HOSPITAL ADMINISTRATION ORAL HISTORY COLLECTION

Lewis E. Weeks Series

Sidney R. Garfield

SIDNEY R. GARFIELD
In First Person: An Oral History

Lewis E. Weeks
Editor

HOSPITAL ADMINISTRATION ORAL HISTORY COLLECTION
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Produced in cooperation with
American Hospital Association Resource Center
Library of the American Hospital Association
Asa S. Bacon Memorial

Sponsored by
American Hospital Association
and
Hospital Research and Educational Trust
Chicago, Illinois

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Sidney R. Garfield, M.D.

Dr. Garfield's first hospital in the
Mojave Desert, California

CHRONOLOGY

1906	Born April 17 in Elizabeth, NJ
1924	University of Southern California, B.S.
1928	University of Iowa, M.D.
1928-1929	Michael Reese Hospital, Chicago, intern
1929-1930	Los Angeles County Hospital, intern
1930-1933	Los Angeles County Hospital, resident
1933-1938	Contractor for hospital and medical services during construction of aqueduct in Southern California
1938-1941	Grand Coulee Dam, hospital and medical service, medical subcontractor
1941-1942	University of Southern California Medical School, Instructor in Surgery, and Chief Surgical Resident
1942-1945	Kaiser Shipyards in Northern California and Vancouver, WA, and the Fontana Steel Mill in Southern California, independent medical contractor providing industrial medical and hospital services, and a Health Plan.
1945-1952	Founder of Permanente Health Plan. Also created Permanente Medical Group and nonprofit Permanente Hospital Plan and Permanente Health Plan.
1952-1958	Kaiser Foundation Health Plan and Hospitals, Medical Director.
1958-1969	Kaiser Foundation Health Plan and Hospitals, vice president in charge of facilities, facilities research and design
1958-	Kaiser Foundation Hospitals, Director
1958-	Kaiser Foundation Health Plan, Director
1958-	Kaiser Foundation School of Nursing, Director
1958-	Kaiser Health Plan of Oregon, Director
1958-	Kaiser Health Plan of Hawaii, Director
1971-	Kaiser Permanente Medical Methods Research

MEMBERSHIPS & AFFILIATIONS

Aerospace Medical Association, Member

Alameda-Contra Medical Association, Member

American Board of Preventive Medicine, Diplomate

American Medical Association, Member

American Public Health Association, Member

California Medical Association, Member

Industrial Medical Association, Member

International Hospital Federation, Member

International Society of Comprehensive Medicine, Member

Northern California Public Health Association, Member

Royal Society of Health, Member

Society of Graduate Surgeons of the Los Angeles County Hospital, Member

Western Industrial Medical Association, Member

World Medical Association, Member

AWARDS & HONORS

Alpha Omega Alpha Fraternity, Honorary, 1928

American Hospital Association

Honorary Award, 1971

Group Health Association of America

Distinguished Honors Award, 1969

WEEKS:

According to my notes you were born in New Jersey and graduated from the University of Southern California with a bachelor of science degree and received your M.D. from the University of Iowa at the very ripe old age of twenty-two. Is that right? How did you happen to choose medicine?

GARFIELD:

My parents, chiefly. They wanted me to be a professional man. I wanted to be an engineer but they felt that a physician was the highest profession.

WEEKS:

Had a little more prestige. It might be that later on your liking for engineering had something to do with construction and planning, and so forth.

I noticed that you served your internship partly at Michael Reese in Chicago and then in the Los Angeles County Hospital. I gather from other things that I came across that you really had a great feeling of warmth for Los Angeles in general. You seem to turn back there between other things you were doing.

GARFIELD:

Yes. I got a residency in surgery there too. It was their first three year residency at that time. Also, the professors I had at the University of Iowa -- when USC opened their medical school, they got most of their professors from the University of Iowa. So while I was there, they moved my University of Iowa professors out to Los Angeles. Of course I was very close to them.

When Coulee Dam was finished, I wanted to get back into surgery again. So they set up a special residency for me in surgery. They called it "super-residency." I was there about a year teaching in this super-residency. I

joined the USC unit -- everybody prepared for war, you know. They asked the universities to set up units to go overseas if necessary. So I joined the USC unit.

WEEKS:

I just happened to think. I interviewed Dr. Thomas Frist of the Health Corporation of America -- the senior. He's about our age, maybe a couple of years younger than we are. He told me that he spent his internship at the University of Iowa Hospitals -- it must have been about the same time you were coming out.

After this surgical residency that you had at Los Angeles County Hospital, how did your desert experience come up? Now we are talking about Depression days -- 1933.

GARFIELD:

Private practice was nonexistent back in those days. All of my friends out in practice were having a hell of a job getting along. So when I finished my residency I went out into sort of a vacuum trying to find some place where my services were needed and I could earn a living. That's when I chanced across this construction job in the desert of southern California. The way that happened is one of my interns at LA County came from Indio which is south of Palm Springs. Indio was the largest town. That's where all the workers would come in on their Saturdays and weekends. This intern friend of mine told me about this work that was going on and that there was no medical or hospital care available. There were about five thousand workers strung over 115 miles of desert in batches of about two or three hundred. To get medical care they had to come all the way into Indio which was the closest place. He told me there might be a need of something located out in the center of that

work. Actually we started together as a partnership. He had such a lot of trouble in the beginning making ends meet that he dropped out of the partnership. He left me holding it.

WEEKS:

Had you built a little hospital yet?

GARFIELD:

First I went down and looked over the job and talked with some of the employers and some of the insurance carriers and they were encouraging me. They thought that a medical service, hospital service, was very much needed. Of course, they were sort of lost out there without medical care.

So with that encouragement, I went out and borrowed some money and built that first little hospital. We called it Contractors' Hospital. It was a fifteen bed unit. It wasn't much on the outside. Inside it was very nice -- air-conditioned -- we did a good job inside. I did it all on borrowed money. I had $2500 cash and I built a $50,000 facility with the equipment in it. Then as you know, we opened for service and got into trouble.

WEEKS:

You were operating fee-for-service then?

GARFIELD:

Yes. We didn't have any idea of anything but fee-for-service then. We thought we would have enough industrial work and enough work from the workers themselves to be able to make the thing pay. I was naive enough about medical economics. We had none of the usual crutches in those days. None of the rich to pay for the poor and no financial subsidy. As I said in a talk, we didn't even have a county hospital that we could send our charity cases to. So we had to do the whole job without any help. We couldn't do it. The men didn't

have the money to do it. There was quite a bit of work but they couldn't pay for it.

WEEKS:

Did they live right on the job?

GARFIELD:

It was all dormitories. There were no families. There were a few families living in tents. But each contractor -- there were about fifteen of them stretched along the job -- each one had dormitories and a mess hall -- the usual stuff. They were building tunnels, canals, pumping stations. Then at one end of the Colorado River they were building a dam.

WEEKS:

Where did your people stay?

GARFIELD:

I set up the hospital right in the middle of the project...about 60 miles from each end -- right next to one of the camps, a camp run by a chap by the name of Elliot Dixon. He was so anxious to have us there he said we could use the land they had and they would help us any way they could. So we built it there and at each camp we set up a first-aid station and a first-aid man. He had a skeleton crew. I was the only doctor and we had two nurses and a cook and a janitor -- a wife and a husband. We had an ambulance. We had a surgery and a first-aid room. Then these fifteen beds and an office. I slept in the office. I had one of those cots that would fold up. The nurses slept in one of the rooms in the hospital.

WEEKS:

Did you have trouble employing people to do this -- I mean doctors and nurses?

GARFIELD:

No. It was the Depression.

WEEKS:

Anything for a job.

GARFIELD:

Doctors were readily available. When I started down there, there was a section of the job that was being done by the Metropolitan Water District themselves. They were the ones to provide water for Los Angeles. The whole thing was to carry water from the Colorado River to Los Angeles and all of those communities around there. They called it the Metropolitan Water District. It's still in operation now. It also brings water from the north down there too.

