could it deliver such protection to those without it. He therefore stated, “We do not favor passage of the reinsurance bill because it will not help to solve the Nation’s health problems.”<sup>118</sup>

Childs then took his appearance before the committee as an opportunity to support the enactment of national health insurance. He argued that national health insurance was not socialized medicine, as it “would not increase direct provision of medical services by the Government.” Childs believed that medical opposition to such a system came from a financial fear that individuals “would have something to say about the charges of the doctors.” “We object,” he said, “to this bogeyman of socialized medicine which is used as a threat to scare people from looking at actual proposals.”<sup>119</sup>

The hearings before the House Committee on Interstate and Foreign Commerce provided a full vetting of the administration’s answer to the problem health coverage in the United States. While the hearings included several witnesses who testified in favor of the bill, critics condemned reinsurance for containing either too much federal involvement or not enough. Nevertheless, with the help of the committee’s Republican majority, along with limited support from Democrats on the committee, voted to send the bill to the floor of the House of Representatives where it would face its first vote in July 1954.<sup>120</sup>

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<sup>118</sup> The CIO represented mass production industries, while the AFL represented skilled workers. Since its creation in 1935, the CIO became the leading advocate of “social unionism.” According to Alan Derickson, social unionists sought to “emulate the social democratic policies of Western European nations, all of which had national health plans by the 1940s.” This dedication to socialist policies separated the CIO from its more conservative counterpart, the AFL, in Derickson 1334-1337.

<sup>119</sup> May 7<sup>th</sup> hearings on Health Reinsurance Legislation in *Health Reinsurance Legislation*, 415-423.

<sup>120</sup> *Health Reinsurance Legislation* 1.

On May 5, 1954, two days before the hearings on H.R. 8356 concluded, the general counsel for the Life Insurance Association of America, Eugene Thore, addressed the annual meeting of the Health and Accidental Underwriters Conference in New Orleans. Thore's statement, titled "A Washington Viewpoint on Accident and Health Insurance," argued that the recent reinsurance proposal from the Eisenhower administration demonstrated an "a early sign in this country of a trend toward some form of Government participation in meeting this problem." Thore stated that Congress saw the problem as an issue of the "quality and quantity of medical care." He also noted that the government was responding to "mounting public criticism...that medical and hospital service [had] priced itself out of the market."<sup>121</sup>

Thore warned the conference that this mounting support for reform was "not a series of unrelated incidents arising out of the turmoil of Washington politics," but the "early stage of a long-range social development." He therefore contended that the field of voluntary insurance should protect itself "in a realistic and constructive way" against the challenges that would come. He cautioned the conference that any lobbying efforts with regards to the reinsurance plan should be done cautiously in order to not disrupt their goal of creating "the best possible relationship between your business and the national government." Therefore he proposed the conference not follow a policy of "unswerving opposition," but instead recognize that "adjustments are necessary" in order to work with the government to shape the legislation. Thore closed by reasoning that operating in such a manner served "the best interests of the public, insurance policyholders and the business" in the long term. Thore saw, as did the proponents of

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<sup>121</sup> "A Washington Viewpoint on Accident and Health Insurance" An Address by Eugene Thore Before the Annual Meeting of the Health and Accident Underwriters Conference, May 5, 1954, Hobby, Oveta Culp (4), Box 19, Administration Series, Papers of Dwight D. Eisenhower as President, DDEL.

reinsurance, that reform was likely to come and it was in their best interests to attempt to shape it.<sup>122</sup>

The president met with Republican congressional leaders on May 10, three days after the hearings on H.R. 8356. Seeing the hearings as an indication of the insurance industry's overall opposition to reinsurance, Secretary Hobby proposed a meeting between "interested private insurance officials" and the administration. The legislators supported the meeting.<sup>123</sup>

At the resulting weeklong conference, assistant secretary of the Department of Health, Education, and Welfare, Roswell Perkins, represented the administration. Perkins argued that without compulsory health insurance, a "vacuum" had been created. He further reasoned that if private insurance wanted to head off compulsory health insurance, it "had to fill the vacuum" with a different option. Reinsurance, maintained Perkins, could do just that. That argument, and the meetings, proved unpersuasive to the insurance officials. Perkins contended that the opposition's confidence in their position resulted from the defeat of national health insurance during the Truman administration, coupled with the success of Republicans in recent elections. "I think that the conservatives felt that they were sitting in a pretty good position at that point," Perkins later recalled, "and I think that they were terribly shortsighted." Conservatives and the insurance industry alike "didn't face the fact that if there was no government activity, if there wasn't a sincere national effort to meet the problem, that they were going to get compulsory health insurance."<sup>124</sup>

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<sup>122</sup> Ibid.

<sup>123</sup> Notes on Legislative Leadership Meeting, May 10, 1954, Legislative Meetings 1954 (3), Box 1, Legislative Meeting Series, Papers of Dwight D. Eisenhower as President, DDEL.

<sup>124</sup> Reminiscences of Roswell Burchard Perkins (April 2 and July 11, 1966), on pages 44-45 in the Columbia Oral History Archives, Rare Book & Manuscript Library, Columbia University in the City of New York; Press Release, James C. Hagerty, Press Secretary to the President, May 17, 1954, Reinsurance, Box 17, Papers of Oveta Culp Hobby, DDEL.

