A forgotten landmark medical study from 1932 by the Committee on the Cost of Medical Care

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Most physicians are aware of the history of the Flexner Report, published in 1910. It gave a detailed report card of the nation's medical schools, prepared by Abraham Flexner with funding from the Carnegie Foundation. This report revolutionized medical education in America and will be the subject of a future review article. Why do few physicians know about the work and findings of the Committee on the Cost of Medical Care (CCMC)?

During the 1920s, the rising cost of physician and hospital care became a concern to many. At a national economic conference in 1925 in Washington, DC, a committee was self-organized to address this issue and became known as the CCMC. This effort received funding of \$1 million from eight foundations, and its activities were directed by a staff of employees. The Carnegie Foundation and Milbank Memorial Fund were the largest contributors. The committee included 15 physicians in private practice and was chaired by Ray Lyman Wilbur, MD, of Stanford University. He was a well-known figure with conservative Republican credentials, and he soon became secretary of the interior under President Hoover. Dr. Stewart R. Roberts of Atlanta was one of the doctors on the panel. He was on the Emory faculty at the time and had been president of the Fulton County Medical Society and was active in the Southern Medical Association. He was later president of the American Heart Association. He was well published and well respected and was considered to be Georgia's first cardiologist.

The CCMC and its staff issued 15 separate reports over 5 years, which were published and available as pamphlets. The final report with all its recommendations was printed in book form (*Figure*). This was the first time that many economic aspects of medical care in the US were documented. Among its many findings, the CCMC estimated that health care consumed 4% of the gross domestic product. Spending for physician services was the largest category, accounting for 29.8¢ of each dollar. Hospital care consumed 23.4¢, medications 18.2¢, dental care 12.2¢, nursing care 5.5¢, "cultists" 3.4¢, public health 3.3¢, and other 4.2¢. The average gross income of physicians in 1929 was \$9000 per year at a time when the average family income was \$1700 per year. An overhead of 40% was typical for a physician in practice, and 10% to 20% of fees were uncollected. Despite much charity care by physicians, hospitals, and health departments, in the lowest-income groups about half received

Figure 1. The committee's final report, *Medical Care for the American People*, published by the University of Chicago Press in 1932.

no medical care at all. It was estimated that if medical care was organized economically, all the usual needed care for the entire country could be provided for \$20 to \$40 per person per year (excluding capital costs). The most quoted statement from the report indicated the basic problem in medical care was "not the system, but the lack of a system" to organize care.

The most common physician practice then was the solo private general practitioner. The CCMC also documented other styles of practice, such as industrial medicine, group practice with or without hospital employment, capitated models, public health system practice, and university-sponsored student health care. These nontraditional types of practice needed to grow. The final report supported expansion of group practice and formation of the "community medical center" as the most effective means of providing care. More national spending on overall medical care was required to meet all the needs, especially to provide for those who had no medical care. Preventive care was thought best provided through public health facilities. The most controversial recommendation of the CCMC was for national health insurance, either voluntary or compulsory through taxation.

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Notable was the fact that eight physicians dissented and wrote a minority report. They supported continued experimentation with such models and new proposals but strongly felt that the independent practicing physician should be in charge of any programs or changes. They objected to competition based on price as “unprofessional.” This group felt that even voluntary health insurance would lead to a compulsory national health insurance, as was in place in many European countries. Georgia’s Dr. Roberts supported the work of the committee and signed the final report.

Two of the nonphysician committee members felt that the report did not go far enough or make strong enough recommendations for national health insurance. They stated that the purpose of the committee had not been fulfilled. Edgar Sydenstricker and Walton Hamilton were these two.

Little time passed before the editor of the *Journal of the American Medical Association*, Dr. Morris Fishbein, penned a blistering denouncement of the work of the CCMC on December 3, 1932, stating it was “incitement to revolution,” “socialist,” and “communist.” The American Medical Association (AMA), in its 1933 House of Delegates, took a position of opposition to any further government involvement with medical care. Franklin Roosevelt had been elected president in the depth of the Depression, and the winter of 1933 was the nadir of despair. Any changes in the health care system took a back seat to more pressing matters. The famous “First Hundred Days” dealt with banking reforms, help with mortgage foreclosures, and many regulations for businesses in an effort to stabilize a critically damaged economy and put people to work, even if it was “make-work.” The Civilian Conservation Corps, Works Progress Administration, and Public Works Administration were funded with unheralded deficit spending. In many respects, the report of the CCMC was a tiny blip on any graphic of the crisis.

Within 2 years, Roosevelt appointed an Economic Security Committee in June 1934, which included several of his cabinet members, and called an Economic Security Conference in Washington in November 1934 under the leadership of Frances Perkins, secretary of labor, and Harry Hopkins, director of federal relief programs. Roosevelt asked for unemployment insurance, old age pensions, and proposals on medical care insurance. He spoke in November and advocated medical efforts “whether soon or at some point later,” indicating ambivalence about the health care proposals. A technical staff had been drafting proposals on all these areas since Roosevelt’s first speech in July 1934 on the subject, including national health insurance models. During the November conference, an invited Medical Advisory Committee attended and expressed their reservations about the program.

This group then met separately in January 1935, ostensibly to give their approval. The meeting was chaired by Edgar Sydenstricker, one of the main dissenters of the CCMC. Dr. Walter Bierring, president of the AMA, was among the panel members. The prior work of the CCMC was discussed and provided the statistical basis for many recommendations. The charge of the advisory group was to respond to the proposed changes for

potential legislation. The minutes of these meetings, available online through the Social Security historical archives, provide interesting insight into medical issues of the time. The advisory committee allowed the recommendation for national health insurance to survive, but there was much internal opposition. Harvey Cushing, the prominent Boston neurosurgeon, was on the advisory committee and spoke outside the committee in opposition. Other physicians on the committee were opposed. Dr. Stewart Roberts appears to have been in support and stated that the medical community was “on trial” and would “regret its actions” if it did not move forward to include medical care with other aspects of Social Security legislation. He apparently felt that the committee members and their work was maligned by the position of the AMA.

With leaks from the committee and the impression that health insurance was coming soon, the AMA called an emergency House of Delegates meeting in February 1935 and vehemently opposed any efforts at national health care insurance or government regulation of medicine. The AMA assumed from the committee structure and technical work that a health care proposal was sure to follow. This strong stance by the House of Delegates generated many telegrams from local physicians and state and county medical societies to the White House. It can be safely assumed that the physicians of the day were mostly held in high regard locally and nationally. What impact did this vocal opposition really have on the final decisions? Harry Hopkins continued to favor inclusion of medical assistance, but Frances Perkins advised against it, fearing that the whole Social Security bill would go down. Roosevelt showed caution and held his cards. Whether the medical opposition led to its exclusion or whether Roosevelt was reluctant from the beginning to include national health care in his bold social initiative is the subject of much debate among historians. Roosevelt was known for skillfully making each side feel he agreed with them. The final report of the Medical Advisory Committee did not materialize in 1935 and was not published until many years later. The Senate finance committee gave the Economic Security Bill a beating but ultimately let it through by a small margin, with Senator Thomas Pryor Gore of Oklahoma famously explaining his view that “the dole ruins the soul.” Although some public health funding was given, comprehensive national health programs were excluded from the final bill approved by Congress in June 1935.

Many of the proposals advocated in the 1930s still retain their fire as public debate and divided opinions on the Affordable Care Act of 2010 loom large.

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