

# **UCLA**

## **California Policy Options**

### **Title**

Six: Warren's Waterloo: The California Health Insurance Plan That Wasn't (And the New York Plan That Was and Is)

### **Permalink**

<https://escholarship.org/uc/item/818030hk>

### **Author**

Mitchell, Daniel J.B.

### **Publication Date**

2001

**WARREN'S WATERLOO:  
THE CALIFORNIA HEALTH INSURANCE PLAN THAT WASN'T  
(AND THE NEW YORK PLAN THAT WAS AND IS)**

**Daniel J.B. Mitchell,\* Ho-su Wu Professor at  
The UCLA Anderson Graduate School of Management and  
The Department of Policy Studies, School of Public Policy and Social Research**

At particular points in the 20<sup>th</sup> century, proposals were offered for universal health care insurance in the U.S. – and rejected. In the World War I era, various states - including California - toyed with the idea of state health insurance plans. A ballot proposition enabling California to create such a program was rejected during that episode. The idea for a national plan was considered during the 1930s as a component of the planning for the Social Security Act – but ultimately not included. In the late 1940s, President Truman backed the idea of a national health insurance program. However, enactment met strong resistance and no plan was adopted.

Medicare (for retirees) and Medicaid (for welfare recipients) WERE added to the national social insurance system in the mid-1960s, but neither of these programs focused primarily on *working* Americans and their families. Most recently, President Clinton offered a national health insurance program in 1993-1994. His plan would have mandated employer-provided health insurance. But Clinton failed – dramatically – to persuade a reluctant Congress to adopt it. His failure was actually a repeat of President Nixon's failure to enact an employer-based plan in the early 1970s. Other such proposals prior to the Clinton debacle also died.

The result of this history of failures – other than Medicare/Medicaid - is that a significant minority of Americans in the U.S. and in California do not have health coverage. Often the uninsured are low-wage workers and their families. These individuals use public hospitals and emergency rooms as health providers of last resort at considerable expense to local governments. Thus, Los Angeles County in the mid-1990s came close to bankruptcy in large part due to the cost of providing *de facto* coverage for the uncovered.

## **WHY NO REMEDY?**

Various explanations have been offered for the failure of the Clinton plan. Among the oft-proffered explanations are inept staff and political work by the officials charged with drafting the plan, a fickle public that wanted expanded health coverage but was unwilling to make any

---

\* The author thanks Yue Chen for his assistance in research, staff members of the California State Archives for facilitating access to the Earl Warren collection, and staff members of the Robert F. Wagner Labor Archives (New York University) for facilitating access to the Saul Mills papers. Helpful comments on an earlier draft were received from Michael Dukakis, Sanford Jacoby, Arleen Leibowitz, and Mark Peterson.

sacrifice to obtain it, media biases and focus on personalities and tactics rather than issues, and complicated interest group pressures that resulted in policy gridlock. (Skocpol; Johnson and Broder) All of these explanations have some validity. But, I will argue below, the key barrier to universal health coverage is the existence of the elaborate system of employment-based coverage that already exists.

It is easy, of course, to propose universal systems, e.g., expand Medicare to cover all ages. (Reagan 158-161) Any sweeping proposal to substitute a new system must scrap or modify the existing employment-linked arrangements – thus producing public anxiety among the majority of Americans – and Californians - that DO have coverage. Or it can build incrementally on current job-related institutions.

Since the current institutions vary from employer to employer and from plan to plan, coordination and expansion of the myriad job-related programs that exist must necessarily be complicated. And complexity means that proposals that build on the current system – such as the Clinton plan would have done – are open to charges of bureaucracy and excessive government regulation. Such charges were in fact used by opponents of the Clinton plan to defeat it.

So when was the turning point after which universal health coverage in the U.S. became a near impossibility? Employer-based health insurance on a large scale began to develop in the 1940s. So that era is the obvious period in which to look for the answer. The tendency for historians of health care policy has been to focus on the national level and the Truman episode.<sup>1</sup> However, below I argue that the turning point came earlier in the 1940s than the Truman effort and that it occurred in California.

Had California in the mid-1940s adopted the proposal of then-Governor Earl Warren for a single-payer state plan, the health care landscape throughout the country today would be vastly different. The U.S. might well have developed a state-level system similar to that of Canada where provincial single-payer arrangements provide the bulk of health care. As it turned out, public policy in the U.S. – at the sub-national level and notably in New York – ended up tilting toward incomplete coverage through employer-based programs. How this situation arose is the story I tell below.

## TWO CANDIDATES

In June 1948, two men left the Republican National Convention to do battle with the Democrats in the upcoming presidential election. The combination of Thomas E. Dewey, Governor of New York, for President and Earl Warren, Governor of California, for Vice President was regarded by most observers as a “dreamboat ticket.” (Donaldson 155) With hindsight this view is surprising since it was Dewey’s second try for the presidency. He had been the Republican’s candidate in 1944 but had lost to Franklin D. Roosevelt, up for his unprecedented fourth term. Warren had been invited by Dewey to join the ticket as the vice presidential candidate in 1944 but had declined to take part then in what he regarded as an

unwinnable campaign. (Pollack 93) However, 1948 was supposed to be different. Unlike 1944, the Republicans in 1948 were no longer up against a popular incumbent in the middle of a major war.

## **East and West**

The Dewey-Warren ticket united east coast New York, the largest state in the nation at the time, with west coast California, whose influence and population were growing rapidly. To entice Warren – a man with presidential ambitions of his own – Dewey had promised to upgrade the VP position to an “assistant presidency.” (Stone 153-167) New York was the original home base of two prior 20<sup>th</sup> century presidents; Democrat FDR and Theodore Roosevelt, his Republican distant relative. But only once before had a New York-California linkage been made. In 1912, Theodore Roosevelt had bolted from his own party and come in second to Woodrow Wilson on the “Bull Moose” ticket, ousting incumbent Republican William Howard Taft from office. Running with TR for Vice President was Hiram Johnson, the progressive Republican governor of California. Between 1912 and 1948, however, California’s economic importance had advanced considerably – especially during World War II. It had shifted from a place to retire in the sunshine to a major manufacturing center. And California’s visibility was enhanced by the presence of its high-profile Hollywood film industry.

## **A Sure Thing**

The Dewey-Warren ticket had the seeming advantage of running against incumbent Harry Truman, an accidental president, who had succeeded FDR when the latter died in 1945. As VP, Truman had suddenly assumed the nation’s top office in tumultuous times. There was World War II to be finished. And when the war ended, the country was hit by strikes and inflation as wartime wage-price controls were lifted. Moreover, a shift to the political right in 1946 had given Truman a hostile Republican congress, with many members anxious to dismantle the New Deal programs of the 1930s.

Democrats in 1948 literally split into three parties. Segregationist southern “Dixiecrats” ran Strom Thurmond for President on the right while the party’s extreme left ran Henry Wallace, leaving Truman in the middle. Of course, the Republicans were also split with an isolationist right wing doing battle against the internationalist/moderate wing that the Dewey-Warren ticket represented. But as a formal matter, the Republicans had not actually split into competing parties and – after their convention - all were officially backing the Dewey-Warren alliance. Given their greater unity, conventional wisdom had it that after 16 years of Democrats in the White House the Republicans couldn’t lose.

## **Similarities in Background**

There were many striking parallels between the careers of Dewey and Warren. Both had been raised in small towns: Owosso, Michigan and Bakersfield, California, respectively. Both were self confident, even egotistical, men who could carry political grudges. Both had legal backgrounds but had entered the law uncertain about their ultimate career objectives and had

both been pulled into politics by friends. Both had become prosecutors in their respective states and developed high profiles as fighters of crime and corruption. Dewey had pursued some of the top New York gangsters of the era. Notably, Warren, as district attorney of Alameda County in California had prosecuted private purveyors of phony health insurance plans along with persons accused of more conventional public malfeasance. (Ross [1935a] 217)

Once in Republican politics, both Dewey and Warren became devotees of centrism in order to appeal to enough Democrats in their respective states to win elections. In California, Warren billed himself as a non-partisan candidate for governor and ran in both Republican and Democratic primaries to prove it. In New York City politics, where Dewey got his political start, he had the obvious example of colorful Mayor Fiorello La Guardia. La Guardia was a former Republican congressman who had won against the Democrats' Tammany Hall machine as a "fusion" candidate. Although their relationship was reportedly strained on a personal basis, Dewey and La Guardia formed alliances of convenience when the former was District Attorney of New York. (Elliot 16, 221)

Both Dewey and Warren had ambitions for the nation's highest office. Both were ultimately elected three times to their respective governorships. As governors during World War II, both took advantage of wartime prosperity and resulting tax receipts to build up rainy day funds; these would be used to deal with the inevitable postwar economic adjustment. After the war ended, both men became interested in similar state projects including road building and the enhancement of public institutions of higher education. Indeed, even in their later years, there were parallels between Dewey and Warren. Warren was appointed chief justice of the U.S. Supreme Court under Eisenhower in 1953. When he retired, then-President Richard Nixon offered the same position to Dewey in 1969 – but he declined it.

### **Differences in Background**

If there were many similarities between the two men, there were also differences. Warren was a large man with a gregarious personality. Dewey was short and had a reputation for being standoffish. He was ridiculed during the 1948 election as looking like "the little man on the wedding cake." Dewey arrived in New York City innocent of the ethnic politics in that metropolis of foreign immigrants and native in-migrants. When he started in political life, he reportedly was mystified when offered a pastrami sandwich, a delicacy not found in Owosso. Nonetheless, Dewey learned the system quickly, pastrami and all, and became noted for his strong stand on civil rights.

In contrast, California in the 1940s was not the multicultural state it is today. Civil rights in California were much less of an issue than in New York. Indeed, Warren had played on anti-Asian racial sentiment in California to win election as governor in 1942. Despite his later desegregation decisions as Chief Justice of the U.S. Supreme Court, Warren had been a major figure in the shameful forced relocation of California's Japanese-origin population during World War II. (Mitchell [1999])

## Health Insurance: A Key Difference

Apart from these differences in background, in 1948 there was really only one important economic issue on which Warren and Dewey disagreed. That issue was health care. In late 1944, Warren formulated a proposal for a compulsory state health insurance plan for California. The plan would have covered virtually all employees in the state and was to be based on a payroll tax that would finance a state insurance fund. Warren argued that such a plan would serve the needs of returning GIs after the war. (Severn 109) Had he succeeded in putting his plan across – it will be argued below – the provision of health care would probably be very different today, not only in California but in the U.S.

Because he failed to put his plan across, the story of the Warren health proposal tends to receive little attention in contemporary histories of the period. California historian Kevin Starr, for example, devotes only one paragraph to it in his history of the state in the 1940s. (Kevin Starr 282-283) The Warren plan is seen – incorrectly – as a mere footnote to a similar failure at the federal level.

