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CHAPTER VIII

THE HOSPITAL CONTRACT SYSTEM IN THE SOUTHERN WEST VIRGINIA COAL FIELD

THE hospital contract system as extensively found in the southern West Virginia coal field illustrates how the principle of insurance is being utilized to secure hospital care for a large industrial population living in small scattered communities.[1] However, complaint against the system as it operates in the coal field of southern West Virginia also shows the importance of administering such a plan so that the fixed periodic payment by the employee is exclusively applied to the purchase of treatment not coming under the workmen's compensation law. Where the same hospital handles both compensable injury cases and cases of disease not covered by the compensation law, it is obviously necessary for it to show that the full cost of medical care which the compensation law intends the employer to provide at his own expense is duly collected from the employer.

At the 1931 session of the West Virginia Legislature the hospital contract system was investigated and amendments to the compensation law were introduced. These amendments would have eliminated all uncertainty as to the legal responsibility of the coal mining company to pay for medical care arising out of a compensable injury, notwithstanding the existence of a contract between it and an independent hospital covering the provision of treatment to employees and their dependents in return for a

[1] The southern West Virginia coal field comprises five fairly distinct districts, known as New River, Pocahontas, Kanawha, Logan and Mingo. The chief producing counties are McDowell, Logan, Raleigh, Fayette, Kanawha, Mingo, Mercer, Boone, Wyoming, Greenbrier, and Clay. The average total number of persons employed in the five southern coal districts in 1928 was 77,000 (Report of West Virginia Department of Mines, Charleston).

fixed, periodic deduction from wages. The attempt to amend the law was unsuccessful. The fact that similar complaint is not found in those sections of Virginia, Kentucky, Tennessee or Alabama where hospital contract practice is found, may be due to the clear, categorical language of the compensation laws of those four states, in respect to payroll deductions for medical and hospital benefits. They make it a misdemeanor for the employer to apply a payroll deduction towards the payment of any part of his insurance premium.

Before entering into a more detailed discussion of the hospital contract system, however, it may be well to consider why the contract system is almost universal in the southern West Virginia coal field, but is non-existent in the northern West Virginia-Ohio-Pennsylvania field.

The answer to this question is found in the different stages of community development which had been reached by the towns of the northern and the southern coal fields respectively when the workmen's compensation laws became operative. (Ohio passed its compensation law in 1911; West Virginia in 1913; Maryland in 1914; Pennsylvania in 1915; Kentucky in 1916; Virginia in 1918; and Tennessee and Alabama in 1919.) Enactment of the new legislation found the cities of the central and western Pennsylvania, Ohio and northern West Virginia coal fields reasonably well equipped with hospitals in which the coal mining employer could discharge his new legal responsibility to provide medical care in case of industrial injury. By the time the Tennessee and Alabama laws were passed, hospital facilities available for meeting the requirements of workmen's compensation in the coal fields of those states were also reasonably adequate.

The southern West Virginia-Virginia-eastern Kentucky coal field, however, is much younger industrially than the northern field, and when workmen's compensation entered into force in West Virginia, Virginia and Kentucky, this region was but meagerly equipped with hospitals.[2] The hospital resources of the

[2] The growth of the southern West Virginia-Virginia-eastern Kentucky coal region during the past twenty years has been at the expense of the northern Appalachian and Tennessee and Alabama fields. In 1913 the bituminous coal fields of

northern and the southern coal fields respectively when the state compensation laws went into force are shown by information taken from the Hospital Register of the American Medical Association.

Pennsylvania. The following table shows the geographical distribution of the 41 non-governmental general medical and surgical hospitals serving the central and western Pennsylvania bituminous coal field the year the Pennsylvania compensation law was passed (1915).

County	*City*	*Hospitals*
Allegheny	Pittsburgh	13
	Bellevue	1
	Braddock	1
	Homestead	1
	McKeesport	1
	McKees Rocks	1
	Sewickley	1
	Tarentum	1
	Wilkinsburg	1
Armstrong	Kittanning	1
Butler	Butler	1
Cambria	Johnstown	4
	Spangler	1
Clearfield	Clearfield	1
	Dubois	1
Fayette	Connellsville	1
	Uniontown	1
Greene	Indiana	1
Somerset	Windber	1
Washington	Canonsburg	1
	Washington	2
Westmoreland	Greensburg	1
	Latrobe	1
	Mt. Pleasant	1
	New Kensington	1

Pennsylvania, Maryland, Ohio, and northern West Virginia (Panhandle, Fairmont, Preston-Barbour, Elk Garden, Mason and Putnam Districts) produced 71 per cent of all the bituminous coal produced in the Appalachian coal mining states. By 1929, however, the relative proportion produced by the northern Appalachian field had not only fallen to 52 per cent of the total, but the absolute production of this area had declined from 233,621,782 tons in 1913, to 208,152,949 tons in 1929. During the same 16-year period, the production in the fields comprising the southern counties of West Virginia, the western corner of Virginia, and the eastern section of Kentucky, had increased from 71,054,881 tons to 166,083,612. In Tennessee, production declined from 6,860,184 tons in 1913 to 5,405,464 tons in 1929; during the same period, production in Alabama remained practically stationary, 17,678,522 tons in 1913, 17,943,923 tons in 1929.

In addition to these non-governmental hospitals, there were two state miners' hospitals, one at Connellsville (Fayette County) and one at Blossburg (Tioga County).[3]

Northern West Virginia. The two chief coal districts in northern West Virginia are Fairmont (comprising Harrison, Marion and Monongalia Counties), and Panhandle (comprising Brooke, Hancock, Ohio and Marshall Counties). In 1912 the former had five non-governmental and one state miners' hospitals, with a total of approximately 365 beds. In case of necessity, moreover, the Fairmont district could make use of hospitals in Uniontown, Pa., to the north. The Panhandle field could call upon four hospitals in Wheeling and one in Glendale, with a total of approximately 300 beds, for service. In addition, the needs of this region could be met by utilizing hospitals in nearby Steubenville, Ohio, Washington and Pittsburgh, Pa.

