

HOSPITAL
ADMINISTRATION
ORAL HISTORY
COLLECTION

Stanley Ferguson

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STANLEY FERGUSON

In First Person: An Oral History

Interviewed by Donald R. Newkirk
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Stanley Ferguson

CHRONOLOGY

- 1908 Born September 10, Chicago, Illinois
- 1929 University of Chicago, Chicago, Illinois, School
of Business, Ph.B.
- 1933-1948 Chicago Lying-in Hospital of the University of
Chicago Hospitals and Clinics, Chicago, Illinois
Business Manager, 1933-1938
Superintendent, 1938-1948
- 1942-1946 U.S. Army
Captain in the Medical Administrative Corps
- 1948-1952 Cleveland City Hospital, Cleveland, Ohio
Superintendent
- 1952-1976 University Hospitals of Cleveland, Cleveland, Ohio
Director, 1952-1967
Executive Director, 1967-1976

MEMBERSHIPS AND AFFILIATIONS

Advisory Committee for the Hill-Burton Program in Ohio
Member

American College of Healthcare Executives
Fellow

American Hospital Association
Advisory Committee on Hospital Insurance Programs,
Chairman
Board of Approval, Chairman
Board of Trustees, Member, 1960-1962
Committee on Coordination of Activities, Member
Committee on Development, Member
Committee on Legislation on Financing Depreciation, Member
Committee on Registration of Hospitals, Member
Committee on Resolutions, Member
Committee to Review AHA Structure, Member
Committee to Review Council Structure, Member
Council on Administrative Practice, Chairman, 1956-
1959
Council on Hospital Planning and Plant Operation, Member,
1954-1955
General Council, Member
President, 1963-1964
Special Committee on Implementation of the Statement on the
Financial Requirements of Health Care Institutions and
Services, Member

Cleveland Hospital Council
Member, Board of Trustees
President

Cleveland Welfare Federation
Member

Council of Teaching Hospitals of the Association of American
Medical Colleges
Chairman, 1966-1967

Hospital Advisory Committee for Blue Cross of Northeast Ohio
Member

Joint Commission on Accreditation of Hospitals
Member

MEMBERSHIPS AND AFFILIATIONS (continued)

Ohio Hospital Association
Member

Western Reserve University
Member, Board of Governors

AWARDS AND HONORS

American Hospital Association
Distinguished Service Award, 1972

Greater Cleveland Hospital Association
Distinguished Service Award, 1991

University Hospitals of Cleveland
Archives of University Hospitals of Cleveland named in honor
of Stanley A. Ferguson, 1993

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NEWKIRK:

Stan, tell me about yourself. Where did you come from, where were you born, and so forth?

FERGUSON:

I was born in Chicago, Illinois, in a working-class family. My father died when I was 12, and I had an older brother and sister. Fortunately, my mother was able to keep us together and worked, and we all worked as we went through school. Fortunately, we had a good high school education, and we were eligible to go to college. In those days, you have to remember, tuition was not a great amount, and, since we lived in Chicago, my brother and I had the opportunity to go to the University of Chicago, which was just three miles away. We lived in an area called Englewood, which is about eight miles from downtown Chicago. In fact, it's not too far away from what is currently the old Midway Airport, a few miles from there. I entered the University of Chicago in the fall of 1925 and completed the program for a PhB in the School of Commerce and Administration in the University of Chicago.

NEWKIRK:

You left the University of Chicago and now what?

FERGUSON:

I was preparing, along with my brother, to take work in public accounting, and during the winter months, because Chicago is on the quarter system, I worked for a public accounting firm for two years before I graduated in June of 1929. After college, I got a job with Arthur Andersen Company in the fall of that year. By the way,

that was the time of the big drop in the stock market, just as we had a few years ago, and was really the beginning of what was known as the Great Depression.

After working there for about four months in the latter part of 1929 and the first part of 1930, the end of the season for a great deal of work came, and so the younger people were laid off, and, of course, the Depression was starting to hit. Looking for a job became a necessity, and I found a position with a reciprocal insurance company in the downtown area in what we might call an underwriter position. It was a small company, and a very successful man had developed this for the canning industry nationally. That gave me a great deal of experience in reviewing reports from field men who had been out in different plants advising the owners what to do in connection with the quality of their buildings and protection and so forth, and helping write the policies. I was there for three years and then received a telephone call one day from a former faculty member in accounting at the University of Chicago, who at that time, 1933, was the controller of the university. He asked me if I would be interested in a position at the Chicago Lying-in Hospital, which was on the campus of the new University of Chicago Clinic, which had opened in 1928.

NEWKIRK:

Why did they call it a Lying-in Hospital?

FERGUSON:

Because it was maternity.

NEWKIRK:

That term is extinct.

FERGUSON:

Oh, yes. By the way, there were not many obstetric hospitals at that time in the nation. In fact, I think the record will show that most babies were still being born at home for the simple reason, you remember, we were pretty much a rural country and people lived in small towns and rural areas, and patients were either delivered at home by midwives, neighbors, or had a doctor that came to the house. I can remember that when I was a kid.

NEWKIRK:

So you went to the Lying-in Hospital.

FERGUSON:

It was in the beginning of the Depression, and so I started learning about hospitals through obstetrics, and this afforded me a very interesting insight into a field that I had never been involved in. As I continued to work, I became much more interested. Also, during this period of several years, the trustees of the hospital began to realize that with the increasing emphasis on medical education and research, the hospital's activities could best be served if they were merged with the University of Chicago Clinics. Therefore, the trustees, working with officials of the University of Chicago Clinics, developed an agreement to accomplish this.

By the way, the trustees were primarily women of the North Shore who had become involved in the development of the hospital,

which had been established in the late 1800s by Dr. Joseph B. DeLee, considered to be one of the great men in obstetrics in the United States and well known at that time for his advanced thinking about obstetrics. So I had a chance to observe something that became a model in the rest of the country for obstetric service.

Lying-in Hospital came to the new University of Chicago Clinics, which had been developed in the 1920s through a grant from the Rockefeller Foundation through the University of Chicago. As you know, the University of Chicago was founded by Rockefeller. Until this time, the University of Chicago School of Medicine was a divided program. The preclinical years were at the University of Chicago, and the clinical experience was provided by Rush Medical College, which was associated with Presbyterian Hospital. Lying-in joined with them to build their hospital on the same campus as the Billings Hospital and Clinics. I believe this reflected Dr. DeLee's belief that the future developments in obstetrics would come through research, which was basic in the new University of Chicago Medical School and Hospital program.

By the way, University of Chicago Clinics was established in the mode that the Rockefeller Foundation was supporting, and I believe they supported the development of the hospital at Rochester. This was also a new development in medicine where there was a full-time staff at Billings and also at Lying-in Hospital. The one at Lying-in Hospital was a much smaller staff with many more part-time obstetricians, most of whom were trained and had their training at Lying-in Hospital. They were very successful and

had a large practice, but most of the physicians were what you would call today part-time rather than full-time.

Now, at Billings, all the medical, surgical, and pediatrics physicians were full-time, because the intent was that these new hospitals that the Rockefeller Foundation was supporting were to be in the new mode of the Flexner Report, concerned closely with medical education and research. Research laboratories were right adjacent, in a large building over at Billings Hospital, and Lying-in had its research program in its own facility. I recall one project that I got involved in in my later years in which an obstetrician was seeking to determine the relationship of diet to pregnant women and those who were going to be there for delivery, and we built some special facilities so that we could do some clinical investigation on this with the help of nutritious food, particularly meat, provided by Swift Company.

My early experience was in a teaching setting, so I became acquainted with that and how it worked. In the meantime, the director of the hospital had been a woman, as decided by the board.
NEWKIRK:

In those years in a hospital like that, it would be very likely that it would be a nurse.

FERGUSON:

Oh, yes. There were some men, particularly in the larger hospitals, but in many of the hospitals, if they were men, they were mainly, as I learned from my associates who are older than I, from a background of business, and so it was the business aspects

of the hospital that they were concerned with. Of course, organizationally there weren't great problems with personnel. Most of the personnel were either physicians or nurses or people who were under the direction of nursing and doing housekeeping. We had a housekeeper, and we also had a director of nurses. The director of the hospital, Ms. Braithwate, that I started to work for was a very interesting woman who had been an assistant to the longtime director, superintendent, of Johns Hopkins Hospitals.

