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PUBLICATIONS
OF THE
NATIONAL BUREAU OF ECONOMIC RESEARCH, INCORPORATED

NUMBER

20

THE PURCHASE OF MEDICAL CARE
THROUGH FIXED PERIODIC PAYMENT

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THE PURCHASE OF
Medical Care
THROUGH FIXED PERIODIC PAYMENT

by

PIERCE WILLIAMS

of the staff of the

NATIONAL BUREAU OF ECONOMIC RESEARCH
INCORPORATED

assisted by

ISABEL C. CHAMBERLAIN

New York

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

1932

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FIRST PRINTING, JUNE, 1932

X: 958(L) of 6.73. NB
61759 G2

PRINTED IN THE UNITED STATES OF AMERICA
BY J. J. LITTLE & IVES COMPANY, NEW YORK

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Resolution Adopted Oct. 25, 1926.

PREFACE

THE Committee on the Costs of Medical Care was organized in 1927 by a group of leading physicians, public health specialists and economists, in order to study a problem which, according to Secretary Olin West of the American Medical Association, is the great outstanding question before the medical profession today. This is "the delivery of adequate scientific medical service to all the people, rich and poor, at a cost which can be reasonably met by them in their respective stations in life." The primary purpose of the Committee is to formulate a comprehensive series of studies on the economic aspects of medical service, and to execute these studies with the aid of various interested research organizations.¹

In the autumn of 1929 the Committee invited the National Bureau of Economic Research to make a survey of the extent to which the people of the United States make use of the principle of insurance in order to secure medical and hospital care.

The emphasis placed by the Committee on medical and hospital care "in kind" explains why accident and health insurance receives only minor consideration in this investigation. The standard "benefit" under individual and group health insurance policies issued by commercial companies in the United States is the payment of a stipulated amount of money in a certain number of instalments as indemnification for loss of earnings. Certain types of policies also provide for payment of a fixed amount to the insured to help him defray the expense of medical care actually received.

The report which follows describes in detail several plans by

¹ For a more detailed statement of the origin, scope and aims of the Committee's work, see *The Five Year Program of the Committee on the Costs of Medical Care, adopted February 13, 1928*. Publication No. 1. Washington, D. C.

PREFACE

which individuals, in consideration of a fixed amount paid periodically to some organization, are assured of medical or hospital care from that organization, in case of incapacity due to injury or disease not already covered by workmen's compensation laws. As the reader doubtless knows, laws in force in all states of the Union, excepting Arkansas, Florida, Mississippi and South Carolina, require employers to provide medical care to employees injured while at work. The security which the employer is required to furnish for the payment of compensation and the provision of medical care to injured employees amounts practically to compulsory group industrial accident insurance. Workmen's Compensation is discussed in this report only insofar as the administration of the law in several states is intimately related to the provision of medical care for non-compensable causes in certain industries.

Funds for this study were provided jointly by the Committee on the Costs of Medical Care, the Social Science Research Council, and the National Bureau of Economic Research.

METHOD OF INVESTIGATION

The material presented in this report was gathered chiefly by correspondence, the limited funds available not permitting of extensive field work. Published reports yielded little about plans of fixed payment medical service or medical and hospital insurance, as distinct from plans of "income protection." Visits by the authors to coal mining and industrial centers in the states of Pennsylvania, Illinois, West Virginia and Alabama, and personal interviews with railroad officials in eastern cities and Chicago, brought out additional information. Secretaries of county medical societies and workmen's compensation officials in many states supplied valuable information about industrial plans of employee group medical service. To these officials, to heads of mining companies, to trade union officials, to state and county medical society secretaries, the thanks of the National

PREFACE

Bureau are hereby tendered for assistance rendered. Special acknowledgment is made to the directors of the Seattle Community Fund for the valuable services of Miss Arlien Johnson, assistant secretary, who gathered much of the information about the system of employee group medical service in operation in the state of Washington. The final chapter, dealing with accident and health insurance, is the work of William H. Wandel.

The National Bureau of Economic Research takes no position as to the relative efficiency, from the medical standpoint, of any of the plans of service described in this report. Appraisal of the quality of the medical service rendered under the various plans was beyond the scope of this investigation.

