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## CHAPTER III

### FIXED PAYMENT MEDICAL SERVICE IN THE LUMBER AND MINING INDUSTRIES OF WASHINGTON, OREGON, AND CALIFORNIA

IN an address to the International Association of Industrial Accident Boards and Commissions at its 1920 meeting, Dr. John W. Mowell, M.D., Chairman of the Washington Medical Aid Board, explained the development of the contract system of handling medical care of injured workmen.<sup>1</sup> The original workmen's compensation bill of 1911 contained a "medical aid" provision for the payment of medical and hospital bills; the legislature eliminated this and passed the Act without any provision for medical treatment. Between 1911 and 1917 workmen paid their own medical bills for treatment of compensable injuries, either directly to the physician, or by payroll deductions. The men taken care of by contract through the monthly contributions received fairly satisfactory service, but when no such arrangement was made it was difficult, sometimes impossible, for injured men to secure treatment, because their compensation was inadequate to cover both loss of earnings and the extra expense of medical and hospital bills.

The defect in the act of 1911 was remedied by the 1917 legislature, which passed what is known as the Medical Aid Act. That Act provided that the cost of medical and surgical treatment for industrial, i.e., compensable injury, should be borne equally by employer and employee. The amount of this joint contribution varies with the different industries according to

<sup>1</sup> *Proceedings, International Association of Industrial Boards and Commissions, 1920*; Bureau of Labor Statistics Bulletin 281, June 1921.

their hazard, and is based on the medical aid cost experience of each industry.

Section 7724 of the Consolidated Laws of the State of Washington provides that any employer engaged in extra-hazardous work may, with the consent of a majority of his workmen, enter into contracts with physicians, surgeons and owners of hospitals operating the same, or with hospital associations, for medical, surgical and hospital care, to workmen injured in such employment, by and under the control and administration of, and at the direct expense of the employer and his workmen. Such contract, to be valid, must provide that the expense incident to it shall be borne half by the employer and half by the employees, and that it shall be administered by the two jointly and equally.

“STATE PLAN” AND “CONTRACT PLAN”

The medical aid act provides two plans under which injured workmen may receive medical and hospital care. The first is known as the “State Plan,” under which plan funds contributed by the workmen and the employers are paid into the State Medical Aid Fund; the workman chooses his own physician and his own hospital; the employer furnishes transportation for the injured workman to the place of treatment; the medical bills, hospital bills, and drug bills are paid out of the State fund, upon approval of such bills by the State Medical Aid Board, certified to the Industrial Insurance Commission, which Commission orders the payments made. Where the employer elects the “State Plan,” he has no further obligation to provide medical care to an employee injured in the course of employment.

The other plan provided for in the Medical Aid Act is the “contract plan” under which the employer, with the consent of not less than 50 per cent of his workmen, may enter into a contract for medical and hospital care of such men as may be injured. Under this plan, only 10 per cent of the amount paid by the workmen and the employer so contracting is paid into the

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State Medical Aid Fund; the remaining 90 per cent is paid by the employer directly to the doctor or hospital holding the contract. In either case, however, whether under the State plan or the contract plan, the State Medical Aid Board has supervision of the treatment. This ties the whole subject of medical and hospital treatment of injured workmen to the medical department of the Industrial Insurance Commission.<sup>2</sup>

It will be noted that the "Contract Plan" authorized by the Washington law relates only to the provision by the employer of medical care to workmen injured in the course of their employment and entitled to compensation. During recent years, however, the contract system has, through coöperative arrangements between groups of employees and their respective employers, on the one hand, and physicians, hospital associations and clinics on the other hand, been extended to include the provision of medical and surgical treatment and hospital care to employees disabled by non-industrial (i.e., non-compensable) accident, or by ordinary sickness. To cover the cost of medical service arising out of these two last mentioned hazards a special contribution is made by the employee, in the form of an authorized deduction from wages.

In considering the present status of contributory contract medical practice in the industries of Washington, a clear differentiation must always be made between the contract authorized by the Workmen's Compensation Law, under which the expense of medical care for injured workmen must be borne jointly by employer and employee, and the contract for medical care for ordinary sickness and non-industrial injury, voluntarily agreed to and paid for entirely by the employee. Although the voluntary contract for non-industrial medical care is sometimes found alone, the Workmen's Compensation Medical Aid contract for the care of injuries received in line of work is almost always accompanied by the other. The two contracts together

<sup>2</sup> *How Medical Questions are Handled Under the Workmen's Compensation Act in the State of Washington*, by J. W. Brislaw, Industrial Insurance Commissioner of Washington. *Proceedings, International Association of Industrial Accident Boards and Commissions*, 1918. Bureau of Labor Statistics Bulletin 264, October 1919.

provide what is sometimes referred to as "complete coverage," or "twenty-four-hour" medical service.

In effect, then, part of the total contribution by the employee is matched by an equal contribution by the employer. This joint contribution, whether paid to the State, or to the contractor undertaking to provide medical service, covers the expense of medical and surgical treatment and hospital care made necessary by industrial or compensable injuries, and provided by a medical "contractor." The remainder of the employee's periodical contribution (which ordinarily is not matched by the employer) covers the expense of medical and surgical treatment and hospital care to be provided by the same contractor in case the employee is disabled by sickness or disease or by a non-compensable accident. Except where specially provided for in the contract between the employer and the medical contractor, dependent members of employees' families are not entitled to free medical service.

Of the two contracts necessary for complete coverage, the one covering industrial cases must be on the form prescribed and supplied by the state and called the "Medical Aid Contract." For non-industrial accident or illness the contract form is drawn by the contractor and varies somewhat with the different clinics and hospital associations. This latter is usually referred to as the "Medical Service Contract."

It should be clearly understood that the Medical Aid Act of the State of Washington did not make it compulsory on employers to provide medical treatment to employees for non-industrial accident or disease. What has happened is that many employers have availed themselves of the special medical organizations sanctioned by the Medical Aid Act, to contract with such medical organizations to provide treatment to employees in the event of ordinary sickness or non-industrial injury.

FORM OF STATE MEDICAL AID CONTRACT

Because of the close tie-up between the two contracts covering medical service to employees in the State of Washington, it is

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important to summarize briefly their provisions. First, the officially prescribed state "Medical Aid Contract" covering medical service to industrial employees injured in the course of employment and covered by the workmen's compensation law: (Summaries have been made from copies of contracts in the possession of the National Bureau.)

1. *General.* The agreement is made between the employer (first party) and the medical contractor (second party) with the consent of a majority of the employees.

2. *Duration and cancellability.* The term of each contract is clearly specified (usually one to three years). It may be terminated by the supervisor of Industrial Insurance under Section 7724 Remington's Compiled Statutes of the State of Washington, which provides that all contracts must be submitted to and approved by the Supervisor of Industrial Insurance. It is not assignable or transferable except with consent of Supervisor; and is not binding until approved by him.

3. *Method of payment.* Prior to the 15th of each month, the employer must pay the medical contractor 90 per cent of the amount he would have been required to pay for Medical Aid if the contract had not been made; the remaining 10 per cent of such amount must be paid into the Medical Aid Fund; except that during the months when the Medical Aid Department calls for premium to be paid into the Medical Aid Surplus Fund, the employer must pay 89 per cent to the contractor and 11 per cent into the Medical Aid Fund. The expenses incident to the contract must be borne one-half by the employer and one-half by the employees. (No method of collecting the employee's share is specified in the contract.)