In a final push to increase support for reinsurance before the vote in the House that July, President Eisenhower invited seventeen presidents of various insurance companies to a White House luncheon on May 17 to discuss the proposed bill. Toward the end of the luncheon, President Eisenhower addressed the issue of reinsurance. Speaking informally, the president began by stating that he believed the role of the federal government in matters of a “social nature,” was to “define and redefine the areas which must remain subject matter of private endeavor and those areas in which government had a legitimate concern and responsibility.” Despite describing himself as a “conservative by nature,” Eisenhower stated that given the health care problems of the nation, he believed “that the government had a responsibility to move forward in a limited way.” The president maintained that reinsurance fit into this philosophy. It would not attempt to regulate their industry, but instead offered “assistance and encouragement” to private insurance.<sup>125</sup>

Perkins thought that the president “did a fine job of striking the right themes and the most responsive chords so far as this group was concerned.” At the same time, he “unflinchingly and forcefully supported the bill.” Following the luncheon, the executives released a statement expressing general support for the proposal’s objectives, as well as an indication that they were willing to work with the administration to try to improve it. Despite their optimistic tones, Perkins and the administration did not believe that the meeting had resulted in any significant changes in the minds of the seventeen executives.<sup>126</sup>

With less than two weeks before the House vote on H.R. 8356, the AMA began heavily lobbying members of Congress. On July 2, Roswell Perkins sent a memorandum to Secretary Hobby entitled “AMA Attacks on Reinsurance Bill.” The assistant secretary stated, “the AMA

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<sup>125</sup> Ibid. 48-49.

<sup>126</sup> Ibid. 49.

has opened fire on the bill with its heavy guns.” Facing a “White House-AMA fight,” Perkins suggested the administration have a final meeting with the bill’s most committed opponent.<sup>127</sup>

Five days later, Perkins and three other members of HEW met with representatives of the AMA including its president, Dr. Walter Martin. Martin began the meeting by asking why such a bill was needed. After Perkins stated that the administration believed experimentation was needed to increase both coverage and benefits to the millions who lacked it, Martin argued that such experimentation existed. Martin feared “that this device could lead to Government subsidy of insurance plans that were unsound.” The AMA officials claimed that they agreed with the objectives of the bill and that they did not think it would interfere with individual medical practices. While Martin did say that he opposed “comprehensive care,” the AMA president claimed its opposition was based solely on the opinion that it would not cover more people or increase benefits. While the meeting closed with Martin agreeing to hear the opinions of insurance executives who supported the plan, it was clear that the American Medical Association had made their decision.<sup>128</sup>

When the day came for a final vote in the House, reinsurance faced an uphill battle. While the administration could count as allies in health organizations such as the American Hospital Association, Blue Cross, and many life insurance agencies, it faced an even larger array of opposing forces. The American Medical Association, the U.S. Chamber of Commerce, and many accident and health insurance companies added to the conservative Republican opposition, which saw the bill as too much intervention by the federal government. From the other side,

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<sup>127</sup> Memorandum for Secretary Oveta Culp Hobby from Roswell B. Perkins, July 2, 1954, Reinsurance, Box 17, Administration Series, Papers of Dwight D. Eisenhower as President, DDEL.

<sup>128</sup> Memorandum for the Record, Meeting with American Medical Association Officials Regarding Reinsurance Bill, July 7, 1954, Reinsurance, Box 17, Administration Series, Papers of Dwight D. Eisenhower as President, DDEL.

labor interests combined with liberal Democrats in searching for a plan that would offer a much larger federal role in health coverage.<sup>129</sup>

On July 13, the House of Representatives opened the floor to Charles Wolverton (R, NJ), chairman of the Committee of Interstate and Foreign Commerce. After Wolverton presented the bill, he called for his colleagues to give favorable consideration to this “middle-off-the-road approach,” which provided support for the millions of Americans who lacked protection from the costs of illness and injury. Reinsurance, he stated, would work within the system of free enterprise while assisting private insurance coverage in the expansion of coverage. “The bill deserves,” he concluded, “the hearty approval of all who believe in a better, stronger, and more healthful nation.”<sup>130</sup>

When the floor was opened to debate, Congressman John Bell Williams (D, MS) asked Congressman J. Percy Priest (D, TN), who was a member of the Committee on Interstate and Foreign Commerce, “besides the President and Mrs. Hobby, does the gentleman know of anybody who is enthusiastically in favor of this bill.” Priest responded, “We had some witnesses before the committee who were, I think perhaps, enthusiastic for it, but not a great number.” The Democrat from Mississippi seemed to capture the lack of enthusiasm that surrounded the bill aptly: “The fires of enthusiasm which have been developed, and which have been kindled in favor of this bill would probably freeze water, would they not?” Priest responded that he could “go along with at least part of the way toward the freezing point.” Congressman Arthur Klein (D, NY) added to Williams’ concern by listing the parties he saw as for and against the bill. He recorded the primary opponent as the American Medical Association. “Who else is against this

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<sup>129</sup> H.R. 8356; S. 3114, Summary of Provisions and Status, July 6, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (2), Box 509, Official File, Records of Dwight D. Eisenhower as President, DDEL.