In contrast to Warren's advocacy of a state health plan, Dewey shied away from any such proposal. Starting in the mid-1930s – before Dewey became governor – various Democrats in New York had begun pushing for a state health plan. Assemblyman Robert F. Wagner Jr. was able to pass a bill to study the idea at the state level in 1938. At about the time, his then-better-known father began agitating in the U.S. Senate for some sort of federal health plan. (Huthmacher 264; Hirshfield 79-80)

Democrats in New York eventually came up with a state health proposal. But by then Dewey had been elected governor. And as governor he opposed the idea, in part because of the potential budgetary cost. (Smith 453, 553) In the 1944 campaign, Dewey was willing to speak generally about medical issues while touring California. (Cray 165) But when confronted with a specific proposal in his home state, he opposed the idea of a government health plan. In Dewey's view, health insurance ought to be left to the private sector. His opinion was reinforced when a commission he appointed issued a majority report in 1946 rejecting a comprehensive state plan as too expensive.<sup>2</sup>

Despite the seeming unity of the dreamboat Republican ticket, therefore, the two candidates on that ticket reflected the divisions then present in the country on health care. What would be the role of government in health care provision? Should the state or federal governments operate a health insurance system? Or should health insurance be left to the private marketplace? With two candidates on opposite sides of the health issue in 1948, the Republicans were vulnerable to Democratic attack.

## BACKGROUND TO THE WARREN PLAN

As will be seen below, health insurance in the 1940s was in a fluid situation. Private insurance coverage and availability was limited, although various forms existed. Most

employers did not provide health coverage, but some did. A California plan in the late 1940s would have greatly influenced future developments. Republican Warren's inability to enact compulsory health insurance in California foreshadowed the failure of Harry Truman after 1948 to do so at the national level. Indeed, the political weapons developed to defeat the Warren plan in California were later imported into the battle at the federal level.

Truman, who had been supportive of a national health insurance scheme even before the presidential election and had made it part of his 1948 campaign, ultimately won an upset victory against the Dewey-Truman ticket. If Warren's plan had been adopted in California, Truman might have had more success in pushing a complementary national plan in his second term. What might have emerged from a successful California model could have been a universal and compulsory state-run system, perhaps with a federal subsidy for states adopting the California plan. The result might have been similar to the Workers' Compensation systems adopted by all states during the early 20<sup>th</sup> century. Or a joint state-federal system, something like the one developed to handle Unemployment Compensation, might have emerged. In any event, the complex development of interest groups with vested interests in the current arrangements might not have occurred.

Defeat of the Warren plan in California set the stage for the actual – but incomplete – system of health insurance that had developed in the U.S. by the mid 1960s. Indigents and near-indigents receive health care through Medicaid (known as “MediCal” in California). The elderly receive health insurance through Medicare. Others who have private insurance receive it primarily through the employment relationship, either as employees or dependents of employees. Some people – including the self-employed – buy private health policies on an individual basis. But many persons who don't qualify for means-tested Medicaid (MediCal) or for Medicare, even if they are poor or near-poor, are left uncovered. They receive care on an emergency basis at public hospitals if they are unable to bear the out-of-pocket cost.

Truman defeated Dewey in 1948. But it might also be said that Dewey ultimately defeated Warren or – more precisely – public policy in New York State eclipsed public policy in California. Warren's approach to health insurance – although financed through a state-run system – was based on fee-for-service. But in New York City, it was clear that under Governor Dewey there would be no state plan. What emerged would today be called “managed care” on a private voluntary basis, deliberately fostered through municipal public policy.

### **Private Health Care Provision**

In California, as elsewhere, health care was long viewed as mainly a private matter. For those unable to afford care, some kind of charity might be available. However, the health problem – often seen as an issue for civic-minded women – was blended into other concerns such as birth control, public health measures, health education for the poor, and adequate standards in public hospitals. As a target of charity, moreover, health issues had to compete with many other worthy causes. (Lothrop 361-410)

For those who could pay, the normal system in the U.S. and California - was one in which individual patients paid for their doctor and hospital services directly on a fee-for-service basis. But there were early exceptions. The Southern Pacific Railroad, a dominant force in California economics and politics in the early 20<sup>th</sup> century, operated a company health plan for its employees as did a few other employers. Some firms had doctors and nurses on staff to deal with industrial accidents. In the late 1930s, San Francisco set up a health insurance program for municipal workers. (Paul Starr 323) The idea of health care linked to employment was thus present, but embryonic, before the 1940s.

## **New Providers and Financial Arrangements in California**

California was also the home of experiments in private alternatives to the standard model of individual doctors operating under fee-for-service. A clinic in Palo Alto functioned as a group practice in the 1920s. Capitation arrangements – early forms of today’s Health Maintenance Organizations (HMOs) began to be seen in California. Under capitation, a fixed fee per enrollee is paid to a group of doctors or a hospital. With that fee, the provider then attends to whatever needs the enrollee might have with little or no extra charge.

The Los Angeles Department of Water and Power contracted with two physicians, Donald Ross and H. Clifford Loos, to provide medical and hospital services on a capitation basis for its workers in 1929. The Ross-Loos program was then extended to other government employees so that by 1935 it covered 12,000 workers and 25,000 dependents. For their heretical departure from fee for service, Drs. Ross and Loos were expelled from their local medical society, technically on the grounds of unethical advertising (which the two doctors denied).<sup>3</sup> (Ross [1935b] 300)

What became Kaiser Permanente in California had a similar history. It began in 1933 under the direction of Dr. Sidney Garfield with a capitation contract for workers employed on a building a Los Angeles water project. The Kaiser corporation used the system, first for construction, but later for all its steel and shipyard workers, during World War II. When the war ended and the Kaiser workforce was downsized, the plan was opened to the public. (Paul Starr 300-301, 322) Like Ross and Loos, for his unorthodox approach Dr. Garfield was the target of pressure from the local medical establishment, in his case with an anti-Semitic undertone. But the Kaiser plan also had its supporters; the growing local labor movement – once it got into the business of negotiating health plans as a “fringe” benefit, liked the Kaiser approach. With its capitation system, health costs at Kaiser could be estimated and negotiated in advance.

## **California’s Unhappy Doctors Respond**

Physicians saw these experiments as a menace to the tradition of doctors being paid by the patient directly on a fee-for-service basis. Fee for service and direct payment were seen as keys to doctor control of fee levels. But as alternatives began to arise – along with the threat of some type of state government-operated plan – the medical establishment in California felt it had to respond. Thus, the California Medical Association established what amounted to a doctor-run health insurance company, California Physicians Service (CPS) in 1939.



Hospitals by that time were already creating what became “Blue Cross” plans for subscribers.<sup>4</sup> Sacramento hospitals, for example, had created such a program in 1932. CPS (Blue Shield) was partly intended to deal with the threat that hospitals would start providing medical services in direct competition with doctors. Moreover, the CPS’ founder, Dr. Ray Lyman Wilbur (later president of Stanford University), knew his way around government. He had been Secretary of the Interior under Herbert Hoover and had chaired a federal task force on national medical needs in 1932. (Paul Starr 296-307; Somers and Somers 318) And he had been a supporter of the abortive 1918 California health insurance proposition.<sup>5</sup>

Initially, CPS had few cost controls and faced fiscal problems. Physicians were angered at receiving less for services under CPS than they customarily charged. But CPS eventually installed deductibles and other modern accoutrements of insurance to contain costs. An understanding was reached between doctors and hospitals to avoid head-to-head competition. As the two “blues” achieved financial balance and profitability, private insurance companies were also attracted to the market for health plans. Tax incentives from the federal government to employer-provided plans and other public policies ultimately kept such private plans on a growth trend, in California and elsewhere. But in 1945, when Warren’s first proposed health plan was introduced into the California state legislature, the private provision of health insurance was still in a nascent stage. A very different system than what now exists could have resulted.

## **The National Background**

California state developments circa 1945 cannot be seen in a vacuum. They were much influenced by earlier national history. Throughout much of the 19<sup>th</sup> century, “real” doctors competed with a variety of unorthodox healers for both patients and income. And until significant advances were made in medical science and technology, it may not have mattered much what kind of practitioner patients consulted. Early hospitals were dangerous places of last resort, particularly until notions of hygiene became widespread.

By the 1920s, however, the picture had changed dramatically. Improvements in medical science, combined with strenuous efforts by doctors to control access to their industry, had shifted the locus of authority to doctors and medical societies. Government played little role in the system, apart from licensing doctors and administering various public health programs involving sanitation and the like.

The American system had evolved in a very different way from those of some major European countries. Starting in Germany in the early 1880s, social insurance programs had developed which included health components. European government health plans were either compulsory insurance systems or programs of subsidy to voluntary plans. These European programs were created in part as a counterweight to the threat of socialism or as responses to social unrest among workers. In the U.S., the socialist threat was less of an issue. So a more *laissez-faire* system, increasingly controlled by doctors, developed.

A major exceptions to the *laissez-faire* model were the Workers' Compensation programs that all states adopted in the early 20<sup>th</sup> century. Workers' Comp required employers to provide insurance to their employees against income interruption resulting from disabling industrial accidents. Both social reformers and the business community came to support such state programs. Business was concerned about the growing expense of lawsuits from accidents being filed through the conventional court system and joined the reformers hoping to hold down these costs.

Workers' Comp was intended to be "no fault" insurance which paid injured workers quickly without prolonged court litigation. But it also protected business from having to face large jury awards to workers. Since Workers' Comp systems were primarily income interruption insurance – rather than health insurance – doctors essentially accepted this development. California first initiated its plan of Workers' Comp under Governor Hiram Johnson in 1911.

However, Workers' Comp provided only for disabling injuries on the job. If a worker became ill from causes unrelated to work, or was injured off the job, no benefits were provided. In principle, workers might buy private insurance against accidents and sickness. Or they might obtain coverage through unions or fraternal groups. But such policies were rare. To the extent private insurance companies saw an opportunity to market to ordinary workers, it was in sales of small "industrial" life insurance plans (essentially burial insurance).

In part because of the European model and the growth of Workers' Comp, some reformers became interested in promoting government health insurance in the U.S. Theodore Roosevelt, for example, whose 1912 presidential campaign with Hiram Johnson was previously mentioned, saw such a program as a way of strengthening the American population. In 1915, the American Association for Labor Legislation (AALL) began to promote a model health insurance bill for state legislatures to adopt. (Hirshfield 13-17)

Some doctors were sympathetic to the AALL idea. After all, with a state plan to pay medical fees, there would be more customers for physicians and unpaid bills would no longer be a problem. Years later, Harry Truman would wonder why doctors adamantly opposed his plan to subsidize use of their services. (Ferrell 302-303) But the simple answer was that with state or federal authorities paying medical bills, there would be a risk of government-set fees to hold down costs. Doctors feared their incomes would be squeezed by controls.

### **Early California Proposals**

California under Governor Hiram Johnson was a hotbed of progressivism. Thus, it is not surprising that the AALL proposal for health insurance would have particular resonance in the state. An initiative to amend the California constitution to allow a state-run health insurance plan appeared on the ballot in 1918. At the time, the national American Federation of Labor opposed state or federal plans. (Anderson 76-79) Government was not seen as a friend of unions in this pre-New Deal period. Nonetheless, many unionists within California supported the idea.<sup>6</sup>

The insurance industry, however, was opposed because the model bill included a death benefit element that would have replaced commercial industrial life insurance. Business feared

that provision of sick pay would foster malingering by workers. And California physicians ultimately opposed the proposal as well; the fear of government-set price controls outweighed the benefits – as doctors saw them – of a government subsidy for purchase of their services.