4. *Medical services provided.* All proper and necessary medical, surgical and hospital services and care must be provided by the medical contractor for any accidental injury occurring during the duration of the contract, and received while in the employment of the first party, as provided in the law; such care and services are stipulated to be "prompt and efficient without discrimination or favoritism." If proper treatment with reasonable

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promptness is not given, the Supervisor of Industrial Insurance may provide it, at the expense of the employer, who may charge it against the contract. When in the opinion of the Supervisor the condition of an injured workman warrants it, he may designate a competent specialist to treat or operate, at the expense of the contracting parties.

### PROVISIONS OF MEDICAL SERVICE CONTRACT

The provisions of the typical contract between an employer and a hospital association covering the provision of medical and hospital care to employees for causes not related to the employment, may be summarized as follows.

The employer agrees to deduct from the wages of each employee each month the sum of 10 cents a day until a total of \$1 is deducted. When this sum has been deducted, the employer agrees to pay it over to the party of the second part on or before the fifteenth day of the succeeding month. The contract sets forth that the money so collected by the employer shall be deemed a trust fund held by the company for the employees, and shall be a prior lien in case of insolvency of the employer.

The medical contractor, or "party of the second part," in consideration of this payment, agrees "to render and give all necessary care, treatment, medicine, hospital board and room and professional services for all non-incident injuries and sickness with which any employee of the party of the first part may suffer, at the hospital at . . . . ., Washington, or at a place designated by the party of the second part, save and except those ailments which are above in this contract set forth."

In addition to all acute conditions the contract is interpreted "to include any major or minor operations for any conditions except for complications of the diseases heretofore excepted, regardless of duration of such condition, on any employee who has been in the employ of the aforesaid company more than six months. This contract does not cover chronic medical conditions of long standing."

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"The party of the second part further agrees to provide dental services to the extent of two cleanings of teeth to each employee each year and all extractions of teeth on the hospital ticket, same to be done by a dentist designated by the second party."

It is specifically set forth in the contract that "venereal diseases or their complications, conditions peculiar to sex, those diseased conditions arising from alcoholic excesses, injuries received in fights or those communicable diseases whose transportation is prohibited by law," are not included in the ailments which the medical contractor contracts to treat, in return for the fixed payment per employee per month.

### SERVICE OFFERED BY COMMERCIAL "HOSPITAL ASSOCIATIONS"

The "contractor" with whom the employer enters into an agreement to provide medical service to employees, either for industrial accident or for both industrial accident and ordinary sickness and disease, may be (1) a hospital association (operating for profit); (2) a general hospital (non-profit); (3) an individual physician.

The bulk of the contract medical and hospital service to industrial employees in the State of Washington is provided by a relatively small number of hospital associations or clinics. There are also many individual physicians and surgeons providing service as "contractors." Some of the community hospitals in the larger cities likewise do contract work for industrial concerns. All of the hospital associations except one are controlled by medical men. Of nine visited by the National Bureau field representative, seven were incorporated under state laws. Several employ a layman as business manager. The actual medical service is rendered by medical practitioners who may receive their remuneration either on a profit-sharing basis, on a straight salary basis, or on a basis of rates established by agreement between the practitioner and the association.

Of nine associations and clinics visited by the National Bureau representative, five actually own or lease hospitals representing



an approximate total bed capacity of 518. All of the associations (except one) own and operate "clinics" or dispensaries equipped with surgical, X-ray and laboratory facilities, and usually with physio-therapy and electro-therapy apparatus. Those associations serving chiefly the lumber industry maintain first-aid stations in the various logging camps with whose owners they have medical contracts; some of these stations are in charge of physicians employed by the associations. The associations not owning hospitals usually permit the contract patients a choice of the available local hospitals, provided the hospital chosen is one which will accept the rates set by the state for workmen's compensation patients.

The medical staffs of the associations usually include an internist, an eye, ear, nose and throat specialist, one or more surgeons, and a dentist (for diagnostic examinations only). Among the associations making contract medical service their business, fewer specialists and more general practitioners are found. The nine associations visited report a total of 85 medical personnel giving full-time service, and 47 serving part-time.

#### HOSPITAL ASSOCIATION CONTRACTS

A slightly different type of contract used by one of the large associations, covering medical care for non-compensable disability, may be summarized as follows:

1. *General.* The first party (Hospital Association) agrees to furnish to the employees of the second party (employer), and to bear the expense of, all medicines, medical and surgical services, hospital accommodations, dental and other benefits.

2. *Duration and Cancellability.* Duration is not indicated in specimen contract, blank space being left. (Available information is to the effect that contracts usually run for from one to three years.) No provision for cancellability is included in the body of the sample contract submitted.

3. *Payroll Deduction.* The employer agrees to pay the Association \$1 per month for each employee on his payroll; "said amount may be deducted from the pay account of each employee."

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Remittance must be made monthly before the 15th. The employer must provide each employee with "a certificate showing such facts."

4. *Services Included.* All necessary medical and surgical treatments required by employees for all sickness and illness, regardless of whether same occur during working hours or not, and for non-compensable accidental injuries. These services to be provided to employees in their homes, if within the corporate limits of the cities where the Association operates (except that house calls are not required if patient is able to visit doctor's office), or in the two hospitals of the Association; or if the patient prefers, he may choose a certain designated local hospital. Ward service is specified, except for severe and critical cases, when the contractor agrees to furnish a special room. In case of serious illness, where diagnosis and treatment is not satisfactory to the patient, he may call any licensed physician of his community for one consultation, expense to be paid by Association. Other services specified are: Ambulance when necessary; dental service "to the extent of extraction of teeth"; examinations for defective vision for diagnosis only.

5. *Services Excluded.* Venereal diseases and tuberculosis are expressly excluded, but when emergency exists temporary care and service are rendered.

6. *Other Provisions.* Service is understood not to extend to conditions existing at time of employment. (An official of the Association states that this restriction is not adhered to.)

### AMOUNT OF EMPLOYEE CONTRIBUTION

The amount deducted from an employee's wages to cover the expense of medical care arising out of non-industrial injury or ordinary sickness under a contract between an employer and a medical "contractor" is usually \$1 per month.

The Insurance Department of the State of Washington has informed the National Bureau that hospital associations engaged in this form of contract practice are considered as selling con-

tracts of service and not of insurance. For this reason, their operations are not under the supervision of the State Insurance Department. As already pointed out, contracts covering medical aid for compensable injuries come under the supervision of the State Department of Labor and Industry, and the law permits cancellation of contracts by the Department if treatment is unsatisfactory, the Supervisor of Industrial Insurance having full authority to transfer an injured workman to other hospitals or doctors as he deems advisable. On the other hand, contracts covering medical care to employees for non-industrial injury, sickness or disease are apparently not under state supervision.

