Memoir: Early Years of Hospital Insurance in British Columbia*

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Introduction

Hospital insurance is so taken for granted in Canada that little or no notice was taken of its fortieth anniversary in 1987. British Columbians should be particularly interested because hospital insurance was a field in which this province was a pioneer. When the British Columbia Hospital Insurance Service (BCHIS) was established in 1949, it was only the second such scheme in Canada. The Saskatchewan precedent, however, was not very useful because British Columbia had a more varied economy and a more transient population but lacked a well-developed municipal system. In addition, the lack of hospital beds, rising costs, rumours of widespread evasion of premium payments, delays in processing paper work, and an unpopular co-insurance scheme made the BCHIS an easy target for the press, for the opposition, and for dissatisfied members of the Coalition government.

As Malcolm Taylor has observed in his study of the Canadian Health Insurance system, the BCHIS under a new minister and commissioner began to improve its situation in 1950. The public, however, remembered the start-up problems and made plans to express its discontent at the next provincial election.[1] Indeed, some historians have suggested that hospital insurance was "the most bitterly emotional and controversial issue in the 1952 election campaign."[2] Such observations, as this memoir implies, probably underestimate the complexities of the British Columbia political scene.

Although the writing of political memoirs sometimes seems to be a minor national industry, few British Columbia politicians have written reflectively on their experiences. One exception is A. Douglas Turnbull, who assumed responsibility for the problems of the BCHIS on his appointment as Minister of Health and Welfare in May 1950. His recollections offer a valuable insight into the effort to overcome the problem of administering a pioneering programme of social legislation and into the fractiousness of caucus and

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1 Margaret A. Ormsby, *British Columbia: A History* (Toronto: Macmillan, 1958), 487.

2 Malcolm G. Taylor, *Health Insurance and Canadian Public Policy: The Seven Decisions that Created the Canadian Health Insurance System* (Montreal: McGill-Queen's, 1978), 168. See also David J. Mitchell, *W. A. C. Bennett and the Rise of British Columbia* (Vancouver: Douglas & McIntyre, 1983), p. 90.

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cabinet which led to the breakup of the Coalition government and the end of a political era.

A. Douglas Turnbull was born in 1903 at St. Mary's, Ontario. In 1925 he graduated from the University of Toronto with a degree in Metallurgical Engineering and joined the staff of the Consolidated Mining and Smelting Company in Trail, B.C. He was active in local organizations and served as reeve of Tadanac, president of the Association of Kootenay Municipalities, and chairman of the Hospital Board. A Liberal, he ran unsuccessfully as a Coalition candidate in a 1948 by-election in Rossland-Trail but was victorious in the general election of June 1949. During the campaign, the Trail *Times* predicted that, if elected, he "would almost certainly be taken into the cabinet."[3] Within the year, he was the youngest member of the cabinet and in one of its most difficult portfolios. In 1952 after his defeat along with most members of the Coalition government, he resumed his career with the Consolidated Mining and Smelting Company and became manager of its Research and Development Division. He retired in 1965. He now lives in Victoria with his wife, Elsie G. Turnbull, a noted historian of the Kootenay region. His active retirement has included membership on such bodies as the Science Council of Canada, the Canadian Welfare Council, and community fund agencies. A keen naturalist, he was the first president of the Friends of the Provincial Museum.

Patricia E. Roy

Health Insurance had been on the agenda of the Liberal Party in B.C. since the 1920s, and when Duff Pattullo became Premier in 1933 his Provincial Secretary, George M. Weir, went to work on its implementation. It was not until 1936 that the Legislature passed a Health Insurance Act, which was never proclaimed, partly at least because of opposition by the medical profession.

When Byron Johnson became leader of the Liberal Party and Coalition Premier late in 1947, he found that the hospitals and municipalities were having severe financial problems due to the inflation of the late 1940s and were appealing to the province for help. Johnson and his Minister of Health and Welfare, George S. Pearson, turned to Hospital Insurance as the solution of part of this problem. At its spring session in 1948 the legislature passed an "Act to Provide for the Establishment of Hospital Insurance and Financial Aid to Hospitals," with the Hospital Insurance to begin 1 January 1949.

Some early planning for Hospital Insurance had been undertaken in the Health Branch, but it was not until early in June that J. M. Hershey, M.D., was appointed commissioner of the Hospital Insurance Service and planning commenced in earnest.

[3] 18 May 1949.

Dr. Hershey had been on the staff of the Public Health Branch for eleven years and had shown some aptitude in administration and innovative approaches to public health service. He was, however, not particularly fitted for the task of organizing a hospital insurance service. Hershey proceeded with the selection of key personnel, and among other things he and some other staff visited Saskatchewan to get the benefit of the Saskatchewan experience in setting up their Hospital Insurance Service — then the only government-sponsored hospital insurance scheme in Canada.

When the study of the Saskatchewan Hospital plan in 1948 did not yield much information of benefit to B.C., other advice should have been sought. Eventually help was received from Blue Cross via James H. Hamilton and Associates by way of John Mannix of the Cleveland Blue Cross. If his advice had been available a year earlier it might have been very helpful. If thorough planning had been carried out, the need for a BCHIS Business Machine Section realized, and the necessity for the construction of a new building accepted and carried out *before* the plan started, then the plan might have started smoothly.

With the benefit of hindsight some conclusions can be drawn concerning the beginning of BCHIS. Undoubtedly the path would have been much smoother if an additional six to twelve months had been spent in planning, but this would have delayed the solution of the hospitals' financial problems and worsened their situation.

Perhaps the 1948 floods on the Fraser and Columbia rivers, which that summer demanded the immediate attention of the government and required a special session of the legislature, 7 to 9 July 1948, distracted some attention from Hospital Insurance preparation. In any case it was decided that in order to register the people for Hospital Insurance and to begin the collection of premiums it would be necessary to set up offices in centres of population throughout the province. Registration began in August of 1948, and in September 1948 sixty-one district offices were opened. In a period of twenty-five days accommodations were arranged and personnel were selected and trained for their jobs.

