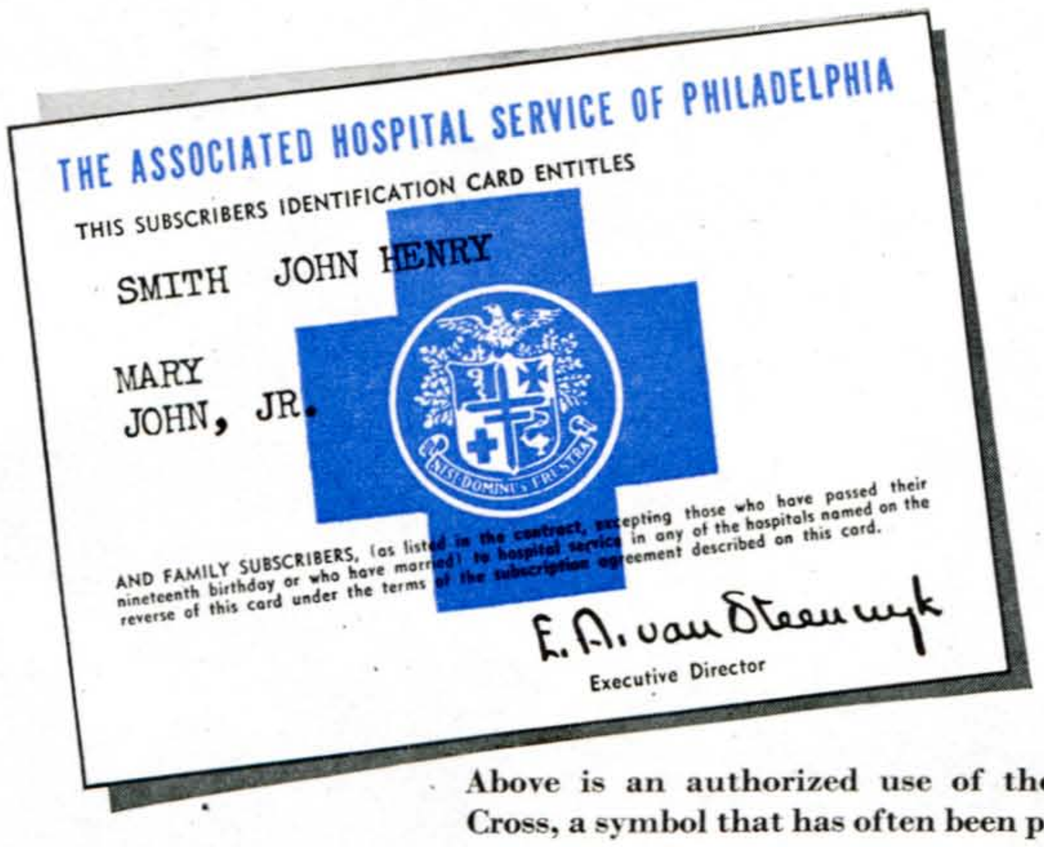


Above is an authorized use of the Blue Cross, a symbol that has often been pirated.

This Cross Is Blue

By J. C. FURNAS

Do you carry hospitalization insurance? Here is a report on one of the nation's best examples of co-operative common sense.

LAST year one of a pair of Midwestern twins, adult but apparently mighty careless, got into a motor smash and was rushed to the hospital. He came to in a two-bed room with a great sense of where-am-I? As he looked groggily around, the obvious answer was: "Over in the next bed." For there, regarding him with equal astonishment, was the spitting image of himself, head bandages and all. When able to ask questions, he found, of course, that this was his twin brother, knocked cold in a factory accident miles away and rushed to the same hospital.

The point is not the crazily high odds against this coincidence, for the odds were cooked. In each twin's wallet had been found a yellow card bearing a blue cross, representing a subscription to the local hospitalization-insurance scheme, of which this hospital was an affiliate. So both twins had been stowed in the same semiprivate room—the accommodation their insurance specified—and left to figure it out. Thanks to the Blue Cross, any headaches they woke with were not of the financial kind.