Southern West Virginia. Although in 1912 the southern West Virginia coal field had 18 hospitals, or 7 more than the Panhandle and Fairmont districts together, the number of beds was about the same. However, these beds had to meet the needs of a region over three and a half times as large as the combined distribution of these hospitals in the southern West Virginia field in 1912 was as follows: Beckley (Raleigh County), 1; Bluefield (Mercer County), 3; Rock (Mercer County), 1; Charleston (Kanawha County), 2; Hansford (Kanawha County), 1; Fayetteville (Fayette County), 1; Oak Hill (Fayette County), 1; Hinton (Summers County), 2; Logan (Logan County), 1; Marlinton (Pocahontas County), 1; Matewan (Mingo County),

[3] The extent of the reliance in Pennsylvania upon voluntarily organized, non-profit community hospitals is shown by the recommendation by Governor Fisher in his message to the General Assembly, January 1, 1929, that the 10 miners' hospitals (8 in the anthracite region) be turned over to properly incorporated and responsible local bodies under state aid. (*Fifth Biennial Report,* Secretary of Welfare, Dept. of Welfare, 1929-1930, Harrisburg, Pa.) It should be noted that it is the policy of the State of Pennsylvania to make grants in aid of non-profit hospitals serving the community. According to the report just cited, 161 of the hospitals in Pennsylvania in 1929 received state aid. This is in accordance with the policy enunciated by the State Department of Welfare (*Bulletin 31, A Ten-Year Building Program for State Institutions.* Dept. of Welfare, Harrisburg, 1927, p. 81) that "while the care of mental patients is a recognized responsibility of the State, care of the sick and injured in general hospitals is recognized as the obligation of local communities, looking to the state for state-aid."

1; Welch (McDowell County), 1 (State Miners' Hospital); McKendree (Fayette County), 1 (State Miners' Hospital).[4]

Hospitals have come into existence in the Appalachian coal field in four ways: 1. By the initiative of government; 2. by the initiative of employers; 3. by the initiative of local communities acting voluntarily; 4. by the initiative of private parties desirous of making a profit. Governmental hospitals have played a relatively unimportant part in meeting the needs of the population in the Appalachian coal mining states. So have coal company-owned hospitals, of which there are less than a dozen in the Appalachian mining region. While voluntary community effort has brought into being some of the largest hospitals serving the Pennsylvania, Ohio, and northern West Virginia coal fields, this force has been practically inoperative in the southern West Virginia field. This is doubtless due to the small size of the mining communities. The Census of 1910 (to take the one nearest to the year when workmen's compensation went into force in West Virginia) throws light on this point. The total area of the seven counties comprising the Panhandle and Fairmont fields is 1,678 square miles. The total population in 1910 was 227,032. The eleven coal producing counties which comprise the southern West Virginia field had 334,916 inhabitants in 1910, or approximately 50 per cent more than the Fairmont and Panhandle districts, but they were distributed over 6,268 square miles, or more than three and one-half times the area of the two chief northern coal districts. The relatively more densely settled northern coal fields had in 1910 the following cities with over 9,000

[4] The three "State Miners' Hospitals" of West Virginia (now called Emergency Hospitals) were established twelve years before the compensation law was passed. Their purpose was to provide free hospitalization to miners injured while at work. At the present time they are operated under the usual policies of general medical, and surgical hospitals, and are open to the entire population of the communities they serve. They receive a biennial appropriation from the state which covers only part of the operating expenses. Payment is demanded from all patients, but non-paying, i.e., "charity" patients, are accepted. For workmen's compensation cases, the hospitals bill the state compensation fund in accordance with the Workmen's Compensation Medical Fee Schedule. The medical staffs are closed, and the physicians are on salaries.

population: Panhandle district: Wheeling (Ohio County), 41,641; Fairmont district: Fairmont (Marion County), 9,711; Clarksburg (Harrison County), 9,201; Morgantown (Monongalia County), 9,150.

The only towns in the southern West Virginia coal field in 1910 with over 9,000 population were Charleston (22,996), and Bluefield (11,188). The remainder of the population lived scattered in small mining villages. This is still characteristic of the region, for the growth in the population of the New River-Pocahontas field between 1910 and 1930, concurrent with the development of the coal industry, has not been characterized by increasing concentration in a few large towns, but rather by an increase in the already large number of small mining villages. In the course of the mining development, not only were new coal mines opened, but new coal towns came into existence. The Census of 1930 shows only 16 towns with over 2,000 population in this part of West Virginia. They are Charleston, 60,408; Bluefield, 19,339; Oak Hill, 2,076; Montgomery, 2,906; Ronceverte, 2,254; St. Albans, 3,254; South Charleston, 5,904; Dunbar, 4,189; Welch 5,376; Princeton, 6,955; Williamson, 9,410; Beckley, 9,357; Hinton, 6,654; Mullenstown, 2,356; Logan, 4,396; Mount Hope, 2,361. The remainder of the population lives in several hundred communities of less than 1,500 inhabitants apiece.