At the same time it was necessary to make arrangements with the hospitals for the services to be rendered to insured persons and the financial procedures by which hospitals would be reimbursed for their services and to draw up the detailed regulations required under the Hospital Act and the Hospital Insurance Act. Commissioner Hershey did an excellent job of working out mutually agreeable arrangements with the various

professional bodies such as pathologists, radiologists, and anaesthetists who were associated with the hospitals.

One of the frustrating problems during that first year was the shortage of office space in Victoria. One estimate given me was that BCHIS staff were scattered in five different buildings in 1948. This situation was somewhat improved in April 1949, when some space became available in a new government building on Superior Street, but this was only a temporary step toward a satisfactory solution. These handicaps, added to the inexperience of both the operating and the supervisory staff, resulted in serious delays in the paperwork necessary for the efficient operation of the service. The original plan had been to use the existing government machine tabulating equipment, but this soon proved to be inadequate for the volume of work required by BCHIS. Before the end of 1948 it had become evident that office procedures were not working well, and early in 1949 arrangements were made to get assistance from James A. Hamilton and Associates, Hospital Consultants, of Minneapolis. Through them Mr. John A. Mannix, of the Cleveland Blue Cross organization, came to Victoria from March 14 to 19 to offer advice.

Mannix recommended a number of changes in the organization of the BCHIS including the centralization of all records in Victoria, the institution of compulsory payroll deduction for all beneficiaries in groups of two or more, the establishment of a Business Tabulating Machine Division in BCHIS, and the location of BCHIS operations in one building on a single floor of 20,000 to 25,000 square feet.

Mannix stressed that his recommendations were based on experience in similar situations and had been proven. One difficulty was that compulsory payroll deductions required amendment to the Hospital Insurance Act, which could not be carried out till the 1950 session of the legislature. All his other recommendations were accepted as sound and reasonable and it was agreed that they would be implemented. Implementation, however, proved to be disappointingly slow.

The provincial election of 15 June 1949 perhaps distracted the attention of the minister and his cabinet colleagues, but this should not have affected the performance of the BCHIS personnel. In any case the situation continued to deteriorate and the backlog of unprocessed identification cards for beneficiaries increased rather than decreased. The processing of hospital claims fell seriously behind and it was necessary to make advances of operating funds to the hospitals, further complicating accounting procedures.

Early in November 1949 Hershey and the minister, George Pearson,

agreed that "a complete investigation of the whole organization" was necessary. Pearson arranged with James A. Hamilton and Associates to carry out this second investigation, and it began 17 November.

On 16 December 1949 Dr. Hershey suddenly resigned, explaining that he had "received no assurance that the chief changes I recommend will be forthcoming." This left BCHIS without a head. The government asked Hamilton to step in and take over the direction of major activities in the actual administration of BCHIS until a suitable commissioner could be found and was firmly established in his position.

When the 1950 session of the legislature was convoked 14 February, James A. Hamilton (and some of his staff) were still in Victoria assisting in the implementation of the changes he had recommended in the BCHIS organization. Hamilton and Lloyd F. Detwiller, who had been appointed Commissioner of BCHIS on 28 January 1950, were introduced to the Coalition caucus on the occasion of a discussion about BCHIS. Hamilton answered questions and pointed out that a balance between the income and expenditure of BCHIS could only be achieved by increasing premiums, raising the subsidy, or decreasing benefits. He mentioned that one approach might be some form of "co-insurance" which, in addition to decreasing expenditure directly, might also discourage excessive demand for hospital services.

I had been elected MLA for Rossland-Trail in the 1949 election, and this was my first legislative session and my first experience with caucus meetings. There did not seem to be any great concern about BCHIS. Yes, there had been problems but these were being attended to. I was quite favourably impressed by Hamilton, who seemed to me to be very knowledgeable in hospital affairs and a very capable person. Detwiller came to BCHIS after a successful stint in the B.C. Finance department, where he had earned a high reputation by setting up the three per cent sales tax collection system to everybody's satisfaction. He also seemed to be a very capable person.

The general conclusion of the caucus and the government was that the effect of the increase in premiums whch had come into effect 1 January 1950 should be seen before any further change in premiums was required. One immediate problem was the continuing large gap between receipts from premiums and the payments to hospitals. The first premiums were set in 1948 on the basis of 1947 hospital costs at $15 per year for a single person, $24 per year for the head of a family with one dependent and $30 per year for the head of a family with two or more dependents, but with the rapid inflation of the postwar period, costs had already risen

substantially by 1 January 1949, when payment for hospital service began. Two other unpredictable factors added to the hospital costs: undoubtedly some surgery was deferred until after Hospital Insurance was in effect, and when a person has paid for insurance against the cost of hospital service he is inclined to demand the service. These rising costs made it necesary to increase premiums in August 1949, effective 1 January 1950, to $21 per year for a single person and $33 per year for the head of a family with one or more dependents.

Hamilton continued to assist Detwiller in preparing the necessary changes in the Hospital Act and the Hospital Insurance Act for presentation to the 1950 session of the legislature, in selecting an Assistant Commissioner in charge of Hospital Services (Donald M. Cox of Winnipeg was appointed in April and began his duties 1 June 1950), in making the recommended changes in the BCHIS organization, in designing the building to house the BCHIS in Victoria, and in selecting the necessary tabulating machine equipment.

On 3 May 1950, shortly after the session ended, George Pearson resigned as Minister of Health and Welfare because of ill health. He had been an MLA for twenty-two years and had served in the Cabinet for seventeen of those years first as Minister of Labour and later as Provincial Secretary and Minister of Health and Welfare. He had been largely responsible for bringing British Columbia to the forefront of labour legislation, social welfare development, and health services in Canada. His final accomplishment was hospital insurance.

I was flattered when Premier Johnson asked me to follow in Mr. Pearson's footsteps as Minister of Health and Welfare, looking upon it as a challenge.

