

SOCIAL WELFARE

31 January 1950

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Mr. Oscar R. Ewing was born in Greensburg, Indiana on 8 March 1889. He received his A.B. degree from Indiana University in 1910 and his LL.B. degree from Harvard in 1913. From 1913 to 1914 he was an instructor at the University of Iowa Law School. During 1915-1916 he was a member of Weyl, Jewett and Ewing of Indianapolis, Indiana. Later in 1916 he was Assistant Counsel for Vandalia Railroad Company of St. Louis, Missouri. In 1917 he became Assistant to the General Counsel of Pennsylvania Lines West of Pittsburgh. He was a 1st. lieutenant in the Signal Corps and later promoted to captain in the Air Service in World War I. From 1920 to 1937 he was a member of Hughes, Schurman and Dwight of New York and its predecessor firms. He is now a member of the law firm of Hughes, Hubbard and Ewing. In 1931 on behalf of American manufacturers he attended the Conference for Limitation of Manufacture of Narcotics at Geneva. He was Assistant Chairman, Democratic National Committee from 1940 to May 1942 when he was appointed Special Assistant to U. S. Attorney General to prosecute Silver Shirt Leader William Dudley Pelley for sedition. Later in 1942 he was appointed Vice Chairman of the Democratic National Committee. He is a member of the American and New York State Bar Associations and the Association Bar in the City of New York. In August 1947 he became the Federal Security Administrator.

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COLONEL BAISH: General Holman, gentlemen: The greatest strength in our Nation is our vigorous and intelligent population. Our future security will depend, in large measure, on the health, education, and welfare of the people in time of a national emergency. Today we will examine some of the basic needs of the Nation and some of the deficiencies that must be corrected if we are to strengthen the quality of our fighting forces and production workers.

We are fortunate to have as our guest speaker the Honorable Oscar R. Ewing, Federal Security Administrator. He will talk to us on the subject, "Social Welfare."

It is my privilege and pleasure to introduce to the Industrial College and to our visitors, Mr. Ewing.

MR. EWING: Mr. Chairman, General Holman: It is a great privilege for me to be here. This is my first visit to the Industrial College; I welcome the opportunity.

I have been asked to speak on health, education, and social security as they relate to the national defense.

There can be, I think, no question that these matters are--and must be--of vital importance in any over-all planning for defense. To quote from the foreword of your catalog, "If national defense is to be more than a catchwork, it must rest on the solid foundation not only of trained military manpower and advanced materiel, but also of a national economy capable alike of serving the purposes of war and peace." And to that I say, "Amen" with all the force and vigor I have. For a strong peacetime economy is, in the last analysis, the base of the Nation's military strength.

Certainly under the conditions of modern warfare, these factors of social welfare must be heavily weighted by any general staff. And a military commander in the field who has behind him a nation of healthy, alert, and intelligent men and women--free from the virus of social unrest--may well prove to have the decisive advantage.

When all is said and done, your job, of course, is to view this problem in terms of potential manpower. In the unhappy event of another war, how many divisions shall we be able to put into the field? How rapidly and effectively can men be trained to take over the highly technical jobs in an expanded military establishment? How much strength, stamina, and adaptability will the men in our armed forces bring to the business of making war?

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Equally important, what sort of a labor force shall we have to turn out the steady stream of ships, planes, guns, tanks, and all the other necessary materiel? For industrial potential, perhaps even more than the size of our armed forces, is today the crucial factor in warfare. Anything which increases that potential increases by so much our chances for an early victory. And it is precisely here that these matters of health, education, and security begin to be of practical importance for you.

During the last war we did a magnificent job. We put some 14 million men into uniform--over three times the number that served in our armed forces in World War I. We established the greatest record for production of war materials in the history of the world. With all that, we managed to maintain a level of production for civilian use that no other nation at war found even halfway possible. And what is more, we came out with our strength and resources essentially unimpaired and ready to move forward confidently.

But, in spite of all this, there were a great many elements in our wartime situation which, as we examine them now, demand some hard thinking. We found that our resources of manpower were not inexhaustible. Before the war was over, for instance, we had pretty much scraped the bottom of the barrel so far as recruitment for the armed services was concerned. And if the war had continued another year or two, I am told you might have found it increasingly difficult to put into the field the number of divisions that would have been necessary.

Here we must go back to the report on rejections for military service; it was issued by the Selective Service Commission at the end of World War II. I recognize that the implications of this report have probably been thoroughly chewed to pieces in your classrooms. But any way you look at it, those Selective Service figures are pretty devastating. To discover that we had to classify as 4-F's nearly 5 million men between the ages of 18 and 37 is shocking, to say the least. An important percentage of these, of course, were occupational deferments, with "F" classification. But that does not alter the essential story. The fact remains that these 5 million, or so, represent a ratio of nearly one to three as compared with those who did make the grade and could be inducted into the services.

