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The Defeat of National Health Insurance Reform in the United States

The first half of the twentieth century saw many European countries establish national health insurance programs. The United States, however, opted for a voluntary, largely employer-provided model. In this essay, I will explore how the moneyed interests of American health insurance companies, employers, and medical professional societies, coupled with a nationwide fear of communism, led to the failure of national health insurance reform attempts in the United States ranging from the Progressive Era to the Fair Deal.

The first attempts to institute national health insurance came at the turn of the twentieth century. In his 1912 presidential bid, Theodore Roosevelt called for a national health service as part of his Progressive Party platform.¹ Although he lost the election, it brought the idea of universal health care into the national spotlight. Building on such momentum, the American Association for Labor Legislation (AALL) became the most prominent advocate for national health insurance during the Progressive Era. The AALL held the British and German welfare states as shining examples of progressive reform; a 1916 pamphlet entitled “The Need for Health Insurance in America” proclaimed, “Hundreds of thousands, now fighting on the field of battle for their fatherland, may trace their health and capacity to the timely and proper treatment

1. “Progressive Party Platform of 1912,” The American Presidency Project, University of California Santa Barbara, November 05, 1912, <https://www.presidency.ucsb.edu/node/273288>.

received with the aid of sickness insurance.”² The AALL widely circulated such pamphlets to the public and attempted to convince American politicians to enact similar legislation. However, rampant opposition kept most proposed bills from reaching the floor.

Employers formed one major group of the opposition. Many industries had already instituted worker’s compensation for injuries received on the job, as this protected employers from being sued for damages.³ The AALL’s proposals, on the other hand, would require employers to cover two-fifths of the cost of their worker’s health insurance with no apparent financial advantage. Employers argued that such programs would be easily taken advantage of by disingenuous employees; the National Industrial Conference Board claimed that the “inevitable tendency of many workers under compulsory health insurance is to feign illness.”⁴ As popular support grew for compulsory health insurance regardless, employers responded by providing private employee benefits so as to hold back government regulation. Employers seemingly decided that if employee health insurance was inevitable, they would rather have it on their terms – and not as a right of citizens guaranteed by the government.

Progressive health insurance reform also faced major opposition from insurance companies. Although few insurance companies offered health insurance themselves, fear grew that compulsory state health insurance would only be the first of many governmental oversteps; next would be life insurance, fire insurance, and soon the entire commercial insurance industry. As a result, insurance companies actively campaigned against reform. Prudential and the

2. Beatrix Hoffman, *The Wages of Sickness: The Politics of Health Insurance in Progressive America* (The University of North Carolina Press, 2001), 45.

3. John Murray, *Origins of American health insurance: a history of industrial sickness funds* (New Haven: Yale University Press, 2007), 31.

4. Hoffman, *The Wages of Sickness*, 101.

Metropolitan – the two largest industrial insurers – sent representatives to the health insurance commissions of Connecticut, Illinois, and Wisconsin to pressure legislators against state health insurance, with great success.⁵ As the battle for health insurance waged on, insurance companies decided to provide their own private health insurance plans. The benefits were twofold: a new source of potential profit, and a non-government answer to the arguments for compulsory health insurance.⁶

Perhaps most damning, opponents labeled state health insurance as an encroachment on individual liberty. The American Federation of Labor – representing the supposed beneficiaries of reform – resisted what they called a “paternalistic” intrusion of the state into the lives of workers.⁷ At the same time, World War I bolstered patriotism, and the Red Scare spread a fear of communism. Because national health insurance programs had originated in Germany, employers and insurance companies were quick to label such reform efforts as foreign and un-American. An anti-health insurance pamphlet which exclaimed, “Made in Germany. Do you want it in California?” helped to defeat reform on the West Coast.⁸ While the AALL – itself accused of having German and Bolshevik origins – attempted to revoke its un-American label, it proved unable to withstand the anti-communist fervor following the Red Scare. Such fervent opposition from industry and insurance led the AALL’s proposals to fail in every state legislature in which they were introduced.