In assuming the appointment as Minister of Health and Welfare, I was to be in charge of three services: a Social Welfare Branch, a Public Health Branch, and a Hospital Insurance Branch. The first two services had been operating smoothly for many years under trained and experienced staffs, but Hospital Insurance was a new service with a staff still relatively inexperienced striving to establish its operating principles and procedures.

One development in Social Welfare which later did require my attention was the change in the federal "Old Age Security Pension" and the necessary change in the British Columbia legislation to take advantage of the federal changes. This required a special session of the legislature, which was held 25-27 October 1951.

I found that the Hospital Insurance portion of the portfolio occupied well over half of my time and provided most of my headaches. I considered that I had had a good grounding in hospital affairs, having served on the Board of Management of the Trail-Tadanac Hospital from 1944 to 1949 and having been its chairman from 1946 to 1949, when I resigned to serve as Coalition MLA for Rossland-Trail. The hospital had about 106 beds and, while not large, it had X-Ray, Laboratory and Physiotherapy departments and provided a nurses' home for its staff. In addition I had been living for over twenty years in Trail where I was employed by Cominco as a metallurgical engineer and where for most of that time the Cominco employees had had their own Medical Aid Plan financed by payroll deductions, and I was convinced that hospital (and medical) insurance was the best way to finance this service. It appeared that most of the early problems in the BCHIS administration were in the process of being solved, and I was confident of early solution.

The construction of a new building to house all the BCHIS operations in Victoria was started in good time, but its completion was delayed by a strike of carpenters, and the building was not completed until November 1950. It was then possible to centralize in one building all the Victoria operations of BCHIS, including the records formerly held in the fifty-eight district offices throughout the province, leaving only the three city offices — Victoria, Vancouver, and New Westminster — still to be moved to the new building in Victoria. In July, despite delays in the delivery of the tabulating machines, a separate BCHIS Tabulating Division had been set up.

So by the end of 1950 the major physical problems facing BCHIS had been dealt with. The main operations of the service had been centralized in one building, with its own tabulating department, and a Hospital Services Group had been established under the leadership of an experienced hospital administrator. It seemed that BCHIS was on the road to successful operation.

The other serious deficiency, as pointed out in the Hamilton Report of November 1949 to March 1950, had been in the quality of supervisory personnel available. The government attempted to fill the supervisory jobs from men available in the government service. I have no doubt that the Civil Service Commission carried out their searches and chose the best men available to them, but they were handicapped by two serious hurdles:

1. Men with training and experience were not readily available.

2. The salaries paid by the government were low in comparison to salaries for professional men, hospital administrators and, in general, for men of the training and experience required to operate BCHIS.

For example, to attract an experienced hospital administrator to head up the Hospital Services Section of BCHIS it was necessary to pay a higher salary than was then being paid to any other civil servant, and to go outside the civil service to get him. It would have been very rewarding if the government had in the first place gone to the Blue Cross organization, either in Canada or the United States, and hired a person with proven training and experience and ability.

John Mannix, in his study of BCHIS in March 1949, made a number of excellent recommendations, but the BCHIS supervisors apparently did not have the necessary ability and initiative to implement them, in spite of the fact that they concurred with them.

The validity of these conclusions is attested to by the fact that after Commissioner Hershey's sudden resignation James A. Hamilton briefly took over the direction of BCHIS and then in co-operation with the new commissioner, Lloyd Detwiller, ironed out the immediate operating problems within a few months.

Although the administration of BCHIS required much of my attention as minister, I made a point of visiting as many of the hospitals in the province as I conveniently could, and in the following two years I visited something like fifty of the seventy-six hospitals in B.C., not to mention the infirmaries and tuberculosis hospitals operated by my department.

In general, I was well received. I found that the early problems that had existed between the hospitals and BCHIS were being ironed out and there was a good feeling of co-operation. As the BCHIS Hospital Services group became better organized the problems were being rapidly overcome.

In October 1948 the B.C. Hospital Insurance Service had commissioned a survey by James A. Hamilton and Associates of the hospital needs of British Columbia. This survey was one of the conditions of the agreement between B.C. and the federal Department of Health under which the federal government would assist in the cost of building hospitals. It also recognized the shortage of hospital capacity for acute care in British Columbia because of the very rapid growth of the population after the war, lack of hospital construction during the war, and the additional load placed on acute hospitals by the initiation of the Hospital Insurance Service.

The responsibility for constructing acute care hospitals has always

rested upon the community. Under the new formula for financing hospital construction the provincial government, through BCHIS, offered very generous financial assistance, as did the federal government, but it was up to the community, usually through hospital societies, to initiate hospital projects. The *community* was required to find one-third of the construction cost and to operate the hospital. The *province*, if it approved the project, made an outright grant of one-third of the cost. The federal government made a grant of $1,000 per bed capacity. The remainder of the cost was to be provided by the province by means of a loan or a repayable advance.

This financing formula worked reasonably well for some years, but it was somewhat cumbersome and was eventually replaced by a new formula involving regional hospital districts.

Hamilton's report, which was entitled "A Hospital Plan and a Professional Educational Programme for the Province of British Columbia," provided an outline of the number, kind, and size and location of hospitals which would be required in B.C. by 1951 and by 1971.

The report was completed 4 November 1949 and served as the basis for planning hospital construction in B.C. over the ensuing years. A Hospital Construction Act was passed in 1950 to provide for the financing of hospital construction and, in 1951, to assist unorganized areas in hospital construction, amendments were made to the Water Act to empower Improvement Districts under the Water Act to borrow for hospital construction and operation.

In general, the communities throughout the province were under pressure from their citizens to build new hospitals where they were needed or to expand and improve existing hospitals. Many communities needed help in planning and designing new hospital facilities, so it was necessary for BCHIS to set up a Hospital Construction Division to advise communities contemplating Hospital construction, to guide them in choosing the right facilities for their needs and reviewing and approving the proposed sites and construction plans. Communities were urged to keep their plans in line with the recommendations of the Hamilton plan. Hospital building proceeded at a rapid pace. Between 1 January 1949 and 9 April 1952, 969 acute care beds were completed and, as of 9 April 1952, 718 acute care beds were under construction and another 775 were definitely planned.