Finally, the fact that such proposals could be depicted as “German” made them unpopular in the World War I era. Health insurance, it was said, would lead to a “Prussianization of America.” (Numbers 7) It was also argued that Germany was promoting the system in other countries to raise costs of production abroad and reduce foreign competition. Not surprisingly, the ballot argument in favor of the amendment alluded to the *British* system and avoided mention of Germany. Despite such defenses, the California proposition was defeated 27% to 73%. In other states, including New York, state health insurance proposals died in the legislature.<sup>7</sup>

The health insurance issue lay dormant in California until the Great Depression. In 1934, President Roosevelt established a Committee on Economic Security to draw up his social security plan. Initially, there was consideration of including a health insurance component to go with the centerpiece pension plan. However, strong doctor opposition made it likely that inclusion of health insurance would scuttle the entire bill (which also included unemployment insurance and subsidies to various state welfare programs).<sup>8</sup> (Hirshfield 42-70) Nonetheless, the New Deal energized advocates of social insurance and put the issue of government health insurance back in play at the state level.

In 1935, the California Medical Association’s House of Delegates actually proposed a state plan for lower-income workers – under doctor control, of course. Such a plan, if there had to be one, would be more tolerable to the medical establishment as a doctor-run system. The doctors drafting the plan were impressed with a California survey by UCLA Professor Paul A. Dodd showing that lower-income state residents often could not afford health care. Included in the Delegate’s resolution was a pledge to cooperate with the legislature in initiating a plan. Similar action was taken by California State Dental Association and the California State Nurses Association. (California Senate 83-85)

But reformers in California didn’t like the degree of doctor control in the CMA proposal and opposed it. And within the medical fraternity itself, the proposal became so controversial that the CMA soon dropped it. The CMA’s proposal ran against the official position of the national American Medical Association that had been adopted only a few weeks before. (Somers and Somers 318; Paul Starr 272; Ross [1935a] 213-217, 268-269; Hirshfield 78) Although CMA’s support for a state system was short-lived, proponents of state health care thereafter would point to the medical establishment’s brief flirtation with the idea whenever CMA opposed later plans.

## The Olson Plan

California politics changed dramatically in 1938 with the election of Culbert Olson as the first Democratic governor in the 20<sup>th</sup> century. Olson had been active in the prior 1934 gubernatorial campaign of author Upton Sinclair, the famous EPIC campaign (for *End Poverty in California*). Sinclair’s program entailed taking over factories and farms idled by the Great

Depression and turning them into cooperatives, all this to be financed by a new state monetary authority. EPIC radicalism so frightened the business community that it sponsored an overwhelming campaign against Sinclair. Although Sinclair was defeated, his campaign made the Democrats the majority party in California leading to Olson's later election.

Included in the Democrats' 1938 campaign platform was state health insurance. Thus, advocates of such plans – such as John Randolph Haynes, whose foundation provided study grants for social issues – were re-energized. (Sitton 65-68) Various liberal faculty at the University of California, Berkeley – including physicist J. Robert Oppenheimer who later directed the Manhattan Project – formed a committee in 1938 that drafted a proposed health bill. (Earl Warren Oral History, Huntington, pp. 56-57) Olson appointed two members of this committee to formulate his proposal. It appeared that a state health plan was a real possibility for California.

Citing the precedents of state Workers' Comp and Unemployment Insurance, Olson proposed a compulsory health plan in 1939 that would have covered workers with incomes below \$3000 per year, about 90% of the workforce at that time. The self employed would be allowed to enroll on a voluntary basis (Paul Starr 306; Olson 15-20) Olson's plan was to be financed by a 1% payroll tax on both employers and employees, to be matched by an additional 1% from the state. The new governor proclaimed the plan to be a "central policy" of his administration. (Burke 177)

Payments to doctors under the Olson plan were to have been on a capitation basis rather than fee for service. Olson indicated that capitation would better contain state costs and require less government supervision. He argued in addition that voluntary insurance inevitably would suffer from "adverse selection," i.e., only those with above-average health risks would enroll. That tendency would drive up premium costs and limit coverage. Thus, universal coverage (below the income cap) was a necessity for California.

At around the same time, U.S. Senator Robert F. Wagner (Sr.) was pushing a bill in Congress that would have provided a subsidy to the states for "general programs of medical care." (Huthmacher 264) Thus, if the Wagner bill had passed, some federal aid to the California plan might have been forthcoming. However, FDR did not endorse the Wagner proposal, knowing it would incur strong doctor opposition, and it didn't pass.<sup>9</sup> And in California, a powerful "Economy Bloc" in the legislature was fretting about the state's budget deficit and was not inclined to add a new, potentially expensive program.

Olson lacked important skills in political persuasion and his administration was viewed in hindsight as "inept." (Harris 6) He seemed to believe that the Democrats in the legislature would automatically support his health plan simply because it was part of the 1938 campaign platform. But many Democrats didn't. An initial appropriation for the plan included in Olson's budget proposal was removed and it was charged that the Governor was trying to "smuggle" the plan into law through the budget.

Doctors were strongly opposed to any form of state health insurance in 1938, as was the business community. Deals were cut and the California Federation of Labor ultimately joined the opposition coalition to kill Olson's bill. (Burke 178) Olson resubmitted his plan to the next legislative session but by then it was dead on arrival.

## **DEFEAT OF THE FIRST WARREN PLAN**

Earl Warren, as state attorney general, feuded with Governor Olson on a variety of issues. After defeating Olson in the 1942 gubernatorial election, Warren had an advantage that Olson never enjoyed. Unlike the budget deficit Olson faced when he proposed his health plan, Governor Warren had the benefit of a state budget fattened by wartime prosperity. As World War II drew toward a close in late 1944, Warren thus had a freer hand to propose new social programs.

California's electorate had an elderly age profile in the 1930s and the state was roiled by senior politics as elderly voters demanded various public pension schemes. Pensionite politics and promises had played an important part in Warren's 1942 campaign and election. (Mitchell [2000] 107-147) But the war was drawing young workers into California who were attracted by jobs in the booming military-related industries. Health insurance was something that might appeal to the state's emerging demographics up and down the age spectrum.

## **Federal Revival**

In any event, health insurance was in the air again. The British Beveridge report, recommending a postwar welfare state for that country, was receiving significant attention in the U.S. Starting in 1943, New York Senator Wagner in an alliance with Montana Senator James Murray and Michigan Representative John Dingell, began proposing a series of national health insurance programs.

Unlike Wagner's 1939 bill, the new federal proposals did not involve merely subsidizing state plans. Instead, universal health insurance would be incorporated into Social Security as part of a Beveridge-style extension of the New Deal's economic programs. Such Democratic federal proposals made state-level plans seem less radical. Indeed, a Republican such as Warren could take the view that a state system would keep health care out of the hands of Washington bureaucrats.

Warren's motivation for proposing a state plan was undoubtedly mixed, however. It was sometimes said that he was reacting to his personal experience in dealing with the cost of medical treatment for a family member. But exactly who that person was remains unclear. In his memoirs, written many years after the events, Warren said he was upset by seeing the effects of ill health on "thousand of families" during the Depression. And he was concerned that "fake" health insurance policies were being sold.<sup>10</sup> (Warren [1977] 177) By the time Warren wrote his memoirs in the 1970s, he advocated a national health insurance plan. (Warren [1977] 189) But

he was more conservative in the 1940s and a state - rather than a federal - plan may have been more appealing to him.

### **Developing the First Warren Plan**

Given his earlier feuds with Olson, Governor Warren was not about to dwell on the broad similarity of his health proposal with that of his predecessor. Warren's memoirs refer to the brief flirtation of CMA with a state plan in 1935, but no mention is made there of the 1939 Olson proposal. Warren even managed to mention the formation of the voluntary California Physicians Service – an action taken by CMA in reaction to the Olson plan – without making reference to Governor Olson. (Warren [1977] 177, 188) Yet in fact Warren's staff had used the Olson bill as a starting point in working up the new proposal.<sup>11</sup> And he indirectly acknowledged the Olson episode by pointing out that the 1939 health plan had been defeated by the argument that the idea needed further study. So, the Governor suggested, there was no need for yet more study in 1945.<sup>12</sup>

Governor Warren clearly was more politically skilled than the maladroit Olson and he did not lack what today would be called “self esteem.” Undoubtedly he assumed – based on his record in other areas of legislation - that he could overcome the opposition that would inevitably arise to any state health bill. Public opinion was fluid on health matters. A 1943 poll conducted by CMA found that about half the population supported “socialized” medicine. But it also found that support for a government plan fell sharply if an alternative private solution were offered. (Paul Starr 282) The logical conclusion was that public opinion – and, therefore, legislative opinion – could be molded to accommodate a state plan, given appropriate leadership. To help marshal public opinion, the Warren staff gathered information on draft rejection rates to show that many young men of conscription age were unhealthy.<sup>13</sup> In addition, it was erroneously reported to Warren that Governor Dewey was about to introduce a health plan in New York.<sup>14</sup>

Still, Warren had what some members of the legislature – including those of his own party – viewed as an exclusive inner circle of advisors. In keeping with his “bipartisan” stance, these advisors and staff members might be Republicans or Democrats. But only some favored lawmakers were included. Given the controversial nature of a state health proposal, those outside the circle in the legislature would need strong persuasion. Warren, however, did not make a special effort to prepare the legislature for his plan. (California State Archives, “Johnson” 69-71)

In one respect, the lack of advance preparation was not surprising. Warren generally took a “hands off” approach to the legislature, announcing proposals and providing persuasive background information. But he avoided advance cultivation of support with individual legislators. (Bernstein 120-123) Warren believed in compromise when necessary. However, he hoped that he could drum up enough public pressure behind his proposals to move recalcitrant members of the Assembly and Senate indirectly. Often, this strategy worked. For example, Warren was able to impose a gasoline tax in this way to begin the development of the freeway system despite strong objections of, and lobbying by, the oil industry.

Part of the Governor's strategy for mobilizing public opinion involved the formation of citizen committees and the holding of public conferences on areas of concern such as state old-age pensions, crime and penal issues, unemployment insurance, and other public policies. These conferences and committees would produce recommendations that the Governor would then promote. (Bell 247-279) Curiously, in the case of his state health plan – which was bound to meet opposition – Warren did not follow this route. Rather, the plan was hatched within the administration and then announced.<sup>15</sup>

Warren took a personal role in the drafting of the plan, stating in early January 1945 that developing the details would be the “main order of business” in his office. He claimed to be working until after midnight on the plan.<sup>16</sup> This personal involvement may have reflected Warren's presidential ambitions. He was already a national figure, having turned down a run with Dewey as the Republican vice presidential candidate in 1944. Establishing a health insurance system in California could be a big asset in a possible 1948 Warren campaign for the presidency. Washington – officials in the Warren administration noted at one point in the debate over health insurance – was looking at the California proposal with interest.<sup>17</sup>

Warren did believe in dealing with thorny issues by consulting with affected interest groups. Clearly, doctors were likely to be the major opposition. However, the Governor felt he had good relations with CMA after letting CMA officials recommend his director of the Department of Public Health: Dr. Wilton Halverson. Thus, in late 1944, he met with a group of key CMA officials and indicated that he would be formulating a state health plan, the general outlines of which he provided. But even the bare facts of that meeting proved controversial.