#### TYPES OF MEDICAL SERVICE ORGANIZATION

In general, the hospital associations providing industrial medical service in the State of Washington are similar in organization and operating methods. One medical service organization, however, is different enough to justify special reference. In 1925, twelve lumber companies in the vicinity of Olympia (Thurston County), formed a corporation not for profit, for the purpose of controlling their own medical contracts, both industrial and non-industrial. This corporation now employs four physicians part-time on salary. One of these physicians is a specialist in internal medicine, one is an eye, ear, nose and throat specialist and the other two are surgeons. The corporation owns no hospital, clinic or dispensary, and local hospitals are used when hospital care must be provided. The customary employee contribution of \$1 per month for non-compensation medical care, and the joint contribution prescribed by the state law from employer and employees for compensation medical care are all deposited together in one fund. Salaries of physicians are paid from this fund. The corporation, representing the several employers, contracts with the employees of the individual lumber companies as separate groups, to provide them medical services through the four employed doctors, or hospital service, if required.

One of the Washington hospital associations has perhaps gone

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further in developing voluntary medical contracts than any other association in the state. This "Clinic" has its headquarters in a town of approximately 8,000 population. Fees have been scheduled according to the type of contract held by the employer; for example, \$1.25 a month per employee where an industrial injury contract as well as a medical contract is held; \$1 a month per employee where a medical contract alone is made; \$2.50 per month per employee for a contract to cover the employee and dependent members of his family. At present, about four hundred men are insured under the family service plan. If a number of single men are employed in the plant, and they object to this assessment for the advantage of married employees, a fee of \$3 a month is scheduled for the married men, and \$1 for the single men.

At the request of employees who have become accustomed to medical contract service, this organization has developed a mutual benefit and health association. The purpose of this organization is to supplement the compensation available under the state law for accidents, and to provide similarly an income during the period of disability arising out of a non-compensable accident or illness. Through membership in the mutual benefit association, in conjunction with the industrial contract, the employee, in effect enjoys complete health and accident insurance. Benefits are paid at the rate of \$2 a day for a maximum of sixty days. In case a member is receiving compensation under the Workmen's Compensation Act he is entitled only to the difference between that amount and the maximum available from the mutual benefit and health association. Membership in the association is voluntary, but collection of dues is made by the employer on the authorization of the employees through a payroll deduction. An entrance fee of \$2 is provided, in return for which disability benefits begin at once. If the member does not wish to pay this entrance fee, there is a sixty-day waiting period before disability benefits begin. One-half of the entrance fee goes into a reserve fund.

The following contract is an example of service to industrial employees for non-compensable disability in return for an author-

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ized deduction from wages, by a general (non-profit) hospital in a small town of Washington:

"This Agreement, made the . . . . day of . . . ., 19. ., between the employees of . . . ., the party of the first part, and the . . . . General Hospital, of . . . ., Washington, the party of the second part, for a period beginning . . . . and ending . . . . That the party of the second part, in consideration of the payment of One Dollar per month by each and every employee of the party of the first part, hereby covenants to furnish all necessary and reasonable medical and surgical care and medicine at the hospital or at our office or the office of the physicians associated with us, and hospital care when it is the opinion of the physician and surgeon that the condition requires hospital treatment or care, and all acute sickness and injuries developing during the terms of this contract. Providing: such sickness or injury is not due to personal difficulties, as assaults or unlawful acts, the use of drugs or intoxicants, insanity or incurable or venereal diseases. And it is further agreed, that the payment of said One Dollar per month shall be made by the accounting department of the said . . . . on or before the fifteenth of the month next following the rendering of services by said party of the second part. In witness whereof, the said parties hereunto set their hands the day and year first written above."

### MEDICAL SERVICE IN WASHINGTON COAL MINING INDUSTRY

The United States Coal Commission defines three separate coal fields in Washington, as follows: Kittitas County field; Pierce-King (bituminous) field; sub-bituminous field (formerly known as Lewis field). Forty-eight mines operated in these three fields in 1929.<sup>8</sup> In 1930, according to the annual report of the Chief Mine Inspector, the number employed was 3,110. More than three-fourths of the bituminous coal produced in Washing-

<sup>8</sup> *Coal in 1929*. U. S. Department of Commerce, Washington, D. C., 1931.

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ton was mined by four concerns. Information received from these four companies may be summarized as follows:

*Coal Company "A."* This company normally employs about 180 men. It carries the "all-service coverage" as described above, by means of two contracts with an incorporated hospital association. The payroll deduction for this service for industrial injury under the State Medical Aid Contract is three cents per shift per man, which is matched by three cents from the employer. The medical service contract for non-industrial sickness includes the families, the employees having authorized a \$2 a month deduction to cover this. The two contracts together provide the men and their families with medical and surgical treatment and hospital care for all sickness and injury. Hospital care is given in a hospital operated by the Hospital Association with which the company has contracted. A resident physician is maintained at one of the mining towns by the medical contractor. He gives treatment to employees and members of their families either in their homes or at his office.

*Coal Company "B."* In 1930 this company employed a total average of 240 men. Medical care for non-industrial injury and sickness to employees and their dependents is based on a contract between the company and a physician. A sample copy of this contract furnished the National Bureau by the Company is summarized here as being typical of such contracts in the mining region:

First party (the coal company) hereby employs second party (doctor), and agrees to deduct from the pay and collect from each man working in the mines, \$1.50 a month (10 cents a day from men working less than the entire working time in a month) and agrees to pay all sums so collected to the second party (the doctor) monthly. Second party agrees "to furnish medical aid and surgical care and necessary medicines" to each man and his dependents, and "free hospital in wards for the period of 12 weeks to the contributing head of the families hereby affected."

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(Hospital rates are to be charged for hospital care for dependents. It is agreed that the minimum fee for confinement cases shall be \$15, complicated cases \$20). Disabilities and diseases existing prior to employment; injuries or sickness due to intoxication; confinement and miscarriage cases are excluded from the contract. Disagreements as to interpretation or administration of the contract are to be settled between the two parties. Contracts may be canceled at any time "for good and sufficient cause" by either party on three months' notice.

In addition to the service furnished under the above contract, there is, of course, the provision for industrial accident care. This particular coal company uses the "State Plan" and not the "Contract Plan." Therefore, the company has no further responsibility for providing medical aid in the event of a compensable injury. The injured workman has the privilege of calling the company physician, or may choose another. The physician bills the State Department of Labor and Industry for professional services rendered. Bills for hospital care or for medicine are also paid by the State.

Under this coal company's plan the cost per month of medical and surgical care to an employee and his family, assuming he worked 25 days in the month, would be as follows:

To the physician, for non-industrial care, as per the contract.....	\$1.50—paid by the employee through payroll de- duction
To the State 25 days at 3 cents.....	.75—paid by the employee through payroll de- duction
To the State 25 days at 3 cents.....	.75—paid by the Company.

*Coal Company "C."* In 1930 this company mined 831,252 tons of coal and employed an average of 1,126 men. Medical care is furnished the men and their families through a non-profit Hos-

pital Association managed by representatives of the Company and the employees. This employee association owns a hospital and employs doctors and other personnel. All employees receive complete medical and hospital care for non-industrial sickness and accident. Their families receive the same care, but a charge is made them for the hospital room. For this service, a payroll deduction of \$2 per man per month is made.