<sup>130</sup> Rep. Charles A. Wolverton, *Congressional Record*, Vol. 100 (July 13, 1954), 10393-10396.

bill? Well the insurance companies that will have to administer it are almost all against it.” Klein argued that only the administration and the leaders of the Republican Party were “hot” for it. “They want a campaign issue,” he charged.<sup>131</sup>

Despite the best efforts of Wolverton, J. Percy Priest, and the other early supporters of the bill, the negative feedback continued to build. Congressman John Dingell (D, MI) argued that instead of receiving a bill that had been well thought out and capable of addressing the problems facing Americans, the administration had offered a “puny and totally inadequate ‘gimmick’ which all expert testimony at the hearings has demonstrated can accomplish virtually nothing. That is why this is a fraud on the American people.”<sup>132</sup>

Once the bill had been heard and commented on, Williams moved to have the bill committed back to the Interstate and Foreign Commerce Committee. The House of Representatives voted 238 to 134 in support of recommitment. The 238 votes in favor of sending the H.R. 8356 back to committee included 75 Republicans (33% of Republicans in the House), 162 Democrats (76% of Democrats in the House), and one independent. The only doctors in the House, all four of whom were Republicans, voted to recommit. Members of the committee from whence the bill originated (17 Republican and 14 Democrat), largely voted their party’s line. Fifteen voted in support the bill, and 12 opposed it. *The New York Times* aptly summed up the failure by stating that it “seemed that the bill simply had been caught in a

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<sup>131</sup> Rep. John B. Williams and Rep. J. Arthur Priest, *Congressional Record*, Vol. 100 (July 13, 1954), 10399; Congressman Klein did not attempt to hide his resentment for the AMA. “Unfortunately I find myself on the same side with them here...usually anything they are for, I am against; anything they are against, I am for,” in Rep. Arthur G. Klein, *Congressional Record*, Vol. 100 (July 13, 1954) 10402.

<sup>132</sup> Rep. John D. Dingell, *Congressional Record*, Vol. 100 (July 13, 1954), 10424; Dingell was the Congressman from which the embodiment of Truman’s national health insurance proposal, the Wagner-Murray-Dingell bill, received its name.

crossfire by the conservative wings of both parties from one direction and by New Deal and Fair Deal Democrats from the other.”<sup>133</sup>

When Dwight Eisenhower returned from the funeral of Helen Elsie Eisenhower, the wife of his brother Milton, he learned that the Republican-held House of Representatives had overwhelmingly rejected his health reinsurance program. Eisenhower demanded a thorough breakdown of the roll call, including the names of the Republicans who voted against the bill. “If any of those fellows who voted against that bill expect me to do anything for them in this campaign, they are going to be very much surprised. This was a major part of our liberal program and anyone who voted against it will not have one iota of support from me.” Eisenhower’s anger and exasperation over the failure of this bill had only begun.<sup>134</sup>

The next morning, July 14, the president met with Republican congressional leaders to discover the reasons for the bill’s defeat. House Majority Leader Charles Halleck said that the views of Democrats, private insurance companies, and the American Medical Association had been reflected in the vote. The president responded with the following: “I don’t believe the people of the United States are going to stand for being deprived of the opportunity to get medical insurance. If they don’t get a bill like this, they will go for socialized medicine sooner or later.”<sup>135</sup>

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<sup>133</sup> John D. Morris, “Eisenhower Plan for Health Funds Rejected in House,” *The New York Times*, July 14, 1954.

<sup>134</sup> The President’s Appointments, July 13, 1954, Presidential Appointment Book, Dwight D. Eisenhower Presidential Library, [http://www.eisenhower.archives.gov/research/online\\_documents/presidential\\_appointment\\_books/1954/July\\_1954.pdf](http://www.eisenhower.archives.gov/research/online_documents/presidential_appointment_books/1954/July_1954.pdf); Diary Entry, July 13, 1954, James C. Hagerty, *The Diary of James C. Hagerty: Eisenhower in Mid-Course, 1954-1955*, ed. Robert H. Ferrell (Bloomington, IN: University of Indiana Press, 1983), 89.

<sup>135</sup> Diary Entry, July 14, 1954, in *ibid* 90.

That same day, President Eisenhower met with the press to discuss the failure. “I’m sure that the people who voted against this bill just don’t understand what are all the facts of American life. I don’t consider that anyone lost yesterday except the American people.” The president reasoned that the bill’s opponents had chosen to look away from those “not getting the kind of medical care to which they are entitled.” He continued by stating that he did not believe “that there is any use in shutting our eyes to the fact that the American people are going to get that medical care in some form or another.” When asked to respond to claims that the plan was the result of his party’s attempt to make good on campaign promises, Eisenhower shot back, “of course I am trying to redeem my campaign promises, and I will never cease trying.”<sup>136</sup>

Privately, Eisenhower could not understand why the plan was voted down or why the AMA did not support it. While meeting with his legislative leaders, he stated, “Americans want health coverage. But doctors won’t give an inch.” As far as politicians should be concerned, he asked, “what are people going to say when a man running for office is asked-what did you do about health-and had to answer nothing.”<sup>137</sup>

The condemnation of his bill from historically opposed sides fit in with the “middle road” did not dissuade Eisenhower from believing in the validity of the plan. The president apparently “felt pretty good” when he was criticized from both sides of an issue, as “it makes me more certain I’m on the right track.” Nonetheless, this philosophy did little to suppress the president’s anger over the failure of his bill. This anger was first directed at the Republicans who had voted against him and he pledged not to them support in the coming congressional elections. By the

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<sup>136</sup> Memorandum to Secretary Hobby from James C. Hagerty, President’s Statement at Press Conference Concerning Health Reinsurance, July 14, 1954, Reinsurance, Box 17, Papers of Oveta Culp Hobby, DDEL.