## **The Doctors React**

There are conflicting stories about exactly what was promised at the meeting with CMA officials. One of the key participants, Dr. John W. Cline (later president of the CMA) claimed that Warren promised that the officials would be able to discuss his plan with the CMA's House of Delegates early in 1945. According to Cline, no public announcement of the plan by Warren was to be made until after this discussion. Others in the Warren administration, however, dispute that account.

In any event, the Warren plan was announced in late 1944 – before the CMA Delegates could meet. Years later, Cline was still so angry at Warren that he would not even acknowledge in an interview that the Governor was physically a large man. (He was 6 feet tall and weighted 215 pounds.) Yet Warren and his aides had the impression after the initial contact CMA would not oppose his plan. (Earl Warren Oral History, “Earl Warren and Health Insurance,” Cline segment; “William T. Sweigert” 77; “The Governor” 49) They became aware of the doctor's likely opposition, however, almost immediately.<sup>18</sup> And indeed, when the CMA delegates met in early 1945, they opposed the Warren plan.

Dr. Halverson – Warren's Director of Public Health – was in a delicate position when he attended the CMA Delegates meeting. He at first thought the Delegates might go for a study of alternative plans with action delayed until 1946. But as it turned out, at most, the doctors would

endorse an extension of unemployment insurance to cover hospital costs of the unemployed.<sup>19</sup> Warren, perhaps sensing the inevitable opposition, politely declined to attend the CMA House of Delegates meeting.<sup>20</sup>

Cline became a key CMA figure in managing the opposition to the Warren plan. He, for example, hired the California political consulting firm – Whitaker and Baxter (also known as Campaigns, Inc.) – to handle the campaign against a state health plan. Clem Whitaker, Sr. and Leone Baxter, a husband-and-wife team, had run the Republican gubernatorial campaign against Upton Sinclair in 1934.

Whitaker and Baxter had worked for Earl Warren during his first campaign for governor in 1942. But there had been a falling out between Whitaker and Warren before the election and there remained great enmity between them. (California State Archives, “Whitaker” 48) Whitaker happily signed up to lead the anti-Warren plan effort but he advised Cline that the medical profession had to be pro-active. California Physicians Service, the CMA’s voluntary insurance plan, needed to be expanded as an alternative to Warren’s proposal.

The California business community reacted more slowly than the doctors in assessing the Warren plan. Initially, the state’s Chamber of Commerce issued a fairly neutral analysis of the Warren plan and other competing health bills. (California State Chamber of Commerce) But by late February, the Chamber was openly opposed – arguing that the plan would make California less competitive with other states by boosting payroll taxes. It was also argued that a state budget deficit would result from the plan.<sup>21</sup>

## **Conflicts and Concerns**

If doctor and business opposition were not a sufficient headache, the Warren administration also became quickly aware of a rival bill the Congress of Industrial Organizations (CIO) planned to submit.<sup>22</sup> In the 1940s, organized labor was split into two camps, the American Federation of Labor (AFL) and the more radical CIO that had split off from the AFL in 1935. Warren’s plan involved fee-for-service reimbursement of medical services through a state health insurance fund. The CIO, however, wanted a capitation system – not fee for service. So there would be dueling health bills in the legislature and a divided labor movement. The rival and more conservative AFL would support the Warren plan while the CIO pushed its own proposal.

And there were groups that felt left out of the Warren plan and wanted in: chiropractors, visiting nurses, Christian Science healers, optometrists.<sup>23</sup> The state’s two nascent HMOs, Kaiser and Ross-Loos, had their doubts about the Warren plan. How would organizations that were based on capitation fit into a plan based on fee for service?<sup>24</sup> The answer was not clear. Eventually Warren had to assert that his plan would somehow accommodate capitation systems.<sup>25</sup>



## The First Warren Proposal

The Warren plan (AB 800 – SB 500) was to be financed by a 3% payroll tax with 1.5% paid by employer and the other 1.5% paid by the employee. Employees and their dependents would be covered. A new state authority would administer the plan under a 10-member board with the Director of Public Health as an *ex-officio* participant. There would be three employer representatives (with one a farmer), two from organized labor (presumably AFL and CIO representatives), one from public employees, three physicians, and one dentist. Coverage would extend to wage earners with annual pay between \$300 and \$4,000. Routine doctor services would be covered plus a variety of related services such as hospitalization and X-rays. Doctors would be free to join or not join the plan. Those that joined would be paid on a fee-for-service basis.

Warren's plan was immediately in competition with the CIO bill (AB 449) with its capitation feature and a higher wage limit: \$5,000. The CMA submitted a bill (AB 1200) proposing that workers receive cash sickness benefits from the unemployment compensation fund with incentives to enroll in voluntary plans, such as the CMA's California Physicians Service.<sup>26</sup> Finally, the California Farm Bureau submitted two bills (SB 218 and 219) to increase access to county hospitals and to license voluntary plans through the Department of Public Health.

It was not until late January that the Warren administration began plotting strategy to influence public opinion. A question-and-answer release was drafted.<sup>27</sup> The health proposal was depicted as based on the same principle as government funding of the public schools. Favorable editorial comments on the Warren proposal were highlighted. Private individuals who might be good spokespersons for the Warren plan were identified.<sup>28</sup> An attempt was made to try and persuade the CIO to back the Warren bill. But the CIO – although moveable on some issues – would not abandon capitation for the Governor's fee-for-service approach.<sup>29</sup> Its position was that without capitation, the proposed system would not be financially viable. By arguing that point, the CIO gave weight to other critics of the Warren plan who claimed it was fiscally unbalanced.

## Defending and Defeating the First Warren Proposal

It was soon apparent that a strong campaign would have to be mounted if the Governor's plan was to be enacted. Two radio addresses by the Governor were arranged for late February.<sup>30</sup> In the first he outlined his plan, arguing that the insurance principle was needed for medical expenses. In the second he attacked CMA opposition – particularly the argument then being made by CMA that the plan was fiscally unbalanced and would lead to a large state budget deficit and new taxes. He characterized such arguments as scare tactics. But, of course, the CMA also had access to radio and made their own presentations to the public on the subject of compulsory health insurance.

In neither of his two radio speeches did the Governor mention the rival CIO bill. Warren may simply not wanted to give it publicity. But the CIO bill represented more than just another

alternative. It was similar enough to his own plan that both could be joined by opponents such as CMA as the “Warren-CIO” proposal. (Harvey 230) Given the reputation of the CIO as the radical branch of the labor movement, the link between the Warren bill and the CIO bill tended to create the impression that the Warren bill was just another facet of union radicalism.

Apart from radio, the battle was also fought out in the state’s newspapers. Some papers, such as the *Sacramento Bee* and the *Los Angeles Daily News* supported the Warren proposal. Others, such as the *Los Angeles Times*, opposed it. Whitaker and Baxter used a distribution network known as the California Feature Service to provide editorials opposing the plan to smaller newspapers around the state.

Part of the Warren administration’s tactics involved presentation of expert testimony in legislative hearings. There were California academics active in the health care area, notably the previously-mentioned Prof. Paul A. Dodd of UCLA who had become active in the field during the debate in the mid 1930s. As an outgrowth of that episode, Dodd and his colleague Prof. Ernest F. Penrose of UC-Berkeley had published a monumental report on health conditions in the state in 1939, around the time of the Olson proposal. The report was based on a survey of physicians, hospitals, and other providers and suggested that California had unmet health needs, particularly among the low income population.

Yet Dodd was not judicious in his words. The Dodd-Penrose report referred to opponents of compulsory health insurance as “reactionaries,” called for government takeover of private hospitals, and insisted state health insurance should be on a capitation basis. (Dodd and Penrose 430-431, 440) The last point, of course, was the CIO position, not Warren’s. So the Warren administration looked for expertise elsewhere.

However, in the contention surrounding the Warren proposal, even academic experts from outside California did not get off lightly. Dr. Nathan Sinai of the University of Michigan was a recognized expert on health insurance brought in by the Warren people to testify before the legislature. Unfortunately, however, his degrees were in veterinary medicine and public health. Sinai was ridiculed as a “horse doctor” and someone whose real expertise was in “mosquito abatement.” (Earl Warren Oral History, “Wollenberg” 383; Sweigert 82) Questions were raised about whether state funds were used to transport him to the hearing. Dr. Sinai was left asking plaintively “What has all this to do with the validity of my testimony concerning this legislation?”<sup>31</sup>

What finally killed Warren’s first proposal were legislative tactics rather than debate over academic research, however. Opponents argued that a two thirds vote would be needed on the Warren plan under legislative rules, something the Warren administration disputed.<sup>32</sup> But ultimately there was no direct vote at all. In early April, the Assembly’s Public Health Committee by a vote of 7-3 refused to send the Warren bill and the CIO bill to the house floor. The Republican floor leader then publicly advised Warren to drop the matter lest the rest of his legislative agenda also be scuttled.<sup>33</sup>

Warren angrily refused such advice and an attempt was made to have the Assembly as a whole vote to bring health insurance to the floor. The debate was acrimonious. Opponents noted that the floor manager of the Warren bill, Assemblyman Albert Wollenberg of San Francisco, had voted *against* the Olson plan in 1939. Wollenberg retorted that his thinking had “advanced” since that time and that the Olson plan differed from the Warren plan. But in the end, the vote was 39-38 against bringing the Warren plan to the floor. The CIO bill was also left bottled up in committee by a vote of 42-34.<sup>34</sup>

### **Back Again: The Second Warren Proposal**

Rather than acknowledge defeat, Warren came back with a second plan covering just hospitalization for employees and dependents. His hospital-only plan foreshadowed the scaling back two decades later of ambitions for health insurance at the national level, i.e., a program limited to Medicare/Medicaid. Because a hospital-only plan was cheaper, Warren’s second plan involved a 2% payroll tax split between employer and employer (rather than the 3% of the defeated bill). The tax would apply to the first \$5,000 in wages and the plan (AB 2201) would cover 30 days in the hospital. There were two reasons for such an approach. Historically, hospitals were less resistant to experimentation than doctors. Thus, the earliest hospital insurance plans – that became Blue Cross – pre-dated the doctor-run plans that became Blue Shield. In addition, by taking doctors out of the plan, Warren may have hoped to defuse CMA opposition.

But there were two problems with this strategy. If the hospital-only Warren plan passed, it might well eventually lead to a wider plan that included doctors at a later date. Indeed, the CMA made this foot-in-the-door argument. (Harvey 237) In addition, if hospitals had a plan, they might begin offering medical services in competition with doctors. Thus, the CMA was as adamant in opposition to the second Warren plan as it was to the first.

Ultimately, the fate of the second plan followed the script of the first. The Warren hospital plan was tabled 8-5 in the Assembly Public Health Committee. An attempt was made on the floor to draw it from the Committee. Warren held out the specter of a medical/financial disaster for the state’s population if a repeat of the post-World War I influenza epidemic were to occur after World War II.<sup>35</sup> Opponents argued that it was illegitimate for the Governor to “lobby” on behalf of his own legislation.<sup>36</sup> And the motion to bring the bill to the Assembly floor failed 45-32, thus ending the Warren effort for the 1945-46 legislative session.

### **CATASTROPHIC INSURANCE**

Warren’s defeat by the medical establishment in 1945 did not seem to dim his popularity with California voters. In 1946, Warren succeeded in winning both the Republican and the Democratic nominations for re-election as governor in the primaries under the cross-filing system the state allowed at the time. He was opposed only by minor candidates. With his mandate renewed in the regular November election, Warren felt he was in a good position to obtain a health insurance bill.

