...And the pursuit of national health: the incremental strategy toward national health insurance in the United States of America
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Citation for published version (APA):
Kooijman, J. W. (1999). ...And the pursuit of national health: the incremental strategy toward national health insurance in the United States of America Amsterdam/Atlanta: Rodopi

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After eight years of a Republican administration, the Democrats were looking for a political issue that could bring the Democrats back in the White House. Medicare provided a perfect opportunity for liberal Democrats to rekindle the spirit of the New Deal and Fair Deal. Presidential candidate John F. Kennedy recognized the symbolic power of Medicare when, on August 14, 1960, he joined former first lady Eleanor Roosevelt in Hyde Park, New York, to commemorate the twenty-fifth anniversary of the signing of the Social Security Act. At this special occasion, he stressed Medicare’s importance. The need for Medicare was, as Kennedy declared, “deeply burned into every city and town, every hospital and clinic, every neighborhood and rest-home in America, wherever our older citizens live out their lives in want and despair under the shadow of illness.”¹ As far as Kennedy was concerned, the enactment of Medicare could be “a fitting climax to this twenty-fifth anniversary of the Social Security Act and mark an historic step forward in sustaining the dignity and self-reliance of our nation’s senior citizens.”²

Senator Kennedy stood not alone in this belief. Many liberal Democrats saw Medicare as the new symbol of Democratic politics. They had distanced themselves from the movement for national health insurance. Instead of a program to introduce a form of national health insurance in American society, Medicare was perceived as a program to help the “deserving” elderly maintain their dignity. The presence of Eleanor Roosevelt at Kennedy’s endorsement of Medicare was fitting symbolism. Even though, as a member of the Committee for the Nation’s Health (CNH), she had merely been a passive advocate of national health insurance, Eleanor Roosevelt was the embodiment of the New Deal liberalism. She had set her personal resentment toward Kennedy aside to bring back the spirit of reform. Moreover, in her writings, Eleanor Roosevelt had repeatedly supported a hospital insurance program for the elderly. The need for Medicare was “urgent,” as she wrote in her “My Day” column, “because the help must be given now and not after the people are dead.”³

³ Eleanor Roosevelt, “My Day,” 9 April 1960, in David Emblidge (editor), Eleanor Roosevelt’s My Day, Volume III: First Lady of the World (New York: Pharos Books, 1991), 240-241. Eleanor Roosevelt died in 1962, three years before Medicare was enacted. Even though she was interested in national health insurance, Roosevelt’s attention should not be overstated. She gave much more attention to issues such as human and civil rights. See for example Allida M. Black
By referring back to the Social Security Act of the President Franklin D. Roosevelt and the Fair Deal of President Harry S. Truman, Kennedy placed Medicare in a tradition of party politics. He emphasized the Democratic character of social policy by pointing out that the Eisenhower administration had done nothing to help those Americans who were “too old to work and too young to die.” “The Forand and Kennedy bills are the answer,” Kennedy exclaimed. “Voluntary health programs have proven that they cannot do the job. Public charity and the generosity of relatives cannot and should not do the job. The [Eisenhower] Administration has shown that it will not do the job. And so a Democratic Congress must do the job.”

The social security policymakers welcomed the interest in social security by the Democratic Party. As federal officials working for the Social Security Administration, they had always maintained a seemingly neutral stance, believing that they stood above party politics. When Arthur Altmeyer and I.S. Falk were ousted by the incoming Eisenhower administration in 1953, however, the party political character of social security became apparent. Social security expert Wilbur Cohen, who did not leave the federal service until 1956, felt freed once he was no longer a government official. As professor in public welfare at the University of Michigan, he could become more involved within party politics without losing his professional integrity. He continued to give advice to the politicians in Washington, DC, including Senator John F. Kennedy. Cohen suggested to Kennedy to go beyond Medicare and introduce an omnibus social security bill. As Cohen explained, “The passage of an omnibus social security bill in 1960 including hospital insurance for the aged social security beneficiaries would be an important achievement to the credit of the Democratic leadership and take the initiative on social legislation away from the Republican Presidential candidate.”

Whether an omnibus social security bill or a single hospital insurance bill, Senator John F. Kennedy wanted Medicare to be part of his message to the American public. “Today in America there are those who would shut the door of hope on our older citizens — who would deny them the medical care which they so desperately need,” as Kennedy exclaimed at a United Auto Workers rally. “But there are others who will not let that door be closed — who intend to

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fight for the right of all men to live out their lives in dignity and health. That rescue party is on the way—and there are more of us—and we are stronger—and we will prevail." The Democrats were back.

BEYOND THE RIGID POSITIONS

From the start, the Medicare debate was polarized by the two most vocal interest groups: labor union AFL-CIO as the main advocate and the American Medical Association (AMA) as the main opponent. The intention to single each other out as the “enemy” was mutual. The fight was enhanced when, in 1961, the AMA established the American Medical Political Action Committee (AMPAC), the AMA’s political division which main objective was to stop Medicare. Even though the AFL-CIO claimed that it tried to establish some kind of “co-existence” with the AMA, a cordial relationship between the two interest groups could not be sustained. Every time they seemed to come closer together, a “scandal” would drive them apart again. According to AFL-CIO president George Meany, the AMA was really a Dr. Jekyll and Mr. Hyde: on the one hand, an altruistic association of physicians who sincerely tried to promote the quality of American medical care, on the other, a political organization that went far beyond its professional duty, trying “to tell the American people what is good and bad.” The AMA was “somewhat puzzled” by the AFL-CIO’s claim. As AMA president Louis Orr replied: “Must I conclude that you deny the right of a physician to speak, as a citizen, on matters affecting him as a citizen? Would this not be the same as denying organized labor the right to speak on any subject not involving collective bargaining, or labor-management relationships?”

Realizing that, in 1961, President Kennedy was “still too popular,” the AMA decided to continue focusing its direct attacks on its “principle

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7 David D. Allman (AMA president) to George Meany, 14 November 1957; Cruikshank to Meany, 4 December 1957; Meany to Allman, 19 December 1957, Cruikshank Papers, box 9; Cruikshank to Leo Price, 29 September 1958; Price to Cruikshank, 7 October 1958; Ernest B. Howard to Cruikshank, 9 October 1958; F.J.L. Blasingame to Cruikshank, 10 October 1958; Cruikshank to Howard, 21 November 1958; Jim Reed to Cruikshank, 10 December 1958; Howard to Cruikshank, 11 December 1958; Cruikshank to Reed, 12 December 1958, Cruikshank Papers, box 9, State Historical Society of Wisconsin.

8 George Meany to Louis M. Orr, 23 March 1960, Orr to Meany, 8 April 1960, Cruikshank Papers, box 8, State Historical Society of Wisconsin.
opponent,” organized labor. To consider organized labor as principle opponent came quite natural to the AMA. After all, the AFL-CIO had been actively involved in the drafting of the original Forand bill. Since the 1940s, the AFL-CIO’s social security expert, Nelson Cruikshank, had worked closely together with social security policymakers I.S. Falk and Wilbur Cohen. Moreover, Cruikshank was known for not being intimidated by the AMA. As Nelson Cruikshank later remembered, former President Harry Truman once had greeted him by saying, “Hello Cruikshank. Are you still fighting the AMA? Don’t give the sons of bitches an inch.” While the social security policymakers, either within or outside federal service, were isolated during the Eisenhower administration, the AFL-CIO proved to be a reliable ally in the attempt to extend social security, including hospital insurance for the elderly. Even though the AFL-CIO played “our part of this thing very low-key,” all parties involved realized that the Forand bill was basically an AFL-CIO bill. When the Kennedy administration took on Medicare, the dominance of the AFL-CIO’s role diminished, though organized labor continued to be actively involved in the negotiation and drafting process of the Medicare bills. Moreover, the AFL-CIO continued to be the strongest public advocate, urging its members to let Washington know that they supported Medicare: “We’ve heard the story of the A.M.A. We don’t believe a word they say. So keep on swinging J.F.K. For Medi-Care is the American Way.”

In his analysis of the Medicare debate, Theodore Marmor has divided the lobby and interest groups in two rigid positions, with the AFL-CIO leading one side, and the AMA the other. The AFL-CIO was joined by organizations such as the American Nurses Association, the Council of Jewish Federations & Retired Workers, the American Association of Retired Workers, the National Association of Social Workers, the National Farmers Union, the Socialist Party, and the American Geriatrics Society. The AMA was joined by more conservative organizations such as the American Hospital Association, the Life Insurance Association of America, the National Association of Manufacturers, the National Association of Blue Shield Plans, the American Farm Bureau Federation, the Chamber of Commerce, and the American Legion.

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11 Cruikshank to Cohen, 23 June 1959, Cruikshank Papers, box 14, State Historical Society of Wisconsin.
so, Marmor has created a clear dichotomy, which is, for example, emphasized by his placing the Socialist Party opposed to the Chamber of Commerce. However, even though the division between supporters and opponents mirrored the more general division between liberals and conservatives, the positions were not as rigid as Marmor implies. Most important, the American Hospital Association (AHA) was far more ambivalent toward Medicare than the AMA was. This is important, as initially Medicare was a proposal for merely hospital rather than health insurance. When the original Forand bill was introduced in 1957, the AHA opposed any hospital insurance program that would be based on the social security principle. Nevertheless, the AHA Board of Trustees did recognize that "retired aged persons face a pressing problem in financing their hospital care." Instead of the social security approach, the AHA argued, more experimentation needed to be done with "methods by which the dangers inherent in the Social Security approach can be avoided."\(^{14}\) Realizing that eventually a hospital insurance program based on social security might become necessary, the AHA favored the extension of private, voluntary hospital insurance over the intervention by the federal government.