Metropolitan Water District built a few tunnels themselves on the other side of Indio toward Los Angeles and they had their own little medical setup for that. When I went down to look over the possibility of building this hospital I first stopped up there and asked them if they needed a doctor there. I thought maybe I could get a job. They offered me $175 a month. They thought that was good pay for a doctor. I didn't think it was enough. That's why we went on and thought we could do the job from Indio on down to the Colorado River in this area where there was nothing available.

We opened the hospital, the workers couldn't pay, the insurance companies had money but they didn't want to give the money to us. You know how they worked in those days -- they were very careful. And because we would get a patient in who was hurt on the job and we would give him all the care in the world and would bill them for it -- they would send the bills back carefully discounted saying we had given them too much care. What was worse than that

is when we would get a serious case in -- which ironically was our big hope for remuneration -- someone would get hurt and we could exist. We would get a serious case in and as soon as we get them out of shock and in relatively good shape, they would transfer them to Los Angeles where they had their own facilities and doctors. There was nothing we could do about that. So the nonindustrial income the men couldn't pay for; the insurance company income was minimum and we were going broke. We had trouble meeting payroll even though the payroll wasn't too high. I was paying our doctors about $300 a month and nurses about $100 and keep.

WEEKS:

What brought this to a head? How did you come up with the prepayment idea?

GARFIELD:

After a few months of that it looked like we were going to go broke and have to fold up. One of the insurance companies had a manager -- Industrial Indemnity Exchange. That was the insurance company that was started by the six companies which built Boulder Dam. They started their own insurance company to cover that job. Kaiser was part owner of that insurance company. He was in charge of building Boulder Dam. There were six companies involved -- with six companies they always had one company that runs that job. The others sit in as directors and help out in various ways. But Henry Kaiser was the boss of Boulder Dam. And they set up their own insurance company. I didn't know Henry Kaiser in those days. The only one I knew was Hatch, the manager of the insurance company and Mr. Ordway who was the president of the company. He was one of our great boosters. He was a wonderful gentleman.

He would come down and be very critical of the amount of money we were

spending in equipping the hospital. He knew it was only going to be a five year job. He said you are putting in sterilizers here that are costing you too much money -- you are not going to be able to pay for it. But I told him I couldn't work without decent equipment. Anyway, we were great friends. He and Hatch would stop in periodically on their way to the job -- they had two of those fifteen jobs down there. They were big jobs. They had the dam at the end of the Colorado River that diverted the water into this aqueduct.

So Hatch said to me, "Why don't you make an arrangement with our insurance company whereby we pay you a certain percent of our insurance premiums and then we won't have to fuss around about bills and so forth."

He was talking about prepayment. I had nothing to lose and asked how much he would give us. He said half or 12.5 percent. He said we feel we have a load of 25% for medical and we'll reserve the other 12.5% for cases we have to take into Los Angeles. I did a little arithmetic on that and it seemed like more money than we were making anyway. So we had nothing to lose. I said we would try it.

Just from those two jobs, the steady income that we got on that basis each month changed everything. We immediately started to be able to pay our bills and meet our payroll. It worked so well I thought let's get the other insurance companies to do the same thing. So I worked it out with them to give me 12.5%. They all fell in line. That amazing effect of getting prepayment started us really on what you might call a lesson-by-lesson journey into medical care.

Of course that worked so well we do the same thing -- that 12.5% premium amounted to something around eight cents per member per day. So we thought maybe we could do the same thing about their health care. So we talked to

their employers about having a health plan. We set five cents per diem on that. Of course the employers knew we were having a tough time making it so they didn't want to lose our services -- they had become very dependent on us, they were good friends too. They would stop into the hospital every time they passed and see how we were getting along. So when we presented the plan to them, they took it over and sold it to their workers. So pretty soon with the combined income from the industrial and nonindustrial care combined prepayment we had all the funds we needed to do the job and we were able to build two more little hospitals, one at Parker Dam and the third one at Imperial Dam. In between we had first-aid stations and developed quite a network of service from that job.

And, of course, the lessons we learned as we went along. The first thing was how simple it was to budget our expenses and everything once we had the steady income -- we were off fee-for-service. The next thing we noticed was the change in the insurance companies' attitude. They no longer told us that we were treating patients too much. As long as we did a good job they left us alone. We did the best job we could. They no longer took any cases away from us and into Los Angeles -- unless we asked them to. If I would get an eye case I thought I couldn't take care of or something I would ask them to take them. But it put medical care in my hands where before they were taking things away. It changed our whole operation. We liked it very much.

Another thing we noticed was a change in our own attitude. Prior to the arrangement, we had been anxious to have sick men or injured men come into the hospital because that meant income and we could continue to exist. It was embarrassing to me to want people to get hurt. But that is the way fee-for-service is, you exist on sickness. Once we were on this new plan, we were

better off if they remained unhurt and didn't get sick. So we started to do safety engineering. We would go out on a job. We would get a bunch of nail punctures from a job and we would go out there and get them to clean up the nails. Or we would get a lot of head injuries in one place and we would get them to shore up the tunnels better. As we did that more, we realized that if we did that prior to our change in the way we collected our funds, we would have been putting ourselves out of business faster than we were. In other words, prevention is incompatible with the fee-for-service method. It's the really right thing when you are on a prepayment basis. It makes sense.

So at the end of five years we had built and paid for three small hospitals and gave those workers a lot of medical care -- a lot of good medical care. We learned how satisfactory it was for the employers and the insurance carriers and the workers. Everybody liked it from then on because we were all on the same side of the fence. We were all better off if the workers remained well and we were able to give them the services that they needed.

WEEKS:

After that aqueduct job was done, what did you do with all of this property -- the hospitals and equipment?

GARFIELD:

At the end of the job, we moved one hospital into Palm Springs and converted it into an apartment house. The other two we sold. We sold one as a duck hut -- it was on a lake. We got just a few thousand dollars for it. The equipment was sold but for practically nothing. We kept a few items like the air conditioning and so forth because by the time I got around to selling that I had taken on the Coulee Dam job and I wanted to move some of it up

there.

Just as we were closing up the job and doing away with the buildings and equipment and so forth, I got a call from Mr. Ordway. He asked me if I knew Henry Kaiser. I said no.

Incidentally, as we went along with that arrangement with the insurance company, we did such a good job for them that they voluntarily raised that percentage that they were paying us to 22% -- gradually over the years. I never asked them for it, they did it themselves.

WEEKS:

That's pretty good indication of their confidence in you.

GARFIELD:

Mr. Ordway called me up. He caught me as I was in between...I had a rigorous routine. I was the only surgeon. I had doctors in each of these three hospitals and the first aid in between. But I was the only surgeon and I had to travel. It was about 45 minutes of fast driving to get to the farthest place. But I arranged that I would stop at various gas stations along the way to see if there were any messages for me. So I had this one call from Mr. Ordway and he asked if I knew Henry Kaiser.

I said, "No."

He said, "Well, he wants you to come up and see him about taking over the medical care at Coulee Dam."

I said, "Not a chance, Mr. Ordway. I want to get into something permanent. I'm planning on going into practice in Los Angeles."

I had accumulated some funds now and I wasn't concerned about the Depression.

I told Mr. Ordway that I wanted to get into some permanent position and

he said that he promised Edgar that I would come up and talk to him and would I do that, that maybe I could give him some advice. I said sure I would do that but please understand that I would not take the job at Coulee. So I went up to Coulee Dam and Mr. Kaiser had a temporary office -- Edgar Kaiser, this is Henry's son. They had just been awarded the job at Coulee and Edgar was going to run the job. He had worked with his father at Boulder Dam and was being transferred up there. Edgar had a temporary office at the Multnomah Hotel and he asked me to come up there and see him, which I did. I got to the Multnomah Hotel and I called up his office and his secretary said he was very busy and if I would just stay put they would call me and tell me when he could see me. I cooled my heels for almost six hours and I was getting madder by the minute because I didn't want to go up there anyway.