PIERCE WILLIAMS

New York City
June, 1932

CONTENTS

	PAGE
PREFACE	v
CHAPTER I	
SUMMARY	I
INSURANCE OF MEDICAL AND HOSPITAL CARE NOT EXTENSIVELY FOUND IN UNITED STATES	I
OUTSTANDING EXAMPLE IS "COMPANY" MEDICAL SERVICE TO EMPLOYEES	2
MINING AND LUMBER COMPANY PLANS COVER 540,000 EMPLOYEES	3
RAILROAD HOSPITAL ASSOCIATIONS INCLUDE 530,000 EMPLOYEES	4
AN ADDITIONAL SMALL NUMBER OF PERSONS SECURE MEDICAL AND HOSPITAL INSURANCE FROM: (1) PRIVATE GROUP CLINICS; (2) COMMUNITY HEALTH ASSOCIATIONS; (3) COMMUNITY (NON-PROFIT) HOSPITALS; (4) MEDICAL BENEFIT CORPORATIONS	5
COMMERCIAL ACCIDENT AND HEALTH INSURANCE PAYS CASH BENEFIT; DOES NOT PROVIDE MEDICAL CARE	6
EMPLOYEE MUTUAL BENEFIT ASSOCIATIONS AND TRADE UNION SICK BENEFIT FUNDS RARELY PROVIDE MEDICAL CARE	7
CLOSE ADMINISTRATIVE TIE-UP BETWEEN STATE WORKMEN'S COMPENSATION LAWS AND COMPANY MEDICAL SERVICE PLANS	8
DIFFERENCES IN SCOPE OF SERVICE AND COST TO EMPLOYEES IN DIFFERENT REGIONS	9
WASHINGTON	9
OREGON	9
CALIFORNIA	10
ROCKY MOUNTAIN MINING INDUSTRY	11
COAL INDUSTRY OF THE CENTRAL STATES	11
LAKE SUPERIOR IRON AND COPPER MINING INDUSTRIES	12
COAL MINING INDUSTRY OF THE APPALACHIAN STATES	13
THE HOSPITAL CONTRACT SYSTEM IN SOUTHERN WEST VIRGINIA COAL FIELD	14

CONTENTS

	PAGE
FIXED PAYMENT MEDICAL SERVICE RARE IN INDUSTRIES OTHER THAN MINING, LUMBER AND RAILROAD	15
INDUSTRIAL HEALTH SERVICE MUST BE DISTINGUISHED FROM EMPLOYEE MEDICAL INSURANCE	16
EMPLOYEE MEDICAL SERVICE IN SOUTHERN TEXTILE INDUSTRY	17
INDUSTRIAL CORPORATIONS PROVIDING MEDICAL CARE GRATUITOUSLY	22
LINE OF POSSIBLE FUTURE DEVELOPMENT IN THE FIELD OF MEDICAL INSURANCE	23
SPECIAL PROBLEMS OF THE RURAL COMMUNITY	23
POSSIBILITY OF ENACTMENT OF COMPULSORY SICKNESS INSURANCE LAWS	26
WAY OPEN FOR DEVELOPMENT OF VOLUNTARY MEDICAL INSURANCE IN URBAN COMMUNITIES	27
ATTITUDE OF MEDICAL PROFESSION TOWARD CONTRACT PRACTICE	30

CHAPTER II

THE AMERICAN CAMPAIGN FOR COMPULSORY SICKNESS INSURANCE	34
JUSTICE BRANDEIS' PLEA FOR WORKINGMEN'S INSURANCE, 1911	35
INFLUENCE ON AMERICAN OPINION OF INTRODUCTION OF COMPULSORY HEALTH INSURANCE IN GREAT BRITAIN, 1911	35
AMERICAN CAMPAIGN LAUNCHED 1913 BY AMERICAN ASSOCIATION FOR LABOR LEGISLATION	36
THE PERIOD OF EDUCATIONAL PREPARATION	36
ARGUMENTS ADVANCED FOR COMPULSORY SICKNESS INSURANCE	37
THE PREPARATION OF THE "STANDARD BILL"; ITS PROVISIONS	40
INCREASING INTEREST OF THE AMERICAN MEDICAL PROFESSION, 1913-1914	44
THE PERIOD OF LEGISLATIVE CONSIDERATION, 1915-1920	46
CALIFORNIA	46
OHIO	47
PENNSYLVANIA	47
ILLINOIS	48