I know that many people try to alibi these figures by pointing out that they reflect the super-high standards set for military service in the United States. But that is only a partial answer. The blunt fact is that the figures for rejection represent pretty much of a cross section of conditions straight across the board in this country--conditions which involve men, women, and children of all ages. And they have a primary social and economic significance as well as a military significance.

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There are in this country somewhere around 26 million persons--one out of six in the entire population--who are victims of some chronic disease or who have some well-defined mental or physical impairment. To me, this is a far more shocking fact than those uncovered by the Selective Service report. For here we have no alibi. We cannot shrug it off by saying these men and women merely do not meet the maximum standards of health and energy. They do not meet even the minimum standards of normal health or energy.

Around 7 million of these people are, to a greater or lesser extent, crippled by arthritis or rheumatism. An even larger number, probably, have some form of heart disease. And you can go straight down the line of the other serious and disabling chronic diseases that are part of this picture.

More startling than all this, perhaps, is the fact that around 8 million people are suffering from some sort of pronounced mental disease. And not only is mental imbalance increasing in this country--it is increasing so rapidly that competent authorities say 1 out of every 10 children now in school will, during their lives, spend some time in a mental institution.

When we have grasped figures such as these we can begin to understand the problem of disability as it exists today. The Bureau of the Census estimates that on any given day of the year from 3.5 to 3.75 million workers, under the age of 65, who otherwise would be on the job, are totally disabled and unable to continue at their regular employment. These are not workers who stay home because they have a bad cold or a touch of the flu. They are incapacitated in the literal sense of the word and the period of their disability extends, on the average, for nearly two months.

Only about one-tenth are disabled because of accidents, industrial or otherwise. The rest are out of the running because of disease or some form of congenital injury or mental disturbance. Taking this two-month average duration of disability, the simple arithmetic of turnover will give you some sense of the number who, in the course of any year, are totally disabled for varying lengths of time. And when all the figures are in, you will discover that over 1.75 million can be counted among the permanently disabled.

Moreover, millions of workers suffer partial disabilities which prevent them from working and earning at full capacity. And it is probable that the production of most of them is consistently under par.

Let us try to translate all this into concrete terms. Suppose at the height of a national emergency--which is another way of saying when the Nation is at war--we found that over 3.5 million workers were

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continuously on strike, and another 3.5 million, say, were committing acts of industrial sabotage. I think, to put it mildly, we should all be concerned for our national safety. Yet, where is the difference in terms of manpower? These disabled workers, of course, are not on strike nor are they in any sense guilty of sabotage. But the net loss, in terms of industrial production, is precisely the same.

Or take it from another angle. It has been estimated that, because of sickness and disability, the annual cost to the Nation, in wages and production lost, runs to something like 27 billion dollars. Temporary sickness is only a comparatively small part of this total. The main cost, 22 billion dollars, may be charged against total and partial disability.

While we are arguing what the Nation can afford to spend for national defense—whether it should be 13 or 15, or 20 billion dollars—let us keep at least one eye on this phase of the problem. For the billions of dollars of national wealth which annually goes down the drain because of disability is one of the reasons, perhaps, why it is necessary to cut corners on our military expenditures.

There is, roughly, your health picture—at least in terms of outright disability. And it is disability to which you must give due weight in making your calculations on the size of our armed forces or the strength of our industrial potential.

Now what, as a nation, are we doing about it?

For one thing, through medical research we are making an all-out attempt to get at the root causes of chronic disease. Over the past decade and a half the activity of the Public Health Service of the Federal Security Agency in this field has undergone tremendous expansion. And millions of dollars in government funds have also been placed under its direction to underwrite similar research in universities and private institutions.

Beyond this, we have developed State-Federal programs throughout the Nation for the control of heart disease, cancer, arthritis, tuberculosis, venereal disease, and others. We have an extensive program to take care of our million and a half crippled and handicapped children. And we also have a rapidly expanding program of vocational rehabilitation of civilian adults which over the past five or six years has put more than a quarter of a million men and women back on their feet and enabled them once more to earn their own living.

This program for the rehabilitation of the disabled people of the country is, I think, one of the greatest projects the Federal Government is engaged in. I am told that figures show the income taxes paid by these people who have been rehabilitated and are now earning their own

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money is 10 times the amount that the Federal Government spent for their rehabilitation. Any investment that brings a tenfold return is a pretty good investment. Heretofore, these people were a drain on us, but through this program they have become earners and more than pay their way.