Even though both the AHA and the AMA opposed Medicare, there was a crucial difference between the attitudes of the two associations of medical professionals. Unlike the AMA, the AHA was, in spite of its opposition, willing to cooperate with the federal government in devising plans for a hospital insurance program for the elderly. The AHA opposed Medicare for three major reasons. First, the federal government would be such a large third party in medical care that it could abuse its "power of the purse" for its own interests. Second, prepaid hospital benefits provided by the federal government could lead to uncontrollable over-utilization of hospital care, resulting in runaway costs. Third and final, the enactment of a federal hospital insurance program for the elderly could lead to more government health insurance programs for other disadvantaged groups in the population, or worse, to a system of national health insurance. Once Medicare was enacted, there would be no way back. As the AHA warned, "These are dangers against which there could be no sure defense."\(^{15}\) Even though opposing Medicare, the AHA continued to pressure Congress, and particularly Representative Wilbur Mills, who chaired the House Committee on Ways and Means, to hold hearings on hospital insurance for the

\(^{14}\) Tol Terrell (AHA president) to "Dear member," 2 December 1957, Falk Papers, box 158, folder 2290, Yale Library.

elderly. As far as the AHA was concerned, “the time is ripe for active Congressional consideration of the problem.”\(^\text{16}\)

There were signs, however, that the AHA was becoming more favorable toward government hospital insurance based on the social security system. As Representative Aime Forand told the House of Representatives, the AHA might have officially opposed Medicare, but more and more hospital administrators had told him—off the record—that they in fact favored Medicare.\(^\text{17}\) In 1961, at the hearings of the House Committee on Ways and Means, Basil McClean, former AHA president and current president of the National Blue Cross Association, testified in favor of Medicare, while the AHA testified against the bill. The social security policymakers realized that there was indeed a growing acceptance of Medicare among the leaders of the AHA. A small section of the AHA officials supported hospital insurance for the elderly through social security, though these “intellectually and politically sophisticated persons” were a minority. A larger group of AHA leaders was positive toward Medicare but “too frightened to fight.” The majority of the AHA House of Delegates remained, in the words of the social security policymakers, “infected with AMA viruses.”\(^\text{18}\)

By 1962, the minority within the AHA had become a reluctant majority. By then, both the AHA and Blue Cross supported the principle of hospital insurance for the elderly based on the social security system, though on one important condition only. Blue Cross should be included in Medicare’s administration. As social security policymaker Robert Ball later remembered, “Unlike the AMA, the AHA saw the handwriting on the wall and began to cooperate in drafting a bill.”\(^\text{19}\) The AHA’s support of Medicare constituted a break with the AMA, leaving the medical profession divided. Moreover, it enabled the social security policymakers to ignore the AMA’s opposition and to focus on the collaboration with the AHA and Blue Cross instead.\(^\text{20}\) Historians tend to emphasize the AMA’s opposition to Medicare, while simultaneously underestimating the—indeed reluctant—support of the AHA. The vocal and public opposition of the AMA undoubtedly influenced the public debate. The open fight between the AMA and the AFL-CIO kept Medicare in the limelight of the political arena. In the meantime, however, the support of the AHA, far


\(^{17}\) Congressional Record – House, 22 June 1960, 86th Congress, 2nd session, volume 106, 13821.


less visible but very important, enabled the cooperation between the medical profession and the federal government, paving the way toward consensus and the successful adoption of Medicare.

KENNEDY AND MEDICARE

The election of President John F. Kennedy did not only bring the Democrats back in the White House, but also meant the return of Wilbur Cohen to the Social Security Administration. After Kennedy had appointed Cohen as chairman of the Task Force on Health and Social Security, Cohen became assistant secretary of HEW. The nomination of Cohen revived the hopes of the Medicare advocates that the enactment of some form of government health insurance was around the corner. However, even though Kennedy had made Medicare an important issue in his campaign, once he was in office, not much action could be expected. The chances that Medicare could pass in Congress remained slim. Moreover, other measures such as tax reform and increase of social security benefits were considered to be more important. Nevertheless, in his State of the Union address of January 30, 1961, President Kennedy stated that “Measures to provide health care for the aged under Social Security, and to increase the supply of both facilities and personnel, must be undertaken this year.”

Ten days later, in a special message to the Congress, President Kennedy presented a broad national health program, which included hospital insurance for the elderly.

One of the reasons why Medicare had become such a “hot” issue during the campaign was because of the grass roots efforts of the Senior Citizens for Kennedy. The number of senior citizens was increasing, resulting in a so-called gray lobby. “People in America in our time live so much longer than they used to, and science can keep their feeble bodies alive so much longer than they can afford, that the political man has no choice but to pay attention to their growing torment and numbers,” as political commentator Theodore White observed, concluding, “thus Medicare.” Once Kennedy had become president, the Senior Citizens for Kennedy became the National Council of Senior Citizens for Health Care Through Social Security. Former Representative Aime Forand, who had recently retired, was the leader of the group. The National Council of Senior Citizens was supported by the Kennedy administration, the Democratic National Committee, and the AFL-CIO, but the core of its activities originated from the United Auto Workers, the United Steel Workers, and the International

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Ladies Garment Workers. Initially, the AFL-CIO's social security expert, Nelson Cruikshank, did not welcome the National Council of Senior Citizens. He feared that such a movement would lead to a second Townsend movement, resulting in unrealistic demands. He was already worried that Medicare, a term that had become a household name, implied much more medical care than the hospital insurance program would provide. "I was never much impressed by the effects of rallies," as Nelson Cruikshank remarked, "They were more of a CIO than an AF of L tradition." Even though Aime Forand chaired the National Council of Senior Citizens, in practice the organization was run by James O'Brien and William Hutton. The National Council of Senior Citizens soon published a monthly newsletter and its membership grew rapidly to half a million elderly. "The AMA had all the money, and we had all the old people," as Hutton remembered. "My job was to switch them from the bingo circuit to social action." Even though the efforts of the National Council of Senior Citizens had less influence on the way the elderly voted than was assumed and hoped by the Democratic Party (the elderly tended to vote far more conservative than other segments of the population), its actions were crucial in keeping the issue of Medicare on the top of the political agenda. The National Council of Senior Citizens helped to build the consensus that "something needed to be done" about medical care for the elderly. Even though the Kennedy administration welcomed the activities of the National Council of Senior Citizens, there was disagreement within the administration about which strategy to pursue. While Wilbur Cohen and presidential aide Lawrence O'Brien wanted to focus on the negotiations with Wilbur Mills, the chair of the House Committee on Ways and Means, HEW undersecretary Ivan Nestingen believed in increasing the public pressure. Cohen did not trust Nestingen, who was not a social security expert, but had been appointed to his position for political reasons. The dislike was mutual. As Wilbur Cohen would later remember, Nestingen made it "almost impossible for me to conduct the negotiations without having to spend a lot of time always looking behind me to see if somebody was cutting my throat while

I wasn’t looking.”27 The labor movement was divided among similar lines. Walter Reuther of the United Auto Workers agreed with Nestingen’s strategy, while AFL-CIO’s Nelson Cruikshank, like Wilbur Cohen a pragmatist, sided with Cohen.

Even though still divided on which strategy to pursue, the Kennedy administration approached Senator Clinton P. Anderson, a Democrat from New Mexico, to sponsor the Medicare bill in the Senate. Contrary to what has been assumed, Senator Anderson was not immediately enthusiastic to take on the Medicare issue. When, in 1960, Senator Pat McNamara asked him to co-sponsor the Kennedy Medicare proposal, Anderson refused, claiming that he had not yet “had an opportunity to study all of the relevant and important data bearing on this subject.”28 Once John F. Kennedy was in the White House, however, Senator Anderson took on the sponsorship and became actively and personally involved in the debate. Representative Cecil King was Medicare’s main sponsor in the House of Representatives. In the meantime, Senator Pat McNamara, chair of the Senate Subcommittee on the Problems of the Aged and Aging, started to wonder about the inactivity of the Kennedy administration. At McNamara’s request, President Kennedy issued a statement to publicly confirm his interest in Medicare. As Kennedy stated, “I consider the proposal to provide health insurance for the aged under Social Security one of the most important measures I have advocated.”29 However, realizing that the passing of Medicare would not be a political reality in the near future, Kennedy limited his actions to merely expressing his support. Even in his public speeches, Kennedy did not always come out as strong as the Medicare advocates wanted him to be. For example, when speaking at the opening of the AFL-CIO convention in Miami, President Kennedy merely stated that “those who are older and retired must be permitted under a system of Social Security to get assistance and relief from the staggering costs of their medical bills.” In the prepared speech, which the White House had already released to the press, President Kennedy’s statement in favor of Medicare was much stronger.30

27 Interview with Wilbur Cohen by David G. McComb, 8 December 1968, LBJ Library, tape II, 3.
30 John F. Kennedy, “Address in Miami at the Opening of the AFL-CIO Convention,” 7 December 1961, Public Papers, 786-796. The prepared text reads instead: “And, even more important [than unemployment insurance], those who are ‘too old to work and too young to die’ must be protected through [a] Social Security system against the staggering costs of medical care. The time has come, in this next session of the Congress, to face the fact that our elder citizens need these benefits—that their needs cannot be met in any other way—and that every member of
Although the Kennedy administration had ignored Medicare during 1961, the Medicare advocates expected a change of attitude in 1962. The congressional elections were coming up in 1962 and Medicare could prove to be an effective campaign issue. There were clear signs that President Kennedy was planning to make Medicare a high priority again. Even the first lady Jackie Kennedy was used to promote Medicare in press conferences organized by former secretary of labor Frances Perkins and Elizabeth Wickenden for the "Women for the New Frontier." "I had a very tough time on that occasion because I had to figure out a logical reason for Jacky to be interested in Medicare," as Wickenden remembered. "She was very independent, and she had to have some reason. What I did with her ... is that one of the great hardships of middle-aged people was that they often found themselves torn between the medical needs of their parents and the educational needs of their children, that these two pressures on them often came at the same time. Jacky could understand that, and we had a press conference about it." 31 On February 27, 1962, Medicare was the first item in President Kennedy’s special message to Congress on the national health needs. In his speech, Kennedy also addressed the limitations of the proposal, realizing that not all the American elderly would be covered by the program. An additional program might be needed to include those American elderly who were excluded from the social security program. However, as Kennedy concluded, “because a minority lacks the protection of social security is no reason to deny additional self-financed benefits to the great majority which it covers.” 32

The great majority of elderly was indeed the group at which Kennedy’s program was targeted. In cooperation with the AFL-CIO, the National Council of Senior Citizens organized Medicare rallies all throughout the nation, with as highlight the televised speech by President Kennedy at the Madison Square Garden in New York. On May 20, 1962, a Sunday afternoon, Kennedy gave his Medicare speech before 20,000 enthusiastic elderly, who each had paid one dollar to hear and see the president speak. While the rally in Madison Square Garden was intended to be a Medicare triumph, Kennedy’s speech turned out to be a disappointment. Kennedy seemed to be distracted and was in search of the right words to say. “I visited twice, yesterday and today, in the hospital, where doctors labor for a long time, to visit my father. It isn’t easy – it isn’t

31 Interview with Elizabeth Wickenden Goldschmidt by Michael L. Gillette, 6 November 1974, LBJ Library, 18.
easy. He can pay the bills, but otherwise I would be."\textsuperscript{33} Friend and foe agreed that the speech had been a failure. As Nelson Cruikshank remembered, "President Kennedy probably made the poorest speech he ever made. None of us ever quite knew why. He made a slip of the tongue; he said the cost of Medicare would be $12 a month instead of $12 a year."\textsuperscript{34}

To make matters worse, the AMA had rented Madison Square Garden right after Kennedy's speech. They taped a speech by the AMA's most effective speaker, Edward Annis, before the empty seats in the stadium. The AMA had requested that the stadium would not be cleaned, as the litter left behind by the senior citizens provided an additional dramatic effect. "We were charged extra to rent Madison Square Garden without the cleanup crew coming through first," as Annis remembered. "But the place was in perfect condition – perfect for our purposes that is. Litter was everywhere, the banners were dangling, the balloons were still bobbing about, and many chairs were overturned."\textsuperscript{35} The next day, the speech was broadcast on national television. "I am not a cheerleader, I'm a physician," as Annis declared. "Let these seats stay empty. It may help us get across to the American people the grossly unfair disadvantage under which we doctors are laboring to make our voices and our reasons heard."\textsuperscript{36} Even though Annis made a large number of false statements that could easily be refuted, his speech was effective and convincing. As one labor official stated, "his distortions were simply more credible than Kennedy's truths."\textsuperscript{37} The disappointing rally proved to Lawrence O'Brien and Wilbur Cohen that their strategy of negotiating with Congress instead of going public was the only way to get Medicare enacted. Those public rallies could only hurt possible action in Congress. As O'Brien commented, "To get a vote on Medicare, we had to persuade [Wilbur] Mills, and you don’t persuade Mills with a rally in Madison Square Garden."\textsuperscript{38} However, both camps in the Kennedy administration failed to realize that the two strategies complemented each other. The rallying helped to get and keep Medicare on the political


\textsuperscript{34} Weeks and Berman (editors), \textit{Shapers of American Health Care Policy}, 85.