PRIVATELY OWNED HOSPITALS IN SOUTHERN FIELD

Through the failure of state and local governments, voluntary community groups, or coal companies to take the initiative in supplying the southern West Virginia coal field with hospital facilities to keep pace with the growing population, the way was left open for private parties to build hospitals and offer service on a profit basis. Of the 25 non-governmental hospitals with approximately 2,000 beds, listed in the 1930 Hospital Register of the American Medical Association, 9, having approximately 520 beds, are owned by individuals or partnerships, and 14, with a

total of 1,046 beds, are owned by independent hospital associations. (Some of these are corporations organized for profit.) Only two of the 26 are owned by denominational bodies. Both are located in Charleston.[5]

The extensive existence of the hospital contract system in the southern West Virginia-Virginia-eastern Kentucky coal field is stated by competent persons to be closely bound up with the predominance of privately owned hospitals. The medical director of one of the largest coal companies in West Virginia states that the hospital contract system "is very much in vogue in the southern part of West Virginia, but is practically unknown in the northern part of the state, because the hospitals in the northern part of the state are more or less publicly owned, controlled and operated, while those in the southern part are privately and individually owned institutions with small and closed staffs." The head of a large hospital in the northern part of West Virginia writes: "The hospitals in West Virginia are in a very peculiar situation. The majority of hospitals in this state are privately owned and as such are operated for a profit by the owners. In order to make profit-bearing institutions of these privately owned hospitals, it has become necessary, in a good many institutions, to take on what is known as list practice, both as to the doctors and also the hospitals. This list practice is carried on as between the doctors, the hospitals, the companies and the employees. The list practices of hospitals are carried on mainly in the southern part of the state, wherein are situated the majority of privately owned institutions. The northern part of the state has fewer privately owned hospitals and, therefore, has been able to keep away from the list practice."

[5] The proportion of beds in proprietary and in non-profit hospitals in southern West Virginia is almost the reverse of that for the country as a whole. The Committee on the Costs of Medical Care reports: "Of the entire bed capacity of the country, considerably over one-half is provided by the federal, state and local governments; over one quarter is provided by non-profit organizations for public service, controlled by independent boards of trustees, churches and other bodies. The remaining small proportion of beds are in proprietary hospitals, mostly of small size, set up as business enterprises under the ownership of individuals or corporations." (Page 10, Abstract of Publication No. 3: *Survey of Statistical Data on Medical Facilities in the United States*. By Allon Peebles. Committee on the Costs of Medical Care, Washington, 1931.)

ORIGINS OF WEST VIRGINIA CONTRACT PRACTICE

Light on the origins and early development of the contract system in the southern West Virginia coal field is contained in the presidential address delivered by Dr. Albert H. Hoge, at the 1932 meeting of the West Virginia State Medical Association, at Parkersburg. In the course of a discussion of industrial medicine in West Virginia, Dr. Hoge said: "In the earlier industrial development of our State, many corporations, in order to insure proper medical care of their employees, imported physicians and deducted a certain amount each month from the employee to pay them. This method assured medical and surgical care of the employee and also served as a protection to the employer. This form of practice still prevails in most of the mining sections. . . . During the year 1899, George W. Peterkin, the first Episcopal Bishop of West Virginia and a man beloved by all who knew him, started a movement in this State destined to cause a great deal of controversy. Because there were no hospitals to care for the miners between Beckley and Charleston and realizing the great suffering resulting from this condition, he organized and built on the banks of the Kanawha River what was known as 'Sheltering Arms Hospital.' It was supported by miners, operators, pay patients, churches and private contributions. Each miner paid fifteen cents per month. This assured him and his family, whether sick or injured, the privilege of hospital wards. Some of the great surgeons of our State are products of this hospital. The building still stands, although closed about 1920, because it could no longer be supported under changed conditions.

"A short time afterwards the State built three hospitals for the care of miners, located at Welch, McKendrie and Fairmont. These were known as Miners' Hospitals, Nos. 1, 2 and 3. They assured adequate care of miners and their families in the southern, central and northern fields. Later, many private hospitals were built throughout these areas to meet the ever increasing industrial development and increased growth in population; also

because the State Legislature had passed a Workmen's Compensation Law that would compel the various industries to care for their injured employees. The passage of this law and the fact that sufficient private hospitals were now in existence to handle this work should have made it unnecessary for the State to longer operate its hospitals. They are, however, still in existence, operating in open competition to the private ones and running on the same basis, except that the tax-payers are compelled to contribute huge sums each year to make up their deficit.

"From these great humane movements there has developed in the southern part of the State what is known as a contract hospital system. Under this plan individual hospitals agree to care for the employees and members of their families for a fixed amount each month."

SCOPE OF HOSPITAL CONTRACT SERVICE

Information as to the nature and scope of hospital contract service in the southern Appalachian coal region has been supplied by superintendents of hospitals, by physicians in private practice, by coal companies, and others. The following information will serve to give the reader a general idea of the service to which the coal mining employee and his dependents are entitled in return for the fixed, periodic deduction from wages.

One of the largest coal companies operating in West Virginia writes: "We have a regular payroll deduction of $1.50 per month for doctor covering medical services to the employees and dependent members of his family. As to hospitalization, the employee pays $1 per month, which entitles him to hospitalization for himself and dependent members of his family. This covers any kind of hospital care except communicable diseases. The arrangement we have is with the .... Hospital at .... which is of a high order and has been productive of excellent results and has been satisfactory to our employees as well as to the company and also the hospital management. Under this arrangement the employee is entitled to a ward bed in the hospital, and

if a private room is desired the patient is allowed a credit of $18 per week on the price of the room which amounts to $30 or $35 per week. At present we have about 700 men on this list, which does not include all of our employees."

The nature of the service which is guaranteed to employees and dependent members of their families under the contract plan of hospitalization is indicated in more detail by a hospital notice posted by the Houston Collieries Company, a subsidiary of the Koppers Coal Company, which states that the Houston Collieries Company has entered into an arrangement with the Bluefield Sanitarium, owners of the new Stevens Clinic Hospital, at Welch, in order to provide adequate hospital facilities for their employees. The coal company agrees to collect over the payroll, the sum of $1.50 from every married employee, and $1 from each unmarried employee, and pay the entire amount over to the hospital. In return, the hospital agrees to furnish the necessary care and treatment for any sickness or injury which requires hospital facilities, this service to include a ward bed, proper food, drugs and dressings, nursing care, and medical and surgical treatment. Any patient may occupy a private room by paying a sum representing the difference between the regular ward room rates and private room rates. The services will not include contagious diseases; drunkenness or any injury sustained on account of same; insanity, ordinary obstetric cases, venereal diseases, or typhoid fever. In the case of typhoid fever, where there are no home facilities, the patient will be admitted at a ward rate of $3.50 per day, with no other charges. The notice further declares that the employee's continuance in the employment of the company after receipt of this notice will be considered as constituting an agreement on his part to the deduction of the amounts mentioned, for the purpose outlined.