By the way, in those days the director would live in the hospital as also did the director of nursing, and it so happened that the director of nursing had come from Cleveland, where I eventually ended up at University Hospitals. As you may know, University Hospitals in Cleveland had opened just at about that time in the latter part of 1927 or 1928. They had to close the Maternity Hospital in Cleveland, which was a separate unit, and so we got some of the people who had come from there who were looking for work, and one of those was a Ms. Huikill, who came from a fine family in Cleveland and had gone into nursing. By the way, many well-educated women went into nursing as a choice because they didn't want to be schoolteachers. This is my hunch. They didn't want to be schoolteachers or other female-oriented pursuits related to professions, and so they entered nursing. I will say, in my experience at the University of Chicago and elsewhere, some of the women I got to know in nursing were very bright, very dedicated to their profession, very thoughtful, and very effective.

NEWKIRK:

You came to Lying-in then as a businessman.

FERGUSON:

Yes, in the business office. This was the beginning of the big Depression.

NEWKIRK:

That was a tough job.

FERGUSON:

Oh, yes. Money wasn't coming, and there was a lack of funds for taking care of the indigent. Remember now, most people who could probably afford hospital care, didn't come to the hospital if they could avoid it, because hospitals were not held in the high esteem that they are today. Basically, you went in for illnesses that were related to surgery.

NEWKIRK:

There was no Blue Cross, no prepayment. We know that. Before Blue Cross came on the scene, where did you get your money for the indigent?

FERGUSON:

It was through philanthropy and then, in the beginning of the Depression, various states had to do something about maintaining some vital services in the community, and most of them in most cities were not necessarily governmental hospitals. Chicago had Cook County Hospital, and other cities had city hospitals and county hospitals. So somehow they had to do something about supporting the nongovernmental hospitals in the community which

were taking care of many of the people who needed help, and the hospitals had to be kept open. Like in every big city in the Northeast, you always had some kind of associated charities or a group like that that had been started for philanthropy to provide funds.

In Illinois, the state set up the Illinois Emergency Relief Commission. I'm sure they did much more than just relief, and I don't know just what they did. I never got involved with that except that they provided funds for hospitals. What's interesting to me is that, as I recall, we had to fill out some slips of paper to indicate the name of the patient, how long they were in. By the way, in those days a 10-day stay was the norm at Lying-in Hospital. I later found out when I came to Cleveland that they had a 21-day stay before World War II.

NEWKIRK:

They had more money.

FERGUSON:

No, it reflected the medical practice.

NEWKIRK:

Would this be sort of like what the United Appeal is now? They collected money from the public?

FERGUSON:

In Cleveland, this was the Associated Charities, which had been started to raise philanthropically money for old Lakeside and other hospitals that had some charity patients. In Chicago, it was very interesting to me that Jewish charities, as in all major

cities, have always been very well regarded for the Jewish community, and, as I recall, the director of the local Illinois Emergency Relief Commission was the director of the local Jewish charities bureau. As I say, we used to fill out these forms, and I doubt if anybody ever checked them for any purpose. They were the basis for getting paid. Now, I'm not criticizing.

NEWKIRK:

The University of Chicago financed the faculty and things like that in the hospital, didn't they?

FERGUSON:

I think Lying-in Hospital itself, its board, had set up some funds for the support of the full-time faculty, but remember the salary of a professor in those days on a faculty basis, in any university, any professor who got \$2,500 a year was considered very well off. A thousand, two thousand dollars went a long way. Then they decided to merge, because the ladies felt that they had to adjust to what was going to happen, and Dr. DeLee was very supportive of what was to happen in the area of research. In fact, he had been a professor of obstetrics at Northwestern University but made his decision to affiliate his hospital, Lying-in Hospital, with the University of Chicago because he felt strongly that research was going to be very important in all of our subjects. He even built a separate unit. You had to go through open areas to walk into it, for infected patients, those who were considered infected patients. Do you remember the story of obstetrics in Europe? I believe they discovered the reason for childbirth fever

was that physicians weren't as careful as they should have been with just sheer cleanliness. I tell you, I learned early when I came to Lying-in that everything had to be what they called administratively clean, not only surgically clean, and in all areas, in the best interest of the hospital, its background, and its future. By that time, Dr. DeLee had retired and a new professor had been appointed. When the new hospital opened, Dr. Adair had come from Minneapolis, Minnesota, well regarded in obstetrics and gynecology. In 1936, they decided to merge with the University of Chicago Clinics, and at that time, they decided that Ms. Braithwate had to leave, so I was appointed business manager, promoted from just being office manager and so forth. And Ms. Huikill, who had come from Cleveland to be the director of nurses, was made acting superintendent.

I was supposed to take care of all the business, so I worked directly with the executive committee of the board of women. I got to know them all very well. And so for about a year and a half, I was active in that role as they were negotiating with the University of Chicago Clinics for the merger. By the way, shortly before I had come to Lying-in Hospital, Dr. Bachmeyer had come from Cincinnati. He had been dean and director of the hospitals of the University of Cincinnati and was appointed to be the new dean of the medical school and director of the hospital. This was the way I met Dr. Bachmeyer, because at a point in the negotiations, I was asked to come over to his office, and we talked a little bit and then he told me to get together with Nellie Gorgas. I don't know

if you remember that name. She was then his administrative assistant, and I worked with her on developing a budget for Lying-in Hospital. We worked and set up a new budget, and it all came through one day. I was kept aware of this from the ladies on the board, and I had the hunch that they were open to having me as the person in charge, but I never discussed this with them.

One day Dr. Bachmeyer called me over, and he said, "Stanley, we got all this together." And by the way, our budget was all on columnar paper—every name of every employee and how much they were to be paid. And by the way, \$75 a month was a lot of pay in those days for people in the hospital. I will never forget this. There was a place for assistant to the director for Lying-in, and there was a blank at the top of the line. Did you ever know Dr. Bachmeyer?

NEWKIRK:

No, I didn't.

FERGUSON:

He said, "Stanley, put your name there."

NEWKIRK:

That's how you got the job. That was the job interview.

FERGUSON:

You see, I had been working with him for about a year. When he had come as new director, I don't think he had anything to do with Lying-in at that time. It was just that we had to work together because they provided some of our service. So, that's how I got started in as part of his staff.

NEWKIRK:

What kind of person was Dr. Bachmeyer?

FERGUSON:

He was very much of a gentleman, very quiet, very soft-spoken, and, by the way, he had a very severe hearing loss so he always had to have his hearing aid in. It was interesting to me to find that he was always available to me. I didn't feel I needed to bother him much, but if I called and asked for an appointment, if it weren't a routine matter, which there wasn't much of, he would see me. But, one thing I noticed, if I came to his office and had to wait a bit, very often the person who came out of the office when I was ready to go in was a student in the program of hospital administration. That was another one of his responsibilities—to be the director of the program in hospital administration. I never resented it, but later on, it suddenly dawned on me that here's a man who is very much interested in people and students, and I knew we could get into very interesting discussions where he would be totally relaxed. He wasn't a go, go, go character, and so we would talk and that's how I got to know him, and I started to work with him.

Changes were then going on as a result of all this with the board and so forth, but as long as I was at the hospital until even after World War II, the women's committee of the board was still active. The old Lying-in board. Because, in the affiliation agreement, I don't know if that was maintained, I can't remember that now, but we used to meet with the chief of obstetrics and

gynecology and the chief nurse on policies and changes that had to be done.

NEWKIRK:

How many beds were in the hospital?

FERGUSON:

There were 125, 150.

NEWKIRK:

Were they full most of the time?

FERGUSON:

Oh, yes. You see obstetrics moved into America's hospitals, I think, in the 1920s, and this is when obstetricians were starting to be trained. At Lying-in, they trained one group of residents over a period of four years because they had a three-year residency, but then they had a six-month program for general practitioners. By the way, that was always filled.

NEWKIRK:

Were there many general practitioners who wanted to be obstetricians?

FERGUSON:

There were not many. Dr. DeLee was a recognized leader in the profession. I could talk to physicians. I'd ask them, "Do you know the name DeLee?" "Oh sure. He wrote the book on obstetrics." He along with his long-time nurse associate, Mabel Carmen, who was in charge of delivery room services. So all medical students, I guess, when they looked up an old reference, that's the one they looked for.

I was there and progressed with them as they went through the problems of the '30s. As I was going to say, Blue Cross started about that time.

NEWKIRK:

Nineteen thirty-four, in Texas.

FERGUSON:

Yes, but one of the great leaders was John Mannix in Ohio, who I met later. But I met him in Chicago after the war in a happenstance I'll tell you about. I'm trying to do this chronologically. But something started in Chicago before World War II, and, believe it or not, Bob Cunningham was involved with that.

NEWKIRK:

Bob Cunningham, later editor of Modern Hospital magazine.

FERGUSON:

He and I, without knowing each other, both attended the University of Chicago at the same time. I met him when he was involved in the early days of a group that was formed to set up a Blue Cross program in Chicago.

Apparently, as I recall, there was a superintendents' club in Chicago like there was in most cities where there was more than one hospital. A group of the administrators, and again I can't remember all their names, but they formed a new organization called the Chicago Hospital Council, I'm sure copying it from the Cleveland Hospital Council, which was the first hospital council in the country. That's where Guy Clark was in charge.

