**History of Healthcare Reform in the United States (1900-1950s)**

1. **PROGRESSIVE ERA**

**Theodore Roosevelt 1901 — 1909**

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

**AALL Bill 1915**

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

**AMA supported AALL Proposal**

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

**Opposition to the AALL Proposal**

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

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

**WWI and anti-German fever**

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

**Why did the Progressives fail?**

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

1. **FDR AND HEALTHCARE REFORM**

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

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

1. **TRUMAN AND HEALTHCARE**

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

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

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

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

**Why doesn’t the United States have a Single Payer Healthcare system?**

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|  | **Supporters? Why?** | **Opposition? Special interest groups? National/International Events impacting? Why?** | **RESULT** |
| **Progressive Era** |  |  |  |
| **Great Depression** |  |  |  |
| **Harry Truman and the Fair Deal** |  |  |  |

**Question – Write a paragraph explaining how opposition from special interest groups as well as national and international events hindered the passage of a government run healthcare system during the period 1900-1960.**

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

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

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

**Johnson and Medicare/caid**

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