

## APPENDIX G

### *Foreword to the Report of the Commission on Financing of Hospital Care\**

This volume presents the report of the Commission on Financing of Hospital Care on *Factors Affecting the Costs of Hospital Care*. This is one of the three volumes being published by the Commission and contains the detailed study report on factors which affect the cost of hospital care and the recommendations of the Commission as formulated and adopted at meetings held in October, November, and December 1953.

Out of concern for better understanding of the current problems involved in financing modern hospital care at the lowest possible cost to the public, the American Hospital Association sponsored the organization of the Commission on Financing of Hospital Care. The Commission, an independent non-governmental agency, was established in late November 1951 to function for a two-year period.

Funds for the Commission's study program were made available by grants from the Blue Cross Commission of the American Hospital Association, Health Information Foundation, John Hancock Mutual Life Insurance Company, W. K. Kellogg Foundation, Michigan Medical Service, Milbank Memorial Fund, National Foundation for Infantile Paralysis, and Rockefeller Foundation. A total of \$556,000 was contributed by these organizations to the American Hospital Association to finance the work of the Commission.

The task undertaken by the thirty-four persons constituting the Commission was two-fold: "to study the costs of providing adequate hospital services and to determine the best systems of payment for such services."

In fulfillment of the objective "to study the costs of providing adequate hospital services," this report of the Commission on *Factors Affecting the Costs of Hospital Care* is being published. In this volume the Commission has been concerned with the rise in hospital expenditures that has accompanied the increase in the quantity and quality of hospital services received by the people of the United States. The Commission has addressed itself to such questions as the following:

*How much of the increased cost of hospitalization is due to expanded service?*

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\*Taken from *Financing Hospital Care in the United States*, vol. 1, *Factors Affecting the Costs of Hospital Care* (New York: Blakiston, 1954), pp. ix-xii. Used with permission of McGraw-Hill Co., successors of Blakiston Company, Inc., the original publishers.

*How much is due to higher costs of labor and materials?*

*By what means may costs of care to the public be held to a minimum without impairing quality of services?*

In fulfillment of the objective “to determine the best systems of payment for such services,” two volumes are being published: *Prepayment and the Community* and *Financing Hospital Care for Non-wage and Low-income Groups*.

In its evaluation of voluntary prepayment the Commission has been concerned with the amount of protection available today and the actual amount purchased by the public and with the extension of prepayment coverage to groups now without protection. Special attention has been given in the report on *Prepayment and the Community* to the problem of economical use of funds paid by the public to prepayment agencies.

In the report on *Financing Hospital Care for Non-wage and Low-income Groups* the Commission recognized that there are many persons who, for reason of inability to work or for reason of marginal income, are unable to pay for hospital care at the time of illness or to budget for care through prepayment. Adequate financing of hospital care for these persons is a problem of major significance to many communities as well as to many hospitals.

The Commission’s task has been a difficult one, for there were no easy solutions to the problems studied by the Commission. Each community and each hospital has its particular problems. The Commission members, individually and as members of study committees, have devoted many hours to the assigned task. The Commission’s recommendations are the subject of this summary report. It is our hope that the Commission’s reports will make a constructive contribution to the thinking of the people of the United States.

What may prove to be one of the most important effects of the Commission’s many meetings and extensive discussions is not fully reflected in the reports to the public. During the two years of our deliberations persons representing various points of view and fields of interest have spent many hours together discussing the questions about which policy decisions needed to be made. The broad base of agreement reached by the Commission has required an understanding and appreciation of many different points of view. Thinking through the problems confronting the Commission has helped to bring closer together divergent points of view. The virtual unanimity\* of thinking as expressed in the Commission’s recommendations is not only gratifying but has undoubtedly established a

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\*Commission member E. J. Faulkner dissented with respect to one recommendation and Commission members Stanley H. Ruttenberg and Boris Shishkin filed general statements taking issue with the scope of the report and with several of the positions taken.