5. Forrest Walker, “Compulsory Health Insurance: The Next Great Step in Social Legislation,” *The Journal of American History* 56, no. 2 (1969): 290-304. <https://www.jstor.org/stable/pdf/1908125.pdf>

6. Hoffman, *The Wages of Sickness*, 111.

7. Walker, “Compulsory Health Insurance,” 290-304.

8. Arthur Viseltar, “Compulsory Health Insurance in California, 1915 – 1918,” *Journal of the History of Medicine and Allied Sciences* 24, no. 2 (1969): 151 – 182. <https://academic.oup.com/jhmas/article-abstract/XXIV/2/151/678508?redirectedFrom=fulltext>

During the Great Depression, the question of national health insurance was raised yet again. As the drafting of the Social Security Act commenced, President Roosevelt considered including comprehensive health insurance reform. He tasked the Medical Advisory Board with researching health insurance so as to make suggestions to the Committee on Economic Security. It was decidedly unpopular, especially among medical professional organizations. The American Medical Association (AMA), believing the government secretly intended to force compulsory health insurance upon the country, came out strongly against the “nefarious plot.” The American Health Association accused FDR of socialist conspiracy and government overreach.⁹ Edwin Witte, executive director of the Committee on Economic Security, recalled:

In the original security bill there was one line to the effect that the Social Security Board should study the problem [of health insurance] and make a report to Congress. That little line was responsible for so many telegrams to the members of Congress that the entire social security program seemed endangered.¹⁰

Given the risk to the rest of the bill and dire circumstances of the Great Depression, FDR elected to remove all mentions of health insurance from the Social Security Act so as ensure its timely approval. The Act passed in August of 1935, providing relief to the unemployed, the elderly, and the disabled, but without a single reform made to health insurance.

9. John Nichols, “The Nation: Health Care Through FDR's Lenses,” National Public Radio, March 22, 2010, <https://www.npr.org/templates/story/story.php?storyId=125007071>

10. Odin Anderson, *The Uneasy Equilibrium: Private and Public Financing of Health Services in the United States, 1875 – 1965* (New Haven: College & University Press, 1968), 108.

Roosevelt's attention was soon thereafter preoccupied by World War II. During the war, FDR signed Executive Order 9250 which ordered a freeze on wages.¹¹ Meant to prevent inflation caused by companies raising wages to attract scarce labor, the executive order instead led more companies to entice workers by offering employee benefits – including health insurance.¹² Thus, FDR unintentionally pushed American health insurance further towards a private, voluntary system and away from universal coverage. Nevertheless, FDR continued to advocate for health care reform in Congress for the duration of his presidency; in his final State of the Union Address, he repeated that all American citizens have a right to “good medical care,” and recommended the expansion of health security services.¹³

President Truman was next to lead the campaign for national health insurance. An ardent advocate for reform, Truman proposed a national health insurance fund within the first year of his presidency. In his appeal to Congress, Truman argued that the poor had less access to health services despite needing them more; his proposed solution took the form of a national insurance program funded by income tax.¹⁴ The system was deliberately noninvasive, with patients free to choose their own physicians, and doctors free to decide their level of involvement in the

11. Franklin D. Roosevelt, “Executive Order 9250 Establishing the Office of Economic Stabilization,” The American Presidency Project, University of California Santa Barbara, October 03, 1942, <https://www.presidency.ucsb.edu/node/209961>

12. Alex Blumberg and Adam Davison, “Accidents of History Created U.S. Health System,” National Public Radio, October 22, 2009, <https://www.npr.org/templates/story/story.php?storyId=114045132>

13. Franklin D. Roosevelt, “State of the Union Address,” The American Presidency Project, University of California Santa Barbara, January 06, 1945, <https://www.presidency.ucsb.edu/node/210062>

14. Harry S. Truman, “Special Message to the Congress Recommending a Comprehensive Health Program,” Harry S. Truman Presidential Library and Museum, November 19, 1945, <https://www.trumanlibrary.org/publicpapers/index.php?pid=483&st=&st1=>

program. The only aspect of medicine that would change, Truman promised, was that the poor would no longer be denied care.