Blue Cross subscribers now number 11,000,000 in the United States and Canada. At least 5,000,000 more Americans have hospitalization cash benefits included in health-and-accident group policies. Probably a good seventh of the American people are far more secure against hospital emergencies than was possible when this sort of thing started fourteen years ago.

This June, Sen. Robert F. Wagner introduced in Congress a trial-balloon bill sketching an American Beveridge Plan, with compulsory Federal hospitalization insurance on an employee-boss-participation basis as a conspicuous feature. So early a definite threat of Government competition nastily jolted Blue Cross organizations. Having pioneered both general hospitalization group insurance and the boss-pay-part feature, they feel their present efforts to spread the idea into lower income brackets should be given a chance before Uncle Sam hogs the field.

"If Government only takes care of the indigent and the aged," says one Blue Cross veteran, "we could do the rest on a voluntary basis. We could reach seventy million people in time, if Washington lays off."

Blue Cross schemes have had competition before. Eight years ago, accident-and-health-insurance companies, noting the success of nonprofit experiments, concluded it would pay—and it did—to sell cash-benefit hospitalization insurance on a group pay-roll basis. That didn't bother Blue Crossers much. Such insurance usually covers only the employed individual, whereas Blue Cross offers family coverage at bargain rates. But if Uncle Sam forces most self-supporting citizens into compulsory cash-benefit insurance, as the Wagner bill seems to contemplate, Blue Cross voluntary schemes will probably be automatically smothered. That means curtains for one of the nation's fanciest examples of co-operative common sense.

No two Blue Cross schemes are alike, but they work roughly like this: Most of the voluntary—meaning privately supported—hospitals in a given region guarantee generous hospital service, when needed, to the Blue Cross subscriber. They even guarantee to take care of him if the Blue Cross miscalculates and goes broke, a provision under which member hospitals in several places have bailed out the Blue Cross to the tune of hundreds of thousands of dollars while rates were being readjusted to match risks.

Then large percentages of arbitrary groups, such as factory or office pay rolls or farm co-operatives, sign up to pay so much a month, usually through pay-roll deduction. The boss often chips in as a matter of good employee relations—he can charge the cost off to operating expenses. In New York City, for instance, three cents a day covers John Smith alone for the year—rather higher than in many plans, since New York hospital costs are higher. If he wants, he can cover himself and wife, or himself, wife and children, premiums increasing to match increased risk.

Just what is paid for varies from plan to plan. But a fair sample would be three weeks' semiprivate room, board and general nursing; all nurse-given anesthetics, special diets, dressings ordinarily used, run-of-mine laboratory tests and X rays, and operating-room charges. With luck, that covers the principal damage. A large Eastern industrial concern reports, for instance, that its employees' Blue Cross membership took care of the whole bill in 92 per cent of hospitalization cases.

If trouble hits John away from home, the Blue Cross pays five or six dollars a day on his bill in whatever hospital takes him in, from Alaska to Capetown. One outfit vividly remembers the excitement when a Brazilian hospital sent them a bill for 218,000 reis—until somebody phoned the bank and learned that all those reis boiled down to $11.23 in American money. Neighboring Blue Cross plans sometimes have reciprocity of benefits through private treaty. When a subscriber enters the armed forces, where all medical care is free, his account goes into cold storage to await his return, and his wife and kids can still get protection by paying a lower rate.

Experience showed early where limitations were needed. Men with wives well advanced in pregnancy used hastily to sign up, overloading the Blue Cross with maternity-care bills out of all proportion to average expectation. So modern plans usually require a ten or eleven month wait before the stork gets a free ticket.