I would have left really except I had promised Mr. Ordway I would talk to him. I was very fond of Mr. Ordway by that time. We became very close friends. Finally, the call came through and as I was walking upstairs I was rehearsing..."Mr. Kaiser, I think you are wasting your time because I really am not interested in this job."

I got up to his door and knocked on the door and Sue Kaiser, his wife, opened the door. She is a charming person. She said, "Doctor, I am so glad to see you. My daughter Becky is sick. Will you please take a look at her for me?" So I went into the bedroom and Becky had the measles.

We talked a while and I told her what to do about the measles -- what little I knew -- I was a surgeon.

Then I went in to see Edgar and by that time I had cooled off and I wasn't mad anymore. Then Edgar started talking with me about his problems at Coulee and it was an interesting problem. Coulee was built in two parts. The

first part was the foundation. It was built by another company and they had a doctor on the job who apparently handled the cases on a fee-for-service basis, but he was more interested in the private patients that might come to him than the industrial cases he was supposed to cover for the company. So he had them waiting around while he gave care to the others and the unions were very disturbed about it.

So when Mr. Kaiser got the second part of the job, they told him that the one thing they were going to insist on was the the company have nothing to do with the medical care -- that they, the union, would operate the medical care at the dam.

Edgar didn't like that. He thought that was the wrong thing for an employer to do, to turn over that responsibility. He didn't think they could do a good job anyway. So he was searching for something really different and good to give these people and Mr. Ordway told him about our health plan on the desert -- the health plan and the prepaid nonindustrial and industrial plan we had on the desert. That's why he wanted me to come up there.

I told him that I still wanted to get my roots down in a permanent job, but he said will you come up to Coulee and look it over first and maybe advise us what to do? On the way up he talked to me and questioned me about our health plan and how it worked and so forth. He got so interested -- his interest was so great in taking care of these workers that I was very impressed. By the time I got up to Coulee -- it was an eight hour drive -- I was practically sold on taking the job. Not only for his sake -- by that time I was enjoying his company and liking him -- but also for the idea of showing the unions that a job could be done for the people up there.

Then when I got up there and saw the job, I was intrigued by it. It was

a community of about 15,000 people, built up around the job which employed about 7,000 people -- and all in one place. On the desert, we had a hell of a job serving all of these people scattered over about 200 miles because Imperial Dam is another one hundred miles from Parker Dam. Here they were all in one spot -- in a community. So it was a place where we could really test our health plan ideas and the lessons we learned on the desert.

So, after seeing the place, I just couldn't turn it down. I accepted the job and went to work and got a group of doctors together. I had to recruit doctors. I couldn't get any doctors from the state of Washington. They had heard about the reputation of the first part of the job and they didn't want anything to do with it.

So I had to come down -- no doctors in Oregon -- I had to come down as far as San Francisco. I got some doctors from Stanford, mostly from Stanford, and from Cal. Then we all had to go up there and take the license to go to work.

We used the same plan up there for the workers -- the industrial prepayment and the nonindustrial prepayment. But for families, wives and children, I had no experience with them on a plan so we served them on a fee-for-service. It didn't work. The same thing happened -- they just didn't have money to pay for their care. The workers got their care so easily through their plan -- but the wife and children, we were always up against who is going to pay for this. Our doctors were unhappy with it, the unions were unhappy, we were unhappy with it.

Pretty soon the unions started demanding that we provide family care. We still dragged our heels a bit, not knowing what we would get into. Finally, they decided they would go on strike unless we took care of their families.

So then we decided we had better do it. So we picked figures out of the air, 5Ø cents a week for a wife and 25 cents for each child. We couldn't find anybody with experience in a family plan. There might have been some in the country, but we didn't know where.

And boy, that worked beautifully. From then on we had no trouble taking care of the women and children, and the workers and everybody loved it. We didn't even have to try to sell the plan. The unions went out and sold it to their men themselves. Of course, out of that came some more lessons in medical care.

Coulee was big enough so that we could get a group of well-trained men in each specialty -- surgery, orthopedics, obstetrics and gynecology, pediatrics, and so forth. We had a nice little group of specialists. So here we had the first real group practice in integrated facilities, all in one location and we developed our principles -- prepayment, group practice, integrated clinic and hospital facilities, and our fourth principle which is the reverse economics in medicine.

One of the most impressive lessons we learned was, prior to the family plan, you would go walking through our hospital and you would see quite a few very sick women and children -- ruptured appendices, bad pneumonias and so forth, even diphtheria cases. Once the plan was in operation for a while, that changed. You no longer saw ruptured appendices, we saw early appendices. Never saw bad pneumonias, we would treat them early. And diphtheria entirely disappeared. In other words, people, once the barrier of cost was removed, were coming to us earlier and we could treat them earlier and keep them from getting complications and, I'm sure, keeping them from dying.

So we were very impressed with that. Edgar Kaiser was very close to us,

we all lived in one little community up there and we worked together and we played together. At night time, when the community wasn't using the gymnasium we had the keys to it. Edgar and all of us would go there and we would play volleyball and stuff like that. We had a great time. We got to know the Kaiser family pretty well and all of their top people who were working there. So that lesson was impressive to everybody there.

WEEKS:

Were you the sole proprietor of this group?

GARFIELD:

Yes.

WEEKS:

I read somewhere that you refurbished a seventy-five bed hospital that was there -- put in air conditioning, cleaned it up and so on.

GARFIELD:

They paid for that.

WEEKS:

Was that not a part of your group?

GARFIELD:

The hospital belonged to ...it was built for the first part of the dam, for the workers. It was very poorly designed and done very poorly, no air conditioning and stuff like that. And it gets very hot in the summertime. Of course, I was sold on air conditioning after my experience on the desert. So I moved part of my air conditioning equipment up there. I bought the air conditioning because the company refused to give me the money to air condition the hospital. I felt we had to have it so I did it on my own, out of my own funds. As soon as I had it done, Edgar Kaiser came over to see me and he

said, "Sid, don't ever do that again. We're going to pay you for it, but don't ever do that again." So they eventually paid for it.

That hospital that was there -- we spent close to $100,000 fixing it up and getting better equipment and air conditioning and everything. The job paid for that. We paid that off out of the funds. I had made arrangements with the doctors where any money that was made on that job, I would divide up half with them and half with me. So I didn't suffer and they participated.

WEEKS:

It was sort of an informal partnership then?

GARFIELD:

No. I was the proprietor, but I distributed the profits among all of the doctors.

WEEKS:

There is a little story that might be worth repeating, if it is true. I think I read somewhere that when you were trying to recruit Doctor Cecil Cutting into coming, the Dean of the medical school tried to dissuade him.

GARFIELD:

Yes, that was an interesting thing. When I came down, Cec Cutting and a couple of others -- Ray Gillette, Rich Moore -- were all on the Stanford service at the County Hospital in San Francisco. I talked to them. They all said they would like to come see the job. Cecil came up first. He came up with his wife, Millie, and looked over the job. He liked it. So he said he would have to go back and talk to his dean about it. He was very close to the dean of the medical school.

He went back and the next thing I know I get a call from the dean at Stanford asking me to come down and see him. So I dropped everything and came

down. I didn't know what he wanted to see me about, but I thought he wanted to find out what Cec would be doing up there. But what happened was apparently he heard that I had a health plan started out in the desert and he thought I might be doing the same thing up there. So he said how are you going to operate and I told him that we were going to have a health plan for the workers and have an industrial plan for the insurance companies up there and we would serve the women and children on a fee-for-service -- that was our plan at that time.

He said, "I can't let Cecil go to work in a place that has a prepaid plan. That would ruin his opportunity of ever getting into the medical society."