This company, under date of March 24, 1931, supplies further information on the subject of its arrangements for medical and hospital service for employees and dependent members of their families: "The physician is not paid by the company, although the employment of doctors and their supervision rests with this

department. They are paid by the payroll deductions on the part of the men, which vary in the different coal fields, the range being from $1.50 to $2 for married men and $1 to $1.50 for single men. The money so collected is paid over to the doctors without any commission or deductions whatever by the Accounting Department of the coal company. This is a generally followed practice in West Virginia and the same arrangement applies as to hospital payments. Hospital activities are supervised by this department and a contract is entered into between the company and the hospital whereby the hospital agrees to furnish necessary medical attention to employees and members of their families in accordance with the terms of the contract."

Various hospitals in the mining districts of southern West Virginia have supplied information which may be summarized as follows:

Hospital A (Privately owned). "Practically all hospitals in (southern) West Virginia take the industrial patients and their families, giving any hospital care needed for a sum of from $1.00 to $2 per month per family. This is separate and apart from the doctor at the 'Plant' which is usually $1.75 for married and $1 for single workmen, all deducted from workmen's earnings by employer. This is how it is worked practically all over the state. Bluefield, Welch, Huntington, Logan, Beckley, Charleston, have several hospitals all doing contract work."

Hospital B (A non-profit institution). "This hospital at the present time is providing care for about 8,000 mining employees on the basis of a contract with the employer. This contract provides that the employer shall collect $1.30 per month per man from each employee; for this consideration, the hospital renders all necessary hospital treatment to said employees and their dependents."

Hospital C (Privately owned). "This hospital provides hospitalization for fifteen coal companies with an estimated number of employees of 3,000. The employees, of course, are the usual ratio of married and single. We provide this service under an agreement whereby the company deducts a certain sum from

each employee, which is paid to the hospital. This is exclusive of the medical service which the employee receives from his company physician, for which a separate deduction is made from his wages."

HOSPITAL CONTRACT SERVICE IN DETAIL

The Bluefield Sanitarium, Bluefield (controlling also the Stevens Clinic at Welch), has kindly submitted the following detailed account of its contract service to coal mining employees.

"The Bluefield Sanitarium is a general hospital and serves in part the city of Bluefield and surrounding community. The community is largely dependent on the coal industry. The institution is privately owned and privately operated. The parent hospital also owns and operates the Stevens Clinic Hospital at Welch. The latter hospital was opened April 1, 1930. It is located 40 miles west of Bluefield and the community served is similar, except that the population is almost entirely industrial. The two hospitals operate on both a contract basis (insurance principle) and the old system of rate charges and fees. Approximately 60 per cent of the work done is on the contract basis. The capacity of the parent institution is 100 beds and that of the Stevens Clinic 75 beds. The group idea obtains in the professional care of patients and the two hospitals employ 13 full-time and 3 part-time doctors, exclusive of internes. The Bluefield Sanitarium is accredited by the American College of Surgeons.

"The scheme of providing medical and surgical treatment and hospital service on the basis of a monthly assessment plan is not original with us and has been in vogue in southern West Virginia for a number of years. The plan had its inception at the Bluefield Sanitarium on September 1, 1927, when a large coal producing company of the section employing approximately 4,000 people entered into a contract with this institution for hospitalization of its sick and injured employees and their dependents. Numerous smaller producers followed this lead, so that at the present time something like 20 different employers of labor

have this arrangement with the parent hospital or its unit at Welch.

"In the month of December, 1930, the two hospitals were providing service for approximately 11,500 employees. Including dependents, a population of between 40,000 and 50,000 was served.

"The plan is defined in the contract between employer and the hospital. For certain hospital service provided, the employer collects for the hospital $1 per month for each single employee and $1.50 for each married employee or any person who provides for a family. Dependent is construed to mean any person living in the household of an employee and dependent upon him for support (usually a wife and minor children, occasionally a widowed mother or an invalid father).

"In consideration of the monthly assessment the hospital undertakes to furnish service to such sick and injured employees and their dependents who ordinarily would require hospital facilities for their care. The service includes a ward bed, food, drugs and dressings, ordinary nursing care, the benefit of diagnostic methods, and adequate medical and surgical treatment. Any patient may elect to occupy a private room by paying the difference between the private room rate and the ward rate of $3.50 per day. Except that the usual contagious diseases are excluded and that pulmonary tuberculosis and incurable cases are admitted for diagnosis only, there are no hard and fast rules as to what constitutes a hospital case. Even in the case of contagious diseases, these patients may be admitted when certain complications (obstruction in laryngeal diphtheria and middle ears and mastoids in measles and scarlet fever) make hospitalization a necessity. Only complicated obstetric cases are received. The plan is simplified by the fact that family doctors are provided on much the same principle as hospital service is provided. There is no financial competition, and the local doctor is free to refer any patient where he thinks hospitalization is necessary. The hospital, with its clinical and X-ray laboratories and other diagnostic facil-

ities, coöperates freely with the family doctor in any of his problems.

"Our scheme, representing as it does an insurance principle of dividing risks into charges that are fixed and regularly paid, has, we believe, gone a long way in solving hospital difficulties and in providing a means of the public's escape from the serious financial penalties of illness.

"The cost to the individual in our plan appears on first sight to be extremely small and inadequate. The merit of the plan must stand on the quantity and quality of work done and if it pays its way. The hospital must do its full job, or else the scheme is thoroughly unworkable. We have kept accurate statistics, which permit of every conceivable analysis, and we are satisfied that the arrangement does pay its way and that the public has a good insurance investment.