NEWKIRK:

Now, had John Mannix gone from Cleveland to Chicago, or hadn't he arrived in Cleveland yet? He didn't bring the idea of the council to Chicago?

FERGUSON:

Oh, no. Let's just regress for a minute. John. Very unusual. He was a west side boy, very smart, never went beyond high school, by the way.

NEWKIRK:

West side of?

FERGUSON:

Cleveland. Whether he was in the Cleveland part of the west side or in Lakewood I don't know. He intended to go to college and for some reason he didn't go. Then he got a job instead, because he was a very good thinker but also good in accounting matters, apparently. He was good in numbers, as you know. He got a job at Mt. Sinai Hospital, which was the first hospital built outside of downtown Cleveland in 1925 by the Jewish community. It's still there and very successful. It was a more modern hospital than any others at that time. John got a position there with Frank Chapman, who wrote an early book on hospital administration.

NEWKIRK:

John did or Frank?

FERGUSON:

Frank Chapman. So, John was there and did very well, and while he was there, he was in the business office, and he finally

got another position. I don't know whether he got a position being an assistant or not. I think he did. And that is where he got his idea of inclusive rates and averaging long before Blue Cross. At that time, too, he started to get involved in this whole discussion nationally of how to provide health care, hospital care, for the public. As you know, the Rosenwald Foundation bankrolled a committee in the late '20s, and they published their report, on the cost of hospital care in something like '32. I never read the report, only reports of it, and they were the first group to point out that health care, hospital care, if you're sick, can be bankrupting for any family if it's severe enough.

NEWKIRK:

Sounds familiar, doesn't it? It's what they are talking about now. Still.

FERGUSON:

The idea was that there had to be some way of financing through insurance coverage hospitalization. To me, I have always kept this in mind, that any family—sure if you were a multimillionaire this wouldn't occur—it could bankrupt you. Most of the people in this country, I would say 75 percent, could be bankrupted by not a conventional illness but an unusual illness. You know about them. Everybody knows about them. So the principle of insuring people has to be a total risk.

I tell you this, do you know where I found out about it? In the work I did earlier, in the early '30s, in the insurance industry. This man was a general agent for General Insurance

Company in New York where there were a lot of canning factories and canning factories only can when the crops are harvested. There were small frame places out in the country and, when the canning season was on, they were busy, maybe two, three months when the farmers brought in their crops, and then they would warehouse it, and so forth. Their property risk was very high at that time. Also, when they were vacant, the property was subject to damage by hobos and others who would come in and use the buildings because they were closed. Lightning storms also threatened.

On the basis of his experience, he decided that if he could get enough canning plants together, all in one group, under one organization for risk, one risk group, he could probably buy good rates and provide good service to them, and they could improve their risks if he got enough of them. I learned in that office that if somebody wants to establish a dynamite factory or fireworks factory and if you get them located in different areas and enough of them, the law of averages says they won't all be destroyed at once. The risk factor. By the way, this is the same thing in health, you'll notice. The statement I made is, as I understand it, what the Committee on the Cost of Health Care came up with could be bankrupting to any family at some point.

NEWKIRK:

You're still at Lying-in?

FERGUSON:

Until 1942 when World War II was on. I decided that I would enter the service. I was not married. I received a commission in

an evacuation hospital, which was formed in Chicago from West Suburban Hospital. I then told Dr. Bachmeyer that I was going to go into service, and, by the way, he seemed to be, in a sense, very pleased with this, because he had been a colonel in the medical corps in World War I. So for three years, from 1942 until 1945, I was in the medical corps in an evacuation hospital in the South Pacific. I came back in 1945.

NEWKIRK:

Where in the South Pacific?

FERGUSON:

New Hebrides, particularly, for 24 months. That was just below Guadalcanal. We were in the early support group after Guadalcanal was secured. Then, we moved up to Batangas, South of Manila in the Philippines, in the early part of '45, and, shortly thereafter, we were headed for the invasion of Japan in September and October. And then, fortunately, the war ended by the time we were to take off, but we still had to go up to Japan in order to go home because, I guess, of all the traffic. All the shipping had been scheduled to go up and around, so they had to reorganize all the shipping. Finally, I got home just before Christmas of 1945.

NEWKIRK:

I think it would be interesting back in those days, and I was in that war, too, but you didn't have helicopters flying in and picking people up off the beaches and things like that.

FERGUSON:

By the way, when I saw *M.A.S.H.* in the movies, we were not unlike that but not a M.A.S.H. Unit. We had all the incidents that are connected with that. We had as many as 600 patients, and we were supposed to take care of a few hundred because we were a major medical group. We weren't a station hospital or general hospital and yet we had to take care of them, originally under tents.

NEWKIRK:

So you were a World War II M.A.S.H.

FERGUSON:

Yes, because we had nurses. At the beginning, they weren't allowed to come with us, because it was not considered safe for them. They had remained in Noumea, New Caledonia, for four or five months and then rejoined us. We got bombed a few times by Japanese bombers coming down at night, but nothing serious.

NEWKIRK:

They brought these people in by ship or by propeller aircraft?

FERGUSON:

Most of them by ship, because they had been taken care of by smaller units, mostly Navy up where the fighting was. There was a Navy base hospital north of us on the same island.

I came back in the fall of 1945 and as soon as I had a chance, I went over to see Dr. Bachmeyer and tell him I was back. At that time, the law was that you had to have a chance for your old job. My job was filled at that time by one of the graduates from the program. By the way, Milo Anderson was one.

NEWKIRK:

Milo.

FERGUSON:

Milo Anderson was one of the men who filled that position while I was away. I met him before I went into the service, because he was in the Admitting Office of Billings Hospital, plus some other men that went on into the health administration field. Along the way Rufus Rorem, I don't know if you remember the name.

NEWKIRK:

Absolutely.

FERGUSON:

He was one of my instructors in accounting at the University of Chicago. He was a bit older. Later, he was at the Rosenwald Foundation having to do with the support of education in hospital administration. I don't know if he was involved in any program other than one, but one day he called me before I went into the service, and he asked me to come over and let's talk. "Would you like to take the program in hospital administration?" I thought about it, and I thought, "Gee, I don't know if I want to go back to school." I went back and I talked to Dr. Bachmeyer, and I'll never forget he just sort of talked to me and finally he said, "Stanley, I don't think you need it."

NEWKIRK:

You know, Stan, this has nothing to do with the tape, but I had absolutely the same experience with Jim Hamilton. I was working at the Children's Hospital in Cincinnati and went up to see

Jim about getting into the program, and he said, "I'll take you into the program, but stay where you are. You're getting better experience there."

FERGUSON:

When I returned from service in December 1945, I talked to Dr. Bachmeyer, and it was agreed I would return to the hospital after the first of the year. He then explained that Dr. Otis Whitecotton, who was superintendent of Billings Hospital when I left for service, had been invited to go to the University of Michigan to take over that hospital and something happened and that never went through. In the meantime, they had found a replacement for Otis Whitecotton and that was Ray E. Brown, whom you know.

NEWKIRK:

Now, we are going to go back to Ray Brown. I made a note.

FERGUSON:

There I was, I come back and everything is in a state of flux. Finally, after about six months, I was reassigned back to Lying-in Hospital when there was a change in somebody's graduate program, to temporarily hold it together. I was back from the first part of 1946 until 1948, when I went to Cleveland.

NEWKIRK:

How did you get to Cleveland City Hospital in 1948?

FERGUSON:

I realized I wasn't married and I was advancing in the profession, had been with the hospital there from 1933 to 1944.

NEWKIRK:

You didn't go to Cleveland to get a girl now?

FERGUSON:

No, that was a wonderful happenstance. I started talking, and Otis Whitecotton was very helpful along the way and I had several interviews in a variety of places in Indiana and over at what now is Geisinger as a successor to Bill Wilson, who went from there up to Dartmouth. I got a call one day or a letter from Dr. Robert Bishop who was for a long time involved with University Hospitals in the medical school at [Case] Western Reserve University.

By the way, he was married to the daughter of one of the great philanthropists and industrialists, Mather, Samuel Mather. He had a very illustrious background. Bishop himself, who had gone to medical school at Reserve, was from a family of northeasterners and had come from, I think, Kansas, where he was raised. That's when he met Connie Mather, who was the daughter of Mr. Mather, because she was involved in these kind of affairs with health care in the city. Dr. Bishop got in touch with me and wanted to know if I was interested in City Hospital.

NEWKIRK:

How did he happen to know about you?