\textsuperscript{36} "Staff Memorandum: AMA Telecast Medical Care for the Aged," 21 May 1962, includes "rough transcript" of AMA speech, Cohen Papers, box 126, folder 7, State Historical Society of Wisconsin.

\textsuperscript{37} Harris, \textit{A Sacred Trust}, 146. Wilbur Cohen prepared a memorandum in which he comments on the AMA's "allegations." "Comment’s on AMA (Dr. Annis) Telecast Opposing King-Anderson Bill," undated, Cohen Papers, Box 126, folder 7, State Historical Society of Wisconsin.

agenda, while the negotiations with the key members of Congress were necessary to get Medicare enacted.\textsuperscript{39}

Similar to the actions of President Harry S. Truman during the political campaigns of the late 1940s and early 1950s, President Kennedy singled out the AMA as the main obstructionist in getting health insurance legislation enacted. Two weeks after the Madison Square Garden speech, Kennedy added fuel to the antagonism between the AMA and the federal government by releasing a letter full of accusations that he had sent to AMA president Leonard Larson.\textsuperscript{40} The AMA was of course an easy scapegoat, especially during a political campaign. President Kennedy must have realized that the real obstructionists were the members of the House Committee on Ways and Means. While the Senate Finance Committee had finally brought the Medicare bill to the floor, the House Committee on Ways and Means continued to obstruct legislative action. The developments in the Senate revived the hopes of the Medicare advocates. However, when on July 17, 1962, the Medicare bill finally came to a vote in the Senate, the Kennedy administration knew it would be a close call. One or two votes could make the difference. When Medicare lost by 52 to 48 votes, President Kennedy made an unscheduled television appearance in which he expressed his discontent and promised that the fight was not over. “I believe this is a most serious defeat for every American family,” Kennedy said and subsequently – once again – accused the AMA of obstructing the enactment of Medicare.\textsuperscript{41}

According to Kennedy’s friend and personal advisor Ted Sorensen, the defeat of Medicare in 1962 was the “most discouraging” of all Kennedy’s political losses. Kennedy “never got over the disappointment of this defeat.”\textsuperscript{42} Robert Kennedy, the president’s brother, later confirmed this view. “I know he wanted Medicare passed. He felt strongly about Medicare. He felt that all the polls showed it was a major issue still. And so for his own personal reasons and for political reasons, he wanted something done about Medicare.”\textsuperscript{43} Even


\textsuperscript{43} Edwin O. Guthman and Jeffrey Shulman (editors), \textit{Robert Kennedy In His Own Words: The Unpublished Recollections of the Kennedy Years} (New York: Bantam Press, 1988), 355.
though the defeat of Medicare undoubtedly was frustrating for most liberal Democrats, it also enabled them to portray the Republicans as "do-nothing" obstructionists. After all, as Wilbur Cohen later admitted to Ted Sorensen, even if Medicare had been passed in the Senate, it probably still would not have been possible to get Medicare out of the House Committee on Ways and Means.\textsuperscript{44}

The defeat of Medicare in 1962 was also a blow to the labor movement, particularly to Medicare's main advocate, the AFL-CIO. Labor had given priority to Medicare at the cost of other important legislation such as unemployment insurance reform.\textsuperscript{45} While Medicare had predominantly been pushed by the AFL-CIO's social security department, a solid grass roots basis among the union members was absent. Nelson Cruikshank told Wilbur Cohen that "a fresh look to the whole medical care proposal" was needed. As Cruikshank added, "the drive for social security legislation has been pretty much concentrated on this medical aspect for nearly six years. ... It seems to me, therefore, that both for substantive reasons and as a matter of strategy, the Administration proposal should be a broad social security improvement proposal."\textsuperscript{46} At his retirement in 1965, Cruikshank admitted that "the very concentration of our efforts in support of Medicare" led to a negligence of other important social security issues. Nevertheless, after the defeat of Medicare in 1962, the AFL-CIO was still determined to continue the fight. "Here in our office we have the liniment, the bandages, and the ice pack but no crying towels," as Cruikshank told Senator Clinton Anderson. "We are now getting ready for the next round."\textsuperscript{47}

**THE NEED FOR COMPROMISE**

The Kennedy administration realized from the start that Wilbur Mills, chair of the House Committee on Ways and Means, was the key figure in the process to get Medicare enacted. In the words of Rowland Evans and Robert Novak, Mills "possessed that rare combination of encyclopedic knowledge of issues, high accomplishment in the art of legislative chicanery, and ideological flexibility that enabled him to change position whenever he pleased."\textsuperscript{48} In addition, Mills


\textsuperscript{45} Howard Bray to Anderson, 30 January 1963, Anderson Papers, box 1098, Library of Congress, Manuscript Division.

\textsuperscript{46} Cruikshank to Cohen, 3 December 1962, Cruikshank Papers, box 14, State Historical Society of Wisconsin.

\textsuperscript{47} Cruikshank to George Meany, 11 November 1965, Cruikshank Papers: Additions, folder 1, State Historical Society of Wisconsin; Cruikshank to Anderson, 18 July 1962, Anderson Papers, box 1102, Library of Congress, Manuscript Division.

was a fiscal conservative. His main objection to Medicare was based on the fear that a hospital insurance program would undermine the financial bases of the social security system. Even though Mills opposed the King-Anderson Medicare bill, he remained vague about his position on hospital insurance for the elderly, deliberately keeping all political options open. Wilbur Cohen approached Mills very carefully, realizing that any effort to get Medicare enacted depended upon the “willingness to compromise with Mills,” or, as he would later state, “any discussions that did not include Wilbur Mills would not be very important discussions.”

Wilbur Mills was looking for a compromise on four points. First of all, he wanted a separate fund for Medicare to protect the financial stability of the social security system. Second, Mills preferred the use of intermediaries between the federal government and the health care providers, either the state welfare departments or a nonprofit organization such as Blue Cross. Third, Mills believed that those elderly who were already retired should be excluded from Medicare, as they had not contributed to the system during their working years. Fourth and finally, Mills wanted to extend the Kerr-Mills medical assistance program. In addition to these four points, Mills had another important reason to go slow on Medicare. He was waiting for a bill that could be passed in Congress. As Wilbur Cohen would later remember, Wilbur Mills “did not want to put a piece of legislation through until he had prepared the Congress to accept the inevitable.”

Many liberal Democrats watched the negotiations between the two Wilburs with suspicion. They disliked the way Wilbur Mills was controlling the legislative process. In addition, the tension between Wilbur Cohen and HEW undersecretary Ivan Nestingen was increasing. “On one occasion, [Nestingen] attempted to organize some kind of criticism of the way Wilbur Mills and I were handling the matter of the Medicare program in 1962-63,” as Cohen remembered. “When Mr. Mills discovered that this was so, Mr. Mills wouldn’t see him any more, and sent the word back to the White House that the


50 “Notes on conversation with Chairman Wilbur Mills Friday afternoon,” 2 February 1962, Cruikshank Papers, box 14; “Suggestions made by Mr. Mills in meeting on Friday,” 24 January 1964, Cohen Papers, box 150, folder 10, State Historical Society of Wisconsin.

51 Interview with Wilbur Cohen by David G. McComb, 8 December 1968, LBJ Library, tape II, 7.
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only person he would see on the Medicare program ... would be myself."  

Cohen was irritated by the liberal Democrats who feared that, once Mills would be done with the bill, not much would be left of the original Medicare proposal. "The work on the details of a plan acceptable to Mills has been very trying, mainly because of our liberal friends continually giving me advice – don’t sell out on any bad compromise,” as Cohen told Arthur Altmeyer in 1964. “On the other hand, if we are not successful in getting a bill they will tell everybody how it was our fault for not being able to get through the Committee when we only needed one additional vote. The whole experience has certainly led me to get annoyed at the professional liberal who has such easy slogans for both victory and defeat.”

Even though Wilbur Cohen’s criticism of the liberal Democrats was understandable, the fears of the Medicare advocates that political pragmatists as Cohen would compromise the objectives of the bill to secure its enactment were realistic as well. To some liberals, the Medicare bill in itself was already a far-reaching compromise. Representative John Dingell, for example, supported Medicare, but also believed that the hospital insurance program should not be limited to the elderly alone. He announced that he would introduce a Medicare bill for the entire population. According to Dingell, “the strength of a nation is no greater than the health of its entire population, and to force people to wait until they are old or destitute in order to receive health care is a short-sighted policy.”

Liberal Democrats also feared that a compromise on Medicare would lead to an extension of the Kerr-Mills program, instead of a program based on the social security system. President Kennedy, however, made clear that such a compromise would be unacceptable. “Social security is the heart of the financing, the heart of the legislation,” as President Kennedy declared, “That

52 Interview with Wilbur Cohen by James E. Sargent, 17 August 1974, Columbia University Oral History Collection (microfiche edition, Roosevelt Study Center), 232.


isn’t a compromise. That’d be—just be giving up on the bill, and we don’t plan to do that.”

The drive for Medicare received unexpected support from the National Committee on Health Care for the Aged, which had been established by Senator Jacob Javits, a moderate Republican from New York. The Javits Committee was trying to find a bipartisan alternative to the Democratic Medicare proposal. Several former appointees of the Eisenhower administration were members of the committee, including two former HEW secretaries, Arthur Flemming and Marion Folsom. In addition, the committee included representatives of the AHA, Blue Cross, and the private insurance industry. Even though AFL-CIO’s Nelson Cruikshank was officially not on the committee, he attended most of the meetings. In the committee’s final report, which was released in November 1963, the Javits Committee not only supported the principle of hospital insurance for the elderly, but also presented a proposal that was quite similar to the Medicare bill of the Kennedy administration. As far as the social security policymakers and President Kennedy were concerned, the committee’s conclusions could only be perceived as an endorsement of their own Medicare proposal.