I said, "How else do you think we could take care of these people up there?" (Oh, Dr. Chandler was the dean.)

He said, "Do what we do down here, take care of them with charity if they can't afford it."

I said, "Where do you get the charity from up there?"

He said, "Just send them to the county hospital."

I said, "The county hospital is 120 miles away."

So he said, "I don't care what you do, I just can't let Cec take a job where he will be blackballed by the medical profession."

After arguing with him a bit, I saw I was getting no place. I started to walk out and I said, "I'll bet you, Dr. Chandler, that Cec does get into the medical society."

He said, "I'll take you up on that. I'll bet you a steak dinner." He was very friendly, but he wasn't going to let Cec go.

When I got back to Coulee, I called up Cecil and said, "I guess you can't

take the job because Dr. Chandler is dead against it."

He said, "I've been talking with my wife about it and I don't think he can tell me what to do with my life anyway. I still want to come up and take that job."

He came up and these other two doctors came up with him. As I said, we spent about a couple of weeks studying to take our medical exams for the state of Washington. We all passed. We had an internist and so forth.

Anyway, Cec did get into the medical society. But the way he got in was that we were the only doctors in the area and we set up our own chapter of the medical society. I was in the medical society all the time because when I was in training in the Los Angeles County Hospital, I was admitted to the medical society.

WEEKS:

The state or the AMA or both?

GARFIELD:

Both. Nobody even worried about me when I was down in the desert because nobody even knew I was there, I guess, relatively speaking. But Dean Chandler was the first one to raise that issue because he was concerned about what might happen to his good student, Cecil. Cec got into the medical society and I called the dean up and told him.

He said, "You win." But he never did buy that steak dinner.

The job went very well at Coulee, everything went fine. Toward the end of Coulee, we started to dream about what would happen and what we could do with the facility in a permanent area. Because we were coming to the end of the job and we all thought it might be a great idea to have a permanent operation someplace -- and Edgar Kaiser, too, would sit in on this and we

would dream about it.

The job ended and there were some problems of getting the funds to build facilities and for getting a membership in a new area where you didn't have the nucleus of Kaiser to start with -- Kaiser employees -- all seemed to be insurmountable obstacles to do it on our own anyway -- starting up costs would be tremendous.

So at the end of the job, we all dispersed to various parts of the country. I went back to the University of Southern California and got this super-residency job. Cec Cutting and a couple of the other fellows went to a clinic in the state of Washington, near Seattle.

About a year went by and I was getting my refresher course at USC, teaching meanwhile as a super-resident and then the war broke out and our unit was called up for service. Of course, I got into uniform. We were told that in one month we would be leaving for India. They were going to put us at the start of the Burma Road to protect that part of the Burma Road in India.

Just about that time, I got a call from Clay Bedford. The shipyards had started working -- we needed ships so badly, you know, they gave the Kaiser companies contracts to build ships here and up in Portland, Oregon, and Vancouver, Washington. They were head over heels getting into operation and starting to build ships and so forth. They couldn't get doctors and hospital space because a lot of doctors had gone into the army and the great influx of workers into the area had overcrowded the hospitals. Nobody wanted to take care of the industrial shipyard workers. Most of them were recruited from all parts of the country.

So anyway, I got a call from Mr. Ordway and Clay Bedford, who was operating the shipyards at that time -- he was one of Mr. Kaiser's men --

asking me if I could come up and start a medical and hospital service for the workers because they were having so much trouble. I told them I couldn't do it because I was in the army. I told them I was leaving in a month for India. So Clay says, "Well come up anyway. Maybe you can advise us what to do about this. It's a desperate situation."

I said, "Sure, I could do that." I came up here and investigated around town and talked to the doctors to see if I could line some of them up to do their industrial work and try to find out where I could get some beds and so forth. While I was here, Mr. Ordway disappeared. He didn't tell me where he was going, and he was one of the people who asked me to come up. He disappeared. He came back with a letter -- I think it was from Roosevelt himself -- anyway, from somebody high up in the government, saying they had released me to take over the medical hospital work at the shipyards for the Kaiser Company. They had released me from the army.

I couldn't accept that. I had to talk to my chief down in USC, Dr. Burne, who was my commanding officer. I told him about it. He said, "For godsake, take it." He said, "You'll be doing a hell of a lot more than we will be doing in Burma, I'm sure." So, on his advice I accepted the release from the army and that's how we started there. That was a hell of a job.

I got Dr. Cutting back right away and Rich Moore and we started recruiting. We had to work with men who were deferred from the army, chiefly. We gathered together a nucleus of pretty good men. Tough getting all we needed. We started building facilities. Have you seen our facilities here?

WEEKS:

No. Just pictures. Is this the time you convinced Mr. Kaiser that he should set up a foundation for the hospital?

GARFIELD:

That came a little later. First, I did it myself. It was an unusual thing. I was going to run the whole show. So I used my own funds and everything else. That's the way we started. I hired the doctors. I had built up enough money by that time so I could do that. I made arrangements to buy -- I found this hospital up on the corner here, a four story building. It was part of a hospital that burned down. An old wooden hospital called Fabiola had burned down, but they had built a concrete OB -- obstetrical unit -- along side the wooden structure and that remained standing. The government had some deal where they were going to change that into a dormitory. They pulled out most of the walls in the building and were going to make dormitories and then they abandoned the thing. And the government gave it to one of the hospitals here called Merritt Hospital. But it was standing there as a shell. So I went over to Merritt and told them I would like to buy it and they said, "We'll sell it to you, happy to sell it to you."

I told them we were doing shipyard work. I didn't say anything about a health plan because we had to start with the industrial work anyway to get started then we would take on the health plan as we could arrange it -- as we could get the doctors and the facilities to do it. Our first job was to take care of the industrial part of it.

I made that arrangement with Merritt that I would buy the hospital, the shell, for $50,000 if they would give me twenty beds for the industrial cases. We would pay for the beds, but they would allocate twenty beds for our use. They were very happy to do that. Apparently they needed money in those days, and they had beds available, I guess. So I bought the building. It took about $250,000 to renovate it. We got a bid on renovating it. I was working

with the Kaiser organization --

I skipped telling you how I first met Mr. Kaiser, Sr.?

WEEKS:

You didn't tell me that. That would be interesting to hear.

GARFIELD:

Mr. Kaiser, Sr. -- at Coulee Dam, Edgar ran the job -- Mr. Kaiser would come up periodically, once every two or three months to see how the job was getting along and, of course, he had board of directors' meetings up there every once in a while. After I had been up there about three months and we were just assembling a staff and just starting in operation, he was scheduled for a visit up there. Edgar said, "I want you to meet my father when he comes up here." He said, "You had better get the hospital ready for him to look at it." He was very interested in that.

The big day came when Mr. Kaiser arrived. The whole organization is alerted to when he is coming up to go over the job, you know, everything has to be set up beautifully. He came up there and they called me over and introduced me to him.

You didn't know Mr. Kaiser? Well, he was a very tall, very impressive looking person, very dynamic. He started talking to me about what we were doing and so forth, my experience on the desert, and what we were planning on doing. And he spent the whole day with me. He came up to see the job but he was more interested in the medical care part of it than the job, at least for that day. He asked me questions and went on all day long.

About dinner time, he had me all vacuumed out practically, he got up and said, "I guess I have to leave you now." He had his wife with him and said, "We have to go out to dinner." But he said, "Young man, if your plan does

half the things you say it has done, it should be made available to every person in this country." That gives you an idea of the scope of his vision.

I was sort of taken back by that because I had had so much trouble getting the staff to take care of Coulee itself and getting the place fixed up and getting the equipment we needed. I said, "Mr. Kaiser, I have had a hell of a job just getting the services for this little job which will take care of about 20,000 people. How do you expect to cover the rest of the country?"