CONTENTS

	PAGE
MASSACHUSETTS	49
NEW JERSEY	49
WISCONSIN	50
CONNECTICUT	50
NEW YORK	51
NATURE AND STRENGTH OF ORGANIZED OPPOSITION	51
LACK OF ORGANIZED EFFORT FOR COMPULSORY SICKNESS INSURANCE SINCE DEFEAT OF NEW YORK BILL, 1920	54

CHAPTER III

FIXED PAYMENT MEDICAL SERVICE IN THE LUMBER AND MINING INDUSTRIES OF WASHINGTON, OREGON AND CALIFORNIA	58
A. WASHINGTON	59
"STATE PLAN" AND "CONTRACT PLAN"	59
SERVICE OFFERED BY COMMERCIAL HOSPITAL ASSOCIATIONS	64
RATE OF EMPLOYEE CONTRIBUTIONS	66
MEDICAL SERVICE IN COAL MINING INDUSTRY	69
MEDICAL OPINION AS TO "CONTRACT" PRACTICE	73
CONTRACT MEDICAL SYSTEM EXTENDING	76
ESTIMATED NUMBER COVERED BY CONTRACT PLAN	77
B. OREGON	77
STATE SUPERVISION OF MEDICAL SERVICE CONTRACTS	79
CONTRACT SERVICE OFFERED BY INCORPORATED HOSPITAL ASSOCIATIONS	80
NATURE OF CONTRACTS AND SCOPE OF MEDICAL SERVICE GUARANTEED	81
COST TO EMPLOYEES	84
ATTITUDE OF MEDICAL PRACTITIONERS	85
THE PHYSICIANS AND SURGEONS HOSPITAL ASSOCIATION, SALEM	86
C. CALIFORNIA	88
EMPLOYERS' HOSPITALS UNDER STATE SUPERVISION	89

CONTENTS

	PAGE
COST TO EMPLOYEES	92
METHOD OF REMUNERATION OF MEDICAL STAFF	92
NUMBER COVERED BY HOSPITAL SERVICE	94

CHAPTER IV

FIXED PAYMENT MEDICAL SERVICE IN THE METAL MINING INDUSTRY OF THE ROCKY MOUNTAIN STATES	95
INFLUENCE OF COMPENSATION LAWS ON COMPANY PLANS OF MED- ICAL SERVICE TO EMPLOYEES	96
TYPICAL COMPANY PLANS	98
IDAHO	98
MONTANA	99
NEVADA	100
ARIZONA	102
NEW MEXICO	105
UTAH	106
COLORADO	109
MEDICAL SERVICE IN IDAHO LUMBER INDUSTRY	110

CHAPTER V

FIXED PAYMENT MEDICAL SERVICE IN THE COAL MINING INDUSTRY OF THE ROCKY MOUNTAIN STATES	112
ANNUAL WAGE AGREEMENT IN WYOMING INCLUDES PROVISION OF MEDICAL SERVICE TO EMPLOYEES AND DEPENDENTS	113
EMPLOYEE MEDICAL SERVICE IN COLORADO COAL INDUSTRY	117
MEDICAL PROGRAM OF COLORADO FUEL & IRON COMPANY	117
OTHER COAL COMPANY PLANS	119
EMPLOYEE MEDICAL SERVICE IN UTAH AND MONTANA COAL MINING INDUSTRY	120

CONTENTS

CHAPTER VI

	PAGE
FIXED PAYMENT MEDICAL SERVICE IN THE COAL AND METAL MINING INDUSTRIES OF THE CENTRAL STATES	124
A. COAL.	
1. THE INTERIOR COAL PROVINCE: (MICHIGAN, ILLINOIS, INDIANA)	124
2. THE SOUTHWESTERN COAL FIELD (OKLAHOMA, MISSOURI, ARKANSAS)	128
B. METALS.	
1. ARKANSAS BAUXITE INDUSTRY	132
2. LAKE SUPERIOR IRON MINING INDUSTRY	133
3. MICHIGAN COPPER MINING INDUSTRY	138