Lewis L. Strauss has requested that, although familiar with the study reports, his concurrence should be considered of general character since he has been unable, because of the pressure of his national security responsibilities, to participate in committee and Commission meetings in recent months.

sounder foundation on which to build in the future.

The study reports, in their detail, cover areas in which all points of view could not be entirely reconciled and, for that reason, reflect a consensus. Also, it has not been possible for the study reports to receive the same concentrated attention of all the Commission members which was devoted to the recommendations.

Inherent in the Commission's recommendations to the public is the need for further study and examination of the problems discussed. In every community and in every state, representatives of the public, of hospitals, of physicians, and of prepayment and other health and welfare agencies will need to test the Commission's recommendations in the light of their own particular problems. The lasting effectiveness of the Commission's work is dependent on such community action. We believe that our recommendations provide a basis for organized community action.

I wish to express, on behalf of the entire Commission, appreciation for the cooperation given us by the panel of consultants who met with the committees and who, in other ways, gave us assistance. Also, special acknowledgement should be given to the various organizations and groups, and the several thousand hospital administrators, who supplied us with information and generously gave us help in countless other ways. Particularly, I wish to express appreciation for the indispensable assistance given us by the American Hospital Association, the American Medical Association, the Blue Cross Commission of the American Hospital Association, organizations representing the insurance industry, and the Social Security Administration and the Public Health Service of the Department of Health, Education and Welfare.

My comments on the Commission's work would be incomplete unless I made special reference to the contributions of the staff to the successful conclusion of the study. Staff members often worked under trying and difficult circumstances. Their task was not made easier by the fact that circumstances presented the Commission with three different directors in the course of the project.

Graham Davis was the first director of the Commission's work. During the year he served in this capacity, the Commission was organized, key staff members were recruited, a general pattern of its work program was outlined, and work on the project was formally inaugurated. When Mr. Davis resigned because of ill health, Dr. Arthur C. Bachmeyer was enthusiastically selected as the choice of the Commission for his successor.

Special reference should be made to Dr. Bachmeyer's contributions to the Commission study. Long before the Commission was actually established, he worked on plans for the study. At the first meeting of the Commission, of which he was a member, he was of great assistance in setting up the necessary procedures for activating the study

program. As a member of the Executive Committee and during the five months he served as Director of Study until his death on May 22, 1953, which occurred immediately following a meeting of the Commission, his firm and experienced judgment was a major factor in many decisions which were made. I feel that the energy and time he devoted to the Commission's program were an added burden that he should not have assumed, but it was something that he wanted to do and he gave to it, as he did to all things, his best efforts. Our studies reflected his wisdom and his concern that the people of the United States have the highest standards of hospital care at the lowest possible cost.

John Hayes was drafted at approximately the time of his retirement from the superintendency of Lenox Hill Hospital in New York to fill the gap created by Dr. Bachmeyer's untimely death. Mr. Hayes' unusual understanding of hospital problems, reflecting his long experience as a successful hospital administrator, was of material assistance to the Commission during the latter months of the Commission's work when recommendations were being formulated and the final report was being compiled. Largely through his efforts, the Commission's timetable was maintained, in spite of the two interruptions in continuity of the directorship of the program. He contributed greatly as a counselor to both Commission and staff members.

From the beginning and throughout the entire period of the Commission's efforts, Harry Becker served as Associate Director of Study. He developed basic survey procedures, undertook responsibility for major sections of the report and provided continuity to the work program. His energy and stimulating guidance were reflected in the dedication and unremitting efforts of the entire staff.

On behalf of the Commission, I wish to express appreciation and gratitude for the professional assistance which the entire staff provided to the Commission in its analysis of voluminous data presented in an objective manner.

In this report the Commission presents for the consideration of the American people its studies and its recommendations based on such studies. It is our hope that the material contained in this volume will be of help to the people of the United States in better understanding the various factors that affect the cost of hospital care.

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*Chairman*  
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