But all these public services, plus all our privately financed research and medical services, are still touching only the fringes. In vocational rehabilitation, for instance, there is a backlog of some million and a half disabled persons who could make effective use of these services if they were available. We estimate that about 250,000 people each year become disabled because of sickness, accident, or congenital illness of one form or another. Our program at the present time is able to take care of only about 75,000 a year. So you can see how this backlog is building up. And the same applies to our program for crippled children and other health services. Generous as Congress has been in appropriating funds to maintain these programs, they are still insufficient to make any really big dent in the problem.

Even more important is the fact that there are not enough doctors, nurses, and hospitals to take care of the health needs of the people. The medical services we do have are chiefly in the larger cities. Most of our small towns and rural areas are getting the short end of the deal.

Through a nationwide hospital construction program, supported in part by Federal funds, we are trying to build new hospitals and public health centers as rapidly as possible with particular reference to the small towns and rural areas. We are making good progress. But at the present rate it will still be a long time before we shall have the full number of hospital beds we need to meet even our minimum requirements. And we are equally stymied in our efforts to secure a better distribution of doctors, nurses, and other medical personnel.

But there is not much point in building new hospitals, or persuading more doctors to enter practice in these so-called medically backward communities, unless there is purchasing power to support these services. And here we come to the hard core of the health problem--the fact that most people in this country do not and cannot under the present system of paying for it, obtain adequate medical care.

According to the best estimates, only about one out of every five families--those with incomes of \$5,000 and over--can meet the cost of serious illness without some kind of outside help. And for half the population--in families earning \$3,000 a year, or \$60 a week, or less--anything remotely approaching adequate medical care is just out of the picture. Actually, we have 65 million people in this country living in families where the total family income is less than \$3,000 a year. Now, those people simply cannot afford ordinary medical care.

We have another 45 million people living in families where total family income is between \$3,000 and \$5,000 a year. Those people cannot take care of a serious or chronic illness.

In urging the adoption of a system of national health insurance, President Truman is attempting to find a way in which adequate medical care can be made available to everyone, through a nationwide system of prepayment with the premium costs adjusted to a man's earning capacity.

One very important aspect of this proposal, from the point of view of our discussion here, is the impetus it will give the practice of preventive medicine. The biggest obstacle to such practice today is the dollar barrier between the doctor and the patient. The most essential thing in all these disability and potential disability cases we have been talking about is to get them to a doctor during the early stages, when there is more chance of effecting a cure--to cure the trifling before it becomes the tragic. Far too many men and women now put off getting medical advice and treatment because of the expense or what they fear the expense will be. Once the dollar barrier is removed, more people will get to the doctor before it is too late.

Under a system of national health insurance, a doctor would be able to prescribe the specialized care and treatment each patient needs, with no questions asked about the state of the patient's pocketbook. The net result, I am confident, would be to cut down a very substantial amount of the disability with which this country is burdened. So much for health.

Along with health, you must take account of education when you are working on problems of national defense. One of the biggest assets this Nation has is the great number of young men who have a solid grade school and high school education which enables them to learn quickly the technical demands of military training or of industry. I understand a GI cannot get very far in the Army simply on his ability to read the comics. In industry, a man cannot do much of anything but the lowest-paid, unskilled labor so long as he has only a hazy idea of, say the multiplication tables.

Yet figures on Selective Service rejections show that around 12 percent of the men found unfit for service were rejected solely for education deficiencies. And that, it seems to me, is altogether too many in a nation which has always boasted the largest and best public school system in the world.

But if this was true of the generation growing up in the twenties and thirties, what about the next generation? The latest figures show that today there are considerably over 3 million children between the ages of 5 and 17 who are just plain not going to school. That is more than 1 in 10 of all children of school age in the country.

Without going into all the whys and wherefores of this situation, the fact remains that here are potential illiterates--potential 4-F's rejected for educational deficiency in peace or in war.

The crisis in education is no figure of speech. It is underscored by the many serious inequalities in opportunity for education throughout the country. Probably 60 percent of all our children are growing up in the areas which offer the least educational advantages. These areas, for the most part, are the predominantly rural states of the South and Southwest. A highly industrial state like New York or New Jersey can afford to spend nearly \$200 annually for each child in its public schools. In contrast, Arkansas, for instance, can spend only around \$60, and Mississippi, under \$45. Yet Arkansas and Mississippi spend on education a bigger percentage of their people's income than does either New York or New Jersey. In New York, the average expenditure per schoolroom per year is in excess of \$4,000. There are some parts of this country where the average expenditure per schoolroom per year, including the teacher's salary, is less than \$400 a year. Now, what kind of education can those children receive?

It is to offset such inequality that the President has consistently urged Federal aid to education. Only if the Nation as a whole faces up to this problem can we hope to establish anything like equal opportunity for education throughout these United States. At present no such equality of opportunity exists. If we hope to rely on trained and effective manpower from the Ozarks as well as New York State, something must be done, and done soon on a national scale.