CHAPTER VII

FIXED PAYMENT MEDICAL SERVICE IN THE COAL MINING INDUSTRY OF THE APPALACHIAN STATES	139
PENNSYLVANIA	141
OHIO	144
WEST VIRGINIA	146
VIRGINIA	148
KENTUCKY	151
MEDICAL PROGRAM OF THE CONSOLIDATION COAL COMPANY (PENNSYLVANIA, MARYLAND, WEST VIRGINIA, KENTUCKY)	152
TENNESSEE	156
ALABAMA	156
MEDICAL PROGRAM OF TENNESSEE COAL, IRON AND RAILROAD COMPANY (ALABAMA)	159
OTHER ALABAMA MANUFACTURING COMPANY PLANS	161
SUMMARY	163

CONTENTS

CHAPTER VIII

	PAGE
THE HOSPITAL CONTRACT SYSTEM IN THE SOUTHERN WEST VIRGINIA COAL FIELD	165
HOSPITAL CONTRACT SYSTEM EXTENSIVE IN SOUTHERN WEST VIRGINIA FIELD; NOT FOUND IN NORTHERN FIELD	166
PREDOMINANCE OF PRIVATELY OWNED HOSPITALS IN SOUTHERN FIELD	170
ORIGINS OF WEST VIRGINIA HOSPITAL CONTRACT SYSTEM	172
SCOPE OF SERVICE PROVIDED UNDER HOSPITAL CONTRACTS	173
ANALYSIS OF HOSPITAL COSTS	178
DIFFERENCES OF OPINION AS TO HOSPITAL CONTRACT SYSTEM	181
CRITICISM BY MEDICAL PROFESSION	183
CLAIM THAT SYSTEM SHIFTS BURDEN OF MEDICAL CARE FOR INDUSTRIAL INJURY TO EMPLOYEE	185
INVESTIGATION OF HOSPITAL CONTRACT SYSTEM BY STATE LEGISLATURE, 1931	189
UNSUCCESSFUL ATTEMPT TO AMEND COMPENSATION LAW	192

CHAPTER IX

FIXED PAYMENT MEDICAL SERVICE FOR RAILROAD EMPLOYEES	193
HOSPITAL ASSOCIATIONS FOUND ON TWENTY-SEVEN TRUNK-LINE SYSTEMS	193
MEMBERSHIP AUTOMATIC	194
COMPANY OWNED AND "DESIGNATED" HOSPITALS	194
CASH BENEFITS PAID BY ONLY TWO ASSOCIATIONS	195
APPROXIMATELY 570,000 EMPLOYEES COVERED	196
FORM OF ORGANIZATION OF HOSPITAL ASSOCIATIONS	201
MEMBERSHIP CONDITIONS AND DUES	203
COMPANY CONTRIBUTIONS TO HOSPITAL ASSOCIATIONS	205
SCOPE OF MEDICAL AND HOSPITAL SERVICE PROVIDED	206
RAILROAD "RELIEF" DEPARTMENTS (CASH BENEFITS ONLY)	211

CONTENTS

CHAPTER X

	PAGE
FIXED PAYMENT MEDICAL SERVICE OFFERED BY GROUP CLINICS, COMMUNITY HEALTH ASSO- CIATIONS, COMMUNITY HOSPITALS AND MED- ICAL BENEFIT CORPORATIONS	216
DETAILED DISCUSSION OF SCOPE AND COST OF SERVICE PROVIDED BY:	
1. PRIVATE GROUP CLINICS	220
2. COMMUNITY HEALTH ASSOCIATIONS	227
BRATTLEBORO, VT.	227
NEW BEDFORD, MASS.	232
3. COMMUNITY HOSPITALS	235
BAYLOR UNIVERSITY HOSPITAL, DALLAS, TEXAS	236
GRINNELL, IOWA, COMMUNITY HOSPITAL	237
ROANOKE RAPIDS, N. C., COMMUNITY HOSPITAL	239
4. MEDICAL BENEFIT CORPORATIONS	244
CONCLUSIONS	249