The report of the Javits Committee was released in the same month as Wilbur Mills had begun with a new round of Medicare hearings in the House Committee on Ways and Means. A month earlier, Wilbur Cohen had told Ted Sorensen that the Medicare hearings could better be postponed to the following year. With the coming presidential elections, 1964 would provide a better political environment for Medicare. Moreover, Cohen believed that Mills was only going through with the hearings because he had promised President Kennedy he would do so. “I imagine that Mr. Mills will have a difficult time getting any substantial number of the Committee members at any hearings on hospital insurance this year,” as Cohen told Sorensen. “His lack of enthusiasm for hospital insurance will certainly come through during the hearings and on the whole I do not see any advantage in going through an exercise at this time when the Administration can have the initiative in an affirmative program next year.” Mills, however, did start new hearings in November and the Kennedy administration continued its negotiations with Mills. On the morning of

November 22, 1963, Mills had been discussing the financial formula of the Medicare proposal with Henry Hall Wilson of the Legislation Liaison Office. Mills and Wilson came to an agreement on how Medicare would be financed. "Thus, with Mill’s objections met, the passage of Medicare was inevitable," as Lawrence O’Brien wrote in his autobiography. "Henry, bursting with excitement, tried to call me in Texas but was told that the President and his party had just left for Dallas." When the news of President Kennedy’s assassination reached Wilbur Mills, he adjourned the Medicare hearings of the House Committee on Ways and Means.

THE JOHNSON WHITE HOUSE

The “accidental President” Lyndon B. Johnson immediately made Medicare one of the administration’s top priorities. "Before the Congress is a medicare bill that cries out for enactment," as Johnson told the AFL-CIO executive council during his first month in office. At a legislative meeting of the Johnson administration, the president let his aides know that he considered Medicare to be one of the most important items of Kennedy’s political legacy. Pointing his eyes to the ceiling, Johnson added, “if he is looking down upon us he knows we are carrying out his program.” Johnson realized that it could take some time before Medicare would be enacted. He blamed the AMA for slowing down the process, but believed that the medical profession’s opposition was senseless. “Those rich doctors are a little slow, they’re afraid some politician – me – is going to pick their pockets,” as Johnson told his aide Richard Goodwin while skinny-dipping in the White House swimming pool. “Medicare is just going to make them richer. Once they understand it, they’ll be lined up outside the Capital cheering us on. Hell, if I were a young man today I’d get myself a medical diploma and then find an investment broker to handle the profits. But we’ve got to give them that. It’s more important that old

58 O’Brien, No Final Victories, 143.
59 Medicare, however, was less important to Johnson than some secondary sources have suggested. Peter A. Corning states: “In his first speech to Congress, [President Johnson] mentioned Medicare as one of his top priorities.” Corning, The Evolution of Medicare, 107. In reality, Johnson merely mentioned the “dream of care for our elderly.” Medicare was not mentioned as proposed legislative action, while the civil rights bill and the tax bill were. Lyndon B. Johnson, “Address Before a Joint Session of the Congress,” 27 November 1963, Public Papers, 8-10.
61 “Meeting with President Johnson and Departmental Legislative Liaison Officers,” 10 December 1963, Cohen Papers, box 278, folder 7, State Historical Society of Wisconsin.
f讯s get taken care of. It's a national disgrace in a rich country like this that sick people don't get taken care of."62

President Johnson liked the idea of a grass roots Medicare support movement and welcomed the representatives of the National Council of Senior Citizens to the White House, a meeting that was organized by Ivan Nestingen. The power struggle between Nestingen and Wilbur Cohen became apparent, when Nestingen refused to invite Cohen to this meeting. Cohen went anyway. HEW secretary Anthony Celebrezze had insisted that Cohen would be present.63 Celebrezze and President Johnson both seemed to side with Cohen in his struggle with Nestingen, and when Nestingen resigned in 1965, it was "Rumored Not to be Voluntary."64 On the issue of Medicare, Johnson predominantly relied on the expertise and insights of Wilbur Cohen. As Cohen noted, "As far as Medicare and Medicaid were concerned in 1964 and 1965, there was no one in the White House any longer concerned or knowledgeable about key policy issues in the legislation."65 In his memo to inform President Johnson about the "controversial issues" that faced the administration, Wilbur Cohen told Johnson that action on Medicare depended on whether or not the bill would be reported out by the House Committee on Ways and Means.66

Johnson wanted Cohen to continue the negotiations with Wilbur Mills, as long as it would result in a hospital insurance program based on the social security system. Just like President Kennedy before him, Johnson refused to compromise on the social security principle. The negotiations with Wilbur Mills, however, continued to be difficult. "The President thinks that you and I can work something out," Mills told Cohen, "but I am not sure whether we can." Neither was Cohen, though he believed the chances were still fifty-fifty. "Mr. Mills never made any statement to me that he was opposed to hospital insurance through social security; nor did he make any statement that he was in favor of it."67

While the negotiations with Wilbur Mills continued, President Johnson publicly pushed for Medicare. "We are going to fight for medical care for the

63 "Meeting in the White House ... to hear President Johnson speak to Senior Citizens," 15 January 1964, Cohen Papers, box 278, folder 7, State Historical Society of Wisconsin.
64 Milwaukee Journal, 28 April 1965, as quoted in Berkowitz, Mr. Social Security, 186.
aged as long as we have breath in our bodies, until it is passed,” as Johnson declared. Medicare became one of the highlight issues of Johnson’s Great Society. Unlike the proposed social policies of the War on Poverty, which in practice were targeted at specific groups in society, the Johnson administration presented Medicare as a program for the entire population. As Wilbur Cohen believed, Medicare came out of the (white) “middle class anxiety,” as grown children were forced to choose between the health care bills of their parents and the college education of their children. Medicare was a family bill, and the Department of Health, Education, and Welfare, in Cohen’s words, “the Department of Hope, the Department of the Family.” This family connection was enhanced when the Johnson administration found a Medicare supporter in the well-known Dr. Benjamin Spock, who believed that Medicare would be beneficial to all Americans. “When grandparents become seriously ill, it is often the struggling young parents who have to pay the bills,” as Dr. Spock explained. “Besides, you have to remember that all young people are going to grow old. I think they would be glad to pay just a little more on their Social Security during the years when they are working, if they can insure their hospital care after they are retired.”

In the meantime, in spite of all the efforts of Wilbur Cohen, the negotiations with Wilbur Mills did not lead to a Medicare bill in the House Committee on Ways and Means. Instead, the committee reported a traditional social security bill, merely raising the benefits. Subsequently, President Johnson asked Cohen, “But what are we going to do about medicare in the Senate?” Cohen explained that there were two possibilities. First, Medicare could be added to the House social security bill. If Medicare was passed in the Senate, a compromise could be reached in conference. Second, a modified Medicare plan could be added to the House bill, giving each individual retiree a choice between health insurance and an increase in social security benefits. Even though Wilbur Cohen preferred the latter, the Democrats in the Senate went for the first strategy. After the Senate Finance Committee had reported the social security bill to the floor, Senator Albert Gore introduced an

68 Lyndon B. Johnson, “Remarks in Atlantic City at a Dinner of the New Jersey State Democratic Committee,” 10 May 1964, Public Papers, 671-676.
amendment that would add Medicare to the bill. The Senate, which was far more liberal than the House, passed the Gore amendment on September 2, 1964, by a vote of 49 to 46. For the first time in history, a health insurance bill based on the social security system had been passed in Congress. The next day, the Senate passed the combined social security bill, including Medicare, by a vote of 60 to 28. The following step would be a compromise in conference, which meant that the Johnson administration had to negotiate with Wilbur Mills again. According to the Democratic senators who favored Medicare, President Johnson was “the only person who can persuade Wilbur Mills to accept Senate action.”

Johnson, however, was not planning to interfere and decided to leave the negotiations to Cohen and Lawrence O’Brien. While Cohen was convinced that Wilbur Mills would not accept Medicare in conference, O’Brien believed that success could be possible. Even the senators who had opposed Medicare, such as Russell Long, believed that the position of the Senate should be upheld. Senator Long was “confident” that he could come up with “a plan which he can persuade Mills to accept.” Nevertheless, the outcome of the conference remained uncertain. “It is hard to determine if a real progress is being made or Mills is engaged in a charade,” as O’Brien told President Johnson, adding “we’ll keep our fingers crossed.” In the end, no progress was made. A compromise could not be reached and the conference ended in deadlock. The Johnson administration blamed Wilbur Mills for the failure of Medicare, an opinion that was shared by the press. As the New York Times reported, “The chief reason the country does not now have a Medicare program is the one man blockade exercised for four years by Chairman Wilbur Mills.”

THE 1964 ELECTIONS

According to Wilbur Cohen, neither President Kennedy nor President Johnson, but the 1964 Republican presidential candidate Barry Goldwater should receive the credit for enabling the enactment of Medicare. “So many times, in the successful development of domestic programs, it isn’t so much what you do yourself but what your opponent stands for, and Barry Goldwater being the candidate for ’64 had more to do with Johnson being able to get the legislative

72 Mike Manatos to O’Brien, 14 August 1964, Ex LE/IS, box 75, LBJ Library.
73 Cohen to O’Brien, 13 August 1964, Cohen Papers, box 81, folder 9, State Historical Society of Wisconsin; O’Brien to Lyndon B. Johnson, 18 September 1964, Ex LE/IS, box 75, LBJ Library.
74 O’Brien to Johnson, 23 September 1964, Ex LE/IS, box 75, LBJ Library.
majority to pass his program." The Johnson administration was thrilled when the Republicans nominated Barry Goldwater, whose extreme and radical ideas were notorious. The Republicans were not "for something," as President Johnson said. "I'm for a tax bill. They're against it. I'm for a civil rights bill. They're against it. I'm for a medical care bill. They're against it." As Goldwater believed, Medicare was "an insult to the intelligence of the American people," a statement that the Democrats loved to repeat. A television advertisement of the Democrats announced Goldwater's negative views on social security, while two hands ripped up a Social Security card. Unlike the Democrats, the Republicans failed to recognize the popularity of social security and Medicare.