One major factor in the school crisis is the unprecedented number of babies born during the war and postwar years. The increase is something like 5 million over the previous decade. And, as of 1949, these high birth rates have not yet tapered off to any appreciable extent. These youngsters are now beginning to swamp our kindergartens and lower, primary grades. Often they are housed in desperately overcrowded classrooms, with extra classes set up in school basements and corridors, or in churches or empty stores and garages. Within the next 10 years, as these youngsters go on up through grade school and high school, it is estimated that our total public school population will increase by over 30 percent. And we have neither the teachers nor the plant and equipment to take care of them.

Our present classroom shortage is made still worse by the fact that, throughout the depression and war years, we failed tragically to maintain normal new school construction and replacements. Perhaps one out of every five school building now in use really ought to be abandoned tomorrow. Many of them are fire hazards. Many are rattletrap structures whose lack of sanitary conveniences is a menace to the health of our children. And many are so obsolete in design and equipment that they cannot possibly serve the purposes of modern streamlined education.

In order to provide facilities equal to those we had in 1930, we shall have to double the number of classrooms we now have and recruit literally hundreds of thousands of more qualified teachers. The total cost of an adequate school construction program is estimated at over 10 billion dollars. The bulk of this money is needed in those states and communities where the lag in school construction has been worst. And again these are the states and communities with the smallest per capita income to foot the bill.

Without some measure of Federal aid, the job simply cannot be done. We might find over the next 10 years that a large sector of our public school system was being reduced to utter chaos. In that event, the principle of universal public education to train our boys and girls for the duties of American citizenship will have become a grim and bitter joke.

When it comes to the problem of social security, let me take your own situation as an example, though obviously you know more about it than I do. All of you who are making a career in the armed services are, if we may use the term, fixed for life. You may, of course, not have much opportunity to make so-called big money. But your monthly pay check keeps coming in regularly whether you are on active duty or sick in a hospital. Your medical expenses for yourself and to a large extent for your family are taken care of by the Government. When you reach retirement you will have a pension sufficient to take care of essential needs.

All Americans will agree that this is as it should be. And it certainly makes sound common sense since it enables a man to concentrate on his job without having to worry too much over the hazards of unemployment or disability or old age. In every way, it is fundamental to the strength and morale of our whole armed services.

It is precisely this same basic strength and morale that social security legislation is designed to promote for our industrial army. There are few workers whose wages ever get ahead of the cost of living. A man out of a job, for whatever reason, usually finds the going pretty tough. And when he is too old to work he has seldom been able to save enough money to carry him through. Or if a man dies while his children are still young, his family hasn't much to fall back on.

That is why, over the past decade and a half, those who are most concerned with the essential strength and morale of the Nation as a whole have been vigorously supporting social security for all workers.

It was during the depression, you will remember, that we learned the facts of insecurity the hard way. With 12 or 14 million men walking the streets--looking for jobs when there were no jobs--we had what, in other countries, might have been the makings of violent revolution.

But at least we read the warning signals. Today we have a nationwide system of old-age and survivors insurance which gives a worker some measure, at least, of protection against the hazards of old age--and some measure of protection for his wife and dependent children in case he should die prematurely.

We have a nationwide system of unemployment insurance for the worker who is thrown out of a job through no fault of his own--insurance designed to carry him along until he can get another job.

Neither of these systems is yet adequate. Old-age and survivors insurance still covers only two out of three of all men and women in our total labor force, and job insurance only one out of two. Moreover, during the past 10 years the amount of benefit payments have lagged way behind the rising cost of living. Congress is now considering measures to extend the coverage of old-age and survivors insurance and to bring the benefit payments in line with living costs.

The bill passed by the House last year and now in the process of hearings in the Senate also recognizes the need for some protection when permanent and total disability cuts off earning power. Our lack of disability insurance is still a serious gap in our social security system. Except in four states, a man who is off the pay roll because of sickness or disability incurred off the job has no government insurance of any description. And if he is permanently disabled, he is just plain out of luck. Active efforts are being made by the present Congress to expand old-age and survivors insurance to cover this factor of permanent disability--and probably will be successful. As for insurance to cover sickness and temporary disability, that battle is still to be won.

But social security has good prospects of being strengthened on its second-line defense, as well as in the first-line protection provided by these social insurance plans. You probably know that the Social Security Act also provides for Federal contributions to the states to help them pay for public assistance to the needy aged, the needy blind, and dependent children. Present proposals would plug some of the weak spots in these existing provisions and extend Federal cooperation to cover public assistance when need is caused by disability. This will be a substantial and immediate help--but the insurance principle is still the best way of preventing future need.