FERGUSON:

The first group of hospital superintendents that apparently got together on a regular basis was the UHEC, University Hospitals Executive Council. Those were the four state universities in the middle west—Indiana, Michigan, Minnesota, and Wisconsin—and the

University of Chicago Clinics, Strong Memorial Hospital at Rochester, NY (Rochester University Medical School), and University Hospitals at Cleveland (Western Reserve University Medical School). Dr. Bachmeyer and people of that sort had formed this group to talk about common problems in the '30s and the '40s, and most of them were physicians except for two. Whitecotton had gone to the UHEC meeting in Ann Arbor and, along the way, apparently Dr. Bishop had asked him if he had known of anyone who might be interested, and apparently he had gotten my name.

So I got this note. I had arranged to pick up Otis Whitecotton when he returned from a meeting of UHEC at Ann Arbor. All the railroad trains from the east always came in over at 63rd Street. Do you remember? The hospital wasn't far from there, so I had arranged with Otis before he had left that I would pick him up that morning. When I got there, I said, "What do you know about a Dr. Bishop, who I had come to know through another happenstance?"

I say that's how it worked, because Dr. Bishop didn't indicate to me in his letter to me or telegram anything about this. I was going on this trip to Geisinger Clinic in Pennsylvania at that time, so then I arranged to make a stopover on the way in Cleveland. I got in touch with Dr. Bishop and stopped in Cleveland and talked about City Hospital.

I had known about City Hospital through various ways, so I went there first and met again with a women's committee, which was part of the social elite in Cleveland because City Hospital was held in high esteem in the City of Cleveland, and, like many people

of that type, they wanted to be helpful in hospitals like this, and this committee was a very effective group. I met with them, and we had a little garden party at the end of the day for cocktails out in one of the fine homes in Shaker Heights. Dr. Bishop was there, and he drove me down to the railroad station on 55th Street to go over to Pennsylvania, and he wanted to know where I was going. He wanted to see the ticket. I didn't tell him where I was going, but he looked at the ticket. Because it was obvious from what he said that probably they were interested. So I went down and stayed overnight in Harrisburg, I think it was, and went up to Danville, Pennsylvania, by bus and I wasn't impressed there. Well, I won't tell you about that background, interesting background.

NEWKIRK:

Let's stick to Cleveland.

FERGUSON:

I went back to Chicago, and I got a letter informing me that they would like very much for me to come back for an interview to be the new superintendent of City Hospital.

NEWKIRK:

How big was City Hospital?

FERGUSON:

It had about 700 beds.

NEWKIRK:

That was a charity hospital.

FERGUSON:

City Hospital was a governmental hospital in the city of Cleveland, which had an old history going back to the 1820s, I think. They built a new campus out across the river in a middle-class area and had a lot of acreage when they started in the late 1880s. By the 1920s, they had built two new pavilions, a general medical and surgical hospital, and a psychiatric hospital. Later on, they added a tuberculosis hospital and a pediatric hospital.

City Hospital was affiliated with the Western Reserve School of Medicine, and the heads of the medical departments and some other members of the medical staff were appointed through the medical school. The hospital had residencies in the various medical specialties, and some medical students did their clinical training at City Hospital. That, to me, was a big attraction, because I had gotten to know those people through the UHEC, University Hospitals Executive Council, by visiting there on one or two occasions after I had become associated with the University of Chicago. I said yes, and that's how I got there.

NEWKIRK:

You were there four years, and then you moved over to University Hospitals of Cleveland in 1952.

FERGUSON:

Yes.

NEWKIRK:

Why did you move over there? Better job?

FERGUSON:

Yes. It was interesting, the developments there. Case Western Reserve University Medical School came to the campus in the late 1920s, because the medical school and the hospital had joined together when they were both downtown in the early 1900s and the same people were involved.

NEWKIRK:

You are at the University Hospitals in Cleveland. Asked a question about successes and failures during your career, you have mentioned that you figure that one of your major successes was being able to get along with physicians. Now that's simplifying a very complicated matter. What about the difference between the medical staff situation in a university setting and a medical staff situation in a private nonprofit community hospital in Mercer County, Ohio, for instance? And let's just take a couple of minutes on that because that's important.

FERGUSON:

I don't think there's any question. My experience is different because of the fact that I was always in an academic medical center in which the faculty discipline is probably different than a medical staff discipline in the sense of review and appointments and all the rest. The way I look at it, in a university medical center where the medical staff is composed today of, very often, some full-time physicians and some part-time physicians, there is generally always a faculty appointment, which is distinct from the appointment to the hospital. The

responsibility of the board of trustees of the hospital has to do with the purpose of the hospital to provide health care services through the efforts of physicians, nurses, and other people who are close or participate in the provision of the care that the patient needs while in the hospital.

That is probably a long way of saying that organizationally, I have always felt that the organization should have a clear understanding of who is responsible for what and how changes are made or suggestions for change are handled, and I have never felt that it could be done on the basis of taking two sides. You have to discuss what needs to be done and then how to go about it to be sure that all the elements get together and all the forces get together so that there is no misunderstanding but also acceptance of the final decision.

NEWKIRK:

Now, that really is easy to say but what if they don't agree? You just don't go forward with a project.

FERGUSON:

I didn't say you don't go forward. I think the role of the executive officer of the hospital is to work with his board as well as with the others, principally the medical staff. The medical staff is the primary ingredient in the provision of health care in a hospital, and they have legal responsibilities that are different from everybody else in the hospital, because they are licensed by the state. But the way they practice in the hospital is determined by the culture and the background of the hospital and also the

responsibility of the doctors to that medical staff. In a teaching hospital, most of the members of the staff will have two responsibilities—one to the medical school as a member of a faculty and the other responsibility for their clinical work to the hospital.

NEWKIRK:

A teaching hospital will often have as its goal, a hospital, now I'm talking about the bricks and mortar and the CEO, its goal to provide cases for educational purposes within the college of medicine to supply, let's say, cannon fodder. But as a CEO of a major teaching hospital for 24 years, how do you look at that sort of a goal? Was that the way your job description was written up?

FERGUSON:

I never thought that that was the goal. The basic purpose of the hospital and the challenge to all hospitals is how do you integrate, bring together, an educational point of view and the activity concerned with that into a patient care practice mode?

NEWKIRK:

In other words, you want to be a community entity. You want to be a part of the community, not just bringing in patients so that the doctors can practice.

FERGUSON:

Now, however, much of education in medicine takes place where patients with illnesses were, in hospitals, and you couldn't do much of it outside the hospital so this is why the hospital became a primary site. Also, keep in mind that in Europe, this had been

well developed long before this country ever did it. It was the Flexner Report in the early 1900s that established a principle that if we were going to improve the quality of medical care in this country, we had to do it with schools of medicine that were part of universities so that it was, let's say, a legitimate educational experience and not something outside of that. By the way, this drove out proprietary medical schools. In other words, we had proprietary medical schools, as I understand it, up in Massachusetts until after World War II. All I'm saying is the mission of the university hospital is no different than any other community hospital's primary mission as far as patient care is concerned. Now, what you really have to work at, and it means that people have to get a conviction that this is necessary to achieve its purposes, a teaching and research purpose. I remember when I got into this field, the idea of "a teaching hospital" was that patients were going to be used as a guinea pig.

NEWKIRK:

That's what I was driving at. I never got that feeling at your place. I always got the feeling that University Hospitals in Cleveland was a great place to go to be in a hospital. People didn't say I'm going to go there because we're going to be guinea pigs. What I'm driving at is how did you accomplish that?

FERGUSON:

I didn't accomplish it. It was the evolution of the trustees of the hospital who were charitably inclined when most of the patients didn't pay. Now, we had to evolve in this country from

this, and, by the way, these are not state-owned or subsidized medical schools. Do you realize that most medical schools in this country were private? In other words, government didn't establish medical schools until after World War II when many of them were established, because it was recognized that good medical care was dependent upon medical schools. That's when states all went into the business of developing medical schools and look at Ohio. Before the war there was Cincinnati, Cleveland, Columbus, and those were the only ones, weren't they? Now what do we have? Nine. And by the way, this was necessary in order to take care of demand for physicians. This wasn't only in medicine after World War II. How do you take care of all these returning veterans? So medicine has expanded.

NEWKIRK:

I'm going to try and focus this more on you. This is extremely interesting stuff, but we are talking about successes and failures. The success you point out, the relationships with the medical staff, of course, is the thing that trips up more CEOs than anything else. That was a fantastic thing, 24 years in the University Hospital.

FERGUSON:

Maybe I was just lucky.

NEWKIRK:

Can you think of anything that you would do differently? I'm not going to call it failures, but, you know, over the years. I don't mean little things but any trends, anything . . .

FERGUSON:

No. Recognizing that I have certain capabilities and abilities and certain things that I don't feel comfortable with, I think I have done as well as I could have. Again, basically in order to accomplish what needed to be done, I had to be very thoughtful about how I discussed matters with people and how I carried it back to the board, for example. I was very thoughtful of that. There are no good guys and no bad guys.