CHAPTER XI

MEDICAL AND HOSPITAL BENEFITS PROVIDED UNDER COMMERCIAL ACCIDENT AND HEALTH INSURANCE POLICIES	252
HISTORY OF DISABILITY INSURANCE	253
TYPES OF INSURERS	255
APPLICATION, PREMIUM PAYMENT AND CLAIM PROCEDURE	255
CLASSES OF PUBLIC SOLICITED	256
RATES	257
THE MEDICAL BENEFIT CLAUSES—CASH PAYMENT ONLY; MEDICAL SERVICE NOT PROVIDED	258
CAUSES OF DISABILITY EXCLUDED FROM COVERAGE	264
NON-CANCELLABLE ACCIDENT AND HEALTH INSURANCE	265
SCHEDULE OF OPERATIONS—SURGICAL BENEFITS	266

CONTENTS

	PAGE
INDUSTRIAL DISABILITY INSURANCE	268
FRATERNAL INSURANCE	270
PERMANENT AND TOTAL DISABILITY CLAUSES IN LIFE INSURANCE	271
GROUP DISABILITY INSURANCE	271

CHAPTER XII

INDUSTRIAL ESTABLISHMENT MUTUAL BENEFIT ASSOCIATIONS PROVIDING MEDICAL AND HOSPITAL CARE	278
ANALYSIS OF CASH BENEFITS PROVIDED	279
MEDICAL AND HOSPITAL CARE RARELY PROVIDED	280
MUTUAL RELIEF ASSOCIATIONS AMONG GOVERNMENT EMPLOYEES IN WASHINGTON, D. C.	283
EXAMPLES OF MUTUAL BENEFIT ASSOCIATIONS PROVIDING MEDICAL CARE "IN KIND"	288
NUMBER OF INDUSTRIAL EMPLOYEES GUARANTEED MEDICAL CARE BY BENEFIT ASSOCIATIONS NEGLIGIBLE	290

CHAPTER XIII

TRADE UNION SICK BENEFIT FUNDS PROVIDING MEDICAL AND HOSPITAL CARE	291
NUMBER OF TRADE UNIONISTS WHO SECURE MEDICAL CARE UNDER UNION SICK BENEFIT PLANS NEGLIGIBLE	291
EXAMPLES OF UNION SICK BENEFIT PLANS PROVIDING MEDICAL CARE:	
1. UNITED MINE WORKERS OF AMERICA, DISTRICT 22, WYOMING	291
2. SILVERTON (COLO.) MINERS' UNION	291
3. NEW YORK LETTER CARRIERS' ASSOCIATION	292
4. EMPLOYEES' MUTUAL BENEFIT ASSOCIATION, MILWAUKEE, WIS.	293
5. WOMEN'S LOCAL UNION, BUREAU OF ENGRAVING AND PRINTING, WASHINGTON, D. C.	294
6. UNION LABOR BENEFIT LEAGUE, LOS ANGELES	295
SUMMARY OF CASH BENEFITS PAID BY NATIONAL TRADE UNIONS	299

TOPICAL INDEX

A.

- Accident and health insurance (American), 252-277.
- Alabama, coal and iron mining industry:
 - medical service for employees;
 - hospital contract system and workmen's compensation medical aid, 157.
- American Association for Labor Legislation, 34-57.
- American campaign for compulsory sickness insurance, 1914-1920, 34-57.
- Appalachian coal mining industry:
 - medical service for employees;
 - company doctor and hospital contract system in:
 - Pennsylvania, 141;
 - Ohio, 144;
 - West Virginia, 156, 165-192;
 - Virginia, 148;
 - Kentucky, 151;
 - Tennessee, 156;
 - Alabama, 156.
- Arizona metal mining industry:
 - employee medical service, workmen's compensation, 102-105.
- Arkansas bauxite and coal mining industries:
 - employee medical service in, 129;
 - no workmen's compensation law in, 133.

B.

- Bauxite mining industry, Arkansas, employee medical service in, 133.
- Baylor University Hospital, Dallas, Texas, hospital insurance plan, 236.
- Brandeis, Justice Louis D., plea for "workingmen's insurance," 1911, 35.
- Brattleboro, Vt., Community hospital insurance plan, 227.

C.