In spite of the gaps in our system as it stands today, it is a sound and substantial foundation for social security. It has proved its worth and it is not standing still. We may look for real progress on this front.

Before I give you a chance to ask questions, I want to add just one point. In outlining what the Government now does for health, education,

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and family security--and what still needs to be done--I have tried suggesting some of the ways in which it directly affects your immediate concern with national security. These relationships are not dragged in by the heels. They are not farfetched. The strength of the people is, quite simply and literally, the strength of the Nation. But I want also to make it plain that I do not justify these measures solely, or even mainly, on grounds of national defense. They justify themselves--as necessary and practical elements in the kind of government and the kind of peace-loving society we believe in. They represent democratic self-government at work in the best interests of and by direction of, the citizens themselves.

Thank you.

COLONEL BAISH: I am going to take the privilege of asking the first question. Mr. Ewing, will you tell us a little bit about the Federal Security Agency; what the present units in it are, and some of those that were lost recently?

MR. EWING: The agency is a pretty big operation. It was established by President Roosevelt in 1939. As of today, we have the Public Health Service, the Social Security Administration, the Office of Education, the Office of Vocational Rehabilitation, Food and Drug Administration, Howard University, St. Elizabeth's Hospital, and a lot of minor agencies. I think we have about 36,000 or 37,000 employees. Our appropriations total about 1.5 billion dollars a year. That is pretty largely for grants-in-aid to the states in connection with these various programs.

COLONEL BAISH: What about your field agencies? Do you have many people out in the field?

MR. EWING: Oh, yes. We have 10 regional offices. Some of the programs do not have any field service; others have a good many. Food and Drug, for example, has quite a few. The Public Health Service, in connection with communicable disease work, has a few scattered over the country, so that if there is an epidemic outbreak of any kind, anywhere, we can rush emergency crews in there within a matter of hours.

QUESTION: Sir, it is a very serious and shocking affair when 1 out of 10 of our children will eventually wind up in a mental institution of some form. What can we do to rectify that situation?

MR. EWING: For one thing the Congress has established a National Institute of Mental Health which is studying this problem. It is under the supervision of the Public Health Service.

But I think the most tragic need in that field is the necessity for more trained psychiatrists and more psychiatric nurses. Our shortage in those fields is simply overwhelming. We are trying to develop training

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courses and getting people interested in that work so we will have more doctors available. I really think that is the No. 1 problem. That is one of the main reasons why we are urging the House to pass the bill-- it has already passed the Senate--to give Federal aid to medical education. We just have to get more doctors and more nurses who can deal with this particular type of person.

But you are quite right; it is a very serious thing.

QUESTION: Pursuing the question of available doctors just a little bit further, what have you found out as to the actual desire on the part of people going into school, and the availability of schools for the would-be doctors to go to. It is my understanding that a young chap who is a premed student, who wants to get into a medical school, finds little chance of getting in unless he happens to have a triple-A grade rating.

MR. EWING: That is absolutely correct. You see, this has somewhat of a history. For many years there were quite a few schools in this country that were little more than "diploma mills." But along about 1910, 1920, or somewhere around in there, the American Medical Association undertook to classify these medical schools. They put the poor ones out of business. They did an admirable job. The result is that today we have, on the whole, extremely good medical schools. We have 79 of them.

But, you see, what has happened--it happens so often--when the boys get up to the top they want to pull the ladder up so no one can come up behind them. There is tremendous opposition in the medical profession today to increasing the number of medical schools, or increasing the output of those that do exist.

Passage of the bill that was drafted with the aid of the deans of the medical schools of the country and with the aid of the Committee of College Presidents, of which President Hutchins and Dr. Conant were members, would help solve some of the problems.

Now, I am afraid to give any statistics, but I am sure this is conservative: There are some five applicants for every one who succeeds in getting into medical school. And while all of them may not have top qualifications, at least a very great number could be considered wholly eligible.

QUESTION: Mr. Ewing, did I understand you to say that the premiums for the proposed Federal health insurance program would be paid for in accordance with the individual's earnings? If so, does this mean that a derelict can bring injury or sickness on himself and receive full medical attention at the expense of those people who take care of their health?

MR. EWING: You are assuming that someone would go out and deliberately injure himself just to get into a hospital.

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QUESTIONER: Not necessarily. In other words, he may go out, get into a fight--he is just that type person--get hurt, go to a hospital, and receive full medical attention at the expense of others.

MR. EWING: Well, I suppose that is possible, but that is negligible. Assuming all that is true--balancing that off against the good, I do not think it is important. I daresay there would be some fellows who would get into a fight.