The difference between the Republicans and Democrats on the issue of Medicare was emphasized during the Senate vote on Medicare of September 1964. As an obvious attempt to highlight his opposition to Medicare, Barry Goldwater, who was campaigning in Arizona, flew back to Washington, DC, to vote against the Medicare bill. The liberal Democrats welcomed the opposition of Barry Goldwater. "For days, we put off the vote so he could get back to Washington to state his position and get himself on the record on Social Security and Medicare," as Senator Clinton Anderson remembered. "And sure enough, there he was, throwing ridicule on our bill." The Johnson administration realized the political potential of the situation. Presidential aide Bill Moyers wanted to "pull out all the stops" in areas with a concentrated population of elderly such as Florida and Southern California. Those elderly needed to know that Goldwater was against "their" health insurance. "I don't think you should be kicking Goldwater," as Bill Moyers told President Johnson, "but this is a great opportunity for us to beat him to death among these older people if we just play it right."

As most political analysts had predicted, President Johnson won the November 1964 presidential elections by a landslide. Even though Medicare had not been the only issue of the campaign, Johnson's victory was perceived as a mandate for Medicare. Right after the elections, Wilbur Mills announced that he could support a pay-roll tax for hospital benefits, implicitly saying that he was willing to support a Medicare bill in the House Committee on Ways and

80 Bill Moyers to Lyndon B. Johnson, 2 September 1964, Ex LE/IS, box 75, LBJ Library.
Means. Johnson had now been elected “in his own right,” as Mills would later state. “Had President Kennedy lived, I don’t know if Medicare would have passed. I don’t think President Kennedy would have pushed like President Johnson did.”

Contrary to what is often assumed, there had not been a large shift in the public opinion on Medicare in 1964. In fact, Medicare was just a popular before the 1964 campaign as afterwards. However, a change in political context did occur. Johnson’s victory made the politicians in Washington, DC, realize how popular Medicare really was. The election of Johnson was a victory for Medicare and the time for its enactment had come. Moreover, the elections had also shifted the distribution of political power in Congress, particularly in the House of Representatives. The composition of the House Committee on Ways and Means had changed into a pro-Medicare majority. “That traditional House roadblock began to disappear,” as Lawrence O’Brien remembered. “The power of key Republicans and southern Democrats in terms of a coalition dissipated. And by the end of 1965 we weren’t using the phrase, ‘southern Democrat-Republican coalition,’ because it no longer existed.”

President Johnson intended the act quickly on Medicare. “We have lots of work to do,” as he told Wilbur Cohen, adding that Medicare would be “our number one priority.” Subsequently, Medicare was the first bill to be introduced in the 89th Congress, both in the House and in the Senate.

The AMA became extremely worried when it realized that Medicare was indeed becoming a reality. “Let me re-emphasize,” as AMA president Donovan Ward wrote to the AMA members, “the situation in Congress is more serious than it has ever been in the history of our profession.” To counter the threat of Medicare, the AMA came up with a surprising change of strategy. Instead of merely arguing that Medicare would be a first step toward socialized medicine, the AMA emphasized the shortcomings of Medicare. In addition, the AMA presented its own proposal, which was named Eldercare. “We again urge Congress to reject the controversial ‘medicare’ tax program which will ... give the people far less than they expect,” as the AMA announced. Moreover, the AMA argued, Medicare would make the states subordinate to the federal

81 Corning, The Evolution of Medicare, 112; Weeks and Berman (editors), Shapers of American Health Care Policy, 89.
84 Notes dated 15 November 1964, Cohen Papers, box 278, folder 7, State Historical Society of Wisconsin.
85 President Johnson had insisted that the Medicare bills would be labeled H.R. 1 and S. 1 as an emphasis that he considered Medicare to be priority number one.
government, gradually replace the Blue Cross and Blue Shield plans, give the federal government power over the hospitals and physicians, and drastically lower the quality of medical care. The AMA’s Eldercare plan would “avoid these undesirable features” as it was based on the already existing Kerr-Mills program. 87 Even though the Eldercare bill was introduced in Congress, only a few politicians considered the AMA’s bill to be a serious alternative to Medicare. Wilbur Cohen told President Johnson that Eldercare was by definition unacceptable, as it was based on the “unsatisfactory” social welfare approach instead of social insurance. 88 The AFL-CIO announced that the Eldercare proposal was based on “empty promises” as the plan would hardly change the already existing Kerr-Mills program. “Promise Them Anything – But Give Them Kerr-Mills,” as the AFL-CIO concluded, dubbing the plan “Eldersnare.” 89 The American Medical Association seemed desperate, as Lawrence O’Brien recalled. “We in the White House were delighted by the AMA’s blind opposition to the inevitable.” 90

A more serious counterproposal was introduced by Representative John Byrnes, a Republican from Wisconsin. In an attempt to end the Republican identification with the AMA’s opposition, Byrnes presented a proposal for voluntary health insurance for the elderly, subsidized by the federal government. Byrnes argued that his proposal, which he dubbed Bettercare, was far more comprehensive than Medicare, as it would cover not only hospital care, but physicians’ services at well. The Bettercare proposal added credit to the AMA’s claim that the administration’s Medicare proposal was incomprehensive. Wilbur Cohen realized that Bettercare was a politically sound proposal. Nevertheless, as Cohen explained in a memo to President Johnson, Bettercare had many shortcomings. As the plan was voluntary, a large number of elderly, those “with low incomes or who were very old and senile,” would not benefit from the protection offered. Cohen also objected to the absence of a contribution by the employers. The elderly would pay their premiums after retirement, while Medicare was based on contributions during the working years. In addition, Bettercare would reimburse the physicians’ charges, instead of merely the costs, which could make the program extremely expensive, especially because the federal subsidy would be paid out of general revenues. Most important, Cohen objected to the principle of Bettercare. “The Byrnes’ plan is a Federal health insurance program for the aged,” as Cohen

90 O’Brien, No Final Victories, 187.
concluded, while Medicare, "like social security, is built on the idea of a sharing of the risk between social insurance and private insurance and allowing private insurance to supplement the public program."\(^91\)

The introduction of both counterproposals, Eldercare and Bettercare, emphasized the shortcomings of the Medicare proposal. The liberal Democrats agreed that Medicare was incomprehensive and feared that they had promised the voters too much. "Medicare in its present form is going to disillusion millions of the nation's elderly," as Senator Abe Ribicoff, a former HEW secretary, told President Johnson. "Democrats who stay with medicare will be in the embarrassing position of having to defend a program limited to hospital benefits and perhaps even resist proposals to broaden the benefits."\(^92\) The only possible solution seemed to broaden the benefits, which would make Medicare even more expensive. A comprehensive Medicare proposal would also be more difficult to get enacted in Congress. The American public, in the meantime, had trouble to distinguish between Medicare, Eldercare, and Bettercare, and began to wonder "Whatdolcare?"\(^93\)

THE THREE-LAYER CAKE

The solution to the Medicare dilemma came from Wilbur Mills, who with one — on first sight rather simple — suggestion changed the entire future of Medicare. During the House Committee on Ways and Means meeting of March 2, 1965, the members had been discussing the three medical care for the elderly proposals. Suddenly Wilbur Mills turned to Wilbur Cohen and asked him if it was possible to make a combination of Medicare and Bettercare, adding the Republican proposal for voluntary health insurance to the administration's compulsory hospital insurance program. In addition, Mills suggested to add an extended and revised version of the Kerr-Mills program to the bill. In this way, all three proposals would be included. Cohen believed that such a combination was possible, but needed more time to draft a new proposal. Mills gave him one day. "I have no specific information how Mills came to his position to include physicians' services," as Cohen later recalled. "He did not give any advance indication of his willingness to do so. While Mills was not the kind of impulsive decision maker to do something monumental on the spur of the moment, nevertheless I believe that he was insightful and sensitive to a situation when by a brilliant instinctively realization he was able to capture the

\(^91\) Cohen to Lyndon B. Johnson, 29 January 1965, Ex LE/IS, box 75, LBJ Library.
\(^92\) Abe Ribicoff to Lyndon B. Johnson, 3 March 1965, Ex LE/IS, box 75, LBJ Library.
\(^93\) "John Q. Public has been hit over the head with so many propaganda messages for 'Medicare' and 'Eldercare' that he must be feeling like coming down with a case of 'Whatdolcare?'" Editorial Jefferson Standard Broadcasting Company, North Carolina, 24 February 1965, Anderson Papers, box 1105, Library of Congress, Manuscript Division.
support of his Republican colleagues." In the words of *Newsweek* magazine, Mills' move was a true "Medicoup."

Wilbur Cohen immediately went to work and drafted a proposal that would become known as the "three-layer cake." The administration's original Medicare bill was the first layer, providing basic hospital insurance to all senior citizens based on the social security system. The second layer was a supplementary and voluntary insurance program for additional health benefits, such as physicians' services, which would be financed by a subsidy from the federal government and a deduction from the social security benefits of the retiree. The third layer was an extended Kerr-Mills program, based on the social welfare approach, which would not only include the medically indigent elderly, but also medically indigent children and welfare recipients. As Cohen informed President Johnson, "The effect of this ingenious plan is, as Mr. Mills told me, to make it almost certain that nobody will vote against the bill when it comes on the floor of the House." The main objection by the opponents had been the limited benefits of the proposed Medicare bill. By including all the ingredients of the counterproposals in the three-layer cake, "chef" Wilbur Mills had undermined all opposition. "Mills did it so fast," as Cohen told President Johnson, "the Republicans were dumbstruck."

The combination of the three plans was in itself not such a big surprise to Wilbur Cohen. The three-layer principle was not new. Several "three-pronged" programs had been proposed before, including the Medical Benefits Act of 1964, which would have been a combination of medical assistance for the poor, hospital insurance for social security beneficiaries, and a private health insurance plan. In fact, Mill's three-layer cake mirrored the system that Cohen had envisioned for years. The reason why Cohen had supported the enactment of the Kerr-Mills program in 1960 was because he believed in a complementary system of social security, public assistance, and private insurance. Cohen was more surprised about the political situation in which the compromise had been created. After years of negotiating a basic hospital insurance program, Cohen was suddenly faced with a brand-new and complicated proposal that was rushed through the legislative process. Particularly the added Bettercare plan had hardly been studied. "It was a

strange and unique way in which to make a major policy decision," as Cohen remarked. "In this case, the Federal Government was intervening in a major area of medical care with practically no review of alternatives, options, trade-offs, or costs."\textsuperscript{99}

President Johnson was extremely pleased with the new program and did not even worry about the additional costs. When economic advisor Gardner Ackley warned President Johnson that he expected "serious difficulties for the economy," Johnson ignored the warning. The social security policymakers, however, did change the tax rates of the bill, thereby reducing the risk of a "fiscal drag" on the economy.\textsuperscript{100} On March 26, 1965, President Johnson met with the congressional leaders to discuss the Medicare bill. In a smart political move, Johnson rounded up the leaders for remarks before the television cameras. Wilbur Mills presented a short outline of the three-layer compromise, while Representative King and Senator Anderson spoke favorably of the bill. Medicare opponent Senator Harry Byrd, chair of the Senate Finance Committee, was uncomfortably surprised by the sudden public exposure. When Johnson asked him if he would arrange prompt hearings, Byrd could only answer "Yes."\textsuperscript{101}

Another problem was caused by the civil rights issue. Under Title VI of the 1964 Civil Rights Act, discrimination based on race, color, or national origin was prohibited in any institution that received financial assistance from the federal government. The AFL-CIO was the first to question if Title VI would be applied to Medicare. If that was not the case, labor would push for an amendment to include Title VI compliance in the law. Afraid to jeopardize the pending Medicare bill, the Johnson administration wanted "to keep the entire matter as low keyed as possible." An open civil rights discussion in the Senate could kill Medicare. "In any event, the AMA or any Senatorial exponent could at any time inject this issue and perhaps create enough confusion and difficulty to actually endanger the legislation."\textsuperscript{102} However, on April 13, 1965, Senator Harry Byrd asked HEW secretary Celebrezze to explain the position of the


\textsuperscript{100} Gardner Ackley to Lyndon B. Johnson, Cohen Papers, 11 March 1965, State Historical Society of Wisconsin; Jack Valenti to Johnson, 22 April 1965, Bill Moyers to Johnson, 26 April 1965, Ex LE/IS, box 75, LBJ Library; Berkowitz, Mr. Social Security, 233.