"On the arrangement in operation at the Bluefield Sanitarium and the Stevens Clinic both in the year 1930 (the Stevens Clinic operating from April 1, 1930) the average number of employees paying assessment was approximately 10,500 (representing a population of not less than 40,000). In the year period, 5,879 patients were referred to the hospital. These represent original references, and patients coming in subsequently for observation or the continuation of some special treatment already instituted are not included in the total. Of these, 3,437 were out-patients and 2,442 were admitted to the hospital. The work in connection with out-patients is similar to that in any well-organized out-patient department. The hospital patients included the general run of hospital work and was similar to that done on patients paying their way on the regular system of rate charges and fees. The total hospital days for the contract patients numbered 17,573. The daily average was 48 patients and the average stay of a patient in hospital was 7.2 days.

ANALYSIS OF HOSPITAL COSTS

"For the purpose of an accurate idea as to how well the scheme paid its way, skeleton charges were made for various

services rendered all patients referred on contract. In the case of mine injury patients the schedule of fees and charges allowed by the Compensation Commissioner of this state was adhered to strictly. In instances of sickness, where the compensation schedule did not apply throughout, minimum current charges were used. On this basis the actual money collected on the assessment plan represented 59 cents on each dollar of skeleton charges made. The Stevens Clinic was operating in the period largely on new contracts and the volume of work necessarily was larger than it would be after a year. At the Bluefield Sanitarium, for instance, where contracts have been in force for a considerable length of time, collections represented 66⅔ cents on the dollar of skeleton charges. After the first year of a contract, we have looked upon 65 cents on the dollar as a normal return.

"The question arises at once if this 65 cents on the dollar for service rendered is adequate. In the ordinary arrangement of rate charges and fees, the best collecting we have ever been able to make was 75 cents on the dollar. There was along with such work a considerable amount of charity and courtesy work for which no charge was made. If these were included, with usual charges made, we are rather inclined to the belief that the contract patient, paying on an insurance principle, was more profitable.

"As a protection against the hazards of sickness—a simple illness at home or a major surgical operation entailing a stay in hospital—the married employee in the Pocahontas coal field pays $3.50 ($2 to his family doctor and $1.50 to his hospital), or $42 a year. For this amount, hardly the equivalent of the cost of his automobile insurance, every legitimate illness is covered except that of childbirth. Charity is eliminated entirely."

The following analysis of statistical records kept by the Bluefield Sanitarium and the Stevens Clinic is of value: "The average number of employees on contract at the Bluefield Sanitarium (based on full year period) was nearly 8,000. At the Stevens Clinic (based on nine months period) the average number of employees was a little over 3,500.

"The total number of patients referred to the Bluefield Sanitarium was 3,750 (original references counted only and the patients returning for subsequent observation or continuation of treatment already instituted are not included). The total number referred to the Stevens Clinic (nine months period) was 2,129. Total for both places 5,779.

"Of the 3,750 patients referred to the Bluefield Sanitarium, approximately 60 per cent were handled as out-patients. The handling of out-patients was that typical of any out-patient department and included various cases of minor surgery, limited examinations, and complete examinations. A large amount of out-patient work was taken up in the eye, ear, nose and throat department and in the departments of urology and X-ray and clinical laboratories. 1,224 of the 2,129 patients referred to the Stevens Clinic (approximately 60 per cent and same as Bluefield Sanitarium) were handled as out-patients.

"Of the 3,750 patients referred to the Bluefield Sanitarium, 1,537 were admitted to the hospital. These patients were hospitalized for various diagnostic procedures, for the treatment of various medical conditions requiring hospital facilities, and for surgery varying from a simple removal of tonsils to major operations. 905 of the 2,129 patients referred to the Stevens Clinic (approximately 40 per cent) were admitted to hospital.

"The total number of hospital days at the Bluefield Sanitarium was 12,149 (year period). The total number of hospital days at the Stevens Clinic was 5,424 (9 months period). Total hospital days both places numbered 17,573. The daily average of patients in the Bluefield Sanitarium was 34. The daily average at the Stevens Clinic was approximately 20. The average stay of a patient at the Bluefield Sanitarium was approximately 8 days. The average stay at the Stevens Clinic was approximately 6 days. The average number of patients in hospital at the Bluefield Sanitarium per 1000 employees was 4.25. At the Stevens Clinic the average was 5.17 per 1,000 employees. Mine injury cases constituted 20 per cent of the work at both places, with no material variation in percentage at the two places."

DIFFERENCES OF MEDICAL OPINION AS TO HOSPITAL CONTRACT SERVICE

Opinions differ in the medical profession of West Virginia as to the desirability of this form of hospital insurance. The head of a large hospital in the northern part of the state declares that under hospital contract practice, "the patient is hurried in and out of the hospital without the proper treatment."

The medical superintendent of a large hospital in West Virginia, a former president of the state Hospital Association, has the following to say about the system: "The deduction from employees is commonly called 'list practice'; this may be divided into two types:

"Type I. In which the deduction is made for the care of the employee and his dependent family for all hospital requirements with the following exceptions: normal obstetrics, venereal diseases, accidents received in line of duty, and accidents due to lawlessness. The deduction in these cases is usually $1 per month for both single and married men. The company physician fills out a blank making a tentative diagnosis and the superintendent approves the blank stating that the patient is paying into the relief and thereby has a right to the hospital care. Speaking as one who does this work I can frankly say that the hospital can give excellent care and treatment to the individual patient where there is a full-time conscientious staff, without financial loss, provided the hospital does not undertake a greater 'list practice' than it has beds or man power to take care of. In West Virginia the amount of this work is very limited for several reasons: 1. Most hospitals are privately owned with no state endowment and consequently must realize a gain on their investment. 2. Many hospitals are inadequately equipped and cannot give proper care. 3. The corporations themselves are not in the main interested in the welfare of the individuals and refuse to coöperate. 4. The corporations make little or no pretense at investigating institutions or the personnel attached to them. 5. Because it is the other man's dollar, political affiliation permits inferior medicine. In brief, this type of health insurance in the state of West Virginia

should and could be most satisfactory, entailing neither financial loss nor gain if properly carried out.