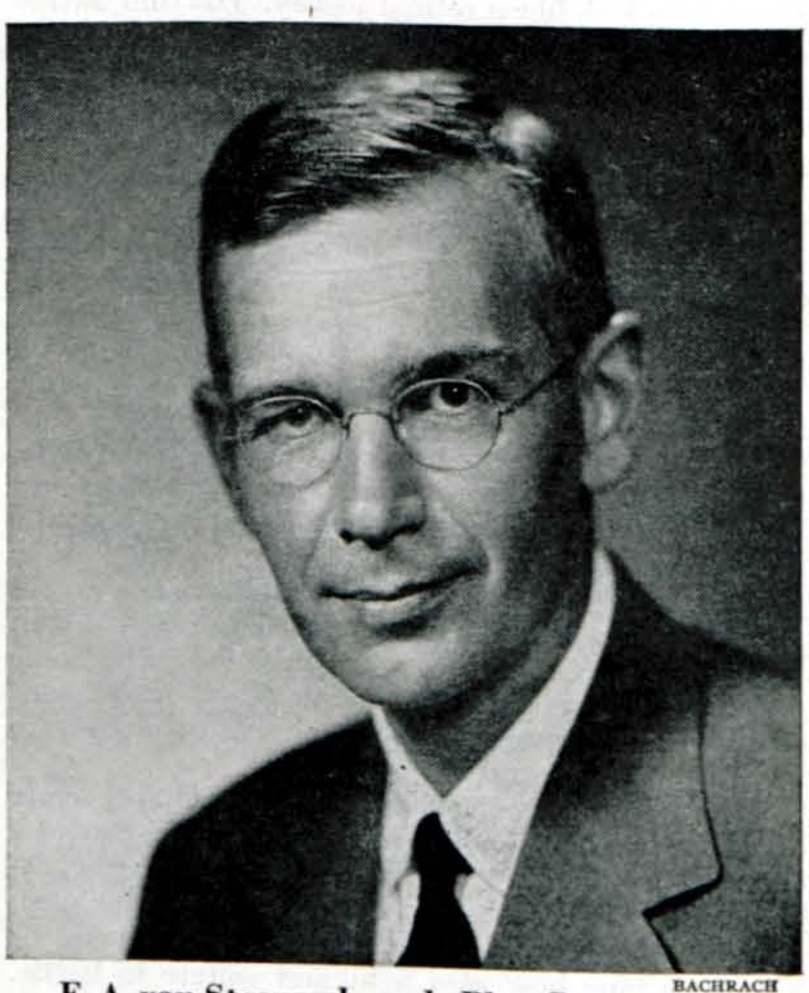
"We spent our first two years paying for people who were finally doing something about long-neglected ailments," recalls another Blue Crosser bitterly, which explains why you must now pledge that you know of no ailment needing hospitalization at the time of subscribing. Such long-lasting troubles as tuberculosis and mental disease, traditionally cared for at public expense, are ruled out altogether. Some early subscribers, figuring their subscriptions entitled them to three weeks' hospitalization a year, whether needed or not, insisted on being put to bed for a nice long and costless rest when perfectly healthy. Rigid requirements as to doctor's certification of need for admittance cured that.

But early organizers went farthest astray in letting individuals sign up outside arbitrary groups. The trouble was that the people most eager to subscribe in self-organized clumps of ten or a dozen were those most inclined by temperament or experience to need frequent hospitalizing. Too many of these, when not balanced by lots of normally healthy subscribers, will wreck any insurance scheme.

So, by and large, the Blue Cross now encourages only non-self-organized groups. Pay rolls are perfect—the employees of any given company are likely to be an actuarially sound cross section of risks. But a lodge drill squad would do, or the members of a union or civic association; even, if anybody could arrange it, the passengers on a particular commuting train on a given day.

The subscriber being no actuary, his theory of how it works is usually far more enthusiastic than scientific: "So I pay twenty-one bucks a year," explains one of them, "and, if the old lady and both kids and I all get into the hospital at once, we only got the doctor bill to worry about. And if none of us have to go for a year, I figure I'm paying for a guarantee nobody in the family gets hospital sick for three hundred and sixty-five days. How can you lose?"

