Health, Incorporated is the Howard Johnson’s of health care delivery. It is designed to franchise health care centers in Massachusetts. When Health, Inc. was unveiled in April, 1970, by Dr. Leonard W. Cronkhite (General Director of Boston Children’s Hospital) and Governor Francis Sargent, it was hailed as a model to be “carefully watched by national health plans as a possible solution of the problems of health care delivery plaguing this country.” After two years it is time for a preliminary assessment of Health, Incorporated’s model for the American health care delivery system.

Presenting Health’s Howard Johnson’s

Dr. Cronkhite, in the New England Journal of Medicine (February, 1971) presented the principal features of Health, Inc.’s program:

- Primary care, defined as “continuous preventive curative medicine, health education and maintenance and dental care delivered to families,” would be offered through primary care centers serving 20,000 people.
- Back-up services offering “acute in-bed hospital care, nursing-home and extended care, rehabilitation, chronic care and home care,” would also come in Health, Inc.’s package. Initially these services would be arranged by contract with the particular institutions involved. Eventually, all these modalities of care would be delivered under “single ownership or management.”
- Prepayment mechanisms that encourage controlled utilization and preventive care would also be developed. In the beginning, however, care would be provided on a fee-for-service basis.

The management vehicle for bringing about this model would be an independent, non-profit corporation. From a management perspective, Health, Inc. could be viewed as a holding company for a series of franchised primary care centers. This Howard Johnson’s of health would help obtain start-up funds for primary care centers, provide a “pre-packaged” facility and offer technical assistance in financial, marketing, personnel and other management matters. As one of Health, Inc.’s founders stated, “The Howard Johnson concept of modular design is employed in the clinic set-up.” In the future, when enrollment is sufficiently large, the corporation would establish centralized purchasing and computer services for accounting and record keeping.

Health, Inc. is designed to operate like a profit-oriented enterprise. As stated in its founding press release: Health, Inc.’s non-profit status should not “insulate the corporation from many of the business pressures which will assure the most efficient and economic operation.” Even Dr. Cronkhite admits: “We still have discussion about profit or non-profit status. There are advantages and disadvantages to each. I guess we went non-profit simply because it is what we are most familiar with.”

But Health, Inc.’s non-profit status is no disguise for its business/management orientation which shines through every aspect of the model. Locally, primary care...
centers should serve populations between 20-30,000 because “our arithmetic modeling has indicated that a population base of 20,000 is sufficiently small to make local management problems easy but not so small as to drive up the unit costs of service.” Statewide, Health, Inc. should have a total target population of 250,000 to 500,000 “to realize certain economies of scale and to make useful measurements of cost effectiveness and utilization rates.” It is no exaggeration to say that Health, Inc. is more concerned about the “Inc.” than it is about “Health.”

The “Why” of Health, Inc.

Health, Inc. is the brain-child of Dr. Leonard W. Cronkhite, general director of the Harvard-affiliated Children’s Hospital and Medical Center. He, as President of the Board, together with his administrative colleagues at Children’s Hospital, make up one-half of Health, Inc.’s board; the other half is comprised of carefully selected “community leaders” from Boston’s Black and Spanish-speaking communities. Therefore, it is not surprising that the origins of Health, Inc. can be found at Children’s Hospital.

A 1969 evaluation by Children’s Hospital’s executive staff and trustees reported the primary function of the hospital to be research and teaching in complicated diseases of childhood. The hospital is the last resort for critically ill children. But these functions conflicted with the service demands of some 70,000 children who use the hospital’s emergency room each year for non-emergency complaints. During the 12-year period from 1957 to 1969, emergency visits at Children’s Hospital increased from 4,500 to 70,000 per year. Dr. Cronkhite felt that Children’s emergency room, like those of many other hospitals throughout the country, was compelled to bear this burden because “fewer and fewer private practitioners are available to give primary health care.” Health, Inc. was created to serve these patients and take the non-emergency load off teaching hospitals like Children’s. Five leading Boston hospitals were asked by Dr. Cronkhite to support Health, Inc. by giving up the primary care business. According to Dr. Cronkhite, “This would mean a major alteration in their emergency departments and in their general outpatient departments.”