"Type II. The same as type I except: In this class a small additional charge is made against the employee (20 to 50 cents) giving him all the above as enumerated in type I, but without his knowledge including accident in line of duty. This is a most pernicious system and the one most prevalent in the state. Because by including accidents in line of duty the employer is relieved of all compensation charges incident to the care of the injured. Thus a man injured loses his right to choose his hospital or surgeon and is practically forced into the contract hospital. He does not know that he himself has been charged off in the past for injuries he might receive. Consequently the competitive field which promotes better medical and better hospitalization is removed. The scientific ambitions of the individual are somewhat bent when he is guaranteed an income that does not depend on his ability. The employee is robbed of his personal liberty and all profit is at his expense.

"Some time ago a member of our compensation department made the statement 'that more than 70 per cent of the bad results came from the list practice hospitals.' There are some of us in the state who have made an effort to keep out of this work, but because of lack of endowment to carry on first class work, and the lack of state aid to take care of the indigent and the inability to obtain coöperation from employers through any other means than assisting their net incomes, we are being forced into this work."

On the other hand the following opinion, generally favorable to the hospital contract system, is expressed by the medical director of a large coal company which does not have such contracts: "Contracts between coal companies and hospitals are usually based on an additional deduction of $1.50 per month from the employee, which provides complete hospitalization for himself and his family and includes the care of compensable, occupational injuries. Briefly and frankly it has been found to the advantage of the employee, the company and the hospital, to have a hospital contract arrangement, and under the circumstances it is possible

to obtain complete medical and hospitalization care for the sum of $36 per year for a married man and his family and $24 for a single man. Many thousands of employees in southern West Virginia are affected by this contract system. There is only one real and logical objection to the plan, which is promptly eliminated if the various companies and employee groups are represented by proper medical supervision of hospital cases, and this is the inclination on the part of some hospitals to give inadequate care and discharge patients earlier than ordinarily would be the case."

A DETAILED MEDICAL CRITICISM

The following criticism of the hospital "list" system as it operates in the southern West Virginia coal field was voiced by Dr. Harry M. Hall, M.D., in the February, 1931, number of the *West Virginia Medical Journal*.[6] "It (hospital contract practice) introduces a commercial element. Hospitals enter into competitive bargaining for it pretty much as packing houses bid for cattle. It creates a bad feeling which, I suspect, would never exist if the ordinary course of hospitalization were pursued. This is denied on the surface; but an observer going into a locality will learn, rather sooner than later, that there is an element of antagonism which can be directly traced to its operation. It lowers the general impression of people not connected with it in their opinion of hospitals. It has a tendency to cheapen the outlook. If faithfully followed with the conscience possessed by the average human being, it has its elements of danger, financial and otherwise. For instance, we may have 500 miners and each one of them pays in one dollar per week, which usually covers the family as well. This is $2,000 per month. Say in the aggregate families and all the number represented there would be four times 500, or 2,000 people. Let us hypothesize long enough to say that 25 of them needed intensive laboratory work, which is decidedly expensive for a hospital, not only in material but also in the time used by

[6] *West Virginia Medical Journal*, Vol. XXVII, No. 2, pp. 54-55.

the technical workers in doing it. Let us imagine that 25 more had to have gastroenterological X-ray pictures involving the whole alimentary tract. Fifteen had to have chest plates. Ten more were involved in physiotherapy. Where, may we ask, would the $2,000 go, and how much of it would be left? It is customary, in some places, to have this also include casualty. This, it seems to me, would carry the matter into the red figures. It is sometimes a matter of extra charge for operating rooms and delivery rooms. In any case it would not be much.

"Departing from this, let us say an epidemic involved these two thousand. Here again would be disaster. The only way to insure a profit would be to cut in on the quality of the service given. As this is not included in our analysis at all, it seems to us as if the hazards in the list practice far outweigh its probable gains if it is carried out faithfully, honestly and adequately. What is the remedy? First, a form of health insurance bought like an automobile is purchased in the open market at a cost of no more than is paid in at the mine. If that is not sufficient, raise it. But give to the worker a chance to choose his doctor and his hospital like any one else. If necessary (although it is debatable), give him a special rate in laboratory and X-ray departments. But let all hospitals do alike. Second, all hospitals should meet together and every one of them voluntarily give the matter up. It will take courage, but if all do it, the matter will end at once."

That the hospital contract system has the effect of bringing about lack of balance in regional hospital facilities, i.e., excessive facilities in some regions; insufficient facilities in others; is suggested by one of the leaders in the West Virginia medical profession, who practices in the Pocahontas and Tug River coal fields (McDowell County). This physician reminds us that when the Stevens Clinic was opened on April 1, 1930, two hospitals, namely, State Miners' Hospital No. 1, with 115 beds, and Grace Hospital, with 70 beds, were already in operation. He insists that these two hospitals adequately met the needs of the region. As shown earlier, the Stevens Clinic is owned by the Bluefield Sanitarium.

HOSPITAL CONTRACT SERVICE AND WORKMEN'S COMPENSATION

The criticism that under the hospital contract system as found in the southern West Virginia coal field the injured employee pays for hospital care which the compensation law intended the employer should pay must now be taken up. On this point the head of a hospital writes: "Our hospital has a contract with a large number of coal companies and other industrial corporations to provide hospital care in the case of sickness, non-industrial accidents, and industrial accidents. The cost is met by deductions from the wages of the employee. This is distinctly different from the medical service which the employee receives from the company physician. It is my impression that all of the hospitals in southern West Virginia have this arrangement. I believe you are laboring under the impression that this contract does not care for the industrial injury, that the employer arranges for this work through the Compensation Department. Unfortunately, this is not the case. The employee pays for hospitalization in industrial accidents by the arrangement referred to above."