The Blue Cross originally went so far so fast because it helped fill a gap in medical economics. The well-to-do could pay for their hospitalization, and the definitely poor could usually get it free. As usual, the little fellow in the middle was left out. He wanted to pay his own modest way, but seldom had the cash. The Blue Cross gave him what he could reasonably afford without having to cripple his savings account, borrow from a loan shark or go through the diplomatic agony of sticking the boss for a heavy advance.



BACHRACH

E. A. van Steenwyk, early Blue Cross apostle and originator of its now-famous emblem.

BLUE CROSS PHOTO

Miss Barbara Anne Brown, Philadelphia's first Blue Cross baby, as she looked at the age of three when she revisited her birthplace for a tonsillectomy—also under Blue Cross auspices.

As it neared the 10,000,000 mark, people began to wonder if Blue Cross enrollment might not be exhausting potential semiprivate subscribers. In response, essential-service plans were started, giving ward accommodations, plus essential odd services, for about two thirds of semiprivate premiums. Around Rockford, Illinois, for instance, more than 100,000 subscribers buy complete minimum protection for the whole family, of whatever size, for $15.60 a year.

Matters got confused because Eastern practice does not permit doctors to bring their own patients into wards, as Western hospitals do, and because the design of newer hospitals often hopelessly blurs the distinction between wards and semiprivate rooms. By the time the Wagner bombshell looped over the parapet this June, however, trial and error was well on the way to streamlining these ward plans, opening the gate to sufficient additional subscribers to make that guess of an eventual 70,000,000 look quite plausible.

None of it could ever have got anywhere, of course, without approval from doctors and hospitals. Doctors were jumpy at first, fearing an opening wedge for socialized medicine. Hospitals needed less selling. The idea started just as the depression was bearing down, and any scheme promising increased revenue was welcome.

"When that Blue Cross check came the first of the month for two or three thousand dollars," said a reminiscing Midwestern hospital superintendent, "I'd kiss it as I took it out of the envelope." You can understand why hospitals give Blue Cross schemes such sweeping guarantees when you know that the Blue Cross covering the seventeen southernmost counties of New York has paid hospitals more than $30,000,000 since 1934.

War-boomed national income now has most well-run hospitals gloriously in the black and paying off their bonds. On the principle of when the devil was well, a few hospitals are showing impatience with long-standing Blue Cross arrangements. But smarter superintendents still know that those thronging millions whose appearance at the receiving room means moderate cash on the barrelhead are a first-class long-run asset. Finding room for them is the headache now. Blue Cross plans deal variously with subscribers for whom no hospital room is available, kicking back double the year's premium or paying a cash indemnity for every day of unhospitalized illness.

Nobody ever blueprinted the Blue Cross idea. It started on an amateur basis and spread by example. Schoolteachers in Dallas, Texas, pioneered it in 1929. A group of 1500, already successful with a small sick-benefit scheme, asked Baylor *(Continued on Page 93)*

ACME

Injuring scores of people, a disaster like the hurricane that caused this damage stimulates interest in hospitalization-insurance plans.

PRESS ASSOCIATION

Just as automobile insurance pays for repairing the car, Blue Cross membership defrays hospital costs for the injured motorist.

THIS CROSS IS BLUE

(Continued from Page 19)

University Hospital how they could protect themselves against hospital bills. The university's vice-president in charge of medical matters, Dr. Justin Ford Kimball, former superintendent of Dallas schools, knew teachers' as well as hospitals' problems, and he came up with the grandfather of all Blue Cross schemes. In return for three dollars a semester from each teacher, Baylor would look after them if, as and when.

It had the proper arbitrary-group basis, so it worked. Presently the employees of a large Dallas bank joined up. So did other employee groups, until Baylor had 20,000 potential, paid-in-advance patients on the string, constituting steady intravenous feedings of fresh cash for the hospital. Other Dallas hospitals started similar schemes. New Orleans, Memphis, Louisville and several California cities heard of it and tried it out.