- California:
 - employer hospitals, 88;
 - medical benefit corporations, 244;
 - workmen's compensation, 88;
 - investigation of compulsory sickness insurance, 1916, 46.
- Coal mining industry:
 - employee medical service in:
 - Washington, 69;
 - Wyoming, 113;
 - Colorado, 117;
 - Utah, 121;
 - Montana, 123;
 - Michigan, 125;
 - Illinois, 125;
 - Indiana, 126;
 - Kansas, 128;
 - Oklahoma, 129;
 - Missouri, 129;

TOPICAL INDEX

- Coal mining industry,
employee medical service in—
continued
Arkansas, 129;
Pennsylvania, 141;
Ohio, 144;
West Virginia, 146, 165-192;
Virginia, 148;
Kentucky, 151;
Tennessee, 156;
Alabama, 156.
- Colorado:
employee medical service in metal
mining industry, 105;
in coal mining industry, 117;
hospital contract system, 120;
workmen's compensation, 97.
- Commercial accident and health in-
surance, 252-277.
- Community health associations:
hospital insurance plans: Brattle-
boro, Vt., 227; New Bed-
ford, Mass., 232.
- Community hospital insurance plans:
Baylor University Hospital, Dal-
las, Tex., 236;
Grinnell, Ia., 237;
Roanoke Rapids, N. C., 239;
Rockford, Ill., 251.
- Compulsory sickness insurance:
European systems, 1, 2, 35;
unsuccessful American campaign
for, 1914-1920, 26, 34-57.
- Connecticut:
investigation into compulsory
sickness insurance, 1917, 50.
- Contract medical practice:
attitude of medical profession
toward:
continued
Washington, 73;
Oregon, 85;
West Virginia, 183-185.
American Medical Association
definition of, 30.
- Cooperstown, N. Y., community
hospital insurance project (foot-
note), 227.
- Copper mining industry:
company doctor and hospital con-
tract system:
Arizona, 102;
Idaho, 98;
Michigan, 138;
Montana, 99;
Nevada, 100;
New Mexico, 105;
Utah, 106.
- D.
- Dallas, Texas, Baylor University
hospital insurance scheme, 236.
- E.
- Employee mutual benefit associa-
tions, 278-290.
- Employee mutual benefit associa-
tion (trade union), Milwaukee,
Wis., 293-295.
- F.
- Fraternal sickness insurance, 270.
- G.
- Georgia, textile industry, employee
health and medical service, 18-20.
- Grinnell, Iowa, community hospital
insurance plan, 237-239.

TOPICAL INDEX

- Group clinics, 220-226.
 Group disability insurance, 271-277.
 Group industrial accident insurance
 (under workmen's compensation laws), 268-269.
- H.
- Health insurance:
 commercial, 252-277.
 compulsory:
 European systems of, 1, 2, 35;
 unsuccessful American campaign for, 1914-1920, 26, 34-57;
 prospects of enactment by American states, 26.
 Hospital associations (incorporated):
 Oregon, 80-86;
 Washington, 64-68.
 Hospital insurance plans:
 Brattleboro, Vt., 227;
 Dallas, Tex., 236;
 Grinnell, Ia., 237;
 New Bedford, Mass., 232;
 Roanoke Rapids, N. C., 239;
 Rockford, Ill., 251.
- I.
- Idaho:
 employee medical service in metal mining industry, 98;
 in lumber industry, 110;
 workmen's compensation law, 97;
 hospital contract system, 98, 110.
 Illinois:
 investigation of compulsory sickness insurance, 1918, 48;
 medical service provided by coal mining unions, 125.
- "Income protection" insurance, 6, 252.
- Indiana:
 coal mining industry, 126-128.
 Industrial health programs (non-compensable causes), 268-270.
 Industrial health programs (employer's expense), 16.
 Insurance:
 commercial accident and health (American), 258-264;
 compulsory, American campaign for, 34-57;
 voluntary, 27.
 Iron mining industry:
 employee medical service:
 Alabama, 156-158;
 Colorado, 117;
 Michigan, 133;
 Minnesota, 134.
- K.
- Kansas coal mining industry, 128-129.
 Kentucky coal mining industry:
 employee medical service, 151-155;
 hospital contract system, 151;
 workmen's compensation, 191.
- L.
- Labor Union League, Los Angeles, scheme of medical and hospital insurance, 295.
 Lake Superior:
 copper mining industry (Michigan), 138.