He laughed and said, "Don't worry, young man, you will have plenty of help. You will have plenty of competition, people will want to do the same things that you are doing, if it works that well." He said, "You just be careful that the plan you have is the best and that when it's copied, it's copied well." That was my first meeting with him, and that was the scope of his imagination. he really, at that moment, predicted what would happen.

What we have done is just have examples that we have set up and people could see and now the whole movement is in that direction, which he predicted back in 1938. He predicted that the rest of them would do it if we had a good example set up.

WEEKS:

He must have been a remarkable man.

GARFIELD:

Oh, he was. He was a man of great vision.

WEEKS:

You still were hiring physicians in Coulee then. We are now in San Francisco. Did you continue the same way, as proprietor?

GARFIELD:

Yes. I continued that way until somewhere around 1952, I think. This

was in 1942, we started. There were a few changes in between which I will tell you about. We changed the hospitals, but the medical care portion I still handled its proprietorship.

WEEKS:

This is when you asked him to set up a foundation?

GARFIELD:

Yes. A little later. The first thing we did, we had to spend $250,000 fixing up Fabiola and I had arranged for a loan from the insurance company that Mr. Ordway was operating, the same insurance company that handled the insurance on the job. The president of the insurance company was also a good friend of mine. He agreed to loan me $500,000 to fix up the facilities on our guarantee that we would pay it back, of course, out of operations. But I thought I had better tell Mr. Kaiser what I was doing. I told him that we were going to fix up this place and that I was getting a loan from the insurance company. He says, "I don't think you ought to do that. I think we ought to go over and see Giannini and see if he will loan you the money to do that." For some reason or other he didn't want me to be obligated to the insurance companies.

I said fine. He set up the meeting with Giannini -- the big man who loaned money to all the little businesses. We went over there and sat down and I told Mr. Giannini what we were planning on doing and how we had come out on the desert so well and how we had come out at Coulee Dam so well and that we needed $250,000 to fix up Fabiola so we could start taking care of at least the industrial cases. I wasn't talking health plan to anybody. I was keeping that quiet because I knew that was going to create a fuss.

Giannini says, "I can't lend you a penny. The hospital is absolutely no

good to loan money on because," he said, "if anything happens and you go in default, there is nothing we can do with a hospital. If it's an office building or something like that, at least we can take it over and operate it. But hospitals just lose money and they are no good to anybody."

So I objected. I said, "We don't lose money." We got no place arguing with him. I almost said I understand you always help little businesses get started.

Then he turned to Henry Kaiser and said, "Henry, if you will guarantee the loan, I'll let him have it."

Henry said, "I'll guarantee it." So we got our $250,000.

We paid back that loan in about ten months out of the operations, just the industrial operations, on a prepaid basis. Never operated on a fee-for-service since. Don't like it. Then we went back for an expansion, for another $250,000. This time we got it on our own signatures.

To do the shipyard job was a tough job, too. Getting the personnel, wartime shortages and everything. We had an awful time getting equipment because you had to go through some department in the government to get medical equipment. The people who ran these departments were administrators from hospitals throughout the country, and they didn't like our reputation anyway. They didn't want to let us have any equipment. Mr. Kaiser had to take me by the hand to Paul McNutt and some of those people above him so that we could get an x-ray machine and stuff like that.

Compounding the problem was that all the workers in the place were men who were deferred -- all the 4Fs in the country. We called it the walking pathological museum. Many of them would get off the recruitment trains and get right into the hospital. But in spite of that, the plan worked, stood on

its own feet and made its own way.

Not long after that, when I was down at the University of Southern California I had a very great friend, Dr. Kay, we were very close friends. We joined this unit together figuring we would go overseas together. When I was taken out of the army, he was very upset with me. I was anxious to try to heal our problem so -- the ship was leaving from here to take them to India -- I asked him to come up a couple of days earlier so that I could try to talk to him. I talked to him about it and he was very disturbed with me for having deserted him so to speak. Finally he said, "One thing I would forgive you on is, if when I get back, if you open a health plan in Los Angeles."

I said I wanted to do that anyway -- no problem with that. As soon as I can I would do that.

He said, "All right, I think the thing to do is to set up a foundation." When he got out of his residency, he had taken a job with some foundation. He liked the way they operated. He was the kind of guy who didn't like to charge fees to people anyway. He liked our plan. He kept in very close touch with me all through the Coulee days and on the desert. He never wanted to join us because he was working with the University of Southern California, teaching -- and he loved teaching. But he always wanted a setup like ours in Los Angeles.

He said, "If you get a plan in Los Angeles and set up your organization as a foundation so that you can build up some funds for creating a facility in Los Angeles, I'll forgive you for deserting me."

So we made a pact that I would do that when he got back. When he came back at the end of the war, the end of 1945...Well, before that I had to sell Mr. Kaiser on the idea that we wanted to set up a foundation. Didn't have to sell him, but I thought it would be great to have him in as part of it. So I

talked with Clay Bedford who was running the shipyard at that time. He said Mr. Kaiser is so hard to get hold of since he is traveling between here and Washington. (He always traveled by train in those days because his wife didn't like to fly.) Bedford said, "Get on the train in Sacramento -- he's coming back tomorrow -- so get a train in Sacramento and come down to Oakland with him and you'll have two hours with him as a captive audience." He said, "I'll send you up in one of our cars."

Clay liked the idea of a foundation, too -- everybody did, naturally. So I went up there and got on the train and Mr. Kaiser was glad to see me and he had his attorney with him. So I told him what we wanted to do. Mr. Kaiser thought that was a great idea. Paul Marrin, the attorney, said, "It can't be done."

Mr. Kaiser said, "Why can't it be done? You mean we can't set up a foundation?"

He said, "Not one like this. You could set up a foundation if you donate your money to it but you are talking about setting up a foundation out of earnings -- and that can't be done."

Neither Mr. Kaiser nor I could see much difference in that. We didn't want any donation. We knew we could pay for the facility out of our operations. We had done it before and that's what we believed in. we didn't believe in philanthropic support.

So Mr. Kaiser argued with him and I argued with him. Finally Mr. Kaiser said, "Paul, I'm just tired as hell of having lawyers tell me what I can't do. Now you work it out and show me how we can do it." That was his order.

The next day we got a call from Bob Ridges who was one of Mr. Marrin's tax men. A very swell chap. He came over and he worked out the whole deal.

It all worked out very simply. He set up a company he called Capital Construction that bought the hospital from me -- the money I paid for it. Then they leased it to me for so much a month -- as much money as I could afford to give them at the time. Then the Capital Construction Company donated the facility to the foundation we called Permanente Hospital Foundation.

Then the rental I paid to Permanente Foundation built up the foundation's assets. We worked it out with our doctors and everybody. We were building funds for our own facility's expansions, so we kept our costs and incomes to everybody down to a pretty minimum amount. We had to give a little more than the army was paying. The group of men I had didn't care, they were all idealistic. They were all building for the future and they were great.

So we poured everything we could into rental -- there was no fixed amount, we could give them twice as much if we wanted to because we were giving to a foundation. So we built up the foundation pretty fast so that by the time the war ended we had enough money to start building a hospital in San Francisco and one in Los Angeles and so forth.

Anyway, the foundation idea came from Ray Kay and my promise to him. Then when he got back from the army he said, "Sid, when are we going to start a health plan in Los Angeles?"

I said, "You talked me into giving away the hospital to the foundation, now I've got to get their permission, Mr. Kaiser's permission." He and Mr. Trefethen, his right-hand man were the men who -- we had a board of trustees -- but they ran the show. I said, "Now I've got to get their permission to build a hospital in Los Angeles." So I went after that permission. They weren't the slightest bit interested in Los Angeles. San Franciscans in those

days, and maybe they still do, didn't care much for the Los Angeles area. We finally worked it out after a couple of years. I convinced them in a series of ways which is another story.

WEEKS:

As I remember there were some unions that entered into this.