The head of another hospital in the southern West Virginia coal field says: "You evidently misunderstand just what is going on in southern West Virginia in the coal field practice. It is true that all coal operators employ a company physician who renders first-aid to the employees and their dependents. The employer has entered into a contract with certain hospitals located in this section that, for an additional sum of $1.50 and $2 per month, they take care of all mine accident cases without any additional charge. You see by this means the employer has shifted the burden of paying in to the Workmen's Compensation Commission any funds for surgical, medical and hospital attention."

This contention was also made in an address delivered before the Mercer County Bar Association on December 31, 1930, by Russell S. Ritz, the Association's President. In the course of that address, Mr. Ritz said: "Under the pretense of authority of Section 9 of Article 2 of the Code, permitting employers of 'sufficient financial responsibility' to elect to pay compensation and expenses

directly to injured employees, large numbers of employers have made contracts for medical and surgical treatment for their employees for both sickness and injury, by which contracts they agree with a doctor or a hospital of their own choosing that they will deduct from the wages of their employees certain sums each month which they agree to turn over to such doctor or hospital, in consideration of which the doctor or hospital thus chosen and selected by the employer agrees to furnish medical and surgical treatment to the employee for sickness and injury.

"Under this plan the employer pays nothing for medical or surgical treatment of his employees, but the entire burden is placed upon the employee, and the extent of the employee's disability is determined by a doctor or hospital of the employer's choosing, and the employer pays compensation direct to the employee, based upon the finding of such physician or hospital. By this method it can clearly be seen that instead of the industry bearing the burden of the injured employee's disability, the employer by such a contract is relieving the industry and placing the burden upon the injured employee himself. This is directly in violation of the spirit and purpose of every compensation law that has ever been enacted, and if it violates the intent and purpose of the law it violates the law itself. Under the present West Virginia law it is my view that such practice is unauthorized and that those employers who have seen fit to adopt this plan cannot claim protection of the law itself. If, however, it can be claimed that the law authorizes such a plan, then, as heretofore observed, it is violative of all the basic principles upon which compensation laws are founded. If the employer desiring to pay compensation and expenses direct to his own injured employees would treat them as the law provides that the Compensation Commissioner shall treat them, then he should pay for the medical, surgical and hospital treatment as may be reasonably required, not to exceed the sum of $800 in each case. The hospital and doctor list practice plan does not contemplate that the employer shall pay any part of the expense of medical, surgical or hospital treatment for the injured employees, but on the contrary, places the entire

burden of these expenses upon the injured employee. The worst vice of it all, however, consists in having the extent of the injured employee's injuries determined by a doctor or hospital in the employ of the employer. Assuming such doctor or hospital organization to be entirely honest and conscientious, there is present every incentive for the minimizing of the injured employee's disability; for by so doing the doctor saves money to his employer. By this method the employer, in effect, says to his employee, I will pay you compensation for your injury, but you shall submit yourself to treatment and examination by doctors of my choosing and employment who are paid for by you, and if the doctors so selected by me and paid for by you find any disability I will pay in accordance with such finding. This is what is known as list practice. So long as it is limited to the treatment of employees and their families for sickness, it is entirely proper and should be paid for by the employee—but the employer would only be remotely interested in this character of practice. What many of the employers are actually doing under the guise of this law is employing doctors at the expense of the injured employee to treat him for his injuries, thereby saving to themselves thousands of dollars which they otherwise, under the law, would be required to pay out for such medical and surgical treatment." [7]

It will be recalled that the Kanawha Coal Operators' Association stated that the deduction from wages covers hospitalization "for both occupational and non-occupational accidents, and sickness of all kinds." (page 147)

From a leading member of the West Virginia medical profession comes the following criticism of the hospital contract system: "One must believe that originally most of these hospital owners believed that they were rendering good service for an amount within reach of all. The amount originally charged each employee was sufficient to justify competent service, but during the past decade many abuses have developed in this line. Hospitals

[7] "West Virginia's Workmen's Compensation Law." An address by Russell S. Ritz, President of the Mercer County Bar Association. Delivered before the 27th Annual Meeting of the Association December 31, 1930. Printed and distributed by Mercer County Bar Association, Bluefield, W. Va.

have been built in the area mentioned for no other reason than to bid for this kind of work. There has developed such a competition that each man or group has formulated its own rules of conduct, resulting in one group deliberately underbidding another in the cutting of prices, and in some cases the employing of solicitors for additional business. These institutions have necessarily become highly commercialized. Most of these contracts are drawn between the hospital and the company officials. Seldom does the employee, who is paying the entire bill, have a voice in selecting the hospital.

"Our compensation laws provide that $800 may be spent for medical, surgical and hospital care of the injured employee; also that $600 additional may be spent for rehabilitating an individual. Under the present contract hospital plan not one dollar of the amount is available for him. The corporation is entirely relieved of the duty of furnishing hospital or surgical care to any injured employee.

"Members of our profession and hospitals adjacent to such territory are denied the opportunity to treat those injured because they must go to a designated hospital, regardless of their wishes. The contract hospital, doing this work, receives no compensation for treating any injured employee except the monthly check from the payroll. Each day spent in that hospital by an injured employee is a complete loss to the institution. It is no wonder that some are sent home before it is safe to go, while others receive no hospital care when in need of it.

"Another very serious objection to this form of practice is that the injured employee has no appeal, nor assistance from the Compensation Department in selecting another hospital or surgeon because of improper attention. If he goes to another in order to save his life or limb, he must personally bear all his expenses.

"The very basic principles for which the compensation laws were passed are rendered null and void by such contracts. The injured man is denied the choice of physician or hospital. The corporation is relieved of the burden of caring for the injured, this expense being borne by the employee. Physicians and hos-

pitals are denied the opportunity to collect fees that are justly and legally due them.

"One could continue indefinitely outlining the abuses of this system. Suffice it to say that it has developed into a commercial form of practice that is not for the best interests of the sick nor for our profession."