QUESTION: Sir, we cannot help comparing our situation with what is going on in England in connection with national medical service. I think we should profit from the experience of the English. Now, it seems to me, from the little studying I have done on the subject, that the idea back of it may be at this time being discredited because of the fact that they rushed into their health service program without adequate preparation.

For example, we have just heard that we have too few doctors right now to even take care of the people who can afford it, let alone the people whom you mentioned cannot afford it. We also have too few hospitals.

Now it seems to me--and I would like to get your comments on this--that if we should now go into full national health service, we would find ourselves in immediately the same situation England found herself in the first year, namely, what doctors we do have, what hospitals we do have, would be completely swamped. This condition would bring discredit on the whole thing and possibly get it thrown out in the end.

MR. EWING: Well, I have just returned from a trip abroad. I spent some time in England, most of it with representatives of the British Medical Association. I wanted to get their adverse criticisms.

Your comment about the British system and the suddenness with which it was put into effect is one that is very widespread over there among members of the medical profession. We, in our plans contemplate at least a 3-year tooling up period. After the act is passed it would not become effective for at least three years, or maybe two. I do not know what the Congress would do.

The doctors in England felt that if that had been done, much of their difficulty would have been avoided. Over there, they have taken over practically all the hospitals. True, there are some which they have not touched. They took them over without any tooling-up period whatsoever. It was on 5 July 1948 that these hospitals suddenly belonged to the Government. The boards of directors in the individual hospitals did not know what they could buy. They did not know what authority they had. There were months of confusion. That situation is gradually being worked out and is, to a large extent, moving smoothly right now. But the suddenness with which that change-over was made has been the subject of much criticism. I think our planning will probably avoid that.

At this point perhaps I should point out that eight-ninths of the expense over there is paid out of general taxes, whereas here we definitely plan to meet the cost by pay roll deductions for workers and by special income taxes for the self-employed and those living on income from securities. The Government would be an underwriter when unpredictable emergency costs must be met.

There is no question that in both England and Sweden it is a part of the general scheme, whereas in this country there isn't even the remotest thought in anyone's mind to have any such scheme as that. We want a special type of payment. What we have here is a specific problem we are trying to solve. We are trying to find an answer that will disturb our economy and our social structure just as little as possible. Perhaps, if we are going to talk about this plan, I ought to explain it briefly.

What we have in mind is that everything would operate through the general practitioner. Any person entitled to the health service would select a general practitioner, who was in the service. The general practitioner can be either in or out, or can be partially in or partially out, whatever he wants.

Now I can say, "I would like for Dr. Smith to take care of me." But suppose Dr. Smith should say, "I don't like Ewing. I don't want to take him." In that case I would have to go out and find myself another doctor, one who would be willing to take care of me and of each member of my immediate family.

If I get sick and I call up that doctor, and either he comes to my home to see me or I go to his office, and he wants to prescribe any kind of medicine, I have to take the prescription and pay for it myself. You see, the only free medicine would be the very expensive kind, like streptomycin and cortisone, something like that, when we get it.

He may say, "I think you ought to go to the hospital for a few days for a checkup." He arranges it. Or he may say, "You ought to go to a specialist." He arranges it. He might say to me, "I think maybe your eyes need examining." He arranges it. It is all worked through him. It operates exactly as it does today, except the bill goes to the insurance fund instead of to the individual patient.

Now, to pay for this, we have in mind starting with--I don't know how many it will include--those who are already covered by social security for the simple reason we have all those wage records and it would be very simple to start there. If they start there, we would visualize a 3 percent pay-roll tax, one-half of it being paid by the employer and one-half by the employee. That, we think, supplemented in the early years by less than one-half of one percent of pay roll provided from general revenues, ought to pay for the services of those people.

That would be roughly 95 million people, workers and dependents, who would be covered. Around 49 million workers earned some wage credits for social security last year and most of them would be eligible for health insurance. The health insurance system would cover about two and a fraction eligible persons per insured worker. So that would be about 95 million people who would be covered to begin with. If OASI and health insurance coverage were extended to self-employed persons and domestic workers, agricultural workers and others whom we have recommended be brought in, that would mean close to 130 million people--workers and their dependents--covered for medical benefits. The pay-roll tax on 3 percent of 140 billion dollars a year--the amount of taxable earnings with this broadened coverage--would raise about 4.25 billion dollars. The total amount paid out today by private expenditures, as nearly as we can estimate it, is somewhat more than 7 billion dollars for all our medical services. It is pretty close to that. It is a calculation that may be a little high or low; but we are quite sure there isn't any serious miscalculation. In addition a sum of over 2 billion dollars is spent out of tax funds for civilian public health and medical services, including care of veterans. So the total expenditures, private and public, are over 9 billion dollars a year.