Once again, reform faced rampant opposition. American taxpayers were already under stress from the demands of the New Deal, and southern Democrats worried federal intervention would challenge segregation policies.¹⁵ But the AMA proved once again to be national health insurance's fiercest adversary. Concerned that a federal health insurance program would lower pay and limit physician autonomy, the AMA launched the largest lobbying campaign in American history thus far, totaling four million dollars.¹⁶ Partnered with the public-relations firm Whitaker and Baxter, the AMA distributed pamphlets entitled, "Compulsory Health Insurance-- A Threat To Health, A Threat To Freedom," to thousands of Americans, which claimed that national health insurance essentially amounted to communism. The Journal of the American Medical Association paints a drastic picture:

"The nations that embark on such [national health insurance] programs move inevitably into a socialized state in which mines, banks, transportation and practically all public services become nationalized, private responsibility and ownership disappear, individual initiative is destroyed and the result is a socialized state. At the same time that many of

15. Catherine Hoffman, "National Health Insurance – A Brief History of Reform Efforts in the U.S.", Kaiser Family Foundation, January 2013, <https://kaiserfamilyfoundation.files.wordpress.com/2013/01/7871.pdf>

16. Robert Schremmer and Jane Knapp, "Harry Truman and Health Care Reform: The Debate Started Here," *Pediatric Perspectives* 127, no. 3 (2011), <http://pediatrics.aappublications.org/content/127/3/399>

our political leaders oppose communism they move towards communism by embracing socialism.”¹⁷

Such statements stoked Americans’ growing fear of communism in the beginning years of the Cold War. At the same time, the AMA secured endorsements from nearly two thousand national organizations, including the American Bar Association and the American Legion.¹⁸ Public support eventually faltered. The middle class bought private health insurance plans which enjoyed the support of the AMA. Labor unions bargained for benefits, and in 1954 Congress ruled that employer-provided health insurance was exempt from taxation.¹⁹ The stage was set; by 1965, nearly 70 percent of Americans were covered by voluntary health insurance.²⁰

Much of the controversy over national health insurance reform in the United States in the first half of the twentieth century can essentially be boiled down to a debate over American identity. Questions over the state’s role in the lives of citizens took center stage; labor unions rejected governmental intrusion, insurance companies feared encroachment onto their private business, and physicians demanded to maintain their independence. Age old American ideals on autonomy, liberty, and the free market seemed to be in question. At the same time, socialist and communist movements spread rapidly across the globe; as a result, America came to see itself as

17. Morris Fishbein, “Health and Social Security,” *Journal of the American Medical Association* 138, no. 17 (1948), <https://jamanetwork-com.pitt.idm.oclc.org/journals/jama/fullarticle/302731?resultClick=1>

18. Robert Schremmer and Jane Knapp, “Harry Truman and Health Care Reform”

19. “The Tax Treatment of Employment-Based Health Insurance,” Congressional Budget Office, Congress of the United States, March 1994, https://www.cbo.gov/sites/default/files/103rd-congress-1993-1994/reports/1994_03_taxtreatmentofinsurance.pdf

20. Louis Reed and Willine Carr, “Private Health Insurance in the United States, 1967,” *Social Security Bulletin* 32, no. 2 (1967)

the protector of the free market and grew quick to label any health care reform as unpatriotic. But while much of this debate hailed from genuinely concerned citizens, a good portion was incited by the actions of select moneyed interest groups. Through various public relations campaigns and lobbying efforts, employers, insurance companies, and medical professional societies successfully marked health care reform as un-American. Their efforts have borne fruit; today, America remains the only wealthy industrialized nation without national health care. Current insurance reform efforts face the same criticisms of being unpatriotic and socialist. For future attempts at national health insurance, advocates must aim to tie such reform to even dearer American ideals – those of life, liberty, and happiness.