I, of course, also attended the annual meeting of the B.C. Hospital Association. My first one was on 26 and 27 October 1950 in Vancouver. In my address to the meeting I outlined the policy of firm budgets for

hospitals which was being implemented by BCHIS as of 1 January 1951. This policy required each hospital to submit to BCHIS a budget of its proposed annual expenditure. This budget would be examined by BCHIS and, if approved, the hospital was expected to keep its expenditure within it. It was stipulated that budgets would be adjusted by BCHIS for changes in expenditure not within the control of the hospital.

I was astounded when the president, Mr. A. H. J. Swencisky, in presenting his annual report, made a strong criticism of BCHIS and accused the governmnt of a policy based on political expediency and financial considerations, of playing priorities among hospitals and of invading hospital autonomy. He attacked the firm budget policy for hospitals which I had outlined to the meeting.

After Swencisky's report, Father Bertrand and Father Leahy, who were representing the Catholic Hospital organization, made a point of coming to me and telling me that Swencisky did not speak for the church and that they supported BCHIS. The next day the association endorsed Swencisky's report.

The second meeting of the B.C. Hospital Association which I attended, 18 October 1951, had quite a different atmosphere. In his report Swencisky said, "I would be remiss in my duty if I did not acknowledge that the financial position of hospitals is better today than it was before the advent of BCHIS. . . . I express the opinion that firm budgets are basically sound and that as hospitals become familiar with their operation they will acknowledge their soundness. Within reason, the Minister of Health and Welfare has relaxed strict enforcement whenever conditions arose that were not within the contemplation of reasonable men."

Medical politics also affected hospital construction plans. One of my successes was in Vancouver, which suffered from a shortage of hospital beds for acute care, as did many cities in the province. Early in 1949 the Vancouver General Hospital and the government agreed that the hospital would proceed with plans for a new large acute unit as recommended by the Hamilton plan. Shortly afterward the Vancouver Medical Association went on record as opposing further expansion of the Vancouver General Hospital.

A year later, when preliminary sketches were completed, the project was discussed by representatives of the city, the hospital and the government, and the size was scaled down to 500 beds from the 962 beds recommended by Hamilton. After considering all the pros and cons of the proposal and particularly the facts that it was following the recommendations of the Hamilton plan and that no other organizations were ready to pro-

ceed with hospital construction, I recommended to the cabinet that they approve this project, and they agreed.

The agitation by some doctors in Vancouver against the project continued, and they were joined by Mayor Fred Hume in advocacy of "cottage-type hospitals." They received support from some newspapers. The "cottage-type hospitals" proposed would be essentially small, one-storey buildings, probably not of fireproof construction, which could be built quickly and cheaply. These could be more easily accessible to both patients and doctors and were attractive to those doctors who had difficulty getting appointments to the staff of existing hospitals, particularly the Vancouver General Hospital.

Unfortunately such hospitals could not expect to be as well equipped as larger hospitals and could not treat all patients. Because of their small size they would in general be more expensive to operate. In a city such as Vancouver non-fireproof construction would be a distinct drawback. For these reasons such hospitals were not recommended by the Hamilton plan and were not favoured by BCHIS.

To combat this attack I asked for the help of the Dean of the Faculty of Medicine at UBC, Dr. Weaver, who arranged to convene a luncheon meeting at the Hotel Vancouver on 28 December 1950 at which there were three members of the staff of the Faculty of Medicine, including Dr. Weaver; seven well-known Vancouver doctors, including the president of the B.C. Medical Association; Mayor Hume and two aldermen of the city of Vancouver; the Civil defence Co-ordinator of Vancouver, Air Vice Marshall Heakes; four members of the board of the Vancouver General Hospital, including the administrator; the President of the Vancouver Board of Trade, Mr. R. D. Baker; and Mr. Detwiller and me representing BCHIS. The chairman was Dr. Norman MacKenzie, president of UBC.

After lunch I outlined the situation and my reasons for taking the action I had taken, and there was a frank discussion. Most of the doctors dissociated themselves from the actions of the Vancouver Medical Association in recommending dispersed hospitals and supported the further development of the General Hospital as a teaching centre and medical centre. Mayor Hume put forward his thoughts about cottage hospitals, and Air Vice Marshall Heakes outlined the dangers of an atom bomb. They received little support from the group as a whole. Mr. R. D. Baker indicated that the Board of Trade was not opposed to expansion at Vancouver General Hospital. Alderman Miller stated that the expansion programme at Vancouver General Hospital had been approved by the city and the provincial government, that the Vancouver General Hospital had

let contracts and made commitments, and that any change at the present time could hardly be considered. No one questioned that statement. While no firm decisions were made or conclusions reached, this meeting served to cool off the situation, and the question of cottage hospitals in Vancouver died a quiet death. The question of medical politics had been aired, and perhaps this did some good.

Nevertheless, when BCHIS began some of the doctors (probably a small minority) saw it as the first step toward state medicine and so an undesirable development. There were rumours that the American Medical Association sponsored opposition to Hospital Insurance in Canada and even provided financial assistance for this opposition. At any rate, some doctors appeared to take every opportunity to criticize Hospital Insurance and exaggerate any problems which arose.

In general, I found the officers of the B.C. Medical Association and the College of Physicians and Surgeons to be co-operative and prepared to be helpful. These relations were further improved by the appointment, early in 1952, of Dr. Allan Fraser, a highly regarded Victoria surgeon, as medical consultant to BCHIS. It should be noted also that the Social Welfare Branch of the Department of Health and Welfare had an agreement with the College of Physicians and Surgeons for medical services to social assistance recipients on a capitation basis. In addition, the medical profession had several representatives on the Hospital Advisory Council whose advice was highly valued.