Asked why he set up an independent corporation, bypassing three medical schools and 13 teaching hospitals, Dr. Cronkhite explained, “Our perceptions indicated that academic physicians and teaching hospital administrators wanted to leave things the way they were. Therefore, we had to create another power base through which those professionals who wanted to change the system and who were interested in community medicine could have a real base of operations without being sabotaged by their academic or parochial seniors.”

Politics, Politics

Two political events spurred the growth of Health, Inc. First, in his campaign for re-election, Governor Francis Sargent adopted Health, Inc. as a state wide program. And second, Nixon’s push for Health Maintenance Organizations (HMO’s) as a major federal health reform, cast Health, Inc. into national prominence and paved the way for federal funding.

When his opponent forced Governor Sargent into adopting a health platform, he turned for advice to Dr. Cronkhite. Cronkhite was then chairman of the Governor’s Medical Assistance Advisory Council and a member of the State Task Force on Health Facilities. Cronkhite was in the midst of establishing Health, Inc. and suggested that the Governor use it as his major health initiative. Sargent bought the idea, and on April 14, 1970 “revealed details of a plan for a health delivery system now being initiated in the Commonwealth.” The press release gives the mistaken impression that Health, Inc. was a state-developed and state-sponsored program—a misconception that Health, Inc. has done very little to correct. Yet Health, Inc. remains completely independent of state government (except for its charter as a non-profit health care corporation) without any state grants for direct financial support.

In February, 1971, the Nixon Administration announced the Health Maintenance Organization (HMO) as its fundamental program for restructuring the American health care delivery system.
Although it masquerades as a preventive health care program, the HMO is primarily a management concept designed to save costs (see BULLETIN, December, 1971). Cronkhite's Health, Inc. fits the HMO conception ideally. In fact, it is likely that Cronkhite, as a member of HEW's Committee on Health Care, had an important role in formulating the HMO idea. Health, Inc., as HMO, was eligible for federal financing, which it eventually obtained: $125,000 from HEW and $93,000 from OEO.

While awaiting government funding, the corporate level of Health, Inc. was busy fund raising from private sources. The Kellogg Foundation gave $250,000; the Permanent Charity Fund, $49,000; the Hyams Fund, $20,000; and Regional Medical Programs, $20,000. Funds in hand, planning for the primary care level of Health, Inc. got underway during the summer of 1970. Health, Inc. leased the old hematology laboratory on the grounds of Children's Hospital and spent $250,000 remodeling it. On February 1, 1971, it opened as the Longwood Center—the first and still only primary care center of Health, Inc.

Though it wanted to open several other centers during the past year, Health, Inc. has had its hands full with the Longwood Center. Dr. Cronkhite is still optimistic and claims that 17 community groups have requested Health, Inc.'s assistance in exploring primary care centers for their neighborhoods. These groups might do well to examine the problems at the Longwood Center first.

Promises, Promises (or full of Boston Beans)

During its first year of operation, the Longwood Center failed in nearly every promise it made to both patients and staff. A recruitment brochure for patients made the following promises to prospective enrollees:

- "One doctor—your doctor—in charge of health care for the entire family." Within its first year, Health, Inc. had a nearly total turnover of doctors. One physician who recently left Health, Inc. reported that some of the patients he saw had four different doctors in a period of less than eight months. He suggested that in terms of continuity of care, patients might be better off at some Boston City Hospital clinics where patients have the same doctor for at least a year.
- "Open 24 hours a day." The Boston Globe announced on January 31, 1971, that "The Longwood Center of Health, Inc. will open its doors, which are to remain open 24 hours a day, 7 days a week, at 9:00 A.M. tomorrow." However, this has yet to happen. Hours during the first year were from 8:30 A.M. to 9:30 P.M. Monday through Saturday, and from 9:00 A.M. to 1:00 P.M. on Saturdays and Sundays. Plans for a 24-hour answering service were only formulated after 9 months of operation.
- "Complete medical and surgical care." All surgical patients, often even those requiring suturing of minor lacerations, were referred to the neighboring Peter Bent Brigham Hospital, Children's Hospital's adult counterpart. There patients pay on a fee-for-service basis at the doctor's full fee.
- "Preventive care and health education." Some preventive care was offered at the Longwood Center, but according to one of the doctors, "It was quite haphazard." Physical check-ups were done, but routine preventive laboratory tests were left up to the individual doctor. Sickle cell screening was performed routinely on all Black patients. But there was no counseling program for patient's discovered to have sickle cell trait. One of the few preventive care and health education programs—the nutrition education and counseling program—was discontinued after the first five months. (see box, Page 6).
- "Everyone who joins Health, Inc. automatically becomes a member of the Consumer Council and has a voice in how
the family care unit is operated." To date, there is no Consumer Council at the Longwood Center. In fact, the public relations director of Health, Inc. has said there will be no Consumer Council at Longwood, because the Center does not serve a coherent community. While the Center was originally designed to serve patients within a three to five mile radius, because of low enrollment, the region served had to be expanded.