The inevitable happened—overenergetic promoters scented pickings and swarmed to the scene. High-pressure recruiting campaigns on a commission basis often resulted in more grief than protection. The hang-over in Texas, the very state that started it all, lasted so long that the state's present Blue Cross, now in fine shape, has a subscriber list of only 100,000 to date. It proves the soundness of the idea that it survived its early mistakes.

One of these promoters unwittingly stimulated a cure by going to see Thomas van Dyk, executive secretary of the Essex County Hospital Association, centering in Newark, New Jersey. His sales talk about doings in Texas sent Van Dyk to look into it, with a special eye for defects, and brought him home a convert with ideas of his own.

Interhospital competition was one defect; it was not only undignified but it also deprived a patient of his choice of hospitals. A Catholic subscriber, for example, was inclined to get sore when he found out that the hospital his insurance called for was a Baptist outfit, or that his favorite doctor was attached to St. Patrick's instead of St. Vincent's, where he had already laid up his insurance treasure.

When Van Dyk started group hospitalization in Essex County, he had the answers to Dallas' troubles. He also had all top-drawer hospitals signed up in advance, one central organization pooling all subscribers and guaranteeing service in any member hospital. Without competition for patients, promotion could go on a dignified, community-service basis. Nowadays most Blue Cross outfits, though dependent on skillful promotion, keep their missionaries strictly on salary.

In most essential aspects, the Blue Cross was born then and there. That hopeful emblem itself, however, did not appear until St. Paul, Minnesota, got the fever in 1933.

One of their early publicity posters first carried the Blue Cross, brain child of E. A. van Steenwyk, apostle of hospitalization insurance to Minnesota and now director of Philadelphia's Associated Hospital Service, a much younger Blue Cross biggie with more than 440,000 subscribers.

In most states, only special enabling legislation will align Blue Cross schemes with insurance laws. St. Paul started off vaguely assuming that existing welfare laws covered the idea. Not until 1939, after the organization had snowballed into hundreds of thousands, was legislation put through as afterthought. That informality characterized the proceedings throughout.

"All we knew to start with," says Arthur M. Calvin, now head of the Minnesota Hospital Service Association, "was that, on the average, a man goes to the hospital every ten years and stays ten days. And we weren't too sure about that." The first Minnesota subscriber hospitalized, however, was sure it was a good idea. Four days after getting her membership certificate, she went to the hospital for nineteen days and found a bill for $91.48 automatically taken care of.

As spark plug, Van Steenwyk learned the hard way. His office in his hat, his soles getting thin, but his patience never, he bored the hospital world with mild-mannered enthusiasm till cash was laid on the line. An assessment of a dollar a bed, maximum $100 per hospital, gave him a war chest of exactly $857. A one-room office and a single telephone might be minimum equipment, but they strained his budget, even so. He wore Minnesota employers down into letting him recruit their employees by pointing out that, if insurance were available, the assistant bookkeeper would seldom need an advance of a hundred because his wife was expecting. Local doctors had insisted that Van Steenwyk should use no newspaper publicity. Nothing was said about radio. He would wangle time on a local station, pour a guileful speech into the microphone, then run back to the office to take the resulting calls.

The phone was always jingling as he burst in the door. It was a great moment when the outfit had a First Base Dinner at a local hotel to celebrate the enlistment of 3000 subscribers, with 12,000 the farthest goal anybody would envisage. Ten years later subscribers number more than half a million—better than one Minnesotan out of every six.

Original from the word go, Minnesota always kept subscriptions low enough for anybody above bare subsistence level. Ole Svenson's nine dollars a year now gives him ward coverage about as complete as most semiprivate plans. Instead of trying straight family coverage, Minnesota offers Ole the works for himself and 50 per cent discounts on hospital bills for his wife and youngsters, all included at twelve dollars a year plus three for each dependent.