The press gave the dissidents considerable publicity. One case involving both a doctor and the press arose 11 August 1951, when the Vancouver *Province* published an article about Mrs. Donald Ritchie of Vancouver who lost her unborn child allegedly because of delay in securing admission to a hospital. This was mentioned in the legislature by some members, and the government decided that this should be the subject of an inquiry under the Public Inquiries Act. The inquiry determined that this was not an emergency case and that the loss of the baby was not due to the delay in the patient's admission to hospital. The editor admitted that the story was given special prominence because of the agitation about Hospital Insurance. It seems probable that this inquiry, by deflating the newspaper publicity and indicating the government's willingness to fight back, served to cool off both doctors and newspapers in their attacks on Hospital Insurance.

My chief problems with BCHIS were not with the doctors, the hospitals, or staff of BCHIS but with the press and some of my political associates. BCHIS became the favourite whipping boy for every group who

wished to attack the government, and the press appeared to delight in publishing these attacks. The press atmosphere was dominated by the struggle between the Vancouver *Province* and the Vancouver *Sun* for circulation. The *Province* had never fully recovered from its circulation losses during its long strike (1946-49), and it was fighting for its life. The best stimulation for circulation was sensationalism, and both papers sought to be as sensational as possible. The best attention grabber was to attack, and what better target than BCHIS.

Some of the newspaper attacks were savage. During 1950 the chief criticism of the papers appeared to be about shortages of hospital beds, the slowness of hospital construction, and the hardship this caused the public. The emphasis gradually shifted and became directed against BCHIS administration and the minister. The attacks became increasingly virulent.

I attempted to develop a better relationship with the management of both the *Sun* and the *Province* but had little success. The Vancouver *News-Herald* and the other papers in Victoria and New Westminster tended to follow the lead of the *Sun* and *Province* but were less virulent. The same was generally true of the interior papers. Some individual reporters, notably Roy Brown (of the *Sun*) were particularly acidic. The (*Sun*) columnist and former M.P. Elmore Philpott visited the Saskatchewan Hospital Insurance and was quite impressed. Detwiller invited him to visit BCHIS and he did so, but he refused to believe what he saw and was told and continued to attack BCHIS. I think, however, it is fair to say that I had good relations with the press gallery throughout my time as minister and BCHIS did also. Our problem was with the newspaper editors and publishers.

One of the problems of BCHIS was informing the public about the Hospital Insurance Service. A Public Relations Section was set up which, in 1951, had a budget of $50,000. Its duties were to publish a house organ, "H.I.A." to inform the staff and help build morale and a Monthly Bulletin for distribution to MLAs, Members of Parliament and hospital administrators. It also prepared press releases for press and radio speeches, radio scripts, newspaper advertising, etc.

By 1951 difficulty was being experienced in getting press coverage. It was therefore decided to issue a series of ten large advertisements in the newspapers of the province to try and get the story of BCHIS to the people. These ran weekly from June to August and were generally factual in nature. They undertook to tell the public why Hospital Insurance was started, what services hospitals provided to their patients, what it cost and

how it was financed, why it was necessary to raise premium rates and begin co-insurance and the facts about the hospital bed shortage and the construction of new hospitals.

We estimated that the total cost of operating B.C.'s acute care hospitals in 1951 would be $25.2 million, of which $18.4 million would come from BCHIS and $6.8 million from tourists, visitors, the Workmen's Compensation Board, co-insurance, and other hospital income. BCHIS income would be made up of $13.3 million in premiums, $0.8 million in municipal per diem grants and $5.9 million from the provincial government per diem grants, payment for hospital care for social assistance patients and subsidy. From this total income of $20 million must be deducted $1.6 million for BCHIS Administration costs, leaving $18.4 million for payment to hospitals.

It was not possible to judge whether the series achieved any significant results.

As well as trying to create a better public image for BCHIS, I had to tackle the even greater problem of its finances. Before the end of 1950, it had become apparent that BCHIS expenditures were still exceeding receipts by a large amount and that there would be a substantial deficit even after the provincial subsidy of $2,500,000. (This deficit proved to be of the order of $2,500,000.) In preparing the budgets for 1951 BCHIS staff with my support were convinced that if these deficits continued BCHIS might not survive. The budget was therefore prepared with particular care, and we were confident that, with the benefit of two years of operation, our estimates were as accurate as possible, and we were prepared to stand by them.

In the early part of 1951 the cabinet considered the BCHIS estimates and after considerable discussion they decided that

1. The subsidy of $2,500,000 from general revenues would be continued.
2. Hospital Insurance Premiums would be increased effective 1 July 1951 from $21 per year to $30 per year for a single person and from $33 per year to $42 per year for a family. This was thought to be all the traffic would bear.
3. A plan of co-insurance would be instituted beginning 1 April 1951 which would require payment by patients admitted to hospital of about 30 per cent of the per diem rate for the first ten days' stay in hospital. No charge would be made to an individual or family group for over ten days per year. The co-insurance charge varied from $2 per day to a maximum of $3.50 per day depending on the hospital's

> daily rate. No individual or family group could be charged more than a total of $35 in any one year.

The Coalition caucus had met on 19 February 1951, the day before the opening of the 1951 session of the legislature, and I outlined the Hospital Insurance situation to them. Unfortunately, the caucus was unhappy about the BCHIS situation and inclined to believe the rumours about non-payment of premiums.

Many stories were being circulated and given some support by the media that many people were avoiding payment of their Hospital Insurance premiums and that this was an important factor in the financial troubles of BCHIS. Studies of the situation by BCHIS did not support this conclusion. The best information available indicated that 95 per cent of the people of the province were registered and of those admitted to hospitals, 93 per cent of those who should be covered by BCHIS had paid their premiums. Unfortunately many of these stories about non-payment of premiums came to the attention of the MLAs, who gave them more credence than they deserved. When the MLAs gathered for the 1951 session of the legislature they were full of the stories of BCHIS problems, many of which, I am convinced, stemmed from the start-up difficulties which were now behind us.