<sup>137</sup> Handwritten Notes from Legislative Leadership Meeting, July 14, 1954, L-15 (1) [July 14, 1954], Box 2, Legislative Meeting Series, White House Office, Office of the Staff Secretary, DDEL.

next day, his anger transformed to exasperation. After House Majority Leader Charles Halleck added private insurance companies and the AMA to the list of entities who had thwarted the bill, Eisenhower could not seem to comprehend their actions. “How in the hell,” he asked, “is the American Medical Association going to stop socialized medicine if they oppose such bills as this.”<sup>138</sup>

This moment demonstrated Eisenhower as a “classic Tory reformer.” The president who sought to expand the structures of government and who “made the New Deal consensus genuinely bipartisan” had done so in part to prevent further radicalization. Reinsurance fit that pattern. As the president saw it, the only way to prevent the threat of socialized of medicine from taking over American health care (which he, along with the AMA, opposed), was to have the federal government meet the American people in the middle and reform the current system in a manner similar to reinsurance. In short, Eisenhower believed limited federal reform could prevent radical federal reform.<sup>139</sup>

Despite the president’s hopes, reinsurance had failed. Eisenhower pressed a vote for the bill’s passage for another year, but it never even made it to the floor of the House. The administration had identified one of the major problems of American health care and offered a solution that they believed would satisfy both free enterprise and social welfare. Instead of receiving support from either side of the spectrum, the “middle way” instead received condemnation from both. The factionalism of American health care and ideology had proven itself an inhospitable environment for compromise. Instead it created entrenchment.<sup>140</sup>

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<sup>138</sup> Sundquist 420; Diary entry, July 14, 1954, *The Diary of James C. Hagerty*, 90.

<sup>139</sup> Mayer, *The Eisenhower Years*, 200.

<sup>140</sup> For more on the inflexibility of the American political institution, especially with regard to health reform, see Steinmo and Watts, “It’s the Institutions, Stupid! Why Comprehensive National Health Insurance Always Fails in America.”

## **Chapter Five:**

### “The Camel’s Nose in Their Tent:” Evaluating the Failure of Reinsurance

When Roswell Perkins looked back on the fight over reinsurance, he noted the logic behind private opposition. “The insurance groups didn’t really want any intervention in their business...they didn’t want—the camel’s nose in their tent.” The American Medical Association and most insurance companies did not find significant problems with the specifics of the proposal. Rather, they saw reinsurance as representing a growth in federal intervention, the greatest threat of the plan. Their “simplistic and doctrinaire position” led them to fear that “the next people would use it...to have compulsory health insurance.” The AMA led the conservative opposition to the bill, but it was not the only side of the ideological spectrum that resisted such reform. Perkins noted the anti-reinsurance alliance on the right was bolstered by the “extreme left who did not want anything to distract from the cause of compulsory health insurance which they were dedicated to.”<sup>141</sup>

Perkins’s progression through the list of supporters and opponents made it clear that reinsurance did not have the support to come back from its defeat in the House. This did not stop Dwight Eisenhower from pursuing the plan. Believing that socialized medicine was inevitable if Americans were not provided with a better option, Eisenhower stated, “I am going to continue to speak my piece on this and continue to fight for it as long as I am in office.” While his fight for reinsurance continued into the next session of Congress, the plan was effectively dead.<sup>142</sup>

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<sup>141</sup> Reminiscences of Roswell Burchard Perkins (April 2 and July 11, 1966), on page 42 in the Columbia Oral History Archives, Rare Book & Manuscript Library, Columbia University in the City of New York; Press Release, James C. Hagerty, Press Secretary to the President, May 17, 1954, Reinsurance, Box 17, Papers of Oveta Culp Hobby, DDEL.

<sup>142</sup> Diary Entry, July 14, 1954, *The Diary of James C. Hagerty*, 90.

American conceptions of health care at the beginning of the post-war era created an exceptionally inhospitable environment for federal intervention in any form. While a significant minority continued to support a large-scale federal option, it proved inadequate to produce such a change. The burgeoning medical lobby took the lead on private opposition to wide-ranging government health care. From this point on, health insurance for the majority of the American population came increasingly from employers. Subsequent government options, such as Medicare and Medicaid, targeted segments of the population, specifically the elderly and those receiving public assistance, not the entire population. The reinsurance proposal, and its defeat, effectively illustrated this very trend in its early stages.<sup>143</sup>

Shortly after the House moved to recommit the reinsurance bill, various private organizations began to reach out to the American Medical Association in an effort to reconcile the increasing divide between the health industry and the Eisenhower administration. Quoting the president's belief that "some health measure ought to be adopted by this Congress," the new executive secretary of the New Hampshire Medical Society, Hamilton Putnam, asked the AMA to renew discussions with the White House. "Because of our own efforts, those of us in the medical field are now riding high," noted Putnam. At the same time, he expressed his trepidation over potentially earning the disapproval of an administration that was "pledged to support the free enterprise system." Most significant to Putnam was the negative effect that professional medicine's opposition might have in terms of public relations. He closed his letter

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<sup>143</sup> Gallup Polls, *Public Opinion, 1935-71* (Bloomington, IN: Phi Delta Kappa, 1973), 2:802; When asked to choose between Truman's plan for national health insurance and an AMA plan that encouraged use of private health insurance in May of 1949, only 33% of the public chose the Truman plan. For more on the growth of private plans for the majority and public plans for the minority, look at Jacob S. Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Cambridge: Cambridge University Press, 2002).

to the director of the AMA's Washington office, Frank Wilson, by urging the organization to "mollify its relationship" with the administration and find some middle ground based on the concept of reinsurance.<sup>144</sup>