While the administration says there will be Consumer Councils in future centers, it is clear that their role will be circumscribed. In an article written for hospital administrators, Dr. Cronkhite describes their role: "...to provide technical advice to consumers on how to organize themselves to be an effective voice." He continues by saying, "The community will not hire and fire anyone, nor will it have operational or fiscal control."

In the same article, Dr. Cronkhite indicates his disdain for the community control movement, which he labels "rampant consumerism, especially on the part of blacks, that has afflcted everyone from East Baltimore to Roxbury." He suggests an alternative: "We [Health, Inc.] have taken the posture to maintain stalwartly that consumers can never be satisfied unless providers are satisfied." Cronkhite then lists the desires and needs of both consumers and providers and states that it is the clinic management's task to insure that both lists are fulfilled (see box, Page 4).

"Health, Inc. gives you all these benefits at no more cost than you are paying now, for less!" In spite of promises of prepayment, Health, Inc. still operates on a fee-for-service basis: $16 for an evaluation visit (over 20 minutes); $12 for a special visit (10-20 minutes); and $8 for a routine visit (less than 10 minutes); and extra for laboratory fees. However, at Children's Hospital Emergency Room (100 feet down the road from the Longwood

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We Aim To Please

According to a report done by the Harvard Business School/School of Public Health, "Health, Inc. is opposed to giving non-professional community people operational control of a health delivery system. They [Health, Inc.] have observed in OEO and other government demonstration projects that in all too many instances 'professional consumers' who have gotten a taste of power and want to gain more, force the programs to become embroiled in political power plays.

"Health, Inc. and a group of community leaders made a list of consumer desires in health care and professional desires. They found the items were not mutually exclusive. They hope to build the satisfaction of the consumer's desires into the reward system for the medical staff. It is the clinic management's task to insure that the desires and needs of both parties are supportive of one another and that they are fulfilled." The following list has been prepared by Health, Inc.:

<table>
<thead>
<tr>
<th>Consumer List</th>
<th>Professional List</th>
</tr>
</thead>
<tbody>
<tr>
<td>A setting in which one receives care with privacy and dignity</td>
<td>An opportunity to lead an orderly life (can't do it in private practice)</td>
</tr>
<tr>
<td>Availability of care 24 hours a day</td>
<td>A career ladder</td>
</tr>
<tr>
<td>A physician that one can relate to</td>
<td>Hospital privileges so that he can remain a part of the profession and be able to refer patients</td>
</tr>
<tr>
<td>Successful medical care</td>
<td>If a medical school is available, at least an honorary affiliation is desired so he can obtain professional status and keep up with changes in medicine</td>
</tr>
<tr>
<td></td>
<td>A reasonable salary, with time and fringe benefits so that he can spend it</td>
</tr>
</tbody>
</table>

The truth is that Health, Inc. has not succeeded and cannot fulfill either the consumer's needs or the professional's desires.
Center) the rates are only $14 for the first visit, and free for routine follow-up care. The Harvard Community Health Plan, a prepaid group practice program located several blocks from the Longwood Center, offers as many visits as needed for a prepaid sum of $20 a month for an individual, including hospitalization insurance. Health, Inc. is supposed to transform itself from a fee-for-service operation to a prepaid program; but considering the poor record on its other promises, that may be a long time coming.

Less explicit promises were made to the staff of the Longwood Center. Health, Inc. was a new program, supported by significant progressive forces within the health and political establishment. The staff expected the opportunity to carve out new roles. David Weiner, a close collaborator with Dr. Cronkhite on Health, Inc. stated that the "health care team was one of the major operating concepts for Health, Inc."