Someone suggested that a "board of inquiry" of MLAs be set up to investigate the Hospital Insurance Service. This suggestion received considerable support, and there was some feeling that there might be a caucus revolt if something like this was not done. I was naturally very unhappy about the possibility of an inquiry board, but as the minister involved there was little I could do. Too much protest might suggest that I had something to hide. After discussion over a period of some days the Premier accepted the inquiry board idea and the Hospital Insurance Inquiry Board was set up by special act of the legislature. Its chairman was Sydney J. Smith, MLA for Kamloops, and it consisted of four Liberals, two Conservatives, one CCF (Harold Winch) and one Coalition member.

In the latter part of September 1950 Premier Johnson had attended a Dominion-Provincial Conference in Quebec City. Following the conference, in motoring to Montreal he was involved in a head-on collision with another car. The Premier was severely injured and was in hospital in Quebec City and Victoria until December 4. He returned to his office in mid January but suffered considerable pain for some time afterward. Premier Johnson functioned as Premier throughout the 1951 session of

the legislature, but I think it is fair to say that his injuries interfered with his activities. If Premier Johnson had not suffered his accident and been in good health he might have overridden the caucus criticism and persuaded them to accept the proposed changes in premiums without an inquiry board.

The appointment of the inquiry board could have provided me with a good reason to resign, but I did not really consider this very seriously because my resignation would have created a very difficult situation for Premier Johnson in his poor state of health. In addition, I was reasonably certain that my successor would be unsympathetic to the Hospital Insurance Service, which had just come through a very traumatic period of re-structuring and was on the threshold of successful operation.

For a time in 1949, when problems piled up more quickly than solutions for them, the BCHIS staff had been quite demoralized. After the re-organizations of 1950 and 1951 and the strong leadership provided by Commissioner Detwiller and Assistant Commissioner Cox, staff morale was greatly improved, and the staff performed magnificently throughout the period of uncertainty of the inquiry board deliberations and during the newspaper attacks of 1951 and 1952. I cannot speak too highly of this group of about 600 people. By this time staff training and careful selections had increased the quality of the staff significantly.

(It is interesting to note that Stevenson & Kellogg during their study of BCHIS in 1951-52 "screen tested" 270 members of the BCHIS staff. Of those tested 89.6 per cent were classed as "Fairly Satisfactory" to "Excellent." Only 1.9 per cent were classed as "Very Poor" and 8.5 per cent as "Poor" to "Fair." I considered that these results indicated that the BCHIS staff was definitely a better than average group.)

During the session the necessary bills amending the various acts affecting hospitals, hospital construction and hospital insurance were passed after considerable debate in the house. One of the events of the session was W.A.C. Bennett's crossing of the floor to sit as an independent during the debate on the amendments to the Hospital Insurance Act. In his speech Bennett was primarily attacking the Coalition government. His objection to the increase in Hospital Insurance premiums seemed to me to be incidental. He chose this as an opportune moment to break with the Coalition, something he had decided a long time before. He was followed a few days later by Tilly Rolston.

The focus of my attention, after the end of the session of the legislature, was the Hospital Insurance Inquiry Board. When the inquiry board was appointed both Detwiller and I had high hopes that good might come out

of this inquiry and were prepared to co-operate in any way possible. I and some of my associates would have welcomed a recommendation by the inquiry board that the retail sales tax be increased from 3 per cent to 4 per cent and the additional revenue be used to subsidize BCHIS and so avoid premium increases and co-insurance. I suggested this to the chairman, but his reply was that this was against government policy. A strong recommendation by the board, however, might have influenced the government.

We were both shocked and amazed when after spending only two and a half days with the top staff of BCHIS learning about the operation, the inquiry board formally requested by letter (2 July) that there be no changes in BCHIS procedures and, particularly, that certain changes in the operation proposed by BCHIS which involved obtaining tabulating machine equipment be deferred until the board had every opportunity of making its recommendations concerning them. This would mean in effect the indefinite postponement of the BCHIS drive to increase collection of premiums by payroll deduction and a year of stagnation or little progress for BCHIS. I therefore opposed this request as vigorously as I could.

After quickly deciding to freeze changes in BCHIS operations, the board sought outside expert advice. At their second meeting, 25 June 1951, the inquiry board met with Mr. Samuel Eckler, an actuary of Toronto, and decided to appoint him to be actuarial consultant to the board.

At their meeting 6 July, after having heard presentations by Stevenson & Kellogg Ltd., Management Engineers, the board decided to appoint them to make a complete survey at BCHIS headquarters in Victoria. This appointment had a rider that before any commitment was made the chairman discuss it with the Minister of Health and Welfare, pointing out the necessity of this step being taken and requesting his interest in seeing that the fullest co-operation be given by all concerned with BCHIS to those conducting the survey.

BCHIS was now halfway through its third year of operation. It had already been subjected to studies by John R. Mannix and by James A. Hamilton, both experts in its field of operations. What BCHIS needed now was to be left alone to complete the implementation of Hamilton's recommendations and get the service completely centralized in its new headquarters. The last thing it needed was another group of so-called experts to be educated in hospital insurance.

I had had some personal knowledge of Stevenson & Kellogg since I had been at Cominco when they had been retained to do some specific jobs.

I knew of their expertise in certain fields, but they had none in hospital insurance, so I opposed their being retained by the inquiry board. I had no power to stop the inquiry board hiring Stevenson & Kellogg, but I dragged my feet as long as I thought possible. Finally, after discussing with my colleagues this appointment, I agreed. At the same time I also discussed with my colleagues the request of the inquiry board that no changes be made in BCHIS operations until the inquiry board had reported its findings, and on this point I was forced very reluctantly to comply. This meant that the progress of BCHIS was slowed appreciably.

From late July to late September the inquiry board spent considerable time travelling through the province visiting hospitals and holding public hearings. These hearings provided a platform and sounding board for malcontents and a great deal of personal prejudice and misinformation was disseminated. I am convinced that a lot of the prejudice against BCHIS dated from the very early days when there were many problems and did not refer to the current situation. The hearings were widely reported by the press.