## Warren's Third Plan

In late 1946, the Governor announced a new health care proposal for consideration in 1947.<sup>37</sup> The new plan involved catastrophic health insurance for employees and dependents, i.e., it was for major medical expenses which involved hospitalization rather than for comprehensive care.<sup>38</sup> Moreover, the growth of employer-based voluntary insurance since 1945 was recognized in the proposal.

Warren's third plan had what would today be called a "play-or-pay" feature. Employers and employees covered by a private plan that at least included benefits equivalent to the proposed state plan would be exempt from the program. But employees and employers without such private coverage would pay a 2% payroll tax on the first \$3,000 of wages (split between employer and employee) and be part of the state system.

This time legislative action was centered in the state Senate rather than the Assembly. Senator Byrl Salsman carried the Governor's plan (SB 788). On a 3-2 vote, a special Senate committee on health insurance recommended the plan to the full body. Doctors, hospitals, and business interests quickly opposed the plan. The Warren plan was tabled by the Committee on Governmental Efficiency on a 9-0 vote and there the Senate bill died. With the Warren proposal dead in the Senate, the Assembly took no action on the companion bill (AB 1500). Again, the Assembly bill remained tied up in the Public Health Committee.

## After Defeat

Although Warren continued to advocate state health insurance into the early 1950s, he essentially moved on to other health-related issues as his various bills were defeated. He became concerned with more conventional public health questions and with hospital construction. Thanks to 1946 congressional legislation – the Hills-Burton Act – federal aid was available for such construction. Hills-Burton, it might be noted, was a byproduct of Senator Robert F. Wagner's agitation for a more comprehensive national health insurance plan. (Huthmacher 321)

Mental health was also targeted by Warren. That issue had captured public attention with the spread of Freudian ideas to the U.S. (and to Hollywood) and through such popular films as *Spellbound* (1945) and *The Snake Pit* (1949). California did adopt a State Disability Insurance plan that paid benefits to employees unable to work because of an injury or illness that occurred outside the workplace.

After Warren, the idea of a state health insurance plan was resurrected in California from time to time. Even in the 1990s, as will be described below, two propositions to set up state plans appeared on the California ballot – but both were defeated. The only state to implement a health plan – and one quite different from Warren's – was Hawaii in the 1970s.<sup>39</sup> (Gottschalk 25, 56) Defeat of the Warren proposals meant that if there were to be a government health insurance program, it would have to be at the federal level. And without a state-level California plan in

place as a model, any federal plan that might be considered could not be based on supplementing or coordinating state programs.

## NEW YORK DEVELOPMENTS

Since New York Governor Dewey opposed a state health plan, advocates of widespread health insurance in that state had to seek an alternative. Within New York State, New York City accounted for over half the population in the 1940s. Its nominally Republican mayor – Fiorello La Guardia – harbored presidential ambitions of his own and resented Dewey’s greater ability to pursue them.<sup>40</sup> The flamboyant mayor, who had close ties with organized labor, was impressed with the ability of local apparel unions to provide health care for their members. (Kessner 398-399, 462-470) But for the vast majority of workers, such arrangements were not available. As early as 1934, the Mayor had urged the local medical community to work out a group insurance system with the state legislature – but to no avail.<sup>41</sup>

### A Municipal Response

Personally, La Guardia preferred a plan of national health insurance – and said so publicly.<sup>42</sup> But he realized that neither a federal nor a state plan was likely in the immediate future. La Guardia felt that the City could not afford to operate a plan for all its residents. So the Mayor responded to a study by the City’s municipal credit union outlining the financial problems faced by city workers when they became ill. (Kessner 553-554) He set up a committee to study a prepayment plan for city employees in 1943. Just as the California medical establishment, under threat of the Olson plan, had set up a prototype Blue Shield, so – too – did New York doctors when La Guardia announced his study.<sup>43</sup> Doctors on the committee pushed for a traditional fee for service approach within a plan limited to those of very low income. No committee consensus could be reached.

But Mayor La Guardia was not one to be frustrated. So given the deadlock, he set up a new committee. Aided by foundation loan support, the result was the Health Insurance Plan (HIP). Among the members of HIP’s original board was none other than Henry J. Kaiser, whose firm had fostered Kaiser Permanente in California.<sup>44</sup> Unlike Kaiser Permanente, however, HIP did not own hospitals nor did it directly employ doctors. Instead, it contracted for service on a capitation basis with groups of doctors for medical services. HIP required enrollees to choose primary care physicians who acted as “gatekeepers,” referring patients to specialists when it was thought necessary. (Jaskow 136-137) It had, in short, procedures that appear in contemporary HMOs and managed care systems.

When it started operation in 1947 (after La Guardia was no longer mayor), HIP had 400 doctors under contract in 22 groups. (Paul Starr 322) For hospitalization, HIP was combined with Blue Cross. Although HIP was compulsory for city employees, other nonprofit employers were encouraged to join. Private employers, labor unions, and fraternal organizations could also join.<sup>45</sup> But individuals were excluded to avoid problems of adverse selection.<sup>46</sup> (Deardorff 157)

By creating a health plan that went beyond government workers, La Guardia had differentiated his program from earlier plans for government employees. For example, as noted earlier, San Francisco City and County employees had a plan established for them in 1937. But that program was not open to other groups. (Garbarino, 206-207) Similarly, the Group Health Association of Washington, D.C. was set up for federal workers. In contrast, public policy in New York City had created a health plan that was built on city workers but was aimed at attracting non-government groups. HIP had the trappings of the HMOs and managed care systems in use today. Of course, as his committee worked out the details of the plan, La Guardia continued to hope that HIP would somehow spark creation of a national program of comprehensive health insurance.<sup>47</sup> But, as it turned out, he had helped foster something else.

### **Dewey Defeats Warren?**

While California - after the defeat of the Warren plans - basically followed the national trend to voluntary employer-provided insurance, New York actively shaped that trend in an innovative fashion. True, La Guardia viewed the HIP approach as a temporary expedient until New York's U.S. Senator Wagner or someone else succeeded in obtaining a federal system. But it was already clear that Congress - as constituted at the time HIP began - was not receptive to a national program.<sup>48</sup> Whether intended as a temporary program or not, the New York City plan ultimately became a prototype for the future American medical system.

Dewey didn't defeat Truman. But perhaps it can be said that in the long run, Dewey's opposition to state health insurance (indirectly through La Guardia) defeated his running mate Warren's advocacy of such plans. That is not to say that this outcome was optimal. HIP's early enrollees tended to be more educated, more likely to be in professional and semi-professional occupations, and of higher income than the general New York City population. And they were less likely to be members of minority groups. (Commonwealth Fund 21-28) This pattern, easily observed in the U.S. and California today when insured and uninsured populations are compared, is a predictable outcome of a job-based, voluntary system.

### **THE TRUMAN SHOW**

Thanks to Monte M. Poen's book, *Harry S. Truman Versus the Medical Lobby*, the turning point on the health insurance issue is often seen as being the federal rejection of a compulsory health insurance system in 1949. But other Truman historians are less certain about Poen's depiction of Truman's advocacy of national health insurance. Hamby, for example, argues that Poen's view is based in part on interviews with Truman that the former president colored. ("Truman regaled him with mostly inaccurate stories of his fight for universal health insurance...") (Hamby 630) In any event, the Warren-California episode is generally seen as a minor footnote to the federal debate of that era.

## A Strong Proponent?

But there are serious questions about the intensity with which President Truman pursued, or was able to pursue, a national health plan. Truman became president on the sudden death of Roosevelt in 1945. He was an accidental president without the power that FDR had to “awe” congress. (McCullough 476) Moreover, the new president had much with which to contend, aside from health insurance. Initially, he had World War II to conclude including the decision to drop the atomic bomb on Japan. The postwar foreign policy scene involved creation of new institutions such as the United Nations, the onset of the Cold War with its various crises such as the Berlin blockade and airlift, the Marshall Plan, the Korean War, etc. On the domestic side there was a postwar wave of strikes – which strained Truman’s relation with organized labor – a related battle with Congress over the Taft-Hartley Act, and general postwar conversion. Part of the last involved terminating wage-price controls, a program that had indirectly encouraged employer-provided benefits.<sup>49</sup>

From the beginning, Truman was willing to endorse the idea of national health insurance. But before the 1948 presidential election campaign, he was not prepared to do much more than that – especially given the conservative Congress. The nominal endorsement was mainly a way of maintaining his base among liberals. (Hamby 363-364) Meanwhile, labor unions had begun to negotiate their own employer-based health plans. Under wartime wage controls, fringe benefits received favorable treatment as early as 1942. (Gottschalk 41-53)

The CIO began emphasizing health and welfare plans in its bargaining strategy in 1946 as lack of progress toward such arrangements at the national level became obvious. Union pressure for such benefits was given added force by the Supreme Court’s *Inland Steel* decision of 1948. The decision declared that union demands for health insurance were mandatory subjects of bargaining.<sup>50</sup> Thus, an important constituency for the Democrats – organized labor - was increasingly finding its own private source of health insurance without federal provision in the late 1940s.

## Truman and Warren

The failure of Warren’s health plan in California was also something of which Truman was aware, even if contemporary historians have neglected it. (Weaver 138) Because of the state’s odd politics and behaviors, Truman regarded California as a land of “crackpots” – as did much of the country. (Ferrell 128) But he had a warm relationship with Governor Warren that persisted throughout the President’s two terms in office and beyond.<sup>51</sup>

Warren had made a name for himself as California’s attorney general by closing down offshore gambling ships near Santa Monica in the late 1930s. When as governor he needed federal help in preventing a recurrence of such gambling, Truman provided assistance. (Warren 137) Truman considered Warren for an ambassadorial appointment at one point. (Donovan 168) And he publicly castigated the Republicans for picking Richard Nixon instead of Earl Warren as their vice presidential candidate in 1952.<sup>52</sup> (Poehner 206) Later, Warren served on the board of the

Truman presidential library and referred to the former president as "tireless, fearless, and decisive." (McCollough 961)

During the 1948 presidential campaign against the Dewey-Warren ticket, Truman *did* make an issue out of national health insurance. It was a good issue for him. Given Warren's attempt to push through a comparable plan in California, the Republicans had difficulty in counterattacking. To do so would highlight the Dewey-Warren division on that issue. Shortly before the Republican convention, Dewey was decrying "politicians (who) want to relegate the business of curing sick people to the dead level of government mediocrity."<sup>53</sup> Meanwhile, Warren was defending his state health plan in the pages of *Look* magazine against those who used "ideological blackjack slogans" to oppose it. (Warren [1948] 60)

Truman's successful strategy in 1948 was to run against the Republican Congress. He called Congress back into session during the summer of 1948, knowing it would not enact proposals appealing to the electorate, among them national health insurance. Congress reacted as expected and thus gave Truman his issue. But Truman did not himself develop a detailed health insurance plan. Rather he relied on the existing Wagner-Dingell-Murray proposal. The President didn't need to develop an elaborate plan; after all, the objective was to have the Republicans reject the basic concept.

### **The 1948 Campaign and its Aftermath**

Moreover, as noted earlier, the Democrats were split into three factions in 1948. Southern segregationists followed Strom Thurmond into his Dixiecrat campaign for president on the right. On the left, former vice president and secretary of agriculture Henry Wallace split off and also ran for president. Truman was left in the middle as the official Democratic candidate.