The Minnesota Blue Cross is also successfully propagating in small towns and among farmers, a field hitherto neglected, adding more than 100,000 new subscribers outside the Twin Cities and Duluth areas, working smoothly with such discordant groups as the Farm Bureau Federation, the Farm Security Administration and the Farmers' Union. The more you study Minnesota, in fact, the more seriously you take the Blue Cross' plaint that, if Mr. Whiskers would only keep out, much of the job could be taken care of voluntarily.

When the American Hospital Association took over Minnesota's Blue Cross, its official seal was imposed on it to prevent mistakes. Efforts legally to restrict the use of the symbol came to nothing, however—which leads into the involuted tale of why Indiana is the only thickly populated state in the Union that still lacks Blue Cross insurance.

For six years the Indiana Hospital Association and the Indiana Medical Association have tried to get an enabling act out of the legislature preliminary to starting Blue Cross schemes. The 1938 legislature passed a bill admitting nonprofit hospitalization insurance to the state insurance code. M. Clifford Townsend, then governor, pocket-vetoed the bill on the ground that its title was faulty. The next legislature never let another such bill out of committee. In the last session, another angle was tried—a bill to exempt nonprofit hospitalization insurance from the jurisdiction of state insurance laws. Reported out favorably by a judiciary committee, it was smothered when sent back to an insurance committee.

Though the official Blue Cross can't operate in Indiana, a strictly unofficial outfit, carrying an unauthorized blue cross on literature and membership cards, can and does, with some 15,000 subscribers, largely in the state's industrial northwest. This group ducks the legal barriers by operating as a fraternal organization. The law covering fraternal-organization insurance may stipulate ritual doings, but apparently nobody minds if you just skip it. Queried about the grip and initiatory goat, an official of the group says blandly they "don't necessarily" go in for that at all.

Unauthorized use of the blue cross is not unknown elsewhere. Last year a girl working for the Minnesota scheme was calling on the mayor of a small town to ask his backing for a Blue Cross subscription drive.

"Oh, yeah," said the mayor cordially, "Blue Cross. I saw your car parked across the street. And a nice job too."

Wondering what was special about her elderly sedan, she looked out the window and saw a snow-white coupé from a health-and-accident—and hospitalization—insurance company sporting a big blue cross on the door. The salesman inside had cannily timed his arrival to coincide with the Blue Cross promotion he knew was coming up.

The Hospital Service Plan Commission of the American Hospital Association doesn't fret much about such hijacking of its emblem.

It does fret, however, about the Wagner bill. The Social Security Board maintains that compulsory hospitalization benefits will still leave room for the Blue Cross, and the board supports this theory by pointing out that Federal old-age insurance has actually increased the sale of private endowments and annuities, as people who fear they will be unable to retire on Uncle Sam's pension try to supplement it with a little income of their own.

But Blue Crossers are not persuaded. They feel, in fact, like a bunch of kids who, having invented a new and exciting game, find a group of physical-education instructors from the department of welfare descending upon them and confiscating the whole thing—bats, balls, gloves, sand lot, and even the rules.

BLUE JAY

By B. Y. WILLIAMS

Bright blue feathers! Bright blue feathers
And a hardihood that weathers
Roughest storms!
A braggart? Maybe.
Certainly a brassy baby,
Mischief-maker,
Acorn taker. . . .
But tall oaks on many an acre
Stand because he stole and planted.
Irritating loud mouth? Granted . . .
But he warns the wood of danger,
Self-assigned patrol and ranger.

I grow pensive
And defensive,
Though a little apprehensive,
When he hurtles through my garden close
Or perches in my tree.
He has virtues—I can list them—
(Though his enemies will twist them)
And his scintillating blueness
Brings the sky—on wings—to me.

In some way the rascal tethers
Me with chains of bright blue feathers.