NEWKIRK:

How important that is.

FERGUSON:

Let me give you an example. Here we are within a university setting and typically the relationships are very involved. You can't set it down on paper. You can't write it all. It's like a family. You have to make things work. I recall in the hospital when our pediatricians became more active. Remember now, pediatrics was a single specialty service until after World War II. They were all internists, in a sense, known as pediatricians. There were very few pediatric surgeons; there were very few pediatric specialists. Pediatric medicine started to develop oncologists, hematologists, and surgery started, too.

I remember we established the first program in pediatric surgery at the University Hospital after World War II, and it still keeps advancing. I remember the new chairman of the department of pediatrics, the head of the department of pediatrics at University Hospital, Bill Wallace, who came from Boston. He was an excellent

pediatrician, and he had to take the staff he had and work with it and get new appointments, and this is what was happening after World War II because there was a change in the whole faculty. This meant that you had to get people with new ideas and new ways of doing things, and, by the way, there were a lot of problems with that. He, for example, was concerned that the Pathology Department become the basis for all laboratories in hospitals as I suggested because they had microscopes. You see, as you start to do a lot of lab work, somebody had to do it now. Are you going to have one in every department?

A little side story. In an early booklet on University Hospitals back in the early 1900s, there was listing of the members of the medical staff and one was noted. He was a microscopist, and so I asked one of the physicians, "What is a microscopist?" He just laughed and said that in those days that was the guy who owned a microscope. Dr. Wallace came and said these people over there, they are primarily concerned with specimens that come from adult patients.

NEWKIRK:

The people in the laboratory?

FERGUSON:

In the laboratories. Fortunately for us, there was one separate building for a department of pathology that served both the hospital and the medical school. This is one of the few departments in a medical school that gets involved directly. The department of surgery may do research over there in the separate

building, but it doesn't do other things over there. Here we are doing both. Then a pediatrician says we want some laboratory space up in the hospital and also some lab technicians to work under the medical staff to do the kind of analysis specifically required for children. And I guess as one of our professors of psychiatry said, you know, "little specimens, little fees for little doctors." It was interesting to me. Now, Bill Wallace was not the greatest manager, but he was a terrific head of a department. He had a tremendous loyalty from his staff. Boy, that place changed in five years like you won't believe.

NEWKIRK:

In those days, they had to develop their own surgical instruments and that stuff.

FERGUSON:

So, I said to him, "Bill, sure I'll help you." Of course, very often new department heads would come in and ask me, "What is the hospital going to do?" I would say, "I can't tell you exactly what we'll do, but I'll tell you this." I remember saying to Frank Nulsen, the new director of neurosurgery, "I sure hope that the hospital will do everything it can to meet your needs." He was satisfied, and we did it. I said to Bill Wallace, "What do you want?" He was the kind of guy that would mumble and look down on the floor and so forth. I said, "Why don't you sit down and talk it over and come back and give me a proposal?" Well, after about two times of urging him to do this, he finally came in with something. I knew exactly what was happening. He thought that I

was going to say, "What are you talking about?" I didn't do that. In fact, I was surprised how little his proposal cost. So, you see, I was a great guy. I said, "Sure. Let's do it."

NEWKIRK:

Those were the days when you really didn't have to worry about cost containment.

FERGUSON:

We did. We were running deficits.

NEWKIRK:

Blue Cross pretty much paid what it cost if the patient had Blue Cross, but I understand your patient mix.

FERGUSON:

Yes, this was true. As Blue Cross coverage expanded, more of our patients were able to pay the full amount of their hospital bills. By the way, at that time, regular insurance companies had not entered the field of hospital insurance. One of the important things was there wasn't depreciation in our Medical Blue Cross contract and interest on capital debt. So this is what I mean when I say you have to negotiate.

I'll tell you a story about one of my colleagues in Ohio. One day he said to me as we were going to a meeting, "How do you deal with anesthesiologists?" I said, "What's the problem?" He said, "Well, they always want more money." And I just looked him in the eye and said, "Don't you?" You see, when you get down to that level of negotiation, you don't negotiate. If you do, you're a bad guy, and he looks at you and he says you're a bad guy. That's

what's happening in the near east. There needs to be a lot of understanding of how you're going to negotiate, but you also have to have an idea of what you're trying to accomplish on behalf of the total hospital.

NEWKIRK:

What about the doctor who comes in and presents you an unusual request, one that you couldn't under any circumstances grant?

FERGUSON:

I think that part of this is how you organize. Fortunately in medical center organizations, the faculty has to be well understood, and I can tell you that the head of a department in a medical school has a lot of control over everything. Now, if he doesn't negotiate well, he has his troubles. You get me? In the hospital, we only had eight department heads who made up what was known as the Medical Council. This was in the bylaws long before I came. They had the responsibility of all patient care in the hospital.

NEWKIRK:

You didn't answer my question. My question is: I am the chairman of the department of pediatrics and I submit a request for a million dollars of equipment, and you don't have a capital budget that can cover that. In other words, his capital budget for that year is \$100,000. He's 10 times higher.

FERGUSON:

My responsibility is seeing to it that they are well informed as to what our capabilities are.

NEWKIRK:

In other words, he should never be in a position to bring that in to you.

FERGUSON:

Remember now, I only had to talk to eight heads of departments. Organizationally, that's another thing. I think this of any executive officer. He is responsible for keeping the appropriate people informed.

NEWKIRK:

So that million-dollar request never gets to you.

FERGUSON:

I never had anything like that. Sure, they would come to me and tell me what they were hoping to do. We had annual budgets and plans. To me, planning is more important than budgets.

While I was there, we had a wonderful relationship with the university when Dr. Jack Millis was president. He was president of Reserve. You know about him. Organizationally, the hospital and the university, because of problems they were having, had set up something called the Joint Executive Agency. That was proposed by one of the our trustees or a friend of the board who said, "Well, this is easy. Why don't you set up a legal entity known as an agency. An agency carries out specific responsibilities." It was set up specifically to handle a lot of the changes and controversy that were going on in the postwar era. He told the president of the board, John Virden (the man whom I was working with at University Hospitals) who had set up a very unusual and well-

crafted relationship within the University Hospitals between the board of trustees and a group known as the executive committee of the board.

The full board consisted of 40 members, 12 of whom were on the Executive Committee, which was responsible for all hospital affairs.

NEWKIRK:

Forty was the hospital board or the university board?

FERGUSON:

Hospital board.

NEWKIRK:

How did they relate with the university?

FERGUSON:

They had the typical arrangement of having one member from each institution's board on the other institution's board.

NEWKIRK:

The hospital board didn't have to answer to the university board for much?

FERGUSON:

No. Nor did the university board have to answer to the hospital board.

NEWKIRK:

The hospital board wasn't a rubber stamp at the university?

FERGUSON:

No. I will make another point from my own experience. Universities cannot manage hospitals effectively. Remember what I

said now. Do you know why? Universities operate on a calendar basis. Hospitals operate on a minute-by-minute basis. You don't take long to make decisions in a hospital, and everybody has to understand that decisions sometimes have to be made in a matter of seconds. Hospitals operate around the clock every day of the year.

NEWKIRK:

Bureaucracy.

FERGUSON:

In a bureaucracy, it's a time frame. Universities, they sit down to figure how many students they are going to have, how many classrooms, how many professors, so forth and so on.

NEWKIRK:

You were then a master diplomat.

FERGUSON:

No, don't say that. I never tried to be diplomatic.

NEWKIRK:

But why were you a success, just in one sentence? You were a real success. Why?

FERGUSON:

I never approached a problem on the basis that I had the answer, and if somebody came to me with a problem, I wasn't always sure that they had the answer. They had the problem, but how do we resolve it together? Very often, they came to me because they needed some kind of support in one way or another for space, for something. To me, my responsibility was to see to it that we could fit in what we needed to do.

I have said to doctors, "I never learned medical lingo in all my years." I decided early on I was never going to use a medical term in discussing anything with doctors for one simple reason. I might use it incorrectly. As some of them have said to me over the years on a few occasions, "Stan, you know an awful lot about medicine." I knew what medicine did, but my question was what does it do? I wasn't interested in the term *cardiac*. I never used the term *cardiac* in my career.

NEWKIRK:

You hoped also that they didn't use accounting terms and get into management.

FERGUSON:

They never did. We had a few who once in a while wanted to become experts. Coming back, I still think that organizationally you have to have a very simple one and have responsibilities settled.

NEWKIRK:

Now, that's really important. I wish the whole world could hear what you just said.

FERGUSON:

Most people don't understand it. It's too simple.

NEWKIRK:

What unique skills added to interest and so forth did you bring to your career? You started in accounting. Very important.