While Truman felt he had to write off the segregationist vote, he decided to bid for the left/liberals attracted by Wallace.<sup>54</sup> National health insurance appealed to potential Wallace voters and could also be viewed as a middle class issue. (Donovan 126) Truman knew, moreover, that the Republican congress would reject the proposal – which it did. His plan was to run against the Congress and argue that Dewey would become its captive. (McCollough 586, 644)

After Truman's upset victory in 1948, however, the American Medical Association had to take seriously the possibility that a revamped Congress might be pushed to adopt some sort of national health plan. Like Truman, the AMA had watched California's battle over the Warren proposal with interest. To defeat any federal plan, it imported the services of the same California political consulting firm that had helped defeat the Warren Plan, Whitaker and Baxter. The Whitaker and Baxter campaign was financed by a per capita assessment of \$25 on the AMA's 150,000 members.

At the same time, Senator Robert Wagner of New York, one of the key supporters in the Senate for national health insurance, was the victim of personal medical problems. He eventually had to resign his seat in 1949 due to ill health. And by late 1949, the national



proposal had been clearly defeated although Truman kept it on the nominal agenda thereafter. (Hamby 563) By that time, however, the Korean War had become a major diversion of presidential concern.

### **Programs for Non-Workers**

While a health insurance bill for working Americans was dead, the seeds of coverage for *non-workers* were already taking root.<sup>55</sup> Senator Robert Taft, one of the major Republican figures in Congress, proposed a health bill for indigents that would have provided federal aid to state programs as early as 1946. However, Wagner would not support the proposal; he regarded it as a weak substitute for his own plan.<sup>56</sup> Other such proposals for indigents were considered subsequently and eventually evolved into Medicaid in the mid-1960s. Disability insurance was added to Social Security in 1954 during the first term of President Eisenhower, despite AMA opposition. Eventually, Medicare for retirees was also added to Social Security, filling another major gap for non-workers.

### **UNIONS, EMPLOYERS, AND HEALTH COVERAGE**

Even before World War II, there were a few union contracts that included health insurance. Some of these agreements merely continued plans that employers had established before unions arrived on the scene. Indeed, as far back as the World War I era, some employers – as part of their programs of “welfare work” – had doctors and nurses on call to provide first aid and, occasionally, more extensive treatment. (Commons 364-365) But until the Supreme Court ruled that health benefits were mandatory subjects of bargaining, employers often explicitly reserved the right to discontinue these plans unilaterally. (Bureau of National Affairs, 232-234) Still, union plans covered “at least 600,000” workers in 1946.

By the 1950s, however, union-negotiated health plans were seen as a potential – although not necessarily actual - counterforce to the power of the medical profession in setting fees. Unions in the San Francisco Bay Area weighed the possibility of setting up their own “health centers,” basically HMOs similar to Kaiser, although ultimately this plan was not carried out. But some unions in California began pushing their health insurance business toward Kaiser. They found it was easier to negotiate over rates with the HMO than with myriad individual doctors and providers.

Of the 61% of the population of the Bay Area with health coverage, 63% had it through union plans in 1955. At the national level 12 million workers and another 17 million dependents were covered by union health programs by 1954. In 1960, one observer predicted that although “most of the major unions” would favor a government health plan of some type, but it would be one that was built around the private programs they had already negotiated. (Garbarino 7-10, 19, 31-32, 150-157, 178-203, 276-279) Effectively, this prediction foreshadowed the Clinton plan that was predicated on constructing a national system by expanding and supplementing job-based health insurance.

If Warren's plan had been enacted in California, before the great growth in union plans had occurred and had established job-based health insurance as the norm, U.S. history might well have been different. California was an important state by 1945. A California plan might have set the stage for other states to adopt similar plans. With state-level single-payer systems, union programs would not have evolved as they later did. Nonunion employers would not have defensively mounted their own plans to counter the union threat. The web of interest groups that make current reform difficult would not have developed.

The spread of voluntary, private employer-based health insurance hindered development of a government-run insurance plan in four ways. First, it provided opponents of government plans with a visible alternative. Second, it created a large group of individuals whose insurance was job-based. These individuals would be leery of any new program that might replace their existing coverage with something inferior. Third, it created within firms, and especially within large firms, a group of personnel executives whose status depended on running costly health plans. Their status would be undermined if the plans they administered were replaced by something external to the firm. (Martin 173) Fourth, union officials – too – acquired a vested interest in employer-provided plans, although ideologically many union officials like the abstract idea of single-payer plans. But union-negotiated benefits are a highly-visible product of collective bargaining, more tangible to members than a wage premium.

As noted, only one state – Hawaii – has implemented a state-level program since the Warren episode. And its plan did not come along until the 1970s. Moreover, the Hawaii plan – whose creation was heavily backed by organized labor - is based on an employer mandate, not a Warren-style state-run single-payer system. From a union perspective, requiring all employers to provide at least basic health insurance tends to reduce the labor-cost advantages of nonunion firms.<sup>57</sup> Given Hawaii's relatively small size (compared with California), its distance from the mainland, and its late entry into the health care debate, the Hawaiian system has not set a pattern for other states to emulate.

## THE ECHO OF WARREN'S DEFEAT

After passage of Medicare and Medicaid in the mid-1960s, there continued to be interest in some form of plan in California for universal health insurance. California State Senator George Moscone – later mayor of San Francisco - introduced a comprehensive plan in the legislature in 1972. Hearings were held but no such plan was adopted. At the federal level, the Nixon administration proposed a program based on an employer mandate. The most elaborate version – proposed as the Watergate scandal was nearing its peak – featured a 25% patient co-payment for medical expenses up to a cap of \$1,500. However, liberals in Congress opposed the Nixon plan for its dependence on private insurance; they wanted a government-run program. Compromise proved impossible and the proposal died.<sup>58</sup> (Wainess 305-333; Paul Starr 393-405; Gottschalk 68-75)

Two more decades would pass before a new proposal – the Clinton Plan of 1993 - was seriously taken up at the federal level. However, the Clinton proposal was in fact sandwiched

between two unsuccessful California ballot propositions. Proposition 166 bore certain similarities to what became the Clinton plan. The later Proposition 186 was a throwback to the old Warren idea.

### **Proposition 166**

By the early 1990s, managed care was much in vogue and doctors feared a squeeze on their incomes and professional discretion. In a distant rerun of its brief flirtation in 1935 with a state health plan, the California Medical Association put Proposition 166 on the state ballot in 1992. Its “Affordable Basic Care (ABC) Initiative” mandated employer provision of health insurance for employees working at least 17.5 hours per week (and for their families). After a phase-in period, all employers – even the smallest – would have been covered. Various state authorities would have been created that would have constrained the use of managed care cost containment approaches. The CMA hoped that the mandate of universal coverage would attract public support.

But Proposition 166 was opposed by liberal groups such as the California AFL-CIO, the California Nurses Association, and Consumers Union in combination with small business and anti-tax organizations. It was depicted by opponents as a doctors’ bill under which “the fox will be left guarding the chicken coop.” Unlike doctors, unions were not opposed to managed care *per se* since it held down the costs of the health plans they were negotiating. Small business did not want the mandate. In the same election that brought the Clinton administration to power with its promise to provide some form of universal health plan, California voters rejected Proposition 166 by 68 percentage points.

### **Clinton vs. Harry and Louise**

Like Proposition 166 – and unlike the Warren proposal – the eventual Clinton plan was built on the existing system of private health insurance provided primarily through employers. It sought to rationalize employer offerings into a more uniform system while extending coverage to the uninsured. The Warren plan, in contrast, was a single-payer program with the government as the insurer. While some reformers in the Clinton administration might well have preferred a Warren-style single-payer program, the President was committed to building on the existing system of employment-based coverage. Given the large number of workers and their dependents covered through job-based insurance, a move toward a single-payer arrangement was politically infeasible.

The Clinton plan was born in the presidential election campaign of 1992 during which candidate Clinton had made establishment of some type of national system a major issue. In 1991, Harris Wofford had won an upset victory in Pennsylvania for a U.S. Senate seat on the health care issue. This outcome suggested that the time was ripe for enactment of a new national plan. (Peterson 187) However, creating a workable plan that could attain majority support was easier for Clinton to promise than to accomplish.

The problem President Clinton faced in program design was coordinating the myriad employer-based plans so that they behaved as if they were part of a unified arrangement. Ultimately, the solution proposed was to create state-level “health alliances.” These alliances would cover all but the largest firms. Large firms could opt out and operate plans on their own.

Apart from the big firms, most employers would have obtained their health insurance through alliances that would have been managed by large insurance companies. That is, employers would have been the nominal financing agents of the Clinton system but not the administrators. But that feature meant that smaller insurance companies would have been knocked out of the health care market. These smaller insurance firms – along with small businesses that feared the added cost of providing mandated insurance – became the spearhead of the anti-Clinton plan campaign. Most notable in the campaign were the “Harry and Louise” TV commercials that would have made Whitaker and Baxter proud. The fictional couple would lament:

Louise: *“This plan forces us to buy our insurance through those new mandatory government health alliances.”*

Harry: *“Run by thousands of new bureaucrats.”* (Skocpol 138)

Indeed, there were other reminders of the 1940s when California consultants experienced in defeating health plans were imported to the federal level. Two California consultants active in the campaign against Prop 166 were brought into the anti-Clinton plan campaign in early 1993. (Johnson and Broder 203) But even apart from Harry and Louise and other opposition tactics, the Clinton administration was unable to mobilize other traditionally-Democratic constituencies. Organized labor had its own health plans and – in addition – was smarting over the Clinton administration’s support for NAFTA in 1993. The elderly, represented by the AARP, already had Medicare. For them, the Clinton plan – with its reliance on cost controls – might turn out to be a takeaway from what they already enjoyed.

The death of the Clinton plan produced severe political consequences for the Democrats, far more so than the death of the Truman plan in 1949. Energized Republicans took control of the Congress in 1994. Public reaction against perceived Republican radicalism in Congress then tilted the electorate back toward Clinton in his re-election campaign in 1996. Republican control of the Congress remained thereafter, but with a narrower edge. A partisan clash between the two branches of government characterized Clinton’s second term, capped by the impeachment proceedings.

Health care was eventually rejuvenated as an issue but in a much more incremental way. The focus moved to such items as extending health coverage to children of the working poor and prescription drug coverage for the elderly under Medicare. However, the basic problem of uncovered workers remains. Indeed, changing labor market and product market pressures have pushed employers away from providing comprehensive care. Absent a mandate or a massive subsidy, universal coverage through employment will not occur.

## Proposition 186

The defeat of the Clinton plan paradoxically energized supporters of universal health insurance in California. If federal action was not to be forthcoming, state action was an alternative. Moreover, if the Clinton plan had foundered on its complicated attempt to coordinate disparate employer offerings of health insurance, why not end the complication by imposing a state-run single-payer system?

Thus, the advocates of universal coverage in California returned to the Warren model with Proposition 186 in 1994, although most probably did not know of the Warren precedent. Had they looked at the Warren episode, they might have foreseen the inevitable result. Back in 1945, the provision of health insurance privately – and particularly through employers – was in an early and fluid state. By 1994, the system was cast in concrete. Although there were many uninsured Californians, the majority did have health insurance. For those below retirement age and not on welfare, such insurance came mainly from employment. Thus, conversion to a single-payer system would potentially threaten a large fraction of the electorate, a situation Warren did not have to face.