The team would consist of a doctor, nurse, nurse's aide and clerk typist working together on an equal basis and having frequent meetings to iron out differences. Nurses were promised on-the-job training in order to become nurse practitioners. These promises were also broken. The nurses were most articulate in their complaints: "... nurses have been forced to do clerical work, leaving them with less time for patients. There is no nursing director and so-called in-service education for nurses has been relegated to lunch-hour patient conferences. Working conditions for nurses have deteriorated ... The nurses and most employees have not been given a contract. Nurses are required to work two-and-a-half more hours per week than originally stated—with no increase in pay; they do not receive evening differential pay. The fringe benefits originally promised have not been approved by the corporation. Although nurses were hired with the understanding that they would contribute to the planning of the facility, they have not been consulted ..."

Consequences, Consequences (or, Who Burnt the Beans?)

Discontent built up within Longwood Center during the first few months. The corporate level of Health, Inc. felt that the Center's administrator did not have "control of his staff" and failed to meet enrollment and income projections. He was fired in June, 1971. The nurses, however, continued to push for their demands for in-service education, fringe benefits, etc., and to point out the hypocrisy of Health, Inc.'s recruitment brochure. All four nurses were finally fired, plus several secretaries. Several of the fired workers were joined by 30 to 40 members of Boston's Medical Committee for Human Rights in picketing and leafleting the Center.

At the end of the first year of operation, the Longwood Center experienced almost 100 percent turnover in staff. Eight staff were fired, the rest resigned: including four secretaries, three nurses, one nurse coordinator, one administrator, two social workers, two nutritionists, and six full or part time doctors, including the medical director.

But if Health, Inc. had trouble keeping staff, it had even more difficulty attracting patients. After one year, the Longwood Center had only seen 6,000-7,000 patients, most of whom did not regard the Center as their primary source of care. A major-

Health, Inc. has not allowed its patients any voice in policy making and is operated as a business ... Balancing its books has been far more important than the delivery of health care.

—Report on Health, Inc. Boston MCHR

Other more organized groups of patients rejected Health, Inc. outright. When
Health, Incorporated guaranteed its enrollees “preventive care and health education.” In an unexpected windfall, this guarantee took on some reality. The Nutrition Department of Harvard School of Public Health, after being turned down at the Columbia Point and Bunker Hill Health Centers, offered its services to Health, Inc. Dr. Cronkhite (founder of Health, Inc.) was enthusiastic, but he insisted that Health, Inc. had no funds to support a nutrition program. So the Nutrition Department raised $59,000 from the Public Health Service to train a nutrition aide and provide community services.

However, it became obvious, from the moment that the Longwood Center opened its doors, that Health, Inc. placed a low priority on the nutrition program. The nutrition aide-in-training and her instructor were assigned to the smallest examining room in the building. Demonstrations and classes for patient groups were impossible in the space provided. There wasn’t even a bulletin board.

The nutritionists were prepared to provide a variety of services, ranging from individual counseling on diets for hypertensive and diabetic patients, to group sessions on shopping and family budgets. But the real problem was that very few patients were referred for counseling and others did not keep their appointments. In the first five months at Health, Inc. the full-time nutrition aide-in-training saw a total of 96 patients (less than 1 per day).

Faced with the lack of cooperation and concern at Health, Inc. and especially exasperated by the meager patient load, the Nutrition Department withdrew its services five months after the program started. The Nutrition Department, however suggested that Health, Inc. retain the nutrition aide; and a doctor at the Longwood Center offered to pay half her salary, if Health, Inc. would pay the other half. Health, Inc. refused to put up the money. Nutritional health education became a thing of the past at the Longwood Center.

It was rumored that Health, Inc. might move into their neighborhood, the Martha Eliot Health Center in Jamaica Plain and the South End Health Center swiftly and successfully moved to block Cronkhite. Both Health Centers felt threatened by Cronkhite’s adamant stance against community control. Another blow to Health, Inc.’s expansionary vision was dealt by a Spanish speaking community in Springfield, Massachusetts. The community vetoed Health, Inc. in spite of a $93,000 OEO grant that it had obtained for a primary care center there.