\textsuperscript{101} Lyndon B. Johnson, "Remarks to the Press Following a Meeting With Congressional Leaders To Discuss Medical Care Legislation," 26 March 1965, Public Papers, 327-330. See also, Johnson, The Vantage Point, 216-217. As President Johnson wrote: "Later, as a White House aide was seeing him to his car, Senator Byrd drily [sic] remarked that if he had known he was to appear on television, he would have dressed more formally."

\textsuperscript{102} Lee C. White to Lyndon B. Johnson, 26 April 1965; draft memo for President Johnson, no author, 10 April 1965, Ex LE/IS, box 75, LBJ Library.
Johnson administration on Medicare and Title VI. Celebrezze’s “instinctive reaction” was to say that Title VI did not apply.\textsuperscript{103} The Justice Department confirmed this view. Title VI could only be applied to institutions receiving federal funding, not to programs based on individual enrollment such as Medicare. However, “if it is desirable to do so,” an opposite position could be justified as well. Since Medicare would strengthen the financial position of the hospitals, Title VI compliance could be assumed. In attempt to avoid the introduction of a specific civil rights amendment, the Johnson administration decided to do just that. As presidential advisor Bill Moyers told his colleague Lee White, “Push hard to see that this line is followed by HEW.” Accordingly, HEW secretary Celebrezze told Senator Byrd that Title VI would indeed be applied to Medicare.\textsuperscript{104} As the liberal Democrats were reassured that the desegregation of Southern hospitals under Medicare would be enforced, they did not need to introduce a specific civil rights amendment. Subsequently, the Southern Democrats could safely support Medicare. As Robert Ball remembered, “I think everyone knew [that Title VI was going to be applied], but they didn’t want to have to go on record about it.”\textsuperscript{105}

The three-layer Medicare proposal was passed in the House of Representatives on July 27, 1965, by a vote of 307 to 116. The next day, the bill was passed in the Senate by a vote of 70 to 24. Title XVIII of the Social Security Act consisted of Medicare Part A (hospital insurance for the elderly) and Medicare Part B (supplemental voluntary health insurance). Title XIX of the Social Security Act consisted of the extended and revised Kerr-Mills program, which became known as Medicaid. The Medicare advocates were delighted that finally a government health insurance program had been established. As I.S. Falk wrote to Wilbur Cohen, “I am greatly and deeply pleased that – at long last – we have taken a first step toward meeting the problems of medical care costs through the only way in which we can deal with them soundly in the United States.”\textsuperscript{106}

**Using the Blues**

In the early 1950s, the social security policymakers opposed the use of the nonprofit Blue Cross as intermediary in a hospital insurance for the elderly

\textsuperscript{103} Harry F. Byrd to Anthony J. Celebrezze, 13 April 1965, Ex LE/IS, box 75, LBJ Library.

\textsuperscript{104} Norbert A. Schlei (assistant attorney general) to White, 6 April 1965; White to Johnson, 26 April 1965, Bill Moyers to White, 27 April 1965, Celebrezze to Byrd, 27 April 1965, Ex LE/IS, box 75, LBJ Library.


\textsuperscript{106} I.S. Falk to Wilbur Cohen, 29 July 1965, Falk Papers, box 6, folder 109, Yale Library. Falk did add: “Part B of Title XVIII troubles me greatly, because I think its inclusion was a grievous misfortune.”
program based on social security. They changed their opinion at the end of the 1950s, as they realized that building upon the experience of an already existing reimbursement program could be helpful with the administration of a government hospital insurance program. Moreover, the social security policymakers hoped that by including Blue Cross, the AHA and Blue Cross would be more willing to cooperate in getting Medicare enacted. Labor union AFL-CIO reluctantly shared this view in the hope that the inclusion of Blue Cross would enable to keep the private and commercial insurers out. As far as the AFL-CIO was concerned, private insurers were not capable to make a constructive contribution to Medicare. Labor had studied the private health insurance plans for the elderly and had concluded, as Nelson Cruikshank stated, that “their best is not nearly good enough.” Moreover, the inclusion of one particular private and commercial insurance company in Medicare would disturb the relationship between the remaining insurance companies and the employers, “thus upsetting many existing stable relationships not only between insurers and employers or welfare funds, but also between employers and unions.”

Even though the social security policymakers were willing to include Blue Cross in their plans, Blue Cross itself continued to oppose Medicare. In the early 1960s, the private and commercial insurance companies had started to offer so-called “State 65” health insurance for the elderly plans to counter the threat of Medicare. In 1962, Blue Cross followed this example and announced a special 65+ health insurance plan. However, when local Blue Cross chapters were requested to provide more information about this special 65+ health insurance program, they confessed to be “extremely embarrassed.” Apparently, they were incapable to offer the health insurance program that the national Blue Cross had promised. As AFL-CIO’s Lee Bamberger told Wilbur Cohen, “I think we have enough information to make it quite clear that the motivation behind the national advertising campaign by Blue Cross and Blue Shield is primarily political.”

Up to 1962, Blue Cross had opposed Medicare, a position that the nonprofit insurer shared with both the AHA and the AMA. However, as stated before, in 1962 the AHA and Blue Cross broke with the AMA’s position, as

110 Lee Bamberger to Wilbur Cohen, 27 September 1962, Cruikshank Papers, box 14, State Historical Society of Wisconsin.
they reluctantly began to support hospital insurance for the elderly based on the social security principle. As Blue Cross had to compete with the for-profit insurance companies, it become more and more difficult to provide health insurance coverage for high-risk groups such as the elderly. In spite of its opposition to governmental intervention, Blue Cross began to realize that it could be beneficial if the government took care off the elderly and the welfare poor. In 1962, the Sub-Task Force on Use of Blue Cross and Other Insurers in the Health Insurance Program for the Aged, chaired by Arthur Hess of the Social Security Administration, studied the possible participation of Blue Cross. As the sub-task force concluded, the advantages of using Blue Cross as intermediary were many. Blue Cross could build on its experience in the hospital insurance field. As Blue Cross was an organization with close ties with the health care providers, the relationship between the federal government and the hospitals would improve. Blue Cross could function as a buffer between the two parties. In addition, using Blue Cross would be much less expensive than starting a whole new government agency. The only real disadvantage was that the federal government would give up part of its control over the program, particularly in the field of determining costs.

The social security policymakers also tried to convince the private and commercial insurance industry that Medicare would be in its own interest. Even though they did not want to include the private insurers within the program, winning the support of the insurance industry could help getting Medicare enacted. “We are convinced that health insurance for the aged will have an effect on private health insurance,” as Wilbur Cohen told a group of commercial insurers, “a beneficial effect.” As Medicare would take the high costs of the elderly out of private health insurance, the commercial insurers faced two new opportunities. First, they could offer additional benefits to those elderly who could afford more than the basic Medicare coverage. Second, they could improve the benefits for their younger clients, as the private insurers were no longer burdened with the unprofitable elderly. However, Wilbur Cohen realized that the private and commercial insurance industry was not willing to give up its opposition to Medicare. In early 1965, Cohen told Lawrence O’Brien that negotiating with the private insurers was useless. “They


have been very stand-offish in the past, and when they have made any suggestions they are ones that we usually can’t accept.”

The question whether or not to use Blue Cross as intermediary was an important part of the negotiations between Wilbur Mills and the Johnson administration. Both Mills and Cohen favored using Blue Cross, as its inclusion could keep private insurance out. If private insurance was included, labor would “raise a major howl.” Of all the nationwide organizations experienced in hospital insurance, only Blue Cross could meet the governmental requirements for the reimbursement of health care costs. Moreover, as a nonprofit organization, Blue Cross would not demand to make any guaranteed profit out of the program, though financial losses would not be acceptable. To insure that only Blue Cross would participate, Wilbur Mills suggested to have Blue Cross reimburse 99 percent of the costs. Even though Cohen believed this was a “brilliant way” to exclude the private and commercial insurers, he feared that 99 percent of the costs would be unacceptable to Blue Cross. “A modification that might be more acceptable to Blue Cross of paying either costs or 99% of charges – whichever is the lesser – might work equally well.”