Eventually, if the program is extended to all the population, there would be a special income tax on people who are self-employed, or people who live on incomes. Then the contributions for the indigent would be paid by the state or local governmental agency responsible for their care.

The idea of the structure of the program is that when the law is passed, Congress, in its legislation, would prescribe certain standards that a state plan would have to conform to. But once the law was passed, it would be up to each state to prepare and present its own plan. That would be sent to Washington, to a board. The board would examine it; if it found that the plan complied with the standards prescribed by the Congress, that would be the end of the Washington bureau.

It would be an essential part of each state plan to divide the state into health areas. In each health area the administration would be in the hands of a local board, composed of professional men--doctors, dentists, hospital administrators, and consumers of medical services. That board would arrange for all contracts between doctors and the fund, between hospitals and the fund, laboratories, and what not.

The doctors make their own arrangements with their local boards, either individually or in groups. The act provides they can be paid on any one of three bases: A fee-for-service base, which means so much for a house visit or so much for an office visit; a capitation base, which is so much per patient, per year; or on a salary base. We put that last one in because in your backward sections of the country, or

in the sections sparsely populated, you almost have to have a salary inducement in order to get doctors to go out there to live.

That is the over-all plan we have in mind. In checking it with representatives of the British Medical Association, they all felt it was a vast improvement over theirs. And I want to say this of the doctors in England. I talked with many of them and I didn't find a one that didn't have a gripe. They didn't like this, or they didn't like that. But when we finished our discussions, I asked them two questions. First I said, "Now, laying aside your professional objections, do you think that this national health service is good for the people?" Without exception they said yes.

Then I said to them, "I have another question I would like to ask. If you had the power and could turn back the clock and could go back to the system that was in force before 5 July 1948, would you do it?" Every doctor, except one, to whom I put that question direct said they would not. They thought the present system, with all its defects, was better than what they had before. The one who had taken exception, when it was explained what we had in mind, said, "What you are proposing to do completely answers my objection."

QUESTION: There are private organizations in this country, such as the Blue Cross and other health insurance agencies, which are available to all the people. I would like to ask why, since they are available--unless I failed to understand your arguments--the people should not first be encouraged to go to the private organizations rather than to the Government? Also, I feel that the Government should encourage private industries to advise their people to go to the Blue Cross and other insurance agencies of this type. Why not follow this method rather than grant governmental medical aid and thus avoid the heavy taxation and excessive costs that England has experienced?

MR. EWING: Let me say this, please. First of all, I can see your point about the high taxes. But do not forget that what we are paying is no new burden on the economy at all. These services are being rendered today; they are being paid for today. The point is they are being paid for by sick people when they are sick. What we want, and what we propose, is that the same services be paid for on the insurance plan by people paying a small part out of their wages at a time when they are well and working. We want everybody to do it so the burden will not fall entirely on the sick.

Now, so far as the voluntaries are concerned, we do encourage them. I have said again and again that I think Blue Cross, so far as it goes, does an admirable job. I belong to Blue Cross and I have no hesitancy in recommending it.

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But I have three objections to these voluntary plans of health insurance. First objection--the premiums are not adjusted to income. The cost is generally a flat dollar amount--\$80, \$100, or \$50, whatever it may be--instead of a percentage of the income. When you have 67 million people living in families where total family income is less than \$3,000 a year, they cannot pay those premiums any more than they can pay for their medical services today.

My second objection--the services these voluntary health plans give are very limited. Blue Cross, itself, is a kind of hospital indemnity plan or service plan. The health plans vary. But Blue Cross only insures against expenses incurred while one is in the hospital. It does not insure at all against sickness in the home. If a man gets into an accident and he happens to be taken to his home instead of to the hospital, it doesn't help him one bit. The same is true if he comes down with, say, pneumonia.

These plans have a great many limitations. They have to be sound, financially. I do not criticize them for that. For instance, they do not cover tuberculosis. They do not cover venereal disease. They do not cover maternity benefits unless the person has been insured for at least 10 months. You just read the fine print in most of these programs and you will find your protection is anything but adequate.

My third objection--and this is a real objection--is the overhead cost of this voluntary insurance. It is really shocking. You know that it is sold in two ways: First, in groups; then if you are not in a group you can go to some insurance companies and get an individual policy.

To take out group insurance, you have to be a person employed by an employer who has, I think, 25 or more employees. That will not cover the small shopkeeper or the farmer. It won't cover, certainly, more than half of our population. I don't know what the proportion is, but it is only a fraction.

For the companies selling group health insurance the average overhead cost for that group insurance is 30 percent of the premium collections and only 70 percent goes to the payment of benefits. But if you have to buy an individual policy, if you have to buy a policy because you are not eligible to be included in a group--if you are a clerk, say, in a small store and wanted to take it out--the average overhead cost, by the insurance companies' own figures, is 60 percent of their premium collections, leaving only 40 percent available for the payment of benefits.

