

## APPENDIX H

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

The establishment of the Commission on Financing of Hospital Care in November 1951 as an independent, nongovernmental agency was a natural sequel to the work of the Commission on Hospital Care, which made its report to the public in 1947 after a two-year study. The twenty-two members of the Commission on Hospital Care, representing a cross-section of public interest, were responsible for the nation's first comprehensive study of the general hospital. That study was primarily concerned with an evaluation of the general hospital's function as a community institution and its role in the care of all types of illness.

In its 181 principles and recommendations the Commission on Hospital Care established a guide for the provision of more effective hospital care. The soundness of these recommendations is evidenced by their widespread application today in hospital administration and community planning for hospital services.

Thus that Commission, sponsored by the American Hospital Association, gave the leadership which, in large measure, resulted in the planned and orderly manner in which communities and states have approached their post-war hospital improvement and expansion programs. The Commission, however, recognized in its report and recommendations that a subsequent study program would be needed to analyze the various problems associated with financing the care which hospitals are dedicated to provide. Lack of facilities and time did not then permit the Commission on Hospital Care to conduct the companion study on the financing of hospital services.

Within a year after the report of the Commission on Hospital Care was made public, the American Hospital Association organized its Council on Prepayment Plans and Hospital Reimbursement. At its first meeting, with Dr. E. Dwight Barnett as chairman and Maurice Norby, who was Associate Director of the Commission on Hospital Care, as secretary, the Council stated that it was unrealistic to expand hospital facilities without considering methods for financing the wider scope and higher quality of services being made available.

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This recognition of the concern of both the public and the hospital with the problem of financing hospital care was the first of a series of steps which culminated in the formation of the Commission on Financing of Hospital Care.

In 1950 the Board of Trustees of the American Hospital Association directed that a planning committee be established to outline a specific study program on the broad problem of financing hospital care. This planning committee recommended the creation of an independent agency *"to study the costs of providing adequate hospital services and to determine the best systems of payment for such services."* The planning committee's recommendations were adopted by the Board of Trustees, and the Association's president at that time, Dr. Charles E Wilinsky, and its executive director, George P. Bugbee, were authorized to proceed with the details of fund raising and organization of this independent group. Gordon Gray, President of the University of North Carolina, was asked to serve as chairman of the new study group, which was named by the Commission on Financing of Hospital Care. On November 28, 1951, the Commission held its first meeting in Washington, D.C., and accepted its assigned task of preparing a report to the public on financing hospital care.

Graham Davis was designated director of the program. On his resignation in December 1952, for reasons of ill health, Dr. Arthur C. Bachmeyer assumed responsibility for direction of the Commission's program. Dr. Bachmeyer, who had been director of the earlier Commission on Hospital Care, was a member of the Commission's Executive Committee from its inception and had actively assisted the staff in setting up the study program. Immediately following a meeting of the Commission on May 22, 1953, at which the results of Dr. Bachmeyer's five months of intensive work with the staff in planning the study reports were reviewed and acted upon by the Commission, he died suddenly at the Washington National Airport. John H. Hayes, who for twenty-seven years was administrator of Lenox Hill Hospital, New York City, and a past president of the American Hospital Association, interrupted his retirement plans in July 1953, to complete the task undertaken, with particular responsibility for the studies concerned with the costs of hospital care.

Harry Becker was appointed the Commission's Associate Director in December 1951 and has served throughout the entire period of the study.

From the beginning it has been the Commission's desire to direct its attention primarily to those areas of immediate concern to:

1. The public;
2. Hospital administrators and hospital boards;
3. Prepayment agencies;
4. Other interested groups.

During the early months of the study a series of five regional conferences was held throughout the nation to formulate the Commission's major areas of study in consultation with persons who, from day to day, were directly concerned with the provision of community hospital services. Around the conference tables sat physicians, hospital administrators, nurses, workers in health, welfare, and community services, and representatives of industry, labor, and the general public.

The conference participants posed questions which they thought, from their own local community experience, should receive Commission attention.

More than 400 questions were presented to the Commission at the regional conferences. These questions were classified and reviewed by the staff, by a special technical advisory committee appointed by the Commission, and by the Commission itself to determine as objectively as possible the definitive areas in which intensive study by the Commission would be most helpful to states and communities. The areas of greatest interest, as established by analysis of the conference questions, were adopted by the Commission in April 1952. They were:

1. *Voluntary prepayment*—an evaluation of its effectiveness for the public, for the hospital, and for the community, and proposed steps for strengthening prepayment in the public interest.
2. *Improved methods of financing hospital care for groups unable to afford prepayment or in other ways to pay for care*—a determination of means for assuring hospitals and communities of an adequate and orderly provision for meeting the costs of hospital care for persons unable to pay for care.
3. *Why does hospital care cost what it does?*—an appraisal of the elements of hospital cost and an evaluation of various methods for control of hospital costs.

Chairman Gordon Gray, with the approval of the full Commission, appointed the Commission membership to three working committees, with each Committee assigned one of the three study areas. A member of the Executive Committee served as chairman of each working committee and a staff member was assigned as committee secretary. In the spring and summer of 1952 the committees outlined their study program in consultation with the assigned staff personnel and with a panel of consultants appointed to work with each of the committees. Each committee developed its study program in the manner that seemed most appropriate for the particular study area.

During the fall of 1953 the committees met to review their study reports and to formulate proposed principles, considerations, and recommendations for submission to the Commission. The full Commission devoted two days to each committee's report. It used the reports as background for the formulation of principles and the adoption of recommendations.