The advocates of Proposition 186, however, seemed to think that they could win in California and then spread the California approach to the rest of the U.S. This was clearly a delusion from the start. As noted, the only state to adopt a plan, Hawaii, uses an employer mandate, not single payer. And not surprisingly, Proposition was defeated by 73 percentage points, an even larger margin than experienced by the earlier Proposition 166 – the doctors' plan of 1992. Indeed, it was the same margin that defeated California's 1918 health plan proposal. Yet hope springs eternal; the proponents of Prop 186 somehow managed to view the massive voter rejection they received as a valuable learning experience. (Farey and Lingappa 133-152)

## CONCLUSION

In 1887, Edward Bellamy wrote the prophetic novel *Looking Backward* in which the U.S. of the year 2000 is depicted. The main character is put into an hypnotic sleep and wakes up 113 years later in a utopian society. The U.S. of the year 2000 was supposed to be a kind of technocracy in which a more-than-adequate income was assured to all and workers retired at age 45. Among the wonders of this fantasy 2000 was a system of consumption by credit card. In particular, a citizen needing medical treatment would go to the doctor of his/her choice – apparently there were no HMOs in Bellamy's paradise! - and simply hand in the card for appropriate accounting. (Bellamy 121-122)

Needless to say, Bellamy's health plan has not come to pass. Nor has Warren's more humble proposal. At the time of his death, Warren believed that a national health plan was needed. (Warren 189) But had he succeeded with his comprehensive and compulsory California state plan, a system might well have arisen in the U.S. under which states operated single-payer funds, possibly with federal assistance. The employer-based system of partial coverage that subsequently arose might not have expanded in the face of a network of state programs.

California is often seen today as a trendsetter. But in the 1940s, it set a trend by what it *didn't* do rather than what it did. In contrast, the New York voluntary employment-based HIP plan, fostered by public policy in the mid-1940s, looks much more like the contemporary scene of job-based health insurance and managed care than does Warren's forgotten proposal.

## References

---

- Anderson, Odin W. *The Uneasy Equilibrium: Private and Public Financing of Health Services in the United States, 1875-1965*. New Haven: College and University Press, 1968.
- Bell, James Robert. "The Executive Office of the California Governor Under Earl Warren, 1943-1953. Ph.D. dissertation, Department of Political Science, UCLA, 1956.
- Bellamy, Edward. *Looking Backward, 2000-1987*. Boston: Houghton Mifflin, 1887 [1917].
- Bernstein, Melvin Harry. "Political Leadership in California: A Study of Four Governors." Ph.D. dissertation, Department of Political Science, UCLA, 1970.
- Bureau of National Affairs, Inc. *Collective Bargaining Contracts: Techniques of Negotiation and Administration with Topical Classification of Clauses*. Washington: BNA, 1941.
- Burke, Robert E. *Olson's New Deal for California*. Westport, Conn.: Greenwood Press, 1953 [1982].
- California Senate. *Report of Senate Committee Appointed April 19, 1933 to Investigate the Advisability of a Health Insurance Act to Reduce the High Cost of Sickness*. Sacramento: California Senate, 1935.
- California State Archives State Government Oral History Program. University of California Berkeley.  
"Clement Sherman Whitaker, Jr. Oral History Interview." 1989.  
"Gardiner Johnson, Oral History Interview." 1983.
- California State Chamber of Commerce. *Health Insurance for California?* No city: California State Chamber of Commerce, Feb 1945.
- Commons, John R., and associates. *History of Labor in the United States, 1896-1932*, volumes III and IV. New York: MacMillan, 1935.
- Commonwealth Fund. *Health and Medical Care in New York City: A Report by the Committee for the Special Research Project in the Health Insurance Plan of Greater New York*. Cambridge, Mass.: Harvard University Press, 1957.
- Cray, Ed. *Chief Justice: A Biography of Earl Warren*. New York: Simon and Schuster, 1997.
- Deardorff, Neva R. "The Health Insurance Plan of Greater New York Begins Service," *Social Service Review*, 157-170. Vol. 21 (June 1947).
- Dodd, Paul, and Penrose, E.F. *Economic Aspects of Medical Services With Special Reference to Conditions in California*. Washington: Graphic Arts Press, 1939.
- Donaldson, Gary A. *Truman Defeats Dewey*. Lexington, Ky.: University Press of Kentucky: 1999.
- Donovan, Robert J. *Tumultuous Years: The Presidency of Harry S Truman, 1949-1953*. Columbia, Mo.: University of Missouri Press, 1996.
- Earl Warren Oral History Project, University of California, Berkeley.  
"Albert C. Wollenberg, Sr., To Do the Job Well: A Life in Legislative, Judicial, and Community Service." 1981.  
"Earl Warren and Health Insurance: 1943-1949." 1971.  
"Emily H. Huntington: A Career in Consumer Economics." 1971.  
"William T. Sweigert, Sr., Administration and Ethics in the Governors Office and the Courts, California, 1939-1975." 1987.

- Elliot, Lawrence. *Little Flower: The Life and Times of Fiorello La Guardia*. New York: William Morrow, 1983.
- Farey, Krista, and Lingappa, Vishwanath R. "California's Proposition 186: Lessons from a Single Payer Health Care Reform Ballot Initiative Campaign," *Journal of Public Health Policy*, 133-152. vol. 17 (2:1996).
- Ferrell, Robert H., ed. *Off the Record: The Private Papers of Harry S. Truman*. Columbia, Mo.: University of Missouri Press, 1980.
- Garbarino, Joseph W., *Health Plans and Collective Bargaining*. Berkeley: University of California Press, 1960.
- Gottschalk, Marie. *The Shadow Welfare State: Labor, Business, and the Politics of Health Care in the United States*. Ithaca, NY: Cornell University Press, 2000.
- Hamby, Alonzo L. *Man of the People: A Life of Harry Truman*. New York: Oxford University Press, 1995.
- Harris, Joseph P. *California Politics*. Third edition. Stanford: Stanford University Press, 1961.
- Harvey, Richard Blake. "The Political Approach of Earl Warren, Governor of California." Ph.D. dissertation, Department of Political Science, UCLA, 1959.
- Hirshfield, Daniel S. *The Lost Reform: The Campaign for Compulsory Health Insurance in the United States from 1932 to 1943*. Cambridge, Mass.: Harvard University Press, 1970.
- Huthmacher, J. Joseph. *Senator Robert F. Wagner and the Rise of Urban Liberalism*. New York: Athenium, 1968.
- Jaskow, Jules. "Medical Care Through Voluntary Insurance: The Health Insurance Plan of Greater New York." Ph.D. dissertation, Faculty of Political Science, Columbia University, 1953.
- Johnson, Haynes, and Broder, David S. *The System: The American Way of Politics at the Breaking Point* (Boston: Little, Brown, 1997).
- Kessner, Thomas. *Fiorello La Guardia and the Making of Modern New York*. New York: McGraw-Hill, 1989.
- Lothrop, Gloria Ricci. "Strength Made Stronger: The Role of Women in Southern California Philanthropy," 361-410 in Nunis Jr., Doyce B., ed. *Women in the Life of Southern California*. Los Angeles: Historical Society of Southern California: 1996.
- Martin, Cathie Jo. *Stuck in Neutral: Business and the Politics of Human Capital Investment*. Princeton, NJ: Princeton University Press, 2000.
- McCullough, David. *Truman*. New York: Touchstone, 1992.
- Mitchell, Daniel J.B. *Pensions, Politics, and the Elderly: Historic Social Movements and Their Lessons for Our Aging Society*. Armonk, N.Y.: M.E. Sharpe, 2000.
- Mitchell, Daniel J.B. "Warren's Wedge: An Historical Perspective on Wedge Issues in California Politics," 99-111 in Mitchell, Daniel J.B., and Nomura, Patricia, eds. *California Policy Options 1999*. Los Angeles: UCLA School of Public Policy and Social Research and Anderson Forecast, 1999.
- Numbers, Ronald L. "The Specter of Socialized Medicine: American Physicians and Compulsory Health Insurance," 3-24 in Numbers, Ronald L., ed. *Compulsory Health Insurance: The Continuing American Debate*. Westport, Conn.: Greenwood Press, 1982.
- Oliver, Thomas R., and Paul-Shaheen, Pamela. "Translating Ideas into Actions: Entrepreneurial Leadership in State Health Care Reforms." 721-788. *Journal of Health Politics, Policy and Law*, vol. 22 (July 1997).



- Olson, Culbert. *State Papers and Public Addresses, Governor Culbert Olson*. Sacramento: California State Printing Office, 1942.
- Peterson, Mark A. "The Politics of Health Care Policy," 181-229 in Weir, Margaret (ed.). *The Social Divide: Political Parties and the Future of Activist Government*. Washington, DC: Brookings Institution Press, 1998.
- Poen, Monte M. *Harry S. Truman Versus the Medical Lobby: The Genesis of Medicare*. Columbia, Mo.: University of Missouri Press, 1979.
- Pollack, Jack Harrison. *Earl Warren: The Judge Who Changed America*. Englewood Cliffs, N.J.: Prentice-Hall, 1979.
- Reagan, Michael D. *The Accidental System: Health Care Policy in America*. Boulder, Colo.: Westview Press, 1999.
- Ross, Mary. "California Weighs Health Insurance." 213-217, 268-269. *Survey Graphic*, vol. 24 (May 1935a).
- Ross, Mary. "The Case of the Ross-Loos Clinic." 300-304, 315-316. *Survey Graphic*, vol. 24 (June 1935b).
- Severn, Bill. *Mr. Chief Justice: Earl Warren*. New York: David McKay, 1968.
- Sitton, Tom. *The Haynes Foundation and Urban Reform Philanthropy in Los Angeles: A History of the John Randolph Haynes and Dora Haynes Foundation*. Los Angeles: Historical Society of Southern California, 1999.
- Skocpol, Theda. *Boomerang: Health Care Reform and the Turn Against Government*. New York: W.W. Norton, 1997.
- Smith, Richard Norton. *Thomas E. Dewey and His Times*. New York: Simon and Schuster, 1982.
- Somers, Herman M., and Somers, Anne R. *Doctors, Patients, and Health Insurance*. Washington: Brookings Institution, 1961.
- Starr, Kevin. *The Dream Endures: California Enters the 1940s*. New York: Oxford University Press, 1997.
- Starr, Paul. *The Social Transformation of American Medicine*. No city: Basic Books, 1982.
- Stone, Irving. *Earl Warren: A Great American Story*. New York: Prentice-Hall, 1948.
- Wainess, Flint J. "The Ways and Means of National Health Care Reform, 1974 and Beyond." 305-333. *Journal of Health Politics, Policy and Law*, vol. 24 (April 1999).
- Warren, Earl. *The Memoirs of Earl Warren*. Garden City, N.Y.: Doubleday, 1977.
- Warren, Earl. "My Plan for Health Insurance," 58-64. *Look* (June 18, 1948).
- Weaver, John D. *Warren: The Man, The Court, The Era*. Boston: Little, Brown, 1967.
- White, G. Edward. *Earl Warren: A Public Life*. New York: Oxford University Press, 1982.