QUESTION: Mr. Ewing, having in mind the regular peacetime activities of the Federal Security Agency, which we presume would be carried on in wartime, do you feel there is any special wartime relationship the agency

should play either in manpower mobilization or manpower utilization? I have in mind such things as public housing and many things which indirectly affect the security of the worker but which may not in peacetime be fostered by some agency.

I would like your comments on that.

MR. EWING: You know you are moving right into a highly controversial subject. The part that many agencies of the Government will play in case of an emergency is a subject of a great deal of discussion. There isn't unanimity of opinion on it.

I certainly think that in the field of health for the civilian population surrounding camps, and in war-congested areas, the Public Health Service was certainly well equipped to do an admirable job on that.

In connection with education--as you know, many of those classified as 4-F were rejected or deferred because of educational deficiencies--special courses were set up and many of them were given courses that made them available for service. I think the Office of Education is well equipped to do that or at least to supervise it.

The housing problem has never been put within the bailiwick of the Federal Security Agency. Whether it should or should not be, I do not know. We have a lot of headaches and I am not sure, speaking from a purely selfish point of view, that I want any more. But that would be for the President and the Congress to say whether they wanted us to do that thing.

I think that with the U. S. Employment Service having been transferred to the Labor Department, the manpower problem should be there, although in the last war Governor McNutt was Chairman of the War Manpower Commission and also Administrator of the Federal Security Agency. But the Employment Service was in the Federal Security Agency at that time.

QUESTION: Mr. Ewing, you painted a pretty grim picture there on the health of the Nation. Of course, we are all striving for Utopia. But I was surprised to learn from your lecture that the only definite aid was that coming from the few bills the Congress is now considering.

Isn't it true that prior to 40 years ago nobody was interested in this health problem and that within the past 40 years it has been the voluntary assistance programs of the individual and private organizations that have contributed so much to the health of the Nation. So that now the basic health problems facing this country are relatively new in view of the fact that we no longer are faced with tremendous child mortality; we are no longer faced with tremendous middle-age problems--

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I won't say no longer; I mean relatively speaking--and that this progress has come through the voluntary private agencies. I do not know where the plan is going to fit in. Apparently, it will just have to go out of the picture. Is that correct?

MR. EWING: What type of voluntary agencies do you have in mind?

QUESTIONER: Oh, there are thousands of voluntary agencies involved in health and rehabilitation that are providing funds for medical research.

MR. EWING: Well, I do not expect any organization that is engaged in research to be affected one way or the other. In fact, I think the more of that we can get, the better. Take, for instance, the American Cancer Society.

QUESTIONER: Aren't the individual agencies meeting these health problems that exist today?

MR. EWING: Sure, they are conducting some marvelous research and we have learned a lot. But after you get the know-how, how are you going to get it to the people who need it? They are not doing it. They are not equipped to do it.

QUESTIONER: They have in the past.

MR. EWING: That's all right. They have this record I told you about but, you see, I want to improve it.

QUESTIONER: I do not think very many of us would disagree at all with your alarming figures and the need for correcting them--that is, come up 10 years from now with some better figures. But I do not think any of us can quite agree, with each other even, as to the method for doing this. To take just one example:

In a government agency--and we are a government agency--the taxpayer appropriates so much money for the armed forces. They are pretty sure to watch closely to see that we do not misspend or waste that money, or get mixed up in politics. When you get into a health program, you have everybody in the entire Nation interested in that, and everybody wanting a cut. Just how are you going to crack the political aspect?

MR. EWING: Well, I don't know that we can do anything to change human nature. I think the only thing we can do is to try to put as many safeguards in as we possibly can. After all, England was the fortieth country to adopt some form of health insurance. Practically the entire rest of the world has it. We are the last country to consider it and come to it.

I just do not fear that so terribly. I had no official job in the Government, except in World War I, until I took this one. I have been perfectly delighted at the character and quality of the civil servant I have run into here in Washington. There are some bureaucrats, and all that--I haven't any doubt there are some that should be kicked out--but by and large I want to lead the parade in paying tribute to the bureaucrats down here in Washington. I do not think, on the whole, you could find more devoted, more intelligent persons anywhere than these civilian employees here. I am sure it is equally true of the armed services.

I think your argument is true. I think what you say will always be a problem to the end of time. Whenever you get anything that involves more than the individual himself, you begin to get into certain things of that kind. But I do not fear it and I do not think it would be serious.

COLONEL BAISH: Mr. Ewing, on behalf of the College and our visitors, I thank you for this very instructive talk. You certainly did give us a clear understanding of conditions today.

Thank you very much.

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