On the same day, the president of Connecticut General Life Insurance Company, Frazar Wilde, sent a letter to the AMA's president, Dr. Walter Martin. Unlike Putnam, Wilde was disappointed in the House vote and expressed concern over the power the Democratic Party had displayed in the defeat of reinsurance. "The vote confirms my worst fears; namely, that there is a strong probability that the Democratic Party, if it gets into power, will insist on an elaborate Governmental Health Program." While Democrats had proven invaluable to the aims of the AMA in this case, Wilde believed that the medical sector's refusal to take modest steps toward reform would ultimately lead to a much larger federal incursion than reinsurance. "Then," he warned, "we really will have socialized medicine in a large way, even though it will probably be called by some other semantic term that will sound nice to the public at large."<sup>145</sup>

Despite the concerns of other leaders in the health field, the AMA refused to change its position. Martin's only contact with the administration immediately following the House vote was a two-sentence thank you note to Eisenhower and White House Chief of Staff Sherman Adams. Martin thanked the administration for allowing him and his organization to be part of the discussion on "the problem of federal reinsurance" and stated his "admiration [for] and confidence" in the president. The following week, Dr. Martin wrote an editorial on reinsurance for his hometown paper, the *Norfolk Virginian-Pilot*. He argued that reinsurance carried "no

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<sup>144</sup> L. Hamilton S. Putnam to Dr. Frank E. Wilson, July 15, 1954, GF 131-O Socialized Medicine - Health Insurance (2), Box 1030, General File, Dwight D. Eisenhower Records as President, DDEL.

<sup>145</sup> Frazar B. Wilde to Dr. Walter B. Martin, July 15, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (2), Box 509, Official File, Dwight D. Eisenhower Records as President, DDEL.

magic touch” to increasing the speed with which Americans would receive health insurance. Despite his testimony in the spring committee hearings that his lack of expertise in the area precluded him from speaking on the actuarial provisions of reinsurance, his editorial argued that the proposed bill’s premiums could not possibly decrease costs while remaining “realistic in terms of the actuarial risk involved.” Beyond the plan itself, Martin stated in his closing that once the federal government entered into the area of health insurance “there is a real danger...that its activities would extend further.” While the AMA had stated its support for Eisenhower, it was clearly not going to support his plan.<sup>146</sup>

A week after the bill’s defeat, Dwight Eisenhower wrote to the chairman of the House Committee on Interstate and Foreign Commerce, Charles Wolverton. Eisenhower expressed his deep belief in the administration’s health objectives. “Our people are demanding – and are going to get – good health and medical services at prices which they can afford.” The president thanked the congressman and his committee for their dedication to finding a solution to the issue, and their work on the bill’s behalf. He closed by stating that reinsurance remained a major goal of the administration. When Eisenhower spoke to the nation on August 23<sup>rd</sup> regarding the accomplishments of the 83<sup>rd</sup> Congress, he stated that reinsurance would be put in front of Congress once again. In a speech at the Hollywood Bowl in Los Angeles a month later, the president stated his legislative proposals to the next Congress would “include legislation to meet the needs of our people in the field of health and medical care--and it will once and for all repudiate the philosophy of socialized medicine.” When, in November, the Department of

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<sup>146</sup> Dr. Walter B. Martin to Sherman Adams, July 16, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (2), Box 509, Official File, Dwight D. Eisenhower Records as President, DDEL; “Dr. Martin Gives AMA View on the Health Bill,” July, 1954, GF 131-O Socialized Medicine - Health Insurance (2), Box 1030, General File, Dwight D. Eisenhower Records as President, DDEL.

Health, Education, and Welfare presented its legislative proposals for the next year, reinsurance was at the top of the list.<sup>147</sup>

In the next few months, the Eisenhower Administration began its second push for reinsurance. On October 9, the *Washington Insurance Newsletter* ran an article from Oveta Culp Hobby titled "Health Reinsurance." The article began with Hobby's analysis of the defeat of the reinsurance bill. The opposition, she noted, came from those who opposed any federal action as well as those who sought compulsory health insurance. Hobby addressed a third party that she suspected to have contributed the bill's defeat: "those who simply did not understand the bill fully." Continuing with the belief that a lack of understanding played a major role, her department planned to "redouble" their efforts to make the proposal's "intent and its content tangible and clear."<sup>148</sup>

Hobby addressed the primary concerns of those who feared federal intervention and those who wanted more. Regarding the fear that reinsurance would intrude on the regulatory powers of the state over the insurance industry, she argued that states would have to approve any reinsured plan, thus leaving state power intact. Since the bill specifically limited federal funding for reinsurance to its initial appropriations, Hobby argued that the fear of extended federal

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<sup>147</sup> Dwight D. Eisenhower to Charles Wolverton, July 20, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (3), Box 509, Official File, Dwight D. Eisenhower Records as President, DDEL; Dwight D. Eisenhower: "Radio and Television Address to the American People on the Achievements of the 83d Congress," August 23, 1954, Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=9996>; Dwight D. Eisenhower: "Address at the Hollywood Bowl, Los Angeles, California," September 23, 1954, Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=10067>; Outline of Proposal, Department of Health, Education, and Welfare, November 17, 1954, Budget 1955-1956 (4), Box 9, Administration Series, Dwight D. Eisenhower Papers as President, DDEL.