GARFIELD:

I guess first we ought to talk about the end of the war. The war ended our membership. Meanwhile, I had also built a facility and the plan up in Portland and Vancouver, Washington.

WEEKS:

This came before the end of the war? Built for the shipyards up there?

GARFIELD:

Yes. Edgar was running the shipyards up there and Clay Bedford who had been his superintendent at Coulee Dam was running the shipyards here. They were competing with one another to see who could build ships faster. One would put it out in one week and one would put it out in one day. They were building ships in one day. It was the way they built them. Instead of building it on a keel where everybody has to try to work together...they built the job on land in segments. They built the ship in pieces and then they just assembled it. They had parts of the ship already built for the next ten ships. All they had to do was assemble it. So they decided to assemble the whole ship in one day. They didn't build it in one day, but they actually assembled it in one day. They put out a tremendous number of ships by that new method. If they had gone the old method, it would have taken a year to build a ship on the keel.

Then Mr. Kaiser got the idea that well, we're short of aircraft carriers

-- why don't we build it on one of these Liberty Ships? Put a flat top on it and make an aircraft carrier out of it. He had a hell of a job selling that to the Navy. The Navy turned him down but one of the captains on the side told him to go see FDR. And FDR gave a contract of fifty small carriers. He built those in about a year and a half -- fifty of them. They did a big job in that battle of Midway. They weren't great carriers but they worked.

WEEKS:

They got the planes where they needed to be.

GARFIELD:

They were on the London version of the Liberty Ship. It wasn't one and the same. They weren't very large. The first one they put out the Navy tried to tear it to pieces but it worked well so they got enthusiastic about it.

Anyway, as soon as the industrial health plan was ready and taken care of, we started the health plan for the workers. By that time we had our own facilities built. Then we built the temporary hospital out in Richmond -- the expansion, a hundred beds out there. We took a first-aid station and added a hundred beds to it, surgeries and everything. And we did that in about five months. We did the same thing up north. We built a two hundred bed hospital up there during war time.

Then Fontana Steel plant -- Mr. Kaiser was having trouble getting enough steel to keep up with the building of the ships because Kaiser wasn't too well liked by the big corporations. He was having a tough time getting steel so he talked the government into letting him build a steel plant. There was a man during war times who controlled the construction of plants like that. He said, "Mr. Kaiser, I'll let you build a steel plant but we're not going to give you a single priority. You can get the materials and do it. But we'll

let you do it. That's all we can do is just let you do it."

So Mr. Kaiser had to scour the country to get the pieces to build his own steel plant. He did. He built it. And pretty soon they got into trouble down there. They couldn't keep up with their medical care. They had the same problem -- no doctors, no hospital. So they asked us to take over the medical care down there. I wanted to build a little hospital but they said no. The fellow running the job said, "We want to get rid of this administration building. Convert that into a hospital."

I was able to do that. Through a little ingenuity, I made a fifty bed hospital out of the administration building. Then we had to expand it and there wasn't room to expand it so then we moved the whole hospital five miles away to where we had a lot of land, and expanded it.

We got started down there with the medical service. Then the war ended, and we lost our membership here and up north -- the steel plant still continued. We had the facilities, we had a basic organization, we had quite a few doctors who wanted to continue in prepaid medicine. I built up a contingency fund for this very purpose. I knew we would have a lapse at the end. We had several millions of dollars put aside in this contingency fund. The whole thing was sort of a survival kit. The doctors decided they would like to continue. We had the organization.

So we decided to open the plan to the community to see if the community would accept us. The plan grew slowly at first because we couldn't go out and advertise. We didn't want to advertise. Everything had to be by word of mouth.

So it gathered momentum. Along the way there, the longshoremens' union came to us and said, "We would like you to take over all our members." They

had about thirty thousand here and the Bay area. They said, "We won't give them to you unless you do it up in Portland, Seattle, Los Angeles and San Diego. We want to give you the whole thing."

I wanted it up here bad because we were going slowly and that would speed us up quite a bit. Portland was no problem. I could get Portland. I was running Portland anyway. So I took them out of Portland. But Seattle, I got the Group Health Association that was up there -- I talked to them and they agreed to take over the Seattle.

San Pedro -- I started an operation down there with Dr. Kay and we just rented some clinic space and used a local hospital for beds. They agreed to let us use them. In San Diego, there was a health plan in operation down there which we later purchased. So they took over the function. So I had the whole coast covered when we got the longshoremen.

But that took us into Los Angeles. Here we had an operation in Los Angeles, an operation at Fontana. Then Joe DeSilva of the retail clerks' union called up and wanted to see me. He came up here and said, "I want you to set up a health plan for our workers in Los Angeles." I guess he had about thirty thousand workers plus families of I don't know how many. I told him that we would need facilities because we couldn't depend on using other hospitals because some day they would boycott us probably. So he said, "I'll pay you several months dues in advance if that will help you build a hospital."

With his promise and our already operating in San Pedro and already in Fontana, I was able to convince Mr. Kaiser to let me go ahead in the Los Angeles area with offices in the Rexall Building down there. I got one of the hospitals to let us have about thirty beds to use until we could build our own

facility. We started building a hospital.

WEEKS:

When you rented or used thirty beds...did you staff that yourself?

GARFIELD:

No. No.

WEEKS:

They just...

GARFIELD:

They wanted so much per day, per bed. We did it that way. We just rented a block of beds whether we used them or not. But most of the time we used them.

So then Los Angeles started building and we built three hospitals all at the same time -- San Francisco, Los Angeles and Walnut Creek. Of course, our story from then on is just one of growth and expansion.

WEEKS:

The period you don't read much about and I have often wondered is that period after the war. You carried on the medical side of it. Did that go from your group to the present Permanente type of medical group?

GARFIELD:

Somewhere around 1952. I was getting an awful lot of flack from the medical society. They were having me up before the ethics committee several times. Once they tried to have my license revoked. As a proprietor, I was very vulnerable. All they had to do was put me out of operation and all the doctors I was employing would automatically be out of operation. So we decided that the best thing for me to do -- I decided the best thing for me to do -- was set up a partnership. As soon as we were in permanent operation and

knew that we were going to make it after the end of the war, we decided to convert to a partnership operation.

We felt that was a better way for us to operate permanently than a single proprietorship. It would be more satisfactory to the doctors. More satisfactory to the medical society. So we set up a partnership somewhere around 1952. We changed from a proprietorship to a partnership. After operating as a partnership -- I ran the partnership for a while -- I decided the best thing for me to do was to get out of the partnership so that I was no longer the target. The target would become the entire partnership.

I actually ran the partnership, unofficially. Officially, I was out of it, but I conducted the whole operation for about three years more until I got into some problems with Mr. Kaiser about our total operations. Then I pulled out of that entirely. Then I continued operating the hospitals for a while, but they were operating as a foundation. I ran them and then after that I continued the construction of hospitals. But I gradually moved out of operations.

WEEKS:

When did the -- we have talked about the hospital foundation -- when did the health plan set up a separate foundation for doing all the membership work and everything?

GARFIELD:

I think that was around the same time, about 1952.

WEEKS:

Up until 1952, you were doing all the health plan work yourself?

GARFIELD:

Yes. It was Sidney R. Garfield and Associates or something like that.

WEEKS:

You were doing what is now done by the health plan.

GARFIELD:

Yes. I ran the whole show. I was proprietor of the whole show but I did not own the hospitals. They were owned by the foundation after we set the foundation up. Then I got out of the hospital operations and the health plan operations somewhere around 1952. That was chiefly to get me away from being a target.

WEEKS:

At that time they set up these new corporations?

GARFIELD:

Yes. They set up the Permanente Medical Group in a partnership. Before that it was Sidney R. Garfield and Associates. We had Permanente Hospitals and Permanente Health Plan. Those were the first three legal entities. They were all around 1952.