Bad Hamburgers

The Longwood Center has failed by its own standards. It has not attracted patients; it seems to have repelled staff; and it has not made money. When asked how quality patient care could be maintained at Longwood, George Lunn, Children’s Hospital Personnel Director and a Health, Inc. Board member, said: “If McDonald’s sold bad hamburgers it wouldn’t last very long.” By this criterion the Longwood Center should close down.

Of course, the problems of poor management, worker discontent, etc. could be chalked up to the difficulties of the start-up year and undoubtedly, this played a role. But the Longwood Center failed for more basic reasons. It couldn’t satisfy the needs and desires of both providers and consumers and still make money. As the Center’s administrator stated: “We were very much under pressure to have the doctors meet the projections, which were directly tied into dollars. The commitment was never really to effective care, but rather that ‘x’ number of dollars could be generated by seeing ‘x’ number of patients. It was never realistic to expect that we would do both things: generate dollars and do effective care...” With budgetary considerations foremost, the needs of patients and health workers suffered. For example, at the Longwood Center, patients were scheduled in rigid time slots according to the amount charged per visit. If a doctor doing a routine check-up took longer than the allotted time, he had to reschedule the patient for a second visit—an inconvenience to both the doctor and the patient.

The fiscal problems of Health, Inc. could be blamed on its inability to develop a prepayment scheme and a single management vehicle. Prepayment would guarantee Health, Inc. a monthly income from subscribers. A single management vehicle—uniting primary care, acute hospital and nursing home facilities under one management—would permit Health, Inc. to
save money. For instance, instead of expensive hospitalization for diagnostic work, tests could be done more cheaply in the primary care center; and patients no longer needing acute hospital care could be transferred earlier to nursing homes.

It is true that these "management fixes" were not applied to the Longwood Center during its first year of operation. But even if these cost-saving measures had been used, Health, Inc. would still be in trouble. There are many other costs which better management cannot control: the cost of high-priced medical technology and drugs (supplied by profit-making companies), as well as the costs of handsomely paid administrators and doctors. These uncontrollable costs continue to rise at rates three times the consumer price index. Even under the best prepayment scheme higher costs mean higher premiums.

In addition, Health, Inc. drew a majority of its patients from Medicaid. As medical costs soar, state governments, faced with angry taxpayers, seek ways to cut back expenses. Rather than control the "profits" of the medical-industrial complex, the government takes whole groups of people off Medicaid. In Massachusetts, all general relief recipients (those not on federal programs) were recently cut off Medicaid. These patients will no longer be able to use the Longwood Center.

Health, Inc. diagnosed the illness of the American health system to be a lack of planning, coordination and management and prescribed a large dose of spanking-new corporate management techniques. It assumed that with some technological and managerial tinkering and streamlining, the system, as it is now, can be made to work. It found itself treating the symptoms while the disease ran rampant.

It is not surprising that Dr. Cronkhite should prescribe more and better management for the ailing health system. For Dr. Cronkhite has built his career on finding management solutions to medical institutional problems. When he was appointed General Director of Children's Hospital in 1962, the President of the Board characterized the appointment as "the first major step in the reorganization of Children's Hospital Medical Center along lines consistent with modern management practices." In building Health, Inc., Dr. Cronkhite turned for advice to five large business concerns: "companies whose talents we needed and who were non-competitive—an electronics firm, because it is the largest single employer in the state; a grocery store chain, because it has much expertise in running multiple operating units from a single corporate headquarters; a large international corporation with good managerial skills; a local investment counseling organization and a life insurance company."

Unfortunately Dr. Cronkhite is hardly alone in his estimate of the American health system and its cure. In much the same way as the organized medicine of the AMA once insisted on "freedom of choice" as the ideological underpinning of the American health system, the representatives of the liberal "corporate" organized medicine of today rest on good management as doctrine. Those "young turks" who talk about restructuring the American health system are recruited by the Cronkhites of today to place their energies into designing computer systems, better reimbursement formulas, and single management vehicles which allow the present system to remain fundamentally unchanged. If nothing else, the saga of Health, Inc. demonstrates the limits of this kind of managerial reform. —Oliver Fein

Research by Boston Chapter, Medical Committee for Human Rights. Copies of complete report available from: Boston MCHR, P.O. Box 382, Prudential Station, Boston, Mass 02199
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