<sup>148</sup> "Health Reinsurance," *The Washington Insurance Newsletter*, October 9, 1954, Reinsurance, Box 17, Papers of Oveta Culp Hobby, DDEL.

support was unfounded. She also refuted the concern that reinsurance would be a “waste of public funds.” “Improvident or unsound companies,” she argued, would not use and therefore would not deplete the fund. Hobby stated the proposal was made as a “frankly experimental measure.” While she acknowledged the possibility that the plan might not work, she argued that the administration believed that “experimentation [was] precisely what [was] needed in the health insurance field.” Hobby did not, however, directly tackle the objection that reinsurance served as an opening for socialized medicine, possibly the largest concern of private industry. Instead, she closed by emphasizing the solution for insuring millions of Americans must come from cooperation between the public and private sectors and any legislative steps taken to address such an issue had to be “firmly established within a framework of free enterprise and private initiative.”<sup>149</sup>

A week later, as a part of Hobby’s plan to increase understanding of reinsurance, she traveled to Chicago to speak at the American Life Insurance Convention. Following the speech, J.C. Higdon of American Life Insurance sent Hobby a letter thanking her for appearing and expressing his organization’s appreciation of “an Administration that encourages the handling of insurance by private industry rather than government.” Higdon believed that a large portion of individuals in the health insurance industry had “been unable to visualize many situations where the proposed health reinsurance plan would be applicable,” and thought that Hobby’s presentation clarified some misconceptions. However, his understanding that temporary loss covered by the reinsurance fund “must later be repaid by the insurance company” demonstrated that he himself misunderstood the plan.<sup>150</sup>

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<sup>149</sup> Ibid.

<sup>150</sup> J.C. Higdon to Oveta Culp Hobby, October 15, 1954, OF 117-C-7 Medical Practice-Doctors, Health Insurance (3), Box 509, Official File, Dwight D. Eisenhower Records as President, DDEL

Hobby's public campaign for reinsurance peaked when she spoke to the American Medical Association's House of Delegates on November 29. She took the opportunity to address the AMA's driving concern regarding reinsurance: that it provided a potential opening for socialized medicine. She began by laying out the administration's two overriding objections to the socialization of medicine. First, "such a proposal would not, in fact, achieve the objective of better health for more of the American people." Second, it would be too costly. The administration did not regard socialized medicine as an option, she said, but the status quo was unviable. Using the previous six years as an example, Hobby argued that the gap between medical costs and medical coverage would continue to grow. The inability of either compulsory health insurance or the status quo to offer effective solutions, Hobby stated, provided the impetus for the administration's reinsurance proposal.<sup>151</sup>

Not only did the administration believe that reinsurance could help voluntary health insurance close the "gaps in coverage and benefits," it believed that such an approach was "clearly consistent with the principle of self-help." The program, Hobby stated, was consistent with high medical standards, would preserve a patient's free choice of doctors, and would leave the doctor-patient relationship unchanged. Furthermore, it offered the ability for more people to receive health insurance and provided insurance carriers the ability to offer better coverage.

The pooling of insurance risk through reinsurance "has been widely used in the insurance industry – in, for example, life, marine, and casualty insurance." Hobby argued that the principle of reinsurance married caution and necessity together and would allow encouragement of "self-help without subsidy." She continued by demonstrating that this idea had already led insurance

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<sup>151</sup> Address given at House of Delegate, American Medical Association, McAlister Hotel-Miami, Florida, November 29, 1954, Speech-House of Delegates, AMA, McAlister Hotel, Miami, Florida Monday, Nov. 29, 1954, Box 42, Papers of Oveta Culp Hobby, DDEL.

companies to extend coverage to some catastrophic illnesses and longer-term hospitalization. “Insurance experience over the years, however, has demonstrated that what at one time was considered an uninsurable risk at a later date had become recognized as insurable.” Reinsurance, she contended, would only speed this up for insurance organizations that lack actuarial experience in varying fields.

Hobby returned to the fear of socialized medicine as she concluded her speech. Her recent work with the AMA, Hobby stated, had demonstrated that Americans favored voluntary, private plans as a route to ensuring their family’s security; yet they required a tangible solution. “We need insurance against compulsory health insurance,” she said, “and we firmly believe that the reinsurance proposal – if enacted – provides that kind of insurance.”<sup>152</sup>

On December 6, assistant secretary for HEW, M. Allen Pond sent a memorandum to Nelson Rockefeller, on the “events of the last two months relative to reinsurance.” Pond had spent several months meeting with groups such as the Blue Cross and Blue Shield, the AMA, U.S. Chamber of Commerce, and the National Association of Manufacturers in order to gauge their levels of support for reinsurance. The meetings revealed particular concern for how reinsurance would affect major medical insurance and rural coverage in addition to a general anxiety over the program’s qualification standards. However, the array of concerns from the organizations varied widely.

With regard to major medical coverage, Blue Cross, Blue Shield, and the National Association of Manufacturers did not want plans offering only major medical coverage to be offered support from the reinsurance fund. Yet, the National Association of Insurance Commissioners wanted even more support for such plans. While Pond found more cohesion of

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<sup>152</sup> Ibid.

opinion regarding rural coverage, it remained a divisive issue. Pond found a “unanimous opinion” that the problem of extending rural coverage was not one of risk-taking, but a “merchandising problem,” an issue of “formation and maintenance of groups where cash income is neither steady nor high and population is dispersed.” Yet, the groups divided on how to address the problem. The department also found “a wide divergence of opinion” regarding the inclusion of standards. Labor and voluntary nonprofit insurance organizations favored standards, while commercial insurance did not. An increase of the federally provided principal from \$25 million to \$100 million addressed the concern that the fund was not large enough to “accomplish its stated objectives.”<sup>153</sup>