During this period the board made a number of interim recommendations. Some of these were implemented, while some had to be rejected. One of these (interim recommendation #5 re hospital budgets) I considered insulting both to me and to the BCHIS.

Without making any attempt to get information re these budget cuts from BCHIS the inquiry board stated: "The Board has been unable to obtain any explanation as to the factual, actuarial or reasonable basis upon which the budget cuts were made." The board "is definitely of the opinion based on all the information before it that there has been neither rhyme, reason nor understanding given to the budget cuts made by BCHIS on the hospital budgets for 1951. The Board believes that in the majority of cases budget submission of the hospital boards evidenced a greater real appreciation of facts and evaluation of future costs than that of the Rate Board of BCHIS."

In retrospect it is interesting to note that of the sixty-five hospitals operating on "firm" budgets for 1951, thirty-three had surpluses totalling $172,000 while thirty-two had deficits totalling $412,000. Most deficits were less than $10,000, while five hospitals accounted for 70 per cent of the total deficit.

At the 26 October sitting of the legislature I was called upon to file these interim recommendations. Since these were now made public I felt it necessary to make a press release setting out the true facts. This annoyed the inquiry board — particularly Harold Winch of the CCF — but they

should have known better than to submit such a recommendation. It could not be accepted because it was definitely opposed to government policy.

My relations with the inquiry board continued to be difficult, and the board continued to be very conscious of their public image and jealous of their status.

During 1951 one of the chief accomplishments of BCHIS was the establishment of a Central Accounts Division in Victoria and the transfer to it in August of the records formerly held in Vancouver, Victoria, and New Westminster. This move, which was agreed to by the inquiry board, completed the task of centralization begun in 1950. To compensate for the closure of the district offices, five collection offices, seven collection agencies, and thirty-seven government agents' offices now accepted payment of premiums and gave advice.

In October 1951, interim recommendation 4A of the inquiry board was implemented. It offered an "amnesty agreement" whereby persons not registered for Hospital Insurance could be placed in good standing if they paid one year's premium and agreed to pay the back premiums by regular installments. In spite of widespread publicity only a small number of persons took advantage of the offer.

Interim recommendations 1, 2 and 7 of the inquiry board dealing with the waiting period after payment of overdue premiums and the period of grace for overdue premiums were implemented by order-in-council, 23 October 1951. Recommendation 3A of the inquiry board concerning suspension of arrears of premiums by the commissioner was implemented. It provided that in cases of hardship the commissioner could order that arrears of premiums be suspended and premium payments be applied to the current period, thus placing the registrant in good standing for hospital service.

By the third quarter of the 1951-52 fiscal year it had become evident that we would probably have a surplus, and I informed the Premier of this, calling it a small surplus.

Experience had shown that expenses had a nasty habit of snowballing at the end of the fiscal year as hospitals and others got all their charges in. So I was careful not to raise expectations too high. I was anxious that the prospect of a surplus should not give any of my colleagues the idea that we could afford to lower premiums or do away with co-insurance. I knew only too well that this surplus was largely due to circumstances which would not recur and that next year rising costs would probably eat it all up.

We were all surprised at the size of the surplus when the final figures were all in — over three million dollars, as we learned only shortly before the election date of 12 June. This surplus was due to a combination of favourable circumstances which increased BCHIS revenue above budget and decreased expenditures below budget:

- The summer of 1951 was warmer and drier than usual, with a lower incidence of respiratory diseases.
- New hospital beds under construction did not come into use as quickly as forecast.
- The aggressive expansion of payroll deduction of premium payments resulted in an improved collection situation, and the collection of premium arrears yielded more money than anticipated.
- Co-insurance may have had some deterrent effect on hospital usage and perhaps encouraged patients to go home earlier.
- There may have been some reduction in the amount of elective surgery in this third year of hospital insurance.

It should be mentioned here that early in 1952 the friction between the Liberal and Conservative branches of the Coalition government came to a head. Early in January Herbert Anscomb, leader of the Conservatives and Minister of Finance, attended a conference in Ottawa on the tax-sharing agreement with the federal government in place of Premier Johnson. On returning to British Columbia Anscomb, before reporting to the Premier and the cabinet, made an announcement to the press that an agreement had been reached between the two governments and divulged some of the details of the negotiations. Johnson considered this an unconstitutional act, one other provocative act in a series of provocative acts, and asked for Anscomb's resignation. Anscomb and all the other Conservative ministers resigned, essentially ending Coalition, although the government was still a coalition government. These resignations were accepted by the Lieutenant-Governor on the morning of 19 January, and five of the remaining Coalition ministers were sworn in to take the vacated portfolios in addition to their own. In addition to being Minister of Health and Welfare I became Minister of Trade and Industry and Minister of Municipal Affairs.

The 1952 session of the legislature began Tuesday, 19 February and on Thursday, 21 February I presented the report of the Hospital Inquiry Board. This report was an interim report pending completion of the Stevenson & Kellogg report, which was not yet completed.

The report of Mr. Samuel Eckler, the actuarial consultant to the inquiry board, discussed the problem of the Hospital Insurance Plan and suggested three alternative courses of action:

1. Continue the present plan with minor modifications.
2. Alter the present plan to provide a cash per diem benefit.
3. Terminate the present plan and leave the field to voluntary plans. The government subsidy might then be spent on preventive health measures and medical research.

The inquiry board chose to recommend alternative no. 1 subject to its recommendations until the board was in a position to file its final report.

The main points of the inquiry board report were:

- The Hospital Insurance Service should continue to follow the present plan subject to the recommendations contained in the report.
- Co-insurance should be abandoned.
- Payment of premiums by the general public would either be to BCHIS Victoria or alternatively to authorized collection agents throughout the province.
- Employers to be responsible for seeing that all their employees are in benefit for BCHIS and to maintain records.
- That premium payment be enforced through prosecution and garnishee proceedings in the courts and automatic garnishee by BCHIS of sums owing by a delinquent registrant.
- That legislation be enacted to require that any person subject to registration under the Hospital Insurance Act when applying for the issuing of any provincial licence shall produce his BCHIS eligibility certificate before the licence is issued.