Medical, surgical and hospital care for industrial injury is also provided by the Hospital Association, the association being reimbursed out of the joint contributions of employer and employee to the State Medical Aid Fund. An officer of the company writes the National Bureau that this charge is 8 cents per employee per day at the mines, half from employer and half from the employees.

*Coal Company "D."* This company in 1930 produced 520,568 tons of coal, and employed an average of 706 men. These employees and their families receive medical care through contracts between the company and an association of the employees. The obligation assumed by the employees' hospital association is to "render all services required by the employees."

Medical, surgical and hospital care for industrial and non-industrial disability is covered by the contracts. The assessment for the industrial (i.e., the compensation) contract is 5 cents per employee per day worked, half paid by the employee and half by the company. To take care of the non-industrial medical service a special hospital fund is created by a monthly assessment of \$1, deducted from each employee's wages.

This contribution provides the worker and his dependents with medical and hospital treatment, which includes "doctor's services, medical treatment, and hospital care." Necessary medicines, dressings, and supplies are included. The usual exclusions are specified, but the rules permit these conditions to be treated by company surgeons at half rates. Local hospitals in Seattle and Tacoma are utilized by the employees' hospital association. Ambulance and specialist services are provided when ordered by



company doctors. Ordinary confinement cases in the homes are cared for by company doctors for \$20. Full-time doctors are stationed at each mining camp. Specialists in orthopedics, abdominal surgery, and eye, ear, nose and throat, are maintained at Seattle, where the Chief Surgeon is also located. All examinations of applicants for employment are made in Seattle.

MEDICAL OPINION AS TO CONTRACT PRACTICE

At the time this chapter was written (August, 1931) there was considerable discussion *pro* and *con* in Washington medical circles on the subject of contract practice. One physician frankly stated that the reason the two types of contract are usually found together is that there is no profit for the medical contractor in industrial injury contracts because of the many state requirements, while in the case of the non-industrial contracts the state has not as yet assumed any authority or supervision.

The following extract from a pamphlet: *A Statement of Fact Relative to Contract and State Plan Industrial Medical Practice*, by Dr. A. Macrae Smith, M.D., F.A.C.S., President of the Society of Industrial Surgeons of the State of Washington, and head of the Bellingham Clinic, is cited not only because of the light it sheds on the general scope of the service, but more particularly because it indicates that contract practice has aroused opposition on the part of physicians in that state.

"The policy of the legislature to exact an unusually high professional standard from those engaged in contract practice is seen by the provision of the Medical Aid Law, permitting cancellation of these arrangements where unsatisfactory treatment is rendered the injured workmen, and the *carte blanche* authority of the Supervisor of Industrial Insurance to transfer an injured workman elsewhere for treatment where he deems it advisable so to do.

It is thus apparent that the contract medical and hospital service is closely supervised by the Industrial Insurance Division, and that the State, the employer, and the employees are watching

the operation of this type of treatment to see that the highest possible surgical standards are employed therein. Obviously, if satisfactory treatment is not rendered by the surgeon or hospital association, in addition to facing the alternative above mentioned, the dissatisfied workmen and employer are not likely to renew this arrangement upon its expiration.

"During the past few years there has been a very noticeable trend towards the contract form of treatment by workmen and employers who had previously operated under the 'State Plan.'"

In the earlier years of the State Medical Aid Act, the contract plan was criticized by persons engaged in the administration of the Workmen's Compensation Law of Washington. In an address delivered before the International Association of Industrial Accident Boards and Commissions at its 1918 meeting, Dr. John W. Mowell, M.D., Medical Adviser to the Industrial Insurance Commission of the State of Washington and Chairman of the State Medical Aid Board,<sup>4</sup> voiced some of the criticisms then current. These referred particularly to the "commercializing" of the contract plan by non-medical men who formed hospital associations, contracting for the services of a surgeon, paying him only a small part of the amounts received from the employers, and keeping the remainder as their own profit. Further, the difficulty of keeping competent physicians in isolated localities under the "free choice" plan, resulted in the contract service being rendered frequently by unskilled or inexperienced men.

A prominent physician who is also at the head of a hospital association serving the lumber industry stated to the field representative of the National Bureau that his personal attitude toward medical contracts is unfavorable. He regards these contracts as a necessity in the locality, but as a physician, feels that they make difficult the right relationship between physician and patient.

A lay official of the same hospital association, on the other

<sup>4</sup> *Selection of the Physician Under Compensation Laws*, by John W. Mowell, M.D., Medical Adviser to the Industrial Insurance Commission of the State of Washington and Chairman of the State Medical Aid Board. *Proceedings International Association of Industrial Accident Boards and Commissions, 1918*. Bureau of Labor Statistics Bulletin No. 264, October 1919.

hand, considers the contract system a factor in public health. Most of the workmen, he says, are too poor to secure proper medical care privately. Under the group contract plan, they have attention before their illness becomes acute. He stated that his association considers it good business to offer more than is stipulated in the contract, such as, for instance, the free care the hospital is giving during the present depression to unemployed men. Also, the three months limit on hospitalization is never adhered to if further care is really needed.

An opinion as to the advantage to the practicing physician is stated in the following extract from a letter from a county medical society secretary in the State of Washington:

"Hospitalization is furnished by the contracting physicians. This has been satisfactory from all standpoints here, although I think it would be more equitable for the hospitalization to come from a separate fund. When a fair monthly fee is charged it is a very pleasant way to practice medicine, when you can hospitalize, take X-rays, and make house calls at will without regard for the patient's ability to pay. This cannot be done when cut rates are in effect. Contrary to the general belief among those inexperienced with contract medical practice, the men do not make undue requests for night calls and house calls and special service."

The secretary of still another county medical society gives his own reaction as a contract surgeon: "I am a surgeon for three of these associations, and work on a fee basis, accepting a rate that is equal to the state rate in the smaller cases, and allowing a discount in the larger cases. These hospital associations handle two contracts, the number one contract being supervised and controlled by the state, and covering industrial accidents only, and the number two contract covering more or less of medical work and non-industrial accident work. My impression is that this is a very good thing for the workmen, and I have urged several employers to give such contracts; I have, of course, decided impressions as to the desirability of the different associations. They issue what they call 'Full Coverage' and 'Limited Coverage'

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contracts. Here there is some limitation as to choice of surgeons or physicians, but this is not a complete limitation in all cases, as some of the associations allow a free choice; but as there are only three physicians in this sparsely settled territory, that matter is not of great moment. . . . Private practice among the workmen in this territory has become very uncertain on account of the migratory character of the workmen and the great difficulty in making collections, especially in labor (obstetrical) cases and in all other cases where an account of more than twenty dollars or so accumulates. Physicians in this territory have not as yet developed the habit of demanding cash at the time the services are performed, but the newer generation of physicians may find themselves obliged to do so. I consider my straight State and Association work, most of which is done in the summer, to be the backbone of my practice. The difficulty in arranging for any such practice here is that there are but very few large industrial establishments, only one, in fact, in the two counties. When a logging camp and mill has no more than fifteen or twenty men working, it does not interest the Hospital Associations, and if it were not for a fairly rigid system of inspection by the State Department, it is probable that even in the industrial accident cases the injured workmen would not obtain proper care and compensation."