Assistant Secretary Pond’s summary also included his evaluation for the overall support for the proposed fund: “Discussions with numerous persons representing various points of view have not indicated any substantial enthusiastic support for the proposal.” Pond addressed the position of six major groups. Blue Cross, Blue Shield, and other nonprofit insurance organizations “were likely to support a reinsurance bill in 1955.” The insurance industry, according to Pond, was split. Although private life insurance companies largely supported the bill, private accident and health insurance companies displayed “considerable opposition...primarily in the mid-west.” The American Medical Association, U.S. Chamber of Commerce, and the National Association of Manufactures continued to believe that such a plan was unnecessary. While Pond found that state insurance commissioners had been “somewhat mollified,” he also saw no sign they would actively support the plan. Labor would not support

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<sup>153</sup> Memorandum, M. Allen Pond to Nelson Rockefeller, December 6, 1954, Reinsurance, Box 17, Oveta Culp Hobby Papers, DDEL.

the plan. Farm groups “recognized the need for some action” but were also unlikely to support the plan enthusiastically.<sup>154</sup>

When the cabinet met on December 10, 1954, Hobby and Perkins presented the reinsurance proposal. While the presentation included “certain revisions to make it more tangible and thus easier to understand,” it remained largely the same as the plan from 1954. When Hobby and Perkins made the same presentation to Republican congressional leaders on December 13, discussion focused more on the AMA’s opposition than on the plan itself. Though she said she did not know if the AMA’s stand had change since the bill’s defeat in July, Hobby believed she had seen “some softening” by the association’s president and president-elect at their meeting in November. Charles Halleck (R, IN), the House majority leader, who had also attended that same meeting, did not agree that such a change had taken place. The legislators seemed to be perplexed by the AMA’s position. Senator Eugene Milliken (R, CO) said that he “couldn’t see where doctors would be interfered with in the conduct of their business by reinsurance.” Hobby and her team all agreed that doctors would not be, and they consequently could not understand why doctors would then oppose reinsurance. The administration understood that the AMA opposed reinsurance, but why and for how long they would oppose it continued to confound the plan’s proponents.<sup>155</sup>

In his third State of the Union Address on January 6, 1955, Eisenhower covered the state of the Cold War and the fight against communism, the continued growth of the American economy, and further proposals for the national highway system. Once the speech turned to the

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<sup>154</sup> Ibid.

<sup>155</sup> Cabinet Minutes, December 10, 1954, Cabinet Minutes, October 19-December 17, 1954 (3), Box 2, Cabinet Minute Series, White House Office, Office of the Staff Secretary, DDEL; L. Arthur Minnich Handwritten Minutes, December 13, 1954, Pgs. 38-52, L-17 [December 13, 1954], Box 2, Legislative Meeting Series, White House Office, Office of the Staff Secretary, DDEL.

state of American health, Eisenhower stated that his administration would again pursue reinsurance. When the president presented the revised plan in a special message to Congress, he stated that “many of our fellow Americans cannot afford to pay the costs of medical care when it is needed, and they are not protected by adequate health insurance.” Consequently, the president recommended “the establishment of a Federal health reinsurance service to encourage private health insurance organizations in offering broader benefits to insured individuals and families and coverage to more people.” However, this request used a new three-pronged approach to refocus the bill towards those whom the administration found most in need: “1. Health insurance plans providing protection against the high costs of severe or prolonged illness, 2. Health insurance plans providing coverage for individuals and families in predominantly rural areas, 3. Health insurance plans designed primarily for coverage of individuals and families of average or lower income against medical care costs in the home and physician's office as well as in the hospital.” Despite this second attempt, the bill never made it out of committee.<sup>156</sup>

One year later, on January 26, 1956, *The New York Times* ran an editorial titled, “The Right to Good Health.” Written in response to President Eisenhower’s “Special Message to the Congress on the Nation's Health Program” a day earlier, the editorial concluded that Eisenhower’s new “five-point plan” was departure from the administration’s position over the past two years. The new plan focused on medical research, teaching facilities, health personnel, and an increase in “basic health services.” The plan’s fifth point called for the expansion of

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<sup>156</sup> Dwight Eisenhower, “Annual Message to the Congress on the State of the Union,” *Public Papers of the Presidents of the United States, 1955* (Washington, DC: GPO, 1959) 24; Dwight Eisenhower, “Special Message to the Congress Recommending a Health Program,” *Public Papers of the Presidents of the United States, 1955* (Washington, DC: GPO, 1959) 217-218; Blumenthal and Morone 116.

voluntary health insurance to allow more people to meet the costs of health care. Eisenhower directed this call towards the insurance industry, which he believed should join together to the pool the risks of health coverage. The speech mentioned reinsurance only briefly. “The important role of the Federal Government,” Eisenhower continued, “is to provide assistance without interference in personal, local or State responsibilities” yet the piece found that the “tenor” of the president’s message was not about the role of government. Instead, it was “as it should be, not an argument about responsibility, but a restatement of the right of the individual to the medical care he needs.” The editorial stated that since the defeat of reinsurance, the president had been temporarily “persuaded” that private insurance had the ability to address the costs of health care and would extend coverage to those who lacked it. However, Eisenhower specified that if these measures proved inadequate, that he would “again urge enactment of the proposal made last year.”<sup>157</sup>

*The New York Times* piece argued that while this offered a reprieve for private health insurance, of “which they should take advantage,” the health of American families should not be subjected to “the principles of the market place.” If insurance, or potentially reinsurance, did not provide an answer for the 65 million lacking health insurance, “then the government will step in.” Yet, the editorial acknowledged that the problem of “ill health in a humane and democratic society” proved to be a complex one. The issue continually got caught between differing interests and mores. “The simple fact,” contended *The New York Times*, “is that our knowledge has expanded far more rapidly than our ability under existing circumstances to use it.” The piece did not argue that the best care could possibly be made available to all, but that “we could come