All told, the report made fifty-one recommendations, not including the seven interim recommendations made throughout 1951. Some of the recommendations were already standard practice by BCHIS and some were accepted. Many were quite impractical and unacceptable. The general programme of collection of premiums at locations throughout the province was very similar to that in use in the first year of BCHIS and found to be quite unsatisfactory. The prosecution and enforcement procedures were, in my opinion, unacceptable to the people of B.C. The report of Stevenson & Kellogg was not received until after the Johnson government had been replaced by the Bennett government.

Premier Byron Johnson had decided that since the main partnership of Liberals and Conservatives had been severed he had no mandate to carry on and he proposed to ask for dissolution as soon as supply had been granted to maintain essential services and essential legislation had been passed. The essential legislation would include certain urgent amendments to the Workmen's Compensation Act, as recommended by the Sloan Report, and ratification of the federal-provincial tax agreement.

The reports of the inquiry boards on Hospital Insurance and on the Industrial Conciliation and Arbitration Act, together with the further recommendations of the Sloan Report on the Workmen's Compensation Act, would not be considered until after an election had been held. The legislature was prorogued on 16 March and in due time the Premier asked for dissolution and called an election for 12 June 1952.

It is difficult for me to estimate the importance of hospital insurance in the provincial election of 1952. This was a whole new ball game with four major parties, now that Social Credit had become an important factor. The strength of the Social Credit movement was not foreseen but became evident in the early days of the campaign. This was the first election in which the alternative voting system would be used, and this perhaps had some impact on the way people voted.

My own conclusion is that even before the election campaign the unfavourable publicity given hospital insurance by the press and the attacks upon it by various political and other groups had already had a serious effect on the confidence of the electorate in the Liberal and Conservative parties. As well, the overall atmosphere was poisoned by the friction between federal and provincial Conservatives and between federal and provincial Liberals and the attack on the Coalition by both federal parties. BCHIS was looked upon as the creature of the provincial Liberals, and it was attacked by the Conservatives for that reason. It was looked upon as the creation of the Coalition and was attacked for this reason as a means of breaking the Coalition. And, of course, the CCF and in time the Social Credit party attacked BCHIS in their effort to defeat the government.

I think everyone was surprised by the result of the election, but I had had no illusions about my chances in my riding of Rossland-Trail and so was not too surprised to lose. It was a surprise, however, to lose to Social Credit candidate Robert Sommers, because the CCF had always been the chief rival.

By 1 August the final election results were in (the count had been extremely slow because of the alternate ballot used and the number of

candidates; in some constituencies three or four counts were required before a winner could be declared). Byron Johnson resigned and recommended to the Lieutenant-Governor that he call upon W. A. C. Bennett, the leader of the Social Credit Party, to form a government.

I was relieved of any responsibility for dealing with the report and the recommendations of the inquiry board.

Postscript

The Bennett government had the good sense to ignore the report of the Hospital Insurance Inquiry Board and with it the report of Stevenson & Kellogg. The significance of the Stevenson & Kellogg report was diminished since its "Plan of Structural Organization" for BCHIS was designed to meet the situation arising from the implementation of the inquiry board report. The Stevenson & Kellogg estimates of annual savings of $1,000,000 by their recommended organization changes could not be confirmed by the BCHIS accountants. I was surprised to find that Stevenson & Kellogg recommended shifting the responsibility (and expense) of a number of operations to the employers and to the exempted groups (BC Tel and CPR employees, who had their own hospital insurance scheme). Some of the recommendations of the Stevenson & Kellogg report were good and were adopted by BCHIS, but the report itself was shelved and never really saw the light of day.

Bennett cancelled all arrears of BCHIS premiums and made participation in the hospital insurance plan voluntary. He reduced BCHIS premiums by $3 per year per registrant and retained co-insurance but on a "dollar a day" basis. Bennett, however, was caught in the same spiral of increasing costs which had bedevilled the early years of BCHIS. In spite of the fact that BCHIS had a surplus of over three million dollars in the year before he took over, his reduced premium plan soon ran him into the red.

By the end of 1953 he was faced with the necessity to take action to balance costs and income. Just as in 1951, it could be done by increasing premiums, by reducing benefits, or by some other means. He chose the other means, and on 1 April 1954 replaced premiums with an additional 2 per cent on the sales tax. This change eliminated the whole premium, billing, and collection operation, which cost of the order of a million dollars per year, and the tax yielded considerably more money than was lost in premiums. This source of revenue grew as the demands on BCHIS grew, and so most of the financial problems were over.

When British Columbia joined the Federal-Provincial Hospital Insurance Plan, 1 July 1958, the federal government took over approximately 50 per cent of the cost of acute hospital care and BCHIS was home-free. It was still necessary for BCHIS to exercise firm control over hospital operations and to try to put a brake on hospital utilization, but its real problems were over.

Attention could now be turned to chronic and convalescent care, and it is a black mark against the Bennett government that it made so little progress in this field in its years of affluence and high revenue.

When the Bennett government took over 1 August 1952 they found the Hospital Insurance Service a smoothly working efficient organization which in its past year had had a surplus of over three million dollars. They found that BCHIS had an excellent working relationship with the hospitals of the province and with the doctors of the province. The hard words said about co-insurance were said mostly by people who didn't go to hospital and didn't pay it. There were very few complaints from those who paid it. The construction of new hospitals was proceeding at a fast pace. Bennett's first Minister of Health and Walfare, Eric Martin, was kept busy in his first few years opening new hospitals which had been built or planned before he took over. I am sure that Bennett, if he stopped to think about it, realized that many of the hard things he had been saying about BCHIS and the Johnson government were not true.

In spite of all the trials and tribulations of the early years it is a matter of considerable satisfaction to me that I had a part in building a firm foundation upon which hospital insurance could grow and prosper and bring incalculable benefits to all the people of British Columbia.