## CONTRACT MEDICAL SYSTEM EXTENDING

There seems to be no question that the contract system of medical care is extending in Washington industries. In outlying sections of the state it has been common for at least twenty-five years. More recently, following the opening in Seattle of a branch of one of the large commercial clinics, the system has begun to be used in that city. The local medical association in Seattle is known to be divided in its opinion of the practice. Officials of two of the large associations express the opinion that the service is a public health measure, bound to spread so long as wages

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remain too low to permit workmen to employ private physicians at regular fees. They consider regulation desirable, and prefer it to come from the medical profession. Leaders among the industrial surgeons hold that unless physicians themselves make provision for cheaper and better medical care, whether through group contract practice or otherwise, "state medicine" will be established. Therefore, they believe it is good policy to set up and maintain a high standard of medical service under the contract plan as it is now developing.<sup>5</sup>

### NUMBER COVERED BY CONTRACT PLAN IN WASHINGTON

Officials of five of the hospital associations personally interviewed by a representative of the National Bureau made statements indicating that in December 1929, the number of employees entitled to "complete coverage" service through existing contracts between these five hospital associations and industrial establishments was approximately 47,000. A few of the contracts cover dependent members of the families of contributing employees, but no estimate of their number is possible. The above figure represents 66.4 per cent of the total number of persons reported by the Census of 1930 as gainfully employed in the forestry industry (30,566) and in saw and planing mills (40,220).

### EMPLOYEE MEDICAL SERVICE IN OREGON

The Workmen's Compensation Law of Oregon provides for an Industrial Accident Fund made up of contributions from both employees and employers who are subject to the provisions of the act.<sup>6</sup> The Law requires that the employee shall contribute into this fund one cent for each work day, and that the employer

<sup>5</sup> Qualitative appraisal of the existing system of contract medical service in industry in Washington is outside the scope of this investigation. In presenting the above opinions of medical people for and against the contract system, the National Bureau aims merely to call attention to the fact that the system is still subject to criticism by medical practitioners close to it.

<sup>6</sup> Oregon is one of eight states in which the state workmen's compensation insurance fund is exclusive, i.e., monopolistic.

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shall contribute an amount varying from two to five per cent of his payroll, according to the hazard of his operations. From this fund the Industrial Accident Commission pays the expense arising out of industrial accidents, i.e., cash compensation to the injured workman, cost of medical care, and transportation from the scene of accident to the hospital, if necessary. According to R. E. Jackson, Claim Agent of the Oregon Industrial Accident Commission, the experience is that the employer contributes about eighty-five cents of each dollar collected for the Industrial Accident Fund, and the employee the other fifteen cents. The one cent per day collected from the employee entitles him to all the benefits of the Workmen's Compensation Act, which include payment for time lost, permanent disability, and medical aid.

The law further provides that the medical service necessary to care for a workman injured in the course of his employment may be secured by means of contracts with incorporated hospital associations or with individual physicians. These contracts may be entered into either by the Industrial Accident Commission, or by the employer. If the employer elects to make his own contract for medical and hospital care for industrial injury, the Commission pays the employer; if the Commission makes the contract, it pays the hospital association direct. In either case the amount paid ranges from one cent to four cents per day per employee, depending on the hazard of the occupation.

It should be noted that the State Industrial Commission enters into medical service contracts for compensation cases only after the employer has contracted separately with the doctor or hospital association for treatment of injuries sustained by employees away from employment, and for ordinary sickness. By this provision, complete medical coverage for employees is secured. In order to cover the expense of medical and hospital service to employees for non-occupational disability, the law authorizes the employer to deduct fixed amounts from employees' wages. The amounts thus deducted range from \$1.50 to \$2.50 per month from each employee.

STATE SUPERVISION OF MEDICAL CONTRACTS

Contracts made by an employer with contractors "with regard to the funds of his employees" collected from wages (i.e., for non-occupational medical care) are subject to the approval and supervision of the Industrial Accident Commission, which has the power to cancel any contract whenever it deems the contracting physician not "reasonably competent" or the service not "reasonably efficient." No contract may be for more than one year, except when the Commission has previously consented to a two-year contract.<sup>7</sup>

From the foregoing it is apparent that there may be two separate contracts covering the employees of a particular industrial concern. One contract (between the State Industrial Commission and the hospital association) covers medical, surgical and hospital care arising out of injury occurring in the course of employment. The other contract (between the employer and the hospital association) guarantees medical and hospital care arising out of ordinary sickness or non-industrial accident. There are, of course, many groups of industrial employees who are covered by contracts between their respective employers and a "contractor" guaranteeing medical care and hospitalization for compensable injury, who are not covered by contracts for medical and hospital care for sickness or non-compensable injury.

The law specifically provides against the possibility of the employer profiting financially, by declaring the money so collected by the employer to be a trust fund, which must be kept in a separate account and promptly paid over for the purpose for which it is collected. Medical "contractors" are also specifically forbidden by the act to rebate, or agree to rebate, to the employer, any portion of the money so collected, and the employer is equally forbidden to receive such rebate.

<sup>7</sup>Contracts of medical service are provided for in sections 6644 and 6645 of the Consolidated Laws of Oregon.

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INCORPORATED HOSPITAL ASSOCIATIONS

The insurance laws of the State of Oregon make special provision for hospital associations incorporated to provide medical and hospital service under contracts, and to bring such associations under the jurisdiction of the State Insurance Department.

The annual report of the Insurance Commissioner of the State of Oregon for the year 1929 contains a table giving the following information about hospital associations carrying on business in that state:

Name of Hospital Association	Capital Paid up	Income 1929	Disbursements 1929	Admitted Assets	Liabilities, Including Capital	Net Surplus
C. H. Weston Co., Portland, Ore. ....	\$ 10,000	\$ 31,006	\$ 30,858	\$ 14,037	\$ 10,783	\$ 3,254
Hillside Hospital Co., Klamath Falls, Ore. . . . .	59,600	46,982	45,426	65,328	81,443	-16,115
Industrial Hospital Association, Portland, Ore. . . . .	10,000	191,058	177,109	60,389	29,045	31,344
Klamath Valley Hospital, Inc., Klamath Falls, Ore. . . . .	10,100	80,374	77,885	29,111	11,623	17,488
National Hospital Association, Portland, Ore. . . . .	20,000	369,805	341,658	223,638	93,492	130,146
Prudential Hospital Association, Portland, Ore. . . . .	5,000	8,583	8,586	8,520	5,500	3,020
Pumphrey Co., Portland, Ore. . . . .	5,000	62,581	59,132	18,610	8,485	10,125
Southern Oregon Hospital Association, Roseburg, Ore. . . . .	34,800	14,497	14,376	34,936	43,025	-8,089
Totals . . . . .	\$154,500	\$804,886	\$755,030	\$454,569	\$283,396	\$171,173

Section 2 (6558) of the insurance laws of the State of Oregon (1929) reads as follows: "Corporations organized under the general laws of the state may transact a hospital association business as herein defined upon compliance with the provision of this section; any corporation, association, society, firm, partnership, or individual, contracting or agreeing in this state with individuals, families, employees, associations, societies, or with employers for the benefit of employees, for the furnishing of medicine, medical



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or surgical treatment, nursing, hospital service, ambulance service, dental service, burial service, or any or all of the above enumerated services or any other necessary services, contingent upon sickness, accident or death; or any corporation making such contracts, or agreements, outside of this state to be wholly, or in part, performed within this state, are hereby declared to be doing a hospital association business, and subject to the provisions of this act."