While the Johnson administration, Wilbur Mills, and the AFL-CIO had all accepted the proposed use of Blue Cross, others believed that the participation of Blue Cross in Medicare would be unwise. Jay Constatine of Senator Pat McNamara’s Subcommittee on the Problems of the Aged and Aging summed up the arguments against using Blue Cross. First, using Blue Cross would raise a civil rights issue, as several local Blue Cross plans in the South condoned segregation and racial discrimination in the administration of its health care plans. Second, Blue Cross was an organization controlled by health care providers, in particular by hospital administrations. Blue Cross could never be an “objective agent,” as the health care providers would obtain too much control over the Medicare program. Third, even though Blue Cross was a national organization, there were major differences between the local plans. These differences were important, as many local plans still opposed Medicare. An organization that opposed a program could hardly be expected to make its administration a success. In conclusion, as Jay Constatine argued,

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114 Cohen to O’Brien, 6 January 1965, Cohen Papers, box 82, folder 9, State Historical Society of Wisconsin.
Medicare should not be administered by Blue Cross, but instead by the Public Health Service in cooperation with the Social Security Administration.\textsuperscript{117}

In spite of these convincing objections, the Johnson administration did not change its strategy. When the three-layer Medicare proposal was accepted in March 1965, the role of Blue Cross and Blue Shield increased. The bill gave the nonprofit organizations the responsibility to determine the “reasonable costs” and to provide safeguards for over-utilization.\textsuperscript{118} The involvement of Blue Shield was based on Medicare Part B, the voluntary health insurance program that covered physicians’ services. Blue Shield was reluctantly willing to cooperate with the federal government, though did try to obtain more authority to set standards. “Blue Shield has little interest in being used merely as a conduit of funds between the Government and the aged patient or his doctor,” as Blue Shield told Senator Anderson. “We believe that Congress should understand the vital importance of building a bridge of cooperation and understanding between the Government and the medical profession, by making maximum use of the prepayment mechanism with which the physicians are accustomed to working in the provision of prepaid medical care.”\textsuperscript{119}

In the end, Medicare would prove to be very profitable to the medical profession, mainly because Blue Cross and Blue Shield were given so much control in determining the “reasonable costs” for Medicare Part A and the “customary charges” for Medicare Part B. When debating the three-layer Medicare proposal, Congress had remained relatively silent on the participation of Blue Cross and Blue Shield. Moreover, Congress failed to distinguish between the different roles of Blue Cross and Blue Shield as technical experts and as political organizations with a large interest in how Medicare would be administered.\textsuperscript{120} According to former AMA lobbyist James W. Foristel, the medical profession was deliberately rewarded in an attempt to “compensate” for the enactment of Medicare. “Here’s what I can do for you,” as Mills allegedly told the AMA officials, “I’ll write into the law a provision that will allow physicians to direct bill for their services, rather than being forced to

\textsuperscript{117} “Arguments Against Use of Blue Cross as Government’s Agent in Proposed Hospital Insurance Program,” enclosed with Howard Bray to Clinton P. Anderson, 22 August 1964, Anderson Papers, box 1103, Library of Congress, Manuscript Division.

\textsuperscript{118} Cohen to O’Brien, 11 March 1965, Cohen Papers, box 83, folder 3, State Historical Society of Wisconsin.


\textsuperscript{120} Law, Blue Cross: What Went Wrong? 40.
accept the Medicare payment as payment in full."\textsuperscript{121} Whether or not this particular account is true, Medicare did indeed give the medical profession great freedom in determining the "reasonable costs," making it difficult for the federal government to control the rising health care costs. Basically, as Edward D. Berkowitz and Kim McQuaid have argued, "the federal government simply bought into the health system, using the politically convenient cover of the social security system. That was the American version of national health insurance: federal money and private control."\textsuperscript{122}

**THE REAL REASON BEHIND THE AMA'S OPPOSITION**

Throughout the Medicare debate, the AMA had argued that the main issue was "Compulsion versus Freedom of Choice." Government health insurance had failed in all countries where it had been tried, leading to "mountains of red tape" and long waiting lines for surgery. Under national health insurance, doctors had been replaced by untrained government workers. "Do you want this in America?"\textsuperscript{123} Cards signed by "Your Physician" were handed out to patients in the waiting room, warning them that "Americans have always preferred to purchase services from the person of their own choice, but this freedom will disappear with this new intrusion of Government into our private lives."\textsuperscript{124}

Due to its continuous vocal opposition, the AMA had basically excluded itself from the negotiations on Medicare. When the AMA was consulted, the discussion centered on the desirability of Medicare, and not on how such a program should be administrated. As a result, the social security policymakers negotiated with other social partners in medical care, in particular with the AHA and Blue Cross. In addition, the social security policymakers had contact with the National American Association (NMA), the African-American counterpart of the AMA, which supported Medicare. Former NMA president


\textsuperscript{124} Card by "Your Physician" presented to patients in the waiting room, "Rather Have Money or Service?" undated [1964]. Copy in Anderson Papers, box 1095, Library of Congress, Manuscript Division.
Kenneth W. Clement was the only physician on the Advisory Council on Social Security, which included prominent representatives of labor, business, and the federal government, such as Nelson Cruikshank, Robert Ball, Marion Folsom, J. Douglas Brown, and Loula Dunn. One could even claim that between 1963 and 1965, as Martha Derthick has suggested, the NMA "represented the medical profession," as the AMA "was implacably hostile to government health insurance." However, Derthick seems to overestimate the influence of the NMA, as the Johnson administration may have welcomed the NMA's support, but continued to view the AMA as the main representative of the medical profession. True enough, the NMA representatives were invited to the White House for a meeting on Medicare, but they had to "urge that Medicare - not Civil Rights - be the focus of conversation and discussion." Even though the NMA's support of Medicare was appreciated, the Johnson administration did not take the NMA too seriously. President Johnson thanked NMA president W. Montague Cobb for his article "The White House Keeps the Faith" in the Journal of the National Medical Association, but when Johnson held crucial Medicare meetings with the medical profession at the White House, the NMA was not invited.

After the three-layer Medicare approach had been accepted in March 1965, the AMA wanted to meet with President Johnson to express its opposition. However, the Johnson administration did not wish to meet with the AMA before Medicare was enacted. The AMA may have been "shocked" by the sudden three-layer approach of Medicare, but, as Cohen argued, it was the medical profession's own fault. "As Chairman Mills had said to me the Committee action is in large part due to the attack the AMA has made on the limitations of the Administration proposal." Cohen did believe that, once Medicare was enacted, the relationship between the Johnson administration and the AMA had to be improved to secure a proper implementation of the Medicare program. Before that was the case, however, the AMA had to wait. "If the President were to see the AMA and this became public he might then have to see the National Medical Association (the Negro group) and possibly the physicians who support the legislation and also the private insurance people who are opposed to the bill."

In July 1965, the Johnson administration did welcome a meeting with the AMA, as the cooperation with the medical profession was "essential" to make Medicare work. The Johnson administration was already meeting with the

125 Robert Ball to Nelson Cruikshank, 10 March 1965, Cruikshank Papers, box 2, State Historical Society of Wisconsin.
126 Derthick, Policymaking for Social Security, 96.
127 Horace Busby to Johnson, 4 August 1964, Ex LE/IS, box 75; Johnson to W. Montague Cobb, 30 March 1965, Ex HE5, box 16, LBJ Library.
128 Cohen to Douglass Cater, 10 March 1965, Cohen Papers, box 154, folder 8, State Historical Society of Wisconsin.
representatives of Blue Cross, Blue Shield, and the AHA.\textsuperscript{129} "This is an important opportunity to urge the medical profession to cooperate with the Government in making Medicare a success. They have requested to see you," as Douglass Cater told President Johnson. "But you should take the initiative in making clear to them that the legislative struggle is over – now it is time to work together to make the new act work."\textsuperscript{130} President Johnson met with eleven AMA officials on July 29, 1965, the day before he would sign the Medicare bill. Instead of discussing Medicare, the president talked about the war in Vietnam and the need for more physicians to participate in a medical program to help the civilian population. "Your country needs your help. Your President needs your help," as Johnson told the AMA officials. Of course the AMA would help the president, the physicians replied. Without a delay, Johnson requested that the press enter the room. After Johnson had stated that the AMA was cooperating with the federal government in the Vietnam medical program, one reporter asked what the AMA’s position on Medicare was going to be. Johnson immediately replied: "These men are going to get doctors to go to Vietnam where they might be killed. Medicare is the law of the land. Of course they’ll support the law of the land." Then Johnson turned to AMA president James Appel. "Tell him. You tell him." James Appel could only confirm the president’s words. "We are, after all, law-abiding citizens, and we have every intention of obeying the new law."\textsuperscript{131} As far as the Johnson administration was concerned, the meeting with the AMA had been a successful attempt to obtain the physicians' cooperation in Medicare.

As far as the AMA was concerned, however, the legislative struggle was far from over. The AMA had limited its open opposition to the Medicare bill, because Medicare was the most visible health care legislation in the public debate. Even though the AMA did oppose Medicare, the physicians were far more worried about the Regional Medical Program (RMP) and the Heart Disease, Cancer, and Stroke (HDCS) bill. These bills were the result of the studies by the Presidential Commission on Heart Disease, Cancer, and Stroke, which President Johnson had established in 1964 to study the possible ways to encourage medical research. The RMP would create a national network of hospitals, funded by the federal government.\textsuperscript{132} As had become apparent in the 1930s, the federal government was only the AMA’s surrogate enemy. The medical profession was much more concerned about the reorganization of

\textsuperscript{129} Cohen to Douglass Cater, 16 July 1965, Cohen Papers, box 84, folder 4, State Historical Society of Wisconsin; Cohen to Cater, 26 July 1965, Cater Papers, box 13, LBJ Library.
\textsuperscript{130} Cater to Lyndon B. Johnson, 28 July 1965, Cater Papers, box 13, LBJ Library.
\textsuperscript{132} Starr, The Social Transformation of American Medicine, 370; Dallek, Flawed Giant, 204-205.
medical care within a hierarchy based on scientific technology than by the governmental financing of an insurance program. "Wilbur, Medicare is a bill that passed. We didn’t like it, and we didn’t want it; but after all, it only involves the relationship of the government to the doctors," as one AMA official told Wilbur Cohen. "But the regional medical program attempts to place the deans of the medical schools in charge of medicine, and that’s a much more radical concept in that bill and we just happened to be opposed to it if that’s what’s in line." Cohen realized that the AMA feared that the RMC and the HDSC bill would undermine the role of the private practitioner opposed to the role of the specialists, the hospitals, and the medical schools. While the Medicare bill merely dealt with the way medical care was financed, the RMC and the HDSC bill would influence the way medical care was delivered. Yet, even though the AMA opposed the RMP and the HDSC bill, these programs were, unlike Medicare, difficult to oppose in public. To denounce government health insurance as “socialized medicine” was one thing, but to denounce the attempt to fight serious diseases as “communism” was quite another. Instead, the AMA tried to obstruct the RMP and the HDSC bill by lobbying behind the scenes. AMA president James Appel told Cohen that the AMA could not “cooperate effectively” with the government in making Medicare a success as long as the HDSC bill was still pending. “Dr. Appel repeated several times that this was not a threat nor an ultimatum,” as Wilbur Cohen remarked. “After he repeated it several times it seemed to me it was exactly that.”