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<sup>157</sup> The “five-point” plan focused on medical research, teaching facilities, health personnel, and an increase in “basic health services.” Dwight D. Eisenhower: "Special Message to the Congress on the Nation's Health Program," January 26, 1956, Online by Gerhard Peters and John T. Woolley, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=10605>.

nearer to it.” In order for this happen, the editorial contended, either “we must have prepaid and Federally guaranteed group insurance,” or public enterprise would need to take over. Reinsurance had failed, and private insurance had won. The Eisenhower administration now charged free enterprise with solving one of the most pressing issues of social welfare in the United States. The new question for the Eisenhower administration became how to create change in the health field without scaring off the AMA, AHA, insurance companies, Democrats, or labor unions.<sup>158</sup>

Even before the debate over reinsurance, Eisenhower sponsored the Revenue Act of 1954, which would prove to be one of the most influential acts of his presidency relating to health. The Act of 1954 was an extension of the existing Revenue Act of 1943, which had precluded the taxing of employer health insurance during World War II. The version Eisenhower supported formalized the law as a permanent portion of the tax code and extended its scope exempting both employer and employee-paid health insurance premiums. The plan received strong support from the AMA, AHA, and labor unions. It easily passed through Congress and became law.<sup>159</sup>

Just as the failure of reinsurance had done, the Revenue Act of 1954 further placed health insurance into the domain of the employer and private industry as a whole. This did not signify the gradual removal of the federal government from the issue. Instead, the American social welfare system only became further entangled between the public and private sphere. While a plan as comprehensive as Truman’s call for national health insurance would never take hold in the United States, the federal government became a cornerstone of American health insurance. The tax break formalized in 1954 exists today and costs the federal government more than \$200

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<sup>158</sup> “The Right to Good Health,” *The New York Times*, January 27, 1956, 22.

<sup>159</sup> Blumenthal and Morone 112-113.

billion annually. Medicare and Medicaid, social insurance systems established in 1965, created what would become one of the federal government's largest social expenditures. In 2013, spending on Medicare and Medicaid combined reached just over \$1 trillion dollars, or 35 percent of total national health expenditures. Overall, the federal government's 26 percent of the share of the \$2.9 trillion total health expenditures in 2013 is second only to the costs sponsored by households (28 percent). Private business (21 percent) and state and local governments (17 percent) make up the other major expenditures.<sup>160</sup>

This deepening of the public-private welfare relationship took a substantial step in the direction of federal intervention with the creation of the Affordable Care Act (ACA) on March 23, 2010. As did Eisenhower's reinsurance plan, the ACA intended to increase the availability of insurance, especially for those unable to pay the costs of medical coverage. Unlike reinsurance, "Obamacare" sought to reach this goal by extending federal oversight through compulsory elements, including penalties for refusing to participate in health insurance. As of May 2014, 20 million people had gained insurance under the ACA. While this figure does not account for individuals who may have already been insured, the percentage of Americans without insurance has dropped 5 percent in the last year alone.<sup>161</sup>

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<sup>160</sup> Ibid. 114; "National Health Expenditure Fact Sheet: Historic NHE, 2013," Centers for Medicare and Medicaid Services, <http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.html>.

<sup>161</sup> The ACA actually includes its own reinsurance clause. Established in Section 1341 of the Act, the "Transitional Reinsurance Program," collects premium payments from health insurance carriers to create a reinsurance fund that in turn underwrites major medical insurance plans. According the ACA, the program was created to "stabilize premiums" both inside and outside of the health insurance "Marketplaces" created by the Act. See "The Transitional Reinsurance Program – Reinsurance Contributions," The Center for Consumer Information & Insurance Oversight, <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/The-Transitional-Reinsurance-Program/Reinsurance-Contributions.html>; David Blumenthal and Sara R. Collins, "Health Care Coverage under the Affordable Care Act – A Progress Report," *The New England Journal of Medicine*, 371 (July 17, 2014) 275-281.

Nearly 60 million Americans lacked health insurance in the 1950s. Existing proposals saw the solution as either more government regulation, such as Harry Truman's plan, or less regulation in order to allow private industry to solve the problem. Dwight Eisenhower's style of Tory reform saw the solution lying in the middle. An avowed fiscal conservative, he refused to allow the federal government to become the sole operator and financier of health insurance. Not only did Eisenhower fear the financial implications of socialized medicine, he believed it to be a substandard system of medical care. However, Eisenhower understood that reform was not only necessary for the health of the nation, but also demanded by its citizens. Just as the nineteenth century British reformer, Benjamin Disraeli had done, Eisenhower moved to expand earlier liberal initiatives as a part of his belief to act liberally "in all things which deal with people." In this way, the president could offer reform as a means of heading off a more radical option. Reinsurance encapsulated this strategy of Tory reform.<sup>162</sup>

Just as reinsurance effectively demonstrated Dwight Eisenhower's "middle way," it illustrated the foundations of modern American health insurance within the evolving conceptions regarding the role of the federal government. At the same time that post-war Americans increasingly accepted federal involvement as a part of their everyday lives, they participated more and more in private health insurance. When reinsurance was introduced as a federal program meant to increase the use of private plans, it would not command enough support to become law. Eisenhower's Tory reform had failed. Increasing health coverage in the United States was further delegated to private industry.

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<sup>162</sup> Mayer, *The Eisenhower Years*, ix. Memorandum for the President, Secretary Oveta Culp Hobby, November 18, 1954, Budget 1955-1956 (4), Box 9, Administration Series, Papers of Dwight D. Eisenhower as President, DDEL.

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