TOPICAL INDEX

- Lake Superior—*continued*
 iron mining industry (Michigan
 and Minnesota):
 company, doctor and hospital
 contract system, 133;
 workmen's compensation, 135.
- Lead and zinc industry, Missouri
 and Oklahoma, 124.
- Lumber industry employee medical
 service and hospital contract
 system:
 California, 88;
 Idaho, 110;
 Oregon, 79;
 Washington, 59.
- M.
- Massachusetts, investigation of
 compulsory sickness insurance,
 1916, 49.
- Medical benefit clauses in commer-
 cial accident and health insur-
 ance, 258.
- Medical benefit corporations, Cali-
 fornia, 244.
- Medical benefits provided by em-
 ployee mutual benefit associa-
 tions, 278;
 by trade union sick benefit funds,
 291.
- Medical profession, attitude of
 toward contract practice:
 Washington, 73;
 Oregon, 85;
 West Virginia, 183-185.
- Michigan copper mining industry:
 medical service for employees:
- Michigan copper mining industry,
 Medical service for employees—
continued
 hospital contract system and
 workmen's compensation,
 138.
- Missouri, lead and zinc industry,
 124.
- Montana:
 coal mining industry, 120;
 metal mining industry, 99.
- Mutual benefit associations (em-
 ployee), 278.
- N.
- Nevada copper mining industry:
 employee medical service; hospital
 contract system; workmen's
 compensation, 100.
- New Bedford, Mass., health insur-
 ance plan, 232.
- New Jersey, investigation of com-
 pulsory sickness insurance,
 1917, 49.
- New Mexico, coal and metal min-
 ing industry:
 company doctor and hospital
 contract system; workmen's
 compensation, 105.
- New York:
 investigation into compulsory
 sickness insurance, 1915-
 1920, 51.
- North Carolina textile industry:
 employee health and medical
 service in, 17;
- Roanoke Rapids, community hos-
 pital insurance plan, 239.

TOPICAL INDEX

O.

Ohio coal mining industry:
 company doctor system, 144;
 investigation into compulsory
 sickness insurance, 1916, 47.
 Oklahoma coal mining industry:
 employee medical service, 128.
 Opposition to compulsory sickness
 insurance, 1918-1920, 51.
 Oregon:
 attitude of medical profession
 toward contract practice, 85;
 hospital contract system, 77;
 incorporated hospital associations,
 80;
 Physicians' and Surgeons' Hospi-
 tal Association, 86;
 workmen's compensation law, 77.

P.

Pennsylvania:
 anthracite coal mining industry,
 139;
 bituminous coal industry, 139;
 hospital service, 140;
 investigation into compulsory
 sickness insurance, 1917, 47.
 Physicians' and Surgeons' Hospital
 Association, Salem, Ore., 86.

R.

Railroad employee hospital associa-
 tions, 193-211.
 Roanoke Rapids, N. C., community
 hospital insurance plan, 239.
 Rockford, Ill., community hospital
 insurance plan, 251.

S.

Self-insurance under workmen's
 compensation laws, 2.
 South Carolina textile industry:
 employee health and medical
 service, 17;
 no workmen's compensation law
 in, 18.

T.

Tennessee coal mining industry:
 company doctor and hospital
 contract system, workmen's
 compensation law, 156.
 Textile industry, southern:
 employee health and medical
 service:
 Georgia, 18;
 North Carolina, 17;
 South Carolina, 17.
 Roanoke Rapids, N. C., 239.
 Thompson Trust, for hospital ser-
 vice, Brattleboro, Vt., 227.
 Trade union sick benefit funds,
 291.

U.

United Mine Workers of America,
 Wyoming, 113.
 Unsuccessful American campaign
 for compulsory sickness insur-
 ance, 1914-1920, 34-57.
 Utah coal and metal mining indus-
 try:
 company doctor and hospital
 contract system; workmen's
 compensation, 120.

TOPICAL INDEX

- v.
- Virginia, coal mining industry:
company doctor and hospital
system; workmen's compen-
sation, 148.
- w.
- Washington coal mining and lum-
ber industries:
incorporated hospital associations,
64;
medical profession, attitude of
towards contract practice, 73;
workmen's compensation law, 58.
- West Virginia coal mining indus-
try:
company doctor system, 146;
hospital contract system, 165;
privately owned hospitals, 170;
criticism by medical practition-
ers, 183;
workmen's compensation law,
192.
- Wisconsin, investigation into com-
pulsory sickness insurance,
1918, 50.
- Wyoming coal mining industry,
113.

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