FERGUSON:

I can recall when they said you plan, you organize, you direct, and you control. Have you heard those terms?

NEWKIRK:

Yes.

FERGUSON:

First you have to plan what it is that you want to do, then you have to set up an organization that can carry that out, and then you set it up for operation, and then you have to control. I think what happens today in so many places. They set up plans and/or they organize it and direct it, but they don't control it. Why do you think you downsize and lay off all the plants and employees in General Motors? They have known for five years that they weren't going to be selling as many cars as they had been. I can show you newspaper accounts up in Cleveland where one of the big local plants five years ago started to reorganize, and today they have an output that is equal to what they were doing before with half the personnel. If you can do it in one plant, why can't you do it in others?

We have the same problems in hospitals as industry does or business does, and I dislike that word *industry*. The new president of the American Hospital Association, I heard him talk out in Anaheim, says this is no longer an industry, and as you know, they fine anybody in that office who uses the word *industry* \$15. I don't think that industry itself, just because it has made a lot of money and is very successful, necessarily is a model that a

hospital should accept. What I'm saying is I've had the old principles, that it isn't that complicated, but you have to think about it yourself. You can't hire a consultant to tell you how to run your business. He can help you. I had Earl Frederick in to flesh out what we had planned to do, not plan in detail, but what we wanted to do as far as changing our program.

NEWKIRK:

Stan, why did you go into this field?

FERGUSON:

Why did I go into this?

NEWKIRK:

Think back to 1933. Why did you go to work at Lying-in instead of somewhere else?

FERGUSON:

I kept fussing with the idea of going back into business and accounting and I think it was possibly, I have to just say this myself because I'm going to be very subjective. I think I like working with people.

NEWKIRK:

Certainly, there was a social motivation there.

FERGUSON:

No.

NEWKIRK:

I don't mean social in the sense of socialization.

FERGUSON:

I probably could be classified as a liberal. In other words, to me all people have rights and somehow they are all going to be taken care of. But anyway, beyond that, I found out that I was working with people. I wasn't working with things.

NEWKIRK:

You always enjoyed that.

FERGUSON:

Yes. It was the interplay of people and discussing matters with them and getting to understand their viewpoints and so forth and then putting it together. I always accepted that I knew how to do it, but for some reason it worked. I didn't do it all myself. I had people who knew a lot more about it. For example, when we did the big fund drive in the '70s for the construction, we raised something like \$55 million, and everybody in Cleveland said, "How are you going to do that?" We were working with Jack Millis, and we put together the medical center. And this is what I was saying. This is what they put together organizationally before I came to the Joint Executive Agency. There was going to be this small group, which had a responsibility to be concerned about everything that was a matter of concern and make recommendations to the boards of trustees of the hospital and university if they felt there was something they could not handle themselves.

NEWKIRK:

Stan, let's take a few minutes and do something that might be fun. Very briefly I'm going to mention some people who are

contemporaries of yours and who were before you, and just mention a paragraph of some of your feelings, anecdotal information, or whatever. Let's start with Ray Brown.

FERGUSON:

Ray Brown was a very unusual individual. As I said, when I came back from the service, he was there with literally nothing to do.

NEWKIRK:

Where?

FERGUSON:

At the University of Chicago. He was probably one of the brightest men who ever went through that program at the University of Chicago, and he had come up there because he had started in a small county hospital.

NEWKIRK:

Down south.

FERGUSON:

It's just west of Charlotte, North Carolina. I forget whether he went to the University of North Carolina. He was the county manager and manager of the hospital. I remember there was, what's the name of that group, the big firm and the foundation in North Carolina?

NEWKIRK:

Rather than tell history, because we have that, give me some recollection.

FERGUSON:

My point was that he had taken the program and was probably one of the top students they had in the program, so then he had come down to North Carolina to open a new medical school hospital that was being built down there and when Otis Whitecotton was to leave, the important people that worked with Dr. Bachmeyer said, "Why don't you get him?" He worked well with everybody. He was sitting there without a job. So for three months I would come over and talk with him because in the meantime I had been reassigned to my new job so I had time on my hands.

NEWKIRK:

At the University of Chicago.

FERGUSON:

At the University of Chicago. I would come in, and he had a little office and we'd talk and chat and have a great time discussing many things. I realized that he had some great ideas and he wrote well. I remember I took him to baseball games and we played golf once and a few things like that, because he was a bachelor that first summer because his wife Mary had taken the girls down to North Carolina with the family, and so we had a lot of time to sit and talk.

I had learned about him because of reading an article he had written when he was, I think, still in school. I don't know if you ever saw the article. It was a short one, "So You Think You Have Authority." His theme was you have responsibility and you earn authority by carrying out your responsibility. As Ray said, only

in the military and government do you have authority. You earn authority was his point, and I have never forgotten that because how you work with people—will they follow up as if they believed in what you were doing? So, Ray and I had a chance to discuss many things about what was going to happen and so forth. That's how I got to know him.

NEWKIRK:

So, you crafted our profession back in those days.

FERGUSON:

I didn't craft it, because he did most of it. When Dr. Bachmeyer went into sort of semiretirement—I don't remember that because I had left by that time—Ray took over the program. When I went to City Hospital, he saw to it that I got residents there. Alex Harmon was one.

NEWKIRK:

In other words, he furnished you residents.

FERGUSON:

He sent me Dave Clark and all the rest of them. Ray was an unusual man. He wrote well. He spoke well.

NEWKIRK:

I always thought he was a terrible speaker.

FERGUSON:

Well, what he said was great. I would accept that, but he could craft thoughts in a way that most of us can't. He would take opposite things and put them together. He saw the differences in things in a way that most don't. As you write, you're pretty sure

you have the whole thing straightforward. He was always sort of natural, and also, watching him with some of the older men, he was the young kid on the block when he got into the AHA and all of that, and it was interesting to see how he was well-accepted by the old timers like Buerki and Jim Hamilton and so forth. I have a great respect for him, and I had a close friendship.

NEWKIRK:

Speaking of speaking, I introduced him one time at the AHA in some program, and I said, "Of course, everybody knows Ray Brown, and he really needs no introduction." And he said, "Don, you know I probably don't need an introduction, but I would really like to hear it."

FERGUSON:

He had a great sense of humor.

NEWKIRK:

How about Ed Crosby?

FERGUSON:

I didn't know Crosby until he came to the AHA. I had learned a little bit about him when I went to City Hospital. Ray Brown then was very involved in the AHA, and so he had me become a member of the Council on Administrative Practice and chairman of the Committee on Administration of that council, so I got to know Ed Crosby. There was no question to me that Ed was an unusual person. As you know, he had an association with the Salvation Army. People were very important to him, but also he had a keen sense of what was going on. His background was in public health, I think, and as

you know he had a lot of friends in the medical profession, and he surrounded himself with top people.

NEWKIRK:

He was an MD.

FERGUSON:

Yes, and there was nothing unusual about that, because, by the way, among the early presidents of AHA, there were one or two doctors from University Hospitals of Cleveland.

NEWKIRK:

Did he follow Bugbee, or did Bugbee follow him?

FERGUSON:

He followed Bugbee. He was different from George, because he was a little bit . . .

NEWKIRK:

He was a little more reserved.

FERGUSON:

Very reserved.

NEWKIRK:

But when you got to know him . . .

FERGUSON:

When you got to know him, he was different. He was not gregarious. I'm using that term because . . . I don't know if I should put this on the table.

NEWKIRK:

Dave won't hear it.

FERGUSON:

Dave Drake told me when we were talking. I said I thought that Dick, the new president . . .

NEWKIRK:

Davidson.

FERGUSON:

Yes. I said he sounds like a different kind of person than we've had before. He's not so much into the political side of it. He seems to have ample smarts in that, but also he seems to be easier to talk to. Dave said he's a gregarious Ed Crosby.

NEWKIRK:

Somebody told me one time, one of the employees at the AHA said, "I really wish more of our employees knew Dr. Crosby." They said, "There probably aren't more than three or four people at AHA who know him. They only know him when they see him."

FERGUSON:

When an individual became president, you got to know him more.

NEWKIRK:

Let's spend a few minutes on John Mannix. You and John were like two peas in a pod.

FERGUSON:

Well, that's what everybody thought. We were closer together, because I had always been favorable to Blue Cross from my earlier experience.

FERGUSON:

John Mannix was an early one in the development of the idea of Blue Cross and hospital insurance because, as you know, in those days the reason there wasn't any hospital insurance around, the big insurance companies didn't know how to underwrite it because they didn't know what the risk was. Now there were some smaller insurance plans that were trying to do the job.

NEWKIRK:

I think sometimes they still don't.