### NATURE OF CONTRACTS

The general scope of the medical service as offered by Oregon hospital associations to employers, under contract arrangements, is indicated in a letter to the National Bureau from one of the associations listed above. This letter states that the company (i.e., the Hospital Association) deals altogether with the employer under a monthly payroll deduction plan. No contracts are issued to individuals. According to the Hospital Association, this enables it to provide a broader coverage at a lower price than would otherwise be possible, since it is probable that if individuals were solicited, those would buy most readily who had some immediate need for medical aid. The result would be a class of risks below the average, thus increasing the rate. For this reason also, the plan is compulsory for all employees of concerns with which this Association contracts. Occasionally, in larger plants, a plan is started with those employees who elect to participate, but the idea is always to make it compulsory sooner or later. This is done either by making it a condition of employment for all new employees, or by putting it to vote of the employees after six months' operation.

Under a contract between a hospital association and an employer, the obligation rests upon the latter to pay to the former once a month the amount due for all employees. The wording of one contract on this point is as follows:

"The contractor (i.e., the employer) promises and agrees as follows: to pay to the company, on or about the tenth day of the month following that for which payment is made, at the rate of

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one dollar and fifty cents for each and every employee who has worked three or more days before the fifteenth day of the month, and at the rate of seventy-five cents for each and every employee who has worked three or more days commencing after the fifteenth day of the month. For the purpose of auditing the payrolls of the contractor, the company (i.e., the hospital association) shall have access to them at all reasonable times."

### SCOPE OF MEDICAL SERVICE

The scope of medical service guaranteed employees by the hospital associations may be illustrated by the following summary of the provisions of typical contracts.

1. *A hospital association not operating a clinic of its own.* The Company (i.e., the hospital association) agrees to provide medical, surgical and hospital services, including specialists, dental service, medical and surgical appliances, X-ray and clinical laboratory diagnosis, and physiotherapy as needed for the employees of the contractor (i.e., the employer) as follows:

*Office Treatment.* The contractor may send his employees to the offices of the doctors of the Company for treatment during office hours. He may also call the doctors in case of emergency. For this purpose, the Company promises to maintain at designated places, duly licensed physicians, surgeons, and specialists. If in emergency none of these designated doctors is available, the employer may call other competent service, for first-aid only.

*Medicines.* All necessary medicines, medical and surgical supplies and orthopedic appliances prescribed by the Company's physicians are provided, not including artificial limbs, glass eyes, etc.

*X-ray, etc.* X-ray diagnosis and clinical laboratory findings and physiotherapy are provided, as directed by Company doctors.

*Hospital.* All necessary hospital services are rendered at "adequate and well appointed hospitals" designated by the Company; service to include medicines, dressings, nursing, board, medical

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and surgical care, the maximum period in any one case being six months; but at the expiration of this period, necessary medical and surgical care, including medicines, by the Company's doctors, will be continued for another six months. Private rooms and private nursing service will be furnished in critical cases, when ordered by Company doctors, for a maximum period of fifty days. No monthly payment is required of the employee while he is in the hospital.

*Unlimited Service.* A specific clause in the contract states that the time limits on service do not apply in the case of injury arising out of and in the course of employment, i.e., compensable injury.

*Ambulance.* Ambulance or other conveyance, and the expenses of an attendant, will be furnished at the direction of the Company doctors.

*Medicine Chests,* or first-aid kits, are kept by the medical service Company at convenient locations in the factories or establishments of the employer, and re-stocked as needed.

*Dental Services.* Extraction and cleaning of teeth, treatment for toothache and for acute conditions affecting the gums, are provided by designated dentists.

*Excluded Services.* Treatment for insanity, pregnancy and disorders due thereto; venereal disease; conditions due to use of intoxicants, narcotics, or drugs; tuberculosis, except diagnosis and laboratory tests; and conditions existing previous to employment, are not included.

2. *A hospital association operating its own clinic.* This association offers service as described in the following summary of one of its circulars:

To groups of employees in all kinds of industrial establishments (including offices and stores) this Association offers a special "full coverage" medical service, which applies to chronic as well as acute conditions and accidents. This service will take care of such conditions as tuberculosis, apoplexy, paralysis, sinus trouble, diseased tonsils, cancer, goitre, stomach ulcers, gall stones,

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etc., in addition to acute illness and accidental injuries, however or wherever sustained. Surgical operations of all kinds will be provided when needed, including hospital care, anesthetic, and services of the Association's surgical staff. Hospital care is provided when necessary for any condition, up to six months in any one case, including services of physicians, surgeons and specialists for one year; special nurse when required, for thirty days; X-rays; laboratory examinations; physiotherapy; ambulance, or other transportation to hospital; and medicines.

Chronic conditions existing at the time of or prior to the adoption of the Special Full Coverage Service will not be covered; but the Service will apply to all such conditions developing after its adoption. However, the protection of the Service applies immediately for any chronic condition which may become acute after adoption of the Service.

Persons who are employed after the Special Full Coverage Service has been adopted are immediately protected for acute illness or for accidental injuries, but must wait six months before becoming entitled to hospital care and surgical operations for chronic conditions. Credit is given employees changing from one establishment to another having the Service, provided there is no interval.

The fee for this Service is \$2 per month, deducted from wages. If the employee is also under the workmen's compensation law, the \$2 a month covers the one cent per work day that must be paid the state; there is no additional charge.

To make this Service financially possible for the small fee charged, it is agreed that the services as named shall be rendered "only in hospitals appointed by the Association, and by physicians, surgeons, and specialists employed by the Association for this purpose."

The Service does not apply to conditions arising from insanity, venereal disease, use of drugs or narcotics, pregnancy or childbirth. Contagious or epidemic diseases will receive doctor's services and medicines, but not hospital care or transportation.

ATTITUDE OF MEDICAL PRACTITIONERS

A letter received by the National Bureau from an official of the Oregon State Medical Society throws light upon certain aspects of group medical service in industry in that state. The writer states that the hospital association type of organization as developed in the West has created a situation in which a large portion of industrial practice may be controlled by a single association operating throughout a state, or in some cases, two or three states. Where this situation prevails, the associations usually appoint a few doctors in each town. Frequently these doctors become in the end nothing more than first-aid men handling minor injuries, the major cases being sent into the center from which the hospital association operates. When this is not done, and the surgical work remains in the hands of the local doctors, their fees are much lower than they ordinarily receive in similar cases in private practice; some of the associations are reported to pay the doctors fees averaging from 25 to 33 $\frac{1}{3}$  per cent below the fees paid by the State Industrial Accident Commission in cases coming under its jurisdiction. Similar reductions in fees are said to be made in cases of major surgery for non-industrial injury.