WEEKS:

I have you down here for from 1952 to 1958 as Medical Director of the Kaiser Foundation Health Plan and Hospitals.

GARFIELD:

1958? That might be right.

WEEKS:

What was that position? It isn't talking about Permanente or the medical side of it.

GARFIELD:

What does it say?

WEEKS:

Medical Director of the Kaiser Foundation Health Plan and Hospitals. Was Permanente part of the health plan at that time?

GARFIELD:

No. Permanente was the first name that we gave to all three. Permanente Medical, Permanente Hospitals, Permanente Health Plan. I changed the name to Kaiser about three years later, about 1955. I stayed on operating, as Director of the Hospitals and the Health Plan but disengaged myself from the medical group on account of being a target.

WEEKS:

Then I have you down from 1958 to 1969 as Vice President in charge of facilities.

GARFIELD:

Construction, yes. From 1958?

WEEKS:

From 1958 to 1969.

GARFIELD:

Well, 1958 is probably when I got out of operating the hospitals and that's another story.

WEEKS:

It seems to me that no one talks about that period when you were under so much shelling from the AMA and the California State Medical Association.

GARFIELD:

This particular period is really the period where I got into trouble with the medical group and with Mr. Kaiser. It all happened actually when Walnut Creek Hospital was built.

WEEKS:

I've been in that hospital. That's the only one of yours I have been in...about twenty years ago.

The trouble began at the time of the building of that?

GARFIELD:

Nobody wanted to build that facility except Mr. Kaiser and I. He married my assistant at this hospital here -- this was his second wife. He wanted to build a hospital which she could operate, and I went along with him on that. I not only saw a future in that Walnut Creek area -- we already had seven thousand members at the time -- I saw a future and believed we were going to build that area up. But I also wanted him to be interested.

Up to that time, he was very interested in our health operations, but he never got into the operations. Because of his love for this woman, he not only wanted a hospital but he wanted to help her operate it. When Mr. Kaiser does things, he does it in a very expansive way and he is not interested in.... Well, he wanted this hospital to be the best thing we have ever built. That didn't sit too well with my doctors because they had sort of suffered for some time because they were building their own future work places. They didn't see why we needed a hospital in Walnut Creek at all. Quite a few of the Board of Directors didn't think so either. Mr. Trefethen, Mr. Kaiser's right hand man, didn't want a hospital out there.

Anyway, we pushed it through and then he wanted to get into the operation. He wanted it to be the best hospital we ever built and he wanted the most beautiful equipment, and pretty soon he wanted to pick out his own doctors for the place, and so forth. I was in between him and the doctors and they were both getting mad at me because I couldn't control the situation.

Out of that came quite a clash. The compromise -- I think it may have been a healthy solution -- you see, we built a place that we thought was a doctor's operation ...I did that originally. I talked with our doctors that way. We never figured the Kaiser organization would be anything but supportive of our operations, and not financially supportive, morally and whatever other backing they could give us -- but not money. We just wanted to stand on our own feet. When Mr. Kaiser got into it, he just disturbed the whole balance of everything. And I couldn't control him. Nobody could control him.

So out of that came a battle and out of the battle I resigned my position and took on staying with the hospitals and the health plan for a while. Then that became troublesome too for the same reasons. Then I just moved over to hospital construction which was one of my fun jobs.

WEEKS:

You are partly answering some of my questions. All through this I have been wondering who makes the final decisions on all of these things. I can see while Mr. Kaiser was alive that he might force a decision.

GARFIELD:

Not over the doctors. He couldn't. We set it up so that he couldn't. They were a separate operation. The doctors that were separate always have a superior position in our system because basically we set it up that way. The health plan and hospitals have agreed to do nothing without the approval of the physicians. Actually, what happens is that we have a separate Regional Manager and a separate Medical Director but they work together as a team and neither one of them wants to clash with each other. Their only way of working is to work together.

WEEKS:

If they don't work together they probably would both end up being outside.

GARFIELD:

Mr. Kaiser tried to change that and he couldn't do it. So he moved -- it was just about the time he was retiring anyway -- so he moved to Honolulu. We set up an organization over there for him.

WEEKS:

That's how that came about?

GARFIELD:

Yes. We set up a health plan over there and I built a hospital for him over there. We were great friends even though we didn't see eye-to-eye when he started pushing -- trying to push the doctors around. I couldn't let him do that -- I couldn't help him do that. The only thing I could do was step out of the picture. Then he had a clash with the doctors. Out of that came a compromise. They both decided to work together and have been working together ever since.

WEEKS:

Did this compromise come about after a meeting I have seen referred to as the Lake Tahoe meeting?

GARFIELD:

That's when they started to work out the problem. It took several years before it...

WEEKS:

They had representatives of all the regions, doctors, hospitals and the whole works?

GARFIELD:

Yes. That's where I resigned, at that meeting.

WEEKS:

You resigned as...

GARFIELD:

Before then I was running even the partnership, unofficially. I was running the whole show. But I resigned officially from the hospitals at that point. Was that 1958?

WEEKS:

Somewhere I read just a reference to that meeting but when you read the official publications, they don't talk about the times when there was ...

GARFIELD:

Nobody likes to tell you disagreeable things and it all ended up -- as a matter of fact, I think most people feel it was a healthy thing to have happened.

WEEKS:

I think it's a good indication that you can't sit down and map out something on paper and have it work in every detail. Sometimes you have to go by trial and error and do a few things.

GARFIELD:

Well, our whole operation is trial and error. We never preconceived our health plan. Of course, now we have new ideas that we are working on.

WEEKS:

Some of these I want to talk with you about.

You mentioned that you were brought up on charges before the medical association? Was this the AMA or the state?

GARFIELD:

No. Just the local county. The state brought me up on violations of the licensure act. What happened is I took on two doctors that didn't have a license in the state as residents. One doctor was a doctor who you may have heard of somewhere along the line, Dr. Keene. He was our Regional Medical Director here -- he took over my spot pretty much. When the Kaisers bought the Ford plant for making the Kaiser-Fraser car, they needed a doctor and I found him. I wanted to check out his ability as a surgeon, so I put him in as a resident for three months to have Dr. Cutting, our surgeon, evaluate his ability. Then the board who assigned doctors during the wartime sent me a doctor who had had some narcotic violations. They sent him to us and we put him on the job and kept him several months and let him go because we were disturbed about him.

While I was away, Dr. Cutting felt sorry for him and rehired him. So I was brought up before the Medical Licensing Bureau in violation of the licensing act. I guess that's a state operation. They found me guilty and put me on probation and then our attorneys took it back and they kicked out the probation. One was my wish to put him on as a resident to see if he was of good enough quality to take care of Willow Run and he later became one of our top medical men in our organization. The other fellow was one who really wasn't my fault, but I got blamed for it. That helped me want to get out of the situation.

WEEKS:

That was one thing I was wondering about in general. In the present day Permanente, how do they screen these persons who might be up for hire?

GARFIELD:

They are pretty careful. When we were a small operation, Dr. Kay down south...before he would hire a doctor, the guy would have to live in his house for two weeks. They go into their training, their experience, their references. They seem to be able to...of course, when we hire a man, for two years he is an employee. That gives him a chance and us a chance to let him go or if he wants to leave, he can leave. At the end of two years, they either become a partner or they have to leave. We set it up that way because we felt that if... We didn't want just a small group of doctors to control the whole operation so we forced them to have a big open partnership. Once it gets very big it has some problems too. We have tremendous partnerships. In Northern California, I guess we have two thousand doctors who are partners.

WEEKS:

On the other hand, from the figures I read, once a man becomes a partner you don't have much turnover in that. The turnover is mostly retirement and death. Where the people on probation, if you want to call that early period probation....

GARFIELD:

There's about twenty percent turnover. Of course, that's their shakedown. You are trying to find out if they really are going to be good partners or good workers. That was all planned by us originally as a safety feature.