INVESTIGATION BY WEST VIRGINIA LEGISLATURE

During 1931 the question of hospital contract practice in West Virginia was investigated by the State Legislature, and discontinuance of the system was recommended "insofar as it relates to industrial accidents." From the report of the Legislative Committee the following is taken: [8]

"Mr. Farrell, from the Special Committee, appointed under authority of a resolution adopted by the House on January 23, 1931, to make inquiry into the administration of the Workmen's Compensation Fund and the defects, if any, of the workmen's compensation law, and any other phases of the said workmen's compensation fund and the workmen's compensation law which they may deem proper, substituted the following report, which was received: *The List Hospital Contract Practice.* Your Committee inquired into this particular phase of the administration of the workmen's compensation law, and heard the testimony of a large number of physicians, doctors and others, among whom were Dr. Benjamin I. Golden, of Elkins, West Virginia; Dr. T. E. Vass, Dr. R. H. Walker, Dr. James McClung, and other doctors as well, also, as Dr. R. O. Rogers, Dr. R. A. Salton, Dr. W. H. St. Clair, Dr. C. W. Stallard, and others who appeared as proponents of the list hospital contract service. Your Committee found among those who propose the continuation of the list hospital contract service, without exception, that all of these proponents were realizing vast sums of money from such service; and in a number of instances found that the hospital received as

[8] *Journal of the House of Delegates,* Charleston, West Virginia. *Proceedings,* March 11, 1931.

much as $5,000 per patient per year for hospitalization in wards alone where the ward services could have been rendered at an average cost of approximately $1,000 per year. Your Committee has found that there is no question relative to the legality of such contracts, but that in almost every instance the employers designate the hospital for the employees, although the amount is deducted from the employee's pay envelope, and that he, the employee, has no voice in the selection of the hospital. Your Committee found one hospital where the deductions were made from the employee's envelope for the hospital service, but where this service is only provided him in cases of injuries arising from industrial accidents alone, which of necessity means that the employee is required to pay a part of the compensation premium. Your Committee's attention has also been directed to the fact that in almost every instance the list hospital engaged in this work does not have the adequate capacity to take care of all the people that might be entitled to the service; in several instances your Committee found that a hospital having a capacity of seventy-five patients would be required to render services to a potentiality of fifty or sixty thousand cases; in no instance has a potentiality been under five thousand cases, and some of these list hospitals have had as low as thirty beds with which to care for this vast number of potential cases. Your Committee has found that, in a number of instances, the hospital contract service yields adequate hospital service and performs its work in proper fashion, but your Committee has further found, from the evidence adduced before it, that for the treatment of industrial accident cases, it would be far wiser to abolish entirely this practice and only permit it for economical reasons in cases of sickness or other diseases that may arise to those who desire to become subscribers to such contract. We therefore respectfully recommend . . . (2) that the contract hospital service be discontinued insofar as it relates to industrial accidents and affects the employees whose employers are subscribing to the compensation fund." [9]

[9] West Virginia is one of the states having a monopolistic workmen's compensation insurance fund. All employers subject to the Act pay premiums into this fund to cover their liability in case of injury to an employee. Compensation due

COMPENSATION LAWS OF VIRGINIA, KENTUCKY, TENNESSEE AND ALABAMA

As already stated, the system of medical service contracts between coal companies and hospitals exists to some extent in the coal industry of Virginia, Kentucky, Tennessee and Alabama, without provoking the complaint that the expense of hospital care for compensable injury is thereby shifted from the employer to the employee.

Without going into a detailed analysis of the workmen's compensation laws of the Southern Appalachian states, as they relate to medical and hospital insurance systems, attention may be directed to the unequivocal language of the compensation acts of Virginia, Kentucky, Tennessee and Alabama, as contrasted to the often vague, indefinite wording of the West Virginia act. The latter leaves room for different interpretations as to the employer's responsibility for medical expense due to an industrial injury, where the employee participates in a hospital service plan. The laws of the other states leave no room for doubt as to the intention of the law. For example, substitute systems of compensation, based on mutual agreements between employers and employees, are permitted by all five states. However, the laws of all of the states excepting West Virginia expressly stipulate that if the substitute system requires contributions from employees, it must confer *additional* benefits commensurate with the amount deducted from wages. The laws of Virginia, Kentucky, Tennessee and Alabama make it a punishable offense for the employer to apply a payroll deduction on the payment of any portion of his own insurance premium. This applies equally to employers who secure authorization to pay compensation and provide medical care direct to employees. The West Virginia law is silent on this point.

injured employees of employers insuring in the State fund, and bills for medical and hospital care are ordinarily paid out of this fund upon order of the Compensation Commissioner. Employers authorized to "self-insure" are apparently permitted to insure their risk with a private insurance carrier.

UNSUCCESSFUL ATTEMPT TO AMEND WEST VIRGINIA LAW

If amendments to the West Virginia compensation law proposed at the Legislative session of 1931 had been enacted, all doubt as to the responsibility of the employer to pay for hospital care necessitated by an industrial injury would have been removed. House Bill No. 165, introduced January 30, provided for the modification of the existing law by adding the following words to article 9, section 2: "The expense of medical, surgical, dental, and hospital treatment of injured employees shall be paid by the employer, either to the injured employee or to the person, firm or corporation rendering such service, for such amount as will compensate for the actual service rendered, not to exceed the sum of eight hundred dollars, *and any contract providing differently for the payment of such medical, surgical, dental and hospital treatment shall be null and void.*[10] The character and extent of the injured employee's injuries shall be ascertained and determined by physicians and surgeons who are not under contract with or in the employ of the employer, and who are not connected with any hospital that may be under contract with the employer to furnish treatment to its injured employees. The protection of this act shall at the election of the employee be denied to any employer who violates this provision."

Although the attempt to amend the West Virginia law failed, it is evident that there is a wide-spread belief in that state that legislation is needed to safeguard the rights of the many thousands of coal mining employees who are covered by hospital insurance contracts.

[10] Italics ours.