For many years, the writer continues, physicians not engaging in contract practice have protested against these conditions, but apparently without avail. The system of contract practice appears to be well established, being popular with large employers of labor, as a low-cost, organized method of caring for sick and injured workmen. Recently a counter-movement has been started by the physicians and surgeons themselves, to organize local hospital associations in which all the reputable physicians of a town will be stockholders. Two such associations have been formed in Oregon. They offer to contract with the employer in the same manner as do the older hospital associations, and in addition, give the worker the privilege of choosing any doctor in the group. These physicians' mutual associations employ a business manager, and pay the fees of the member doctors

## MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

from a central fund. It is apparently not the intention of these newer associations to pay dividends to their stockholders, but only to see that the industrial medical and surgical work is done, so far as is proper, in the local community, and that the fees received by the physicians are on a level with those paid by the State Industrial Accident Commission.

## PHYSICIANS AND SURGEONS HOSPITAL ASSOCIATION

One of these new associations is known as the Physicians and Surgeons Hospital Association of Salem, Oregon. It was started in 1929 by medical men at the time engaged in contract practice for the other associations. The number admitted to the Association was gradually enlarged until in the summer of 1931 there were 28 members. Our correspondent states that no physician who has been given the opportunity to join has rejected the offer.

The Physicians and Surgeons Hospital Association will function as a large group practice. Some of the staff will specialize in surgery, some in fractures, some in other branches of industrial work, including the eye, ear, nose and throat.

The service is offered to the workers in Salem, a city of about 26,000 population, and its environs. Industries are a large paper mill, a large saw and planing mill, two linen mills, several wood-working establishments, a foundry, and the usual run of smaller industries. The principal industry, however, during much of the year, is fruit canning and packing. There are about ten establishments, with a season running from May to December. Many people, largely women, are employed in these canneries.

More detailed information as to the service offered by the Physicians and Surgeons Hospital Association is taken from a printed circular published by the Association. In this, the advantages of the service are stated to be: 1. protection against financial loss due to prolonged illness or a surgical operation; 2. complete service, medical, surgical, hospital, etc., for any illness or injury; 3. a wide selection of well-qualified physicians and surgeons,

without leaving Salem; 4. low cost; 5. full 24-hour protection, at home, at work, or anywhere.

The service itself consists of the following:

*Medical and Surgical Service.* All necessary medical and surgical treatment for injuries or sickness (chronic conditions not included), is furnished by Association staff physicians, at their offices, or at home if the patient is unable to go to the office.

*Emergency Care.* In emergencies, when staff physicians are not available, the nearest available doctor of medicine may be called, at the expense of the Association.

*Specialist Care.* Services of the Association staff specialists are provided on recommendation of any attending staff physician.

*Dental Service.* Treatment for acute gum conditions, and extraction of teeth for immediate relief are furnished.

*Medicines.* All necessary medicines, medical and surgical supplies as they may be used or prescribed by the attending staff physician, are furnished.

*First-Aid Supplies.* First-Aid Chests are provided and maintained at all establishments having the service.

*Hospital Service.* Complete hospital service and accommodations, when necessary, are provided by the Association, limited to six months in any one case.

*Special Nurse.* Services of a special nurse, for a period of not more than thirty days, are provided when ordered by attending physician.

*X-ray Service.* X-ray service is provided in cases of fracture or suspected fracture, and in other cases when deemed advisable.

*Physio-Therapy.* Treatments are furnished when advisability of such treatment is indicated.

*Ambulance.* Ambulance or other transportation service is furnished when necessary, for conveying the sick or injured to hospitals.

*Prophylactic Measures.* The Association will furnish such prophylactic measures as may be necessary to prevent the spread of disease among groups of persons covered by its contracts.

## MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

The cost of the full coverage service as described is \$2 per month per person. If workers are already covered for industrial accidents, certain deductions are made from this rate.

Like other hospital associations, the Physicians and Surgeons Hospital Association is incorporated under the laws of Oregon, and operates under the supervision of the state insurance department.

## EMPLOYEE HOSPITAL SERVICE IN CALIFORNIA

When the California Workmen's Compensation Act was passed (1911), certain concerns in that State, notably transcontinental railroads and lumber companies, were providing care to employees disabled in the line of duty, in their own hospitals. These hospitals were operated either by an employed medical staff or by an employees' association. The Workmen's Compensation Law placed upon the employer (excepting, of course, those not subject to state laws because engaged in interstate commerce), the responsibility for providing at his sole expense, medical aid to employees injured in the course of their employment. It left to employer and employee the privilege of entering into mutual agreements for the provision of medical care necessitated by non-occupational disability, at the expense of the employee.

Section 9, Chapter 586, Laws of 1917, stipulates that "where liability for compensation under this act exists," the employer shall furnish or pay for "such medical, surgical or hospital treatment, including nursing, medicines, medical and surgical supplies, crutches, and apparatus, including artificial members, as may reasonably be required to cure and relieve from the effects of the injury." The injured employee is accorded a limited freedom of choice of the attending physician or surgeon, and the services of a consulting surgeon in serious cases.

Section 30-a makes it "unlawful for any employer to exact or receive from any employee any contribution, or make or take any deduction from the earnings of any employee, either directly or indirectly, to cover the whole or any part of the cost of compensation under this act, and it shall be a misdemeanor so to do."



Hospitals may be operated by employers for the purpose of providing care to injured employees coming under the Workmen's Compensation Act. Hospitals operated by industrial concerns are under the supervision of the Industrial Commission. Those operated by "Common Carriers" are under the supervision of the State Railroad Commission.

Section 10 of Chapter 586, Laws of 1917, again stipulates that "no part of any contributions paid by employees or deducted from their wages, for the maintenance of such hospital facilities, shall be devoted to the payment of any portion of the cost of providing compensation prescribed by this act." This section of the act goes on to say that the commission shall have power to inspect and determine the adequacy of hospitals and hospital facilities supplied by employers, or by mutual associations of employees, with or without the concurrence of the employer, for the treatment of injuries coming within the provisions of the act. Nothing in the act prevents any hospital association or medical department from furnishing the treatment prescribed in the act free of charge. Every such hospital must make, not less frequently than once a year, or on demand, reports of receipts, disbursements, and services rendered to or for employees. If the Commission finds the services or equipment of any hospital inadequate to meet the reasonable requirements of medical treatment contemplated by the act, it may, after due notice and opportunity for a hearing, declare such facilities to be inadequate, and thereafter the employee may procure treatment elsewhere, and reasonable costs will be charged against the employer. Such findings of inadequacy may be rescinded by the Commission, upon good cause.