FERGUSON:

I won't disagree with you, Don, but you see they're not in that business any longer because all they do is find out what the employer wants and then say we will manage it for you, and, by the way, that's now known as managed care. John had done a lot of this work when he was still at Mt. Sinai and then he got the position as director of the hospital, Elyria Memorial Hospital.

NEWKIRK:

It's in Ohio.

FERGUSON:

In Ohio, and on a Saturday afternoon Mr. Chapman, director of Mt. Sinai, asked John to come out to his home and talk to him. And he said, "John, I have been asked if I had somebody to go out to Elyria Memorial Hospital. I recommend that you go."

NEWKIRK:

Who's Mr. Chapman?

FERGUSON:

He was the superintendent at Mt. Sinai Hospital. John had started there as a youngster, I think at the age of 18, expecting to go to college, but he never went. He went out to Elyria and that's where he started the idea of providing inclusive rates for obstetrics. He had figured out the patient stayed so long in the hospital and you could pretty well figure, by the way it was a 10-day stay, so he said we will have an inclusive rate for the 10 days, say \$100-150. I remember back in Chicago a 10-day stay, a 20-day stay was about \$10 a day. This is what costs were in those days. That idea was in his mind, and he set this up for that community. Now Blue Cross started to come in because lots of groups were interested in setting up some health insurance so he did much of the work in developing what became the hospital Blue Cross, and by that time he was at University Hospitals. He had come to University Hospitals in 1928 when Frank Chapman from Mt. Sinai was asked to come over to be the first superintendent or director at the new Lakeside University Hospitals. Dr. Chapman only lived for a few months and died. He had brought John in as his assistant. Then they made Dr. Robert Bishop director. As I noted earlier, he had a long relationship with the hospital and its development.

NEWKIRK:

Of?

FERGUSON:

University Hospital. John was there and more or less became his administrative assistant.

NEWKIRK:

At University?

FERGUSON:

At University Hospitals, and that's where he developed himself in getting involved in everything about hospitals. He was in the original group in Cleveland to set up the idea of a Blue Cross plan.

NEWKIRK:

Tell us some personal things about John and you. We've got his history. John's history through the field is very well known, I think, for this tape. Do you recall things that you and John were involved in?

FERGUSON:

We talked a lot together. I met him in Chicago in 1945 when he came in to see me because he had left Michigan where he had gone up to establish a new program in Detroit and, by the way, started working with the motor company. For some reason, that didn't work out so he came to Chicago because he had gotten support for starting what he wanted to do and that was a pure kind of a program. It lasted about two years. It never got off the ground.

NEWKIRK:

What kind of program?

FERGUSON:

A prepayment program. Anyway, I think he had gotten into a little bit of a problem with some of his colleagues in the Blue Cross field, because John was a little bit determined in the way he approached things.

NEWKIRK:

Sort of bull-headed.

FERGUSON:

I won't say that, because I can tell you he was one of the greatest negotiators, but I'll tell you he was always ahead of you. He was an inventive worker I figured out, and later on as I began to get to know him negotiating with doctors, he drove them nuts every time they brought up an argument very quickly. If it wasn't that day, the next time they met he would have it all turned around and point out to them why their proposal wouldn't work and, of course, they never liked John, but they always respected him.

NEWKIRK:

He was right.

FERGUSON:

Yes, because he knew more about this part of the business than they did, how the money came and all the rest of it. I worked closely with John, and he knew this. He had gone all the way back into the law and found out that somebody who had thought about this in 1910 did some piece of legislation where they had set up this kind of an idea long before anybody else had. He was an inveterate student and writer. I don't know how he did all the things he did.

I don't know what this did to his marriage. I never knew. He was married when I first came into Cleveland, and he had several daughters and a son. He was a hard worker. He never seemed to get tired and could discuss something, argue it, anyone who wanted to argue, and I'm sure he became like all of us after we get a lot of experience, he probably became a little bit determined. I'll say this. He was one of the smartest men I've ever known.

NEWKIRK:

I would agree with that. I knew him very well too. Can you think of any other people, giants in the field. You and McNerny palled around together, probably still do.

FERGUSON:

Not much. I got to know Walt early on because Jim Hamilton, who was the superintendent of City Hospital before I was there, he was there back in the '30s when he came from Mary Hitchcock Hospital in Hanover, New Hampshire.

NEWKIRK:

We're talking about James Hamilton, who's Walter McNerney's father-in-law.

FERGUSON:

Yes. His daughters were raised in the superintendent's house that was built right there on the property. I heard stories about that.

NEWKIRK:

In Cleveland.

FERGUSON:

I heard stories about that because I had the same secretary about three or four years later, the same secretary who had been the secretary to Hamilton.

NEWKIRK:

How about George Bugbee? Did you have much to do with George?

FERGUSON:

A little bit because . . .

NEWKIRK:

Stan, I'm still serving on this history committee with George Bugbee.

FERGUSON:

How old is he?

NEWKIRK:

I don't know. You don't think I'm going to ask him, do you?

FERGUSON:

I'm 84. I think he's about the same age. I understand he got into the hospital field the way I did. Because the doctor who was the director of University Hospital in Michigan wanted somebody who could help him in the business side of it, and so George in his early days went with him. I met him because of one of these meetings of the hospitals of the middle west (UHEC) up at Michigan, and I remember being in a room with him and some of the other people from Michigan and he said he was going to Cleveland to be superintendent of City Hospital in Cleveland succeeding Jim Hamilton.

NEWKIRK:

Stan, the ACHE. Did you get into that early?

FERGUSON:

UATC?

NEWKIRK:

ACHE. The American College of Healthcare Executives it's now known as.

FERGUSON:

It was then known as what?

NEWKIRK:

ACHA.

FERGUSON:

A little bit, not much. I was never very active in it.

NEWKIRK:

When did you get into the organization? Early in your career?

FERGUSON:

I think so. Shortly after it was organized, I became a member, and then I was urged to advance. It wasn't as complicated as it is today. I had a project that we were working on so we submitted a paper, and that made me eligible for a fellowship. I went to some of the meetings, but by that time I was busy in the affairs of the AHA.

NEWKIRK:

Incidentally, this is the same. I was, of course, at OHA at the same time, and we could never get you because you were working on AHA matters.

FERGUSON:

That's right.

NEWKIRK:

I always felt that was a sort of a disservice to OHA.

FERGUSON:

I realize that.

NEWKIRK:

On the other hand, you were doing a bigger job at AHA.

FERGUSON:

Also, you have to remember I had not been married. In fact, we were engaged to be married before I was offered the job to go to University Hospitals. I was a bit older and met Margaret because she was secretary to the dean of the medical school when I was busy with him trying to figure out what to do at City Hospital, and that's how I got to meet her.

NEWKIRK:

Incidentally, our reference to OHA is the Ohio Hospital Association.

FERGUSON:

We got married in 1952. In fact, when I resigned from City Hospital, I wouldn't leave without three months notice, and so it wasn't until mid-October that I went to University Hospitals after we were married on October 4, 1952. After that, I was busy raising a family.

NEWKIRK:

You've been married 40 years.

FERGUSON:

And I was an older man at that time. If I had been 10 or 15 years younger, I would probably have been like all the rest of them at that time. Also with my family coming along, I decided that I couldn't handle all of this. I was very busy in those days.

NEWKIRK:

Good for you.

FERGUSON:

I was concerned that I would be neglecting some of my work at the University Hospitals, but I remember at one point I said to the dean, Dr. Bond, "I tried hard to not miss meetings of the medical council that met every two weeks." And this is a small group. Remember, I told you about and I was the secretary to it.

NEWKIRK:

At the University Hospitals.

FERGUSON:

At University Hospitals. Dr. Bond was a great guy, now dead. All he said, looked me in the eye, "Stan, we never missed you." I thought that was the greatest compliment I could get.

NEWKIRK:

In 1963, you took over as what then was called the president of the AHA, now chairman of the board. You did a lot of work with AHA.

FERGUSON:

Yes, because I started with the Council of Administrative Practice.

NEWKIRK:

Incidentally, I was chairman of that, too, at one time.

FERGUSON:

My first assignment was as chairman of the Committee on Personnel, and, by the way, on that committee was Milo Anderson and I forget some of the other people. That was a committee. In those days, the committee members were expected to develop and to design and to draft statements about various proposals as to how hospitals shall handle things.

NEWKIRK:

What kinds of things?

FERGUSON:

Like personnel practices.

NEWKIRK:

Okay, for instance dealing with personnel.

FERGUSON:

Right. We came up to proposing this, and some of us said, "Listen, we don't have time for this. We're busy people. This is in the '60s. We can't take time to write all this out and have it printed, so we'd better do something." That's when we went to whomever was the chairman and, I guess I was or somebody was, went to Crosby at that time, and we said we've got to get somebody in here who can work with us on this and we need somebody who has a background in this. Do you remember Elton Tekolste?