## Endnotes

---

- <sup>1</sup> Thus, Michael Reagan, a political scientist based in California, discusses the Truman episode in his book *The Accidental System* (Reagan 25-26). He even notes that the opposition brought in a California-based consulting firm to coordinate the anti-Truman plan campaign. But as will be shown below, the reason that firm developed expertise in opposing governmental health insurance was because of its role in the anti-Warren plan campaign in California.
- <sup>2</sup> "Dewey Board Split Over Medical Care," *New York Times*, February 16, 1946, p. 3.
- <sup>3</sup> The American Medical Association later had them reinstated after the state association had upheld the expulsion by its Los Angeles affiliate. "Coast Group Medicine Gains," *New York Times*, August 20, 1939, Sect. 4, p. 10.
- <sup>4</sup> The first such plan was created in Dallas by Baylor University hospital in 1929.
- <sup>5</sup> Wilbur's name appears on an advertisement supporting the proposition in the *Los Angeles Times* of November 3, 1918, p. 8.
- <sup>6</sup> The American Federation of Labor at the time followed the doctrine of "voluntarism," a distrust of government action. Programs such as health insurance or unemployment insurance were to be left to private collective bargaining, according to this approach.
- <sup>7</sup> The New York State Senate passed a bill that died in the Assembly.
- <sup>8</sup> There were in fact splits in the medical profession over the issue. The American Medical Association was adamantly opposed to government plans and plans which covered individuals above a low income level. But certain factions and local medical societies – in part because the Great Depression had diminished the ability of many persons to pay for health care – were willing to experiment.
- <sup>9</sup> In a throwback to the experience in the World War I era, Senator Wagner felt that his own German origins had helped kill the bill.
- <sup>10</sup> This is a reference to the phony health insurance schemes mentioned earlier that Warren had prosecuted as California's attorney general.
- <sup>11</sup> Beach Vasey to legislative file, December 27, 1944. Folder in Earl Warren collection of California State Archives: F3640:6093.
- <sup>12</sup> "Governor Will Push Health Insurance Plan," *Sacramento Bee*, January 10, 1945, p. 1.
- <sup>13</sup> Kenneth H. Leitch to Verne Scoggins, December 18, 1944, F3640:6071.
- <sup>14</sup> Helen MacGregor to Warren, December 28, 1944, F3640:6093.
- <sup>15</sup> Years later, neither Warren aide William Sweigert nor Assemblyman Albert Wollenberg (who was effectively the floor manager for the Warren bill) could explain why Warren did not use a conference or committee to develop support for his health plan. (Earl Warren Oral History, "Sweigert" 81-82)
- <sup>16</sup> "Governor Will Push Health Insurance Plan," *Sacramento Bee*, January 10, 1945, p. 1.
- <sup>17</sup> "Warren Tax Bills Are Set for Hearing," *Sacramento Bee*, March 7, 1945, pp. 1, 4.
- <sup>18</sup> MacGregor to Warren, December 29, 1944, F3640:6093.
- <sup>19</sup> CMA resolution of January 6, 1945. Such an extension of unemployment insurance would have violated federal law, according to Warren administration staff. Vasey to Warren, January 11, 1945. Both items F3640:6093.
- <sup>20</sup> Warren to Philip Gilman, January 3, 1945, F3640:6093.
- <sup>21</sup> "State Chamber Hits Health Insurance," *Sacramento Bee*, February 22, 1945, p. 4.
- <sup>22</sup> MacGregor to Warren, January 2, 1945, F3640:6093.
- <sup>23</sup> Vasey to Warren, January 5, 1945; Vasey to McGregor, January 8, 1945; Vasey to Warren February 26, 1945; Geoffrey Davis to Warren, March 6, 1945; all F3640:6093.
- <sup>24</sup> William T. Sweigert to Warren, January 5, 1945; Vasey to Warren, March 1, 1945 and April 3, 1945; all F3640:6093.
- <sup>25</sup> "Warren Faces Political Crisis in Legislature," *Sacramento Bee*, March 5, 1945, p. 1.
- <sup>26</sup> As noted above, legal objections were expressed within the Warren administration to such use of unemployment compensation.
- <sup>27</sup> Sweigert to MacGregor, Scoggins, and Vasey, January 30, 1945, F3640:6093.
- <sup>28</sup> Scoggins to Warren, January 30, 1945, F3640:6093.
- <sup>29</sup> Vasey to Warren, February 13, 1945 (two memos), F3640:6093.
- <sup>30</sup> Radio talk press releases, February 21 and 28, 1945, F3640:6093.
- <sup>31</sup> "Expert Terms Health Plans Self Supporting," *Sacramento Bee*, March 28, 1945, p. 1.
- <sup>32</sup> "Bourbon Chief Backs Health Insurance Idea," *Sacramento Bee*, March 6, 1945, pp. 1, 4.

<sup>33</sup> "Warren Fights to Revive His Health Plan," *Sacramento Bee*, April 4, 1945, p. 1.

<sup>34</sup> "Warren Health Bill Move is Lost 39 to 38," *Sacramento Bee*, April 11, 1945, pp. 1, 4.

<sup>35</sup> "Warren Blisters Opponents of His Hospital Bill," *Sacramento Bee*, May 30, 1945, pp. 1, 4.

<sup>36</sup> "Legislators Set Adjournment for 16<sup>th</sup> of the Month," *Sacramento Bee*, June 5, 1945, p. 1.

<sup>37</sup> "Warren Will Press for Broad State Health and Hospitalization Plans," *Sacramento Bee*, December 28, 1946, pp. 1, 4.

<sup>38</sup> Contemporary catastrophic plans typically have high deductibles and cut in when patient expenses reach a prescribed level. The Warren proposal, in contrast, used hospitalization as the definition of "catastrophic." Effectively, illnesses requiring hospitalization were covered for up to 100 days in the hospital, but ancillary medical services outside the hospital after hospitalization were covered.

<sup>39</sup> Massachusetts adopted a state plan in the 1980s, but repealed it before implementation. Hawaii had to obtain a special dispensation from ERISA, the federal Employee Retirement Income Security Act of 1974 that regulations benefit programs, to implement its program. Massachusetts used a "play-or-pay" strategy in its never-implemented plan. A per-employee state tax was imposed from which employers could exempt themselves by providing health insurance to their workers. Other states in the late 1980s and early 1990s flirted with employer mandates but pulled back when implementation deadlines approached. See Oliver and Paul-Shaheen on the experiences of Massachusetts and other states.

<sup>40</sup> La Guardia, despite his Republican background, maintained a cordial relationship with Democratic President Franklin Roosevelt. In the 1940 election, he backed Roosevelt for a third term.

<sup>41</sup> "La Guardia Urges Group Medicine," *New York Times*, December 7, 1934, p. 2.

<sup>42</sup> Referring to federal legislation to establish national health insurance when La Guardia announced the outlines of HIP, he said, "Our hopes at the present time are based on enactment of the so-called 'Wagner-Murray-Dingell' bill." Saul Mills papers, Robert F. Wagner Labor Archives, New York University, Series II, box 3, folder 4. "Medical Care Plan of the City of New York as Proposed by F.H. La Guardia, Mayor" (Pamphlet with radio broadcast of April 30, 1944, p. 7)

<sup>43</sup> The New York version was called United Medical Service. La Guardia would have liked UMS to be folded into his own plan but the State Medical Society was not amenable to any such thing.

<sup>44</sup> Mr. Kaiser apparently was asked to join in place of Wendell Willkie, the 1940 Republican presidential candidate. Saul Mills papers, Robert F. Wagner Labor Archives, New York University, Series II, box 3, folder 4. "Prospectus: The Health Insurance Plan of Greater New York," (confidential draft), no date. Handwritten corrections cross out Willkie and pencil in Kaiser.

<sup>45</sup> Still, expansion from the original base was slow. About 80% of HIP enrollees were New York City municipal workers in 1950. (Jaskow 184)

<sup>46</sup> The HIP plan allowed elective coverage of dependents, which could have led to adverse selection. However, a minimum proportion of the employment group had to elect dependent coverage or it would not be available to anyone in the group. HIP also allowed individuals who lost coverage to buy individual policies, again raising the potential of adverse selection.

<sup>47</sup> "Health Insurance Plan Praised by Mayor," *New York Times*, November 9, 1944, p. 24.

<sup>48</sup> While Wagner and La Guardia had similar views on social issues, they were never formally allied. Wagner had voted for the Norris-La Guardia Act of 1932 when La Guardia was a Republican congressman. (The landmark act banned the issuance of labor injunctions by federal courts.) But Wagner was a loyal Democrat and never endorsed La Guardia in his various mayoral campaigns. (Huthmacher 65-66, 122-124)

<sup>49</sup> During World War II, it was thought that benefit plan costs were less inflationary than wage costs. Thus, wartime wage controls favored implementation of such plans rather than wage increases.

<sup>50</sup> Under the Wagner Act of 1935, wages, hours, and working conditions were made mandatory subjects of collective bargaining. Failure to bargain over mandatory subjects was made an "unfair labor practice." Benefits were ruled to be part of "working conditions" in the Inland Steel case.

<sup>51</sup> "He's a Democrat and doesn't know it," Truman said of Warren in 1948. (Weaver 55; White 336) In 1952, Warren reciprocated when greeting Truman as the President campaigned for Democratic presidential candidate Adlai Stevenson. Warren declared of Truman, "he's a Republican and don't (sic) know it." (Pollack 140) In the 1950 California gubernatorial campaign, Truman refused to support Democrat Jimmy Roosevelt (son of Franklin) against Warren. (Jimmy had supported a dump-Truman movement at the 1948 Democratic convention, hoping to entice Dwight Eisenhower to run as a Democrat for President.)

---

<sup>52</sup> Warren hoped to be the Republican candidate for president or at least to play a major role in the choice of the candidate in 1952. However, he lost control of the California delegation to the convention, thanks in part to arrangements made by Nixon who supported Eisenhower.

<sup>53</sup> "Dewey Attacks Medical Control, *New York Times*, February 21, 1948, Section I, p. 14.

<sup>54</sup> Truman signaled that he would not cater to the segregationists by desegregating the military in July 1948. Prior to 1948, Truman had not been particularly strong on the civil rights issue.

<sup>55</sup> There was also a significant federal health program for veterans. It was primarily aimed at those injured in wartime but was available, on a space-available basis, to other veterans.

<sup>56</sup> Democrats also rejected a compromise offered by two Republicans - New York Senator Jacob Javits and then-Congressman Richard Nixon of California - that would have provided subsidies to locally-operated non-profit insurance programs. These programs would have had a fee schedule for subscribers scaled to income. (Starr 285)

<sup>57</sup> Thus, unions have a complex agenda with regard to health insurance. On the one hand, negotiating generous plans that contrast with nonunion employers that provide no insurance or lesser insurance is an attraction to members. But on the other hand, if health insurance costs add to the relative labor costs of unionized employers, those firms are put at a competitive disadvantage. Thus, employer mandates "level the playing field." Further complicating this complex balancing act is the fact that for ideological reasons, some key unions - absent any political constraints - would prefer a government-run single payer system.

<sup>58</sup> The failure to achieve a compromise bill actually occurred after Nixon resigned and President Ford took office.