One month after Medicare had become “the law of the land,” the AMA once again requested to meet President Johnson in person. During the meeting of July 29, 1965, AMA president James Appel had not been able to address the issue of the HDCS bill. This time, Appel wanted to ask Johnson to go slow on the HDSC bill, which “many physicians presently consider a greater threat to the practice of medicine than Medicare.” Even though President Johnson was willing to meet with the AMA officials, he refused to be intimidated. As he told his aide Douglass Cater, “Tell him [Appel] for weeks we have been hearing there would be stalling tactics. We will work with them, for them but they stalled many health items for years and we must act now and coordinate later.” The AMA had overplayed its hand. President Johnson no longer

133 Interview with Wilbur Cohen interviewed by David G. McComb, 10 May 1969, LBJ Library, tape IV, 24.
134 “Monday morning...” 30 August 1965, Cohen Papers, box 278, folder 8; “Reporting of Meeting with AMA,” 30 August 1965, Cohen Papers, box 278, folder 8, State Historical Society of Wisconsin; See also Douglass Cater to Lyndon B. Johnson, 30 August 1965, Cater Papers, box 13, LBJ Library, which includes memo “dictated by Mr. Cohen.”
135 James Z. Appel to Douglass Cater, 25 August 1965, Cater Papers, box 13, LBJ Library; Cater to Johnson, 26 August 1965, Handwriting File, box 9, LBJ Library.
seemed to take the AMA’s opposition seriously. In a conversation with AFL-CIO president George Meany, Johnson compared the AMA to “real dumb” chickens. “They eat and eat and eat and never stop. Why they start shitting at the same time they’re eating, and before you know it, they’re knee-deep in their own shit. Well, the AMA’s the same. They’ve been eating and eating nonstop and now they’re knee-deep in their own shit and everybody knows it. They won’t be able to stop anything.”

A VICTORY FOR AMERICA

From the start of the debate, the Democrats had recognized the symbolic character of the Medicare issue. Two years before the enactment of Medicare, President Kennedy had expressed the core sentiment behind the hospital insurance bill. “It is a tragic irony that medical science has kept millions of retired men and women alive to face illnesses they cannot afford.” Once the passage of Medicare was secured, the symbolism continued. In May 1965, even before Medicare had officially been passed in Congress, the National Council of Senior Citizens presented the Aime J. Forand Awards to Senator Clinton P. Anderson, Representative Cecil King, and national health insurance advocate Michael M. Davis. The award consisted of a framed picture of the late President Kennedy. Senator Anderson was “particularly pleased” that the committee had chosen Kennedy’s picture as the symbol of Medicare, as Kennedy had been “devoted to the cause of providing our elderly with adequate health insurance.”

President Johnson chose to honor another – still living – president, as he decided to sign the Medicare bill at the Harry S. Truman Library in Independence, Missouri. Wilbur Cohen and presidential aide Horace Busby, however, advised against signing the bill in Independence. The symbolic connection to the Truman administration could give the impression that Johnson intended to extend Medicare to cover the entire population. In addition, they feared that Harry Truman would make “some distasteful remarks” about the AMA. Most important, Cohen and Busby did not want to dramatize the event. They believed that President Johnson should not be

This is one of the few instances that President Johnson added a long answer in handwriting to a memo of his staff.

136 Dallek, Flawed Giant, 209-210. In the end, the Johnson administration did work out some amendments to the HDCS bill to “pacify the doctors.” See Douglass Cater to Lyndon B. Johnson, 30 August 1965, Cater Papers, box 13, LBJ Library.
“playing FDR,” as that would only “add credence to the adverse images of vanity, self-centeredness, etc.” Johnson, however, refused to change his plans. As he asked Cohen, “Why Wilbur, don’t you understand? I’m doing this for Harry Truman. He’s old and he’s tired and he’s been left all alone down there. I want him to know that his country has not forgotten him. I wonder if anyone will do the same for me.” In the end, the entire presidential staff agreed with Johnson that signing the Medicare bill in Independence would be a great idea, “something unusual.”

On July 30, 1965, President Johnson flew to Independence, Missouri, where he signed the Medicare bill. According to the presidential daily diary, “the day was warm and sunny and seemed to agree w/ the President and politicians that had accompanied him – everyone was in a good mood.”

Many of the politicians, social servants, labor officials, and public representatives who had advocated national health insurance were present, including Harry S. Truman, Oscar Ewing, and I.S. Falk, though the “Grandfather of Medicare” Michael M. Davis was not able to attend. To the relief of the Johnson administration, Truman did not mention the opposition of the AMA, but merely stated that he was “glad to have lived this long and to witness today the signing of the Medicare bill which puts this Nation right were it needs to be, to be right.” Subsequently, President Johnson honored Truman for being the man “who planted the seeds of compassion and duty” that had led to Medicare. As Johnson continued:

No longer will older Americans be denied the healing miracle of modern medicine. No longer will illness crush and destroy the savings that they have so carefully put away over a lifetime so that they might enjoy dignity in their later years. No longer will young families see their own incomes, and their own hopes, eaten away simply because they are carrying out their deep moral obligation to their parents, and to their uncles, and their aunts.

139 Horace Busby to Jack Valenti, 22 July 1965, Ex LE/IS, box 75, LBJ Library.
141 “Report to the President, after meeting Bill Moyers, Horace Busby, Douglass Cater, Harry McPherson, Marvin Watson, Jack Valenti,” 16 July 1965, Ex IS, box 1, LBJ Library.
142 Daily Diary of President Lyndon B. Johnson, 30 July 1965 (microfilm edition, Roosevelt Study Center), reel 4.
143 Claude Desautels to Marvin Watson, 30 July 1965, Diary Back Up, LBJ Library.
In his speech, President Johnson gave credit to Wilbur Cohen and Lawrence O’Brien for their work to get Medicare enacted. The President also acknowledged Wilbur Mills. “I was there on the platform at the Library when the President signed the bill. He had former President Harry Truman sitting by him, and then when he began to sign it he or President Truman one pulled me, from back over in an inconspicuous position that I had placed myself in, to them,” as Wilbur Mills remembered. “They were laughing big, dragging me in, forcing me to stand there by them.”145 As President Johnson concluded, “There just can be no satisfaction, nor any act of leadership, that gives greater satisfaction than this.”146

Wilbur Cohen would later state that Medicare and Medicaid had been the “Most Compassionate” and “Most Far-Reaching” legislative successes of the Great Society.147 Of all the Great Society programs, Medicare was perceived as the most “American” program, as it provided benefits to all Americans, regardless of race, class, or gender, as long as they were over 65. Once Medicare was enacted, Johnson’s friend John Kenneth Galbraith suggested that the president take a short vacation: “There is no depression; no fighting except for a minor jungle conflict with a fourth-rate power; [and] no major legislative battle impending here at home.”148

CONCLUSION

In 1962, two decades before he would become president of the United States, former Hollywood actor Ronald Reagan recorded a speech for the AMA’s Woman’s Auxiliary in which he “speaks out against socialized medicine.” This record was used in the so-called “Operation Coffee Cup” project. The physicians’ wives were to invite their friends and neighbors for an afternoon of drinking coffee, listening to the record, and writing letters to the members of Congress. “Write those letters now,” as the smooth voice of Reagan told the women. “If you don’t, Medicare, I promise you, will pass just as surely as the sun will come up tomorrow. And behind it will come other federal programs that will invade every area of freedom as we have known it in this country. If you don't do this ... one of these days you and I are going to spend our sunset years telling our children and our children’s children what it once was like in America when men were free.”149

In spite of its compelling rhetoric, the AMA failed to realize that it was fighting a lost battle. The time for Medicare had come. Already during the Eisenhower administration, a consensus had been established that something needed to be done to secure health insurance coverage for the elderly. When John F. Kennedy ran for president in 1960, he realized that Medicare was an attractive campaign issue to bring the Democrats back in the White House. For the first time, a government national health insurance program was promoted by a semi-populist movement, the National Council of Senior Citizens, organized by the labor movement in cooperation with the Kennedy administration. Once he was elected president, Kennedy asked Wilbur Cohen to return to the federal government. Again working for the Social Security Administration, Cohen became the main policymaker of Medicare. Cohen realized that the biggest obstacle to the enactment of Medicare was not the opposition of the AMA, but the obstruction of the House Committee on Ways and Means. To make the enactment of Medicare possible, the Kennedy administration needed to negotiate with Wilbur Mills, the committee’s chair. Even after President Kennedy’s death, often perceived as an impetus to enact Kennedy’s New Frontier programs after 1963, Medicare remained locked in the committee. The elections of 1964, however, changed the situation drastically. President Lyndon B. Johnson was elected by a large majority and the political power in Congress had shifted in favor of Medicare. The following year, Medicare was enacted.

Medicare did not end the division between social insurance and public assistance, but in fact consisted of a compromise, the so-called three-layer cake. The first layer is Medicare Part A, the government hospital insurance for the elderly program that the social security policymakers had envisioned since 1951. The second layer is Medicare Part B, the voluntary health insurance program favored by moderate Republicans. The third layer is Medicaid, an extended version of the Kerr-Mills program, not only targeted at the impoverished elderly, but also at the welfare poor. While Medicare is a federal administrated program based on social insurance, providing benefits based on contributions made in the past, Medicaid is a joint federal-state program based on public assistance. To be eligible for the Medicaid program, one needs to pass a means test. While Medicare did not seem to serve any special interest—all Americans were expected to grow old one day, Medicaid was immediately viewed as a program that served the special interests of the less privileged, or, in the popular belief, predominantly the African-American population. While the funding of the Medicare was merely questioned, the funding of Medicaid came immediately under attack. Unlike Medicare, Medicaid was not protected.

by the status of universalism, and subsequently became an easy target of stigmatization and welfare cuts.

The Medicare debate has been most easily remembered by the opposition of the AMA. Both the participants of the debate and the historians describing the debate understandably highlight the conflict between the medical profession and the Kennedy administration, and later the Johnson administration. The emphasis on conflict, however, overshadows the consensus that was eventually established among the social security policymakers, the politicians, the labor movement, the American Hospital Association (AHA), and Blue Cross, the main health insurance provider. To secure the cooperation of the AHA and Blue Cross, the social security policymakers maintained the professional autonomy of the hospitals and insurance industry within the law, including the ability to determine the costs of medical care. By continuing its vocal opposition to Medicare, the AMA lost an opportunity to increase its influence on policymaking. The AMA’s opposition to Medicare was largely based on its opposition to group practice and the growing power of hospitals. Even though Medicare proved to be (financially) beneficial to all physicians (both private practitioners and specialists), the newly established government health insurance system reinforced the power of medical institutions such as hospitals and medical schools at the cost of private practice. As the AMA’s opposition to the Regional Medical Program and the Heart Disease, Cancer, and Stroke bill shows, the AMA did not fear the power of the federal government itself, but the power given to the other providers of medical care.

With Medicare and Medicaid, the United States of America enacted its own form of national health insurance. While the national health insurance programs in other western welfare states were initially targeted at the male industrial workers and their dependents, the American form of national health insurance was targeted at the elderly and the welfare poor. According to the AMA and its spokesman Ronald Reagan, Medicare would mean the end of American civilization. The advocates of Medicare, on the contrary, emphasized the exceptionally American character of Medicare and social insurance. As Medicare co-sponsor Senator Clinton Anderson stated, “social insurance places its emphasis on that characteristic which distinguishes our free society from others – dignity of the individual.”

150 As quoted in Skidmore, Medicare and the American Rhetoric of Reconciliation, 165.