NEWKIRK:

I sure do.

FERGUSON:

From up at Rochester.

NEWKIRK:

Elton.

FERGUSON:

Milo Anderson knew him, you see, because he (Milo) was up there by that time. Milo had gone to Ohio State in 1950 and then to Rochester. He knew Tek, and so he said, "I can help you get him." So Tek came. He became invaluable to the AHA. He was the first full-time person in that kind of a position as the secretary to a committee. From then on, the committees always had a permanent member of the staff. He helped us write. He did the writing for that first book on personnel practices. By the way, we borrowed, at that time, a great deal from what they had done in the Cleveland Hospital Council.

NEWKIRK:

We were talking about the Greater Cleveland Hospital Association, formerly known as the Cleveland Hospital Council, back in the days when payment rates from the state were \$5 a day for hospitals, and the influence of the Cleveland Hospital Council at that time on getting that changed.

FERGUSON:

We found that we had a major problem. Our hospital had the most volume of indigent patient care of all the private hospitals in Cleveland. I discussed this with the board, and it was agreed

that we would file a suit against the [Ohio] director of welfare to have this rate changed.

NEWKIRK:

What year was that, approximately?

FERGUSON:

Sometime in the '60s. So we did, and the outcome of that was that after whoever the judge was that listened to us after several hearings, he ruled that it would require a change in the state law, because as I mentioned the agreement that had been made and the law that had been passed to reimburse hospitals, the rate was to be based upon the rate paid by the state or determined by the state as being the appropriate payment for workman's compensation hospital care. We struggled with that a little bit longer and finally since this was a matter of urgency for University Hospitals, some change in the administration down at the state level and I think this is when, what was his name from Cincinnati, became governor, Gilligan.

NEWKIRK:

John Gilligan.

FERGUSON:

John Gilligan, by the way, was, I think, a Democrat.

NEWKIRK:

Yes, he was, quite much so.

FERGUSON:

Most of the trustees in Ohio who were involved with all of these hospitals were probably basically Republicans, but they agreed that we should prepare a proposal, after considerable

discussion, to the governor to get his support for a change in the law. I remember we interviewed various people and decided on a man who is one that has now been in recent years the consultant to Blue Cross of Ohio and their public relations problems. I can't remember his name now.

NEWKIRK:

Silverman.

FERGUSON:

Yes, and by the way, he did a good job for us. He helped us craft our requests and, believe it or not as I understand it, some of our trustees were basically involved in it. They used their corporate jets to fly down to Columbus to get an audience with Gilligan and apparently they had enough influence that this happened and a change in the law was made. It was not a set amount. It would be changed over the years. That's what we did, but this was done basically through the Cleveland Hospital Council.

NEWKIRK:

Incidentally, that is the final remaining program that still pays billed charges. Everything else is off of billed charges. That program still pays billed charges.

FERGUSON:

Is that so?

NEWKIRK:

To this day.

FERGUSON:

This is known as the indigent-care program.

NEWKIRK:

What's the major difference between 1933 and now in health care?

FERGUSON:

It has finally become as pervasive as those who were doing some of the forward thinking then expected. I believe that what we overlooked, it's not only the demography of the population and illnesses, it's the fact that medicine has advanced so rapidly since the early 1900s when the idea of the medical center in the United States as a result of the Flexner report that medical research has been the engine that, in a sense, has carried on the assault against illness.

You could almost say it has been the cold-war approach. That this was a problem to be resolved so medicine now has been at the forefront and related groups in the development of the knowledge and education and the research and the development of the equipment that supports it, MRI and all the things that you read about in the papers every day, the new advances. This is not going to stop. We are going to find new cures, but then we are going to find new problems and also the aging of the population. In other words, most people didn't survive to the ages that people are now. Some did. The odds were that they wouldn't, and pneumonia was considered the appropriate way to die. People don't die of pneumonia now. They are kept alive. By the way, this raises new social questions. In other words, how much do you spend on people where the possibility of helping is diminished?

NEWKIRK:

Would you say the major differences are the conquering of new illness?

FERGUSON:

Our ability to alleviate them, to cure them, and to prolong life. Life is prolonged also by good habits and not polluting the air and everything else.

NEWKIRK:

The environment is important.

FERGUSON:

The environment is very important and everything else. As it was said many years ago, the first great assault on ill health was public health, clean water, sewage. It was that simple. This, by the way, is not going to stop. The federal government accepted it as a major responsibility back in the '40s and '30s. The National Institutes of Health was set up in the 1930s when the idea that the federal government should become heavily involved in the solution to some of these problems, which were then great. It's now developed and has become a major force. NIH is to health as the military was to the cold war. Somebody had to pour the money in so the federal government poured the money in but look what we have today.

We have excellent research and excellent medical centers around the country, which proliferated after the war in part because of what the American Hospital Association did with the Hill-Burton Program. By the way, Mr. Hill was from the south and

Burton was a senator from Ohio and George Bugbee was at City Hospital. Did you ever realize that? George had a lot to do with that, I understand, because Burton, I think, consulted with him. It's interesting how senators like this and elsewhere were involved in this.

You take your professor of surgery at Ohio State University Medical School, Zollinger. We talked to a friend of a friend of ours here. She knows him well. We got talking, and she said, "Do you know Dr. Zollinger? He was chief resident of surgery at University Hospital." I replied, "Yes."

NEWKIRK:

Stan, what do you think in the few minutes that we have left, where do you think this thing is going, health care?

FERGUSON:

It will evolve, but somehow not only the players in it but also the general public has to understand that somehow it's all going to be paid for in one way or another. There was an excellent article in yesterday's paper by a law professor. He calls for a national program. I agree. I don't like to talk about a government program. We need a national program.

NEWKIRK:

Talking about coverage now, national?

FERGUSON:

I'm talking about the program, because, you see, one of the things, I think, is that if we do this, we can quit arguing about

words, and we have to have a kind of language. I've said we have one demonstration of what we can do as a nation with Medicare.

NEWKIRK:

What about Medicare insurance?

FERGUSON:

You mean Medigap insurance? The federal government memorialized the states, through congressional action, to get their state insurance departments together and propose a basic policy for such insurance. This group came up with nine variations. Their proposal was accepted by the federal government and the insurance companies were permitted to issue such policies. As you know, insurance companies are regulated by the states.

This man (the law professor) argues that if you take all the money that is now being spent with insurance companies to pay for the managing of health care, national health care costs could be appreciably reduced.

I have said, the price of my car includes a tax which they levy on me to pay for what they pay for. Business argues that it reduces their profit. It doesn't reduce their profit. That's a part of the price of the product. I must say that my liberal feelings are that some people are walking away like bandits in this. Somebody said in a paper the other day that the thing to do is to get your children to work only for corporations that offer good health benefits. You see what I mean.

NEWKIRK:

Do you think we are going to have national health insurance?

FERGUSON:

Yes, in some form or another. It's inevitable. Remember what I said before, the risk is 100 percent. Everybody is at risk. The only reason that Blue Cross went down was because American insurance companies saw that there was money to be made in this from the basically healthy and with that, managed care expanded. They started to tailor programs for different companies, and one of the results of that was to have healthy employees in order to get the lowest cost. It isn't complicated.

NEWKIRK:

We are now spending about 14 percent of the gross national product for health care. Do you think the country can afford more?

FERGUSON:

I don't know what we spend on transportation. Nobody has that figure. Do you get my point?

NEWKIRK:

Yes. Look at defense. Look at education.

FERGUSON:

Look at transportation. If you took all of the money that's spent to transport people around in automobiles, busses, trains, and airplanes, but nobody ever puts that together. Health care. We put it all together. The last thing I want is for our corporations to say what their employees should get for health benefits. I think everybody who gets it free from a corporation should be taxed as being payment in kind.

NEWKIRK:

Stan, we have gone through a lot of history. This is a project for the history committee, the ACHE and the AHA. Is there anything else you would like to add?

FERGUSON:

As I say, I find it interesting that we don't involve all of those people in the problems of health care.

NEWKIRK:

Which people?

FERGUSON:

The people who now have excellent coverage. I'm not talking about, if you're a multimillionaire you don't worry about this.

NEWKIRK:

You almost have to be a multimillionaire to pay for it.

FERGUSON:

I think the average family that has a \$200,000+ income never has to worry. If they recognize that they are going to have to pay for it, they can cut out the second BMW. By the way, this is what's going on right now. When white collar workers for the first time in the history of General Motors were being let loose, 6,000 of them, and I'm not thinking about them all being elderly, I'm talking about those who are 35 and 45, what the hell do they get?

NEWKIRK:

Any final word you want to put on this transcription?

FERGUSON:

All I can say is that the health care field is going to be alive and well in the next century.

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