#### EMPLOYERS' HOSPITALS UNDER STATE SUPERVISION

So-called employers' hospitals or hospital funds are further governed by an act approved June 8, 1915, and amended by Chapter 73, Laws of 1917, which provides (sections 2 to 6 inclusive) for further safeguards regarding handling of funds. Every employer who affords or provides hospital service of any

sort for his employees, for which any charge is received or collected by the employer, or at his instance or request, must file an annual report containing: (1) a statement of the total amount of hospital charges collected or received, (2) an itemized account of all expenditures, investments, or other disposition of such charges, and (3) a statement showing what balance, if any, remains. This report must be verified by the employer, if an individual; by a member, if a partnership; by the secretary or president, if a corporation, company, association or joint stock association. Every hospital charge demanded, collected or received by an employer must be "just and reasonable." The authority to decide what is an "unreasonable" charge is given to the railroad commission in the case of hospitals maintained by common carriers by rail, and to the Industrial Accident Commission in the case of hospitals "maintained by other than common carriers by rail." All such hospital charges collected or received by an employer must be devoted exclusively to *bona fide* hospital or medical service for employees paying the charge. Every common carrier by rail who is under duty to render such report, is subject to the jurisdiction, control and regulation of the Railroad Commission in respect to auditing and disposition of all books, records and accounts, and is required to enforce the Commission's orders to the extent provided in the public utilities acts of the state. Employers, other than common carriers, who are under duty to render such reports, are subject, with respect to the auditing and inspection of the accounts, to the Industrial Accident Commission, upon which the act itself confers the authority to enforce the provisions of the act. The failure or neglect of an employer to render the report required by the act is declared a misdemeanor, punishable by a fine of not less than \$100 or more than \$1,000 for each offense.

Mr. Will J. French, Director of the Industrial Accident Commission of California, offers the following additional information about employee hospital schemes coming under the supervision of his department: "The employers who operate hospitals in California have had to charge increasing amounts for their medical, surgical and hospital services to employees. This is because

of the additional expenses that have come with the years and the higher cost of doing business. The Industrial Accident Commission does its best to make sure that there is no fee charged for medical, surgical and hospital treatment, as set forth in the California Workmen's Compensation, Insurance and Safety Act. There have been disputes at times between employees and employers as to the right amount to be charged for services beyond and in addition to the Act just mentioned. When this occurs, we have made an audit of the books, and in one instance of note in California, we found the employer, 'a railroad company,' was justified in increasing the rate to employees for services rendered outside the Workmen's Compensation Act. In another instance, also dealing with a railroad company, we deemed it necessary to order a reduction in the method of computing fees. This was because of the relation to compensation."

Mr. French goes on to say: "Personally, and speaking out of a long experience on an Industrial Accident Commission, dating as far back as 1911, I am firmly of the opinion that employees in out-of-way places are gainers when good hospitals and medical services are available on the grounds. Not only are workers given attention when they are victims of non-industrial accidents, but sickness is covered, and the wives and children of such employees also receive attention. This is an excellent plan and helps to conserve life and limb.

"The Industrial Accident Commission feels that it is not authorized to participate in any agreement or discussion concerning charges for medical, surgical and hospital treatment that are furnished outside the Workmen's Compensation, Insurance and Safety Act. Unless, as indicated before, costs in relation to compensation enter into the controversy. Our province is to make sure that there is no sum assessed against employees for industrial injuries."

From reports filed with the state authorities and made available to the National Bureau, through the courtesy of the State Industrial Accident Board, the following summary has been compiled.

## MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

Employers to the number of 38 filed reports under the provisions of the law quoted above, covering operations during the year 1930. Twenty-six of these were industrial concerns which reported to the Industrial Accident Commission; the other 12, including 7 steam railroads and 5 electric railways, reported to the Railroad Commission. Of the 7 steam railroads, 4 are Class I roads and subsidiaries of such, coming under the jurisdiction of the Interstate Commerce Commission.<sup>8</sup> More detailed information about the medical service maintained by hospital associations on trunk-line steam railroads is given in Chapter IX.

*Amount of the regular contribution deducted from the payroll for each participating employee.* The 38 reports show the following: 24 companies deduct a flat amount of \$1 per month per man, three deduct 50 cents, two \$1.25, one \$1.80, one 65 cents, and in one company the deduction is 15 cents per week. Four of the companies have sliding scales of contributions, based on wages received, and running as follows: 75 cents to \$1.25, \$1 to \$2.50, 60 cents to \$1.80, 50 cents to \$1. In the case of the remaining two companies, the amount of the contribution was not stated in the report.

*The method of remuneration of the medical staff.* Of the 16 lumber companies, 7 concerns employing a total of 16 physicians, pay a regular salary; 2 concerns pay entirely on a fee basis, employing 3 physicians regularly, and others as needed; 4 concerns simply turn over to the company doctor the entire amount collected from the employees; in one of the lumber companies the medical service is provided by an employees' hospital association, which owns the hospital, and pays the salaries of the two physicians; one lumber company (or group of companies) supports, by company and employee contributions, an incorporated hospital, the hospital paying the salaries of the two doctors. Of the 3 companies engaged in other forms of manufacturing, one pays its 6 physicians on a fee basis; one employs 6 physicians, of

<sup>8</sup> Los Angeles and Salt Lake Railroad, Santa Fe Coast Lines, Southern Pacific Lines, Western Pacific Railroad.

whom 3 are on salary and 3 receive fees; the third company pays on a fee schedule basis, but does not state the number of physicians regularly employed. One of these companies owns and operates a hospital; the other two use independent hospitals.

The 7 mining and quarrying companies remunerate their medical staffs as follows: 3 pay straight salaries; one pays fees only; one company employing 4 physicians pays one a salary and fees, one a salary only, and 2, fees only; one company pays 2 by salary, 2 by fees; the last in this group pays its principal physician \$4 per man per year, and employs 3 others on a fee basis. The 7 mining and quarrying companies employ a total of 17 physicians.

Of the 5 public utilities, only two reported on this point. Of these, one turns over the collections to the company doctor; the other employs 7 physicians on regular salary, and pays others, number not stated, by fee.

*Hospitalization.* Of the 16 lumber companies, 8 own hospitals outright, and one has a hospital association which owns the hospital; one concern uses independent local hospitals; in 4 instances, the doctor owns the hospital; in one other the incorporated hospital serves a group of lumber companies; in one case, no information is given on this point.

The 3 other manufacturing concerns include one owning its hospital, and 2 using independent institutions.

Of the 7 mining and quarrying companies, 5 own their hospitals and 2 use independent institutions. Of the 5 public utilities, one both owns its hospital, and uses outside facilities; 2 use independent hospitals; 2 do not state their practice.

*Type of disability covered.* Medical treatment and hospital care for ordinary sickness and for non-industrial injury is the benefit received by the employees of the 38 companies represented by these reports; in return for their periodic contribution. This service is furnished by the same medical staff and hospital facilities used by the employer in providing the medical care required of him by workmen's compensation laws in case of industrial injury to his employees.

## MEDICAL CARE THROUGH FIXED PERIODIC PAYMENT

*Number of Employees Participating in Fixed Payment Medical Service in California.* The 16 lumber companies reported a total of 25,335 employees participating in the contributory medical service plan in 1930. Of the 3 manufacturing concerns, one did not report the number; the two others reported a total of 4,935. Six of the mining and quarrying concerns reported a total of 2,242 employees participating; the seventh company did not report. Of the 5 electric railways, four reported a total of 16,971 employees participating, the fifth not reporting on this point. Steam railroad employees participating in contributory medical service plans are covered in estimates made in Chapter IX, and are therefore not counted here. Excluding steam railroads, these reports to the state authorities give a total of 49,483 employees in California in 1930, who definitely participated in group plans by which they secured medical service for non-industrial injury and ordinary sickness in return for an authorized deduction from wages.