WEEKS:

I went to talk to Dr. George Crile, Jr., you probably know him. I wanted to interview him about not believing in fee-for-service in surgery, particularly mastectomies -- his big thing.

I said, "At Cleveland Clinic how do you police your own staff?"

He said, "They take care of each other...we don't have to." He said, "Under the law we may have to have a PSRO, but we've been doing this ever since we opened. If a man isn't good his colleagues know it, and we don't keep him long."

GARFIELD:

We wanted to make the doctors safe and we wanted to be flexible. So we set it up -- this is the way we originally set it up -- I'm not close enough now to know whether it's still operating that way -- but in order to let a man out you had to have at least over 50% of the partners agree to let a man go. That was for the safety of the individual. So that no one man could say I don't like you -- you go.

WEEKS:

Has it ever been tested in court?

GARFIELD:

I don't know.

WEEKS:

You know so many of these men who have lost staff privileges at a community hospital...every now and then you read about someone who will sue because he has lost privileges.

GARFIELD:

This is different. This is partnership -- out of the partnership, we're talking.

WEEKS:

Since it is an open partnership, it seems it would be pretty much within the law.

GARFIELD:

The same thing, you can't take one on without the approval.

WEEKS:

That's a natural question I would ask. How does this come about? They go through the probationary period and they come to the point where the group votes whether they want to offer him a partnership or not?

GARFIELD:

The board of the group. The group has a board and they recommend to the partnership that this man is acceptable or this man should be let go, and they give reasons. Then the partnership usually accepts it. If they don't accept it, then they get into settling the problem.

WEEKS:

There is no question about increasing the number of partners? They are in agreement on that if the partner is acceptable as a professional man?

GARFIELD:

I have never heard of that problem arising. We are always in need of more men. We have been growing. Fortunately, we don't have that problem.

WEEKS:

What is the so-called glut of medical graduates in 1990 going to do? Is it going to mean that you have more access to good men coming up?

GARFIELD:

As far as I know, they are not having any difficulty in getting physicians. So the glut will not make it any better in that way.

WEEKS:

It is already helping...increasing graduates.

GARFIELD:

It wouldn't cause any problem to us. It might to some extent, if the cost of physicians goes down in the future, it might have something to do with our use of the nurse practitioners. Instead of getting a nurse practitioner, we may be more inclined to use doctors for certain things. There may be some effect that way but otherwise there shouldn't be any effect. We have got such an easily planned method of knowing when we need a physician. It is not like going into private practice where you don't know whether people will want to use you or not. If we take a doctor on, he is used. No question about it. We know how many we need usually by the medical load we have. I'm trying to change that a little with a new system, total health care.

WEEKS:

Do you have it operating in any health center that you have? This is where, as I understand it, you have sort of a triage and you take the well people and put them over here in the hands of....

GARFIELD:

No. It's different than that. Basically, what we say is that when you eliminate fee-for-service you change the demand for medical care. You bring into the system a lot of relatively well people as well as sick people. People who are concerned about themselves, people are well but want to make sure they are well. You change the demand for medical care once you do away with the fees. Fees act as a barrier, it keeps out the well. It keeps out a lot of the very early sick and so forth. It tends to admit only the sick. Once you eliminate the fees, you change that demand. We did that, we changed the demand -- Medicare did the same thing on the outside -- but everything still goes through the sick care physician. He is the point of entry, he does

all the care whether you are well or sick -- if you come to a doctor, he takes care of you.

What we say is that basically we have created a mismatch by eliminating the fees and keeping the old sick care delivery system. We are no longer matching the demand. So we devised a system which matches that demand. Instead of coming to a doctor for care, you come to a team. The team consists of nurse practitioner, doctor, mental health professional, and health educator. Such a team should be linked to a defined population.

What we did is we took fifteen thousand new members and assigned them to a team consisting of two doctors, six nurse practitioners, two health educators and one mental health professional. What we are doing is matching the demand of those fifteen thousand people and we feel that doing that will accomplish several things. We will get a more appropriate provider for the individual according to what he needs.

So what we do is first do a complete health evaluation, do a fitness test, a health hazard appraisal to determine what he needs -- well-care wise or sick-care wise. Then the appropriate professional in the team takes care of the patient's particular problems.

WEEKS:

So you locate some chronic condition, we will say, that could be treated to make them feel better although they don't feel sick. What if something happens and they become ill and they need immediate attention, how does the team handle that?

GARFIELD:

Each new member is assigned to one provider, either a nurse practitioner or a doctor. That provider coordinates his care from that point on. As soon

as he joins the plan, they do an evaluation, they assign him to a provider, the provider sees that his needs are filled either by the provider himself, or by the doctor on the team, or by some of the secondary specialists, surgery or so forth. But that provider is responsible for tracking him and following him throughout the system. We have a computerized program which helps her or him track the individual, to make sure we are optimizing his health through time. No longer let the individual decide himself when he needs care and what kind of care he needs, the system takes over and decides, determines what he needs and makes sure that those needs are filled.

What we say is that a plan that eliminates fees needs a different method of providing care than the single doctor that you see in fee-for-service. You see fee-for-service automatically keeps all those people out of the system -- not all but the majority.

WEEKS:

We are about the same age. My wife and I eat out quite frequently and the thing I have noticed is that people our age -- I am a great eavesdropper -- I am surprised how many of these people sit around in a restaurant and talk about how many pills they have to take and how many x-rays they got the last trip and all this sort of thing. I sometimes think that maybe Jim Hamilton who use to be at the University of Minnesota was right when he used the expression "rising expectations" that have come about since Medicare and since many of these things. Have you enrolled some Medicare people in this program too?

GARFIELD:

Sure. Any one of our members who gets over 65 remains on the plan, you know, if he wants to. He may not want to but, if he wants to, he comes under

Medicare. But in our system Medicare is not open-ended like it is on the outside.

WEEKS:

One thing I wanted to ask you is about the assignment in the regular Permanente medical group of a member to a physician. Is this done -- we have read that the member has choice of physician and can change physician and so on -- is this physician suggested, or a type of physician suggested, because maybe the man has a history of cardiac trouble or the woman has some GYN trouble or the child has certain...would they assign the child to a pediatrician and the woman to an OB/GYN and the man to a cardiologist? How does that work?

GARFIELD:

No. What they do now is a very loose thing. They ask each new member to choose a doctor, if he knows a doctor. If he doesn't know a doctor and wants us to do it then we will assign him to a doctor.

WEEKS:

Are all the partners available for assignment?

GARFIELD:

Those who have appointments available, yes.

WEEKS:

For instance, a specialist like a surgeon would not be available for choosing for your personal doctor, would he?

GARFIELD:

They would usually ask you to choose somebody in the medical department -- the department of medicine. But if as they go along they develop relationships -- if as they go along they like a particular surgeon, they can

use that surgeon as a doctor, but they would be wasting his time unless it is something surgical.

WEEKS:

This is what I wondered. It seems to me that an internist or family practice or whatever might be better.

GARFIELD:

In this new experiment, we are assigning the people. They are new members, they have never been members before, and they don't know any of our doctors, so we assign them to this team. It's one location, it has a health education department, it's got a mental health department and it's got nurse practitioners. A member is assigned to one of the nurse practitioners, or a doctor, and that nurse practitioner explains to him that she is not going to provide all his care but she is going to keep track of things and coordinate his care and help him get the proper care. If he needs health education, he goes to the health education department. We call him in periodically for a reexamination. We follow the Pap smears, we call them in and everything else. It is a beautiful follow-up system.

WEEKS:

After the original appraisal are they supposed to come in at various intervals?

GARFIELD:

The original appraisal happens when they come in for what we call the multiphasic. They go through all the lab tests. Then they go up to health appraisal fitness test and then when all of that is done, they come back for a physical examination -- to their provider. The provider has all this information, sets up a health improvement program for them at that time and

then tracks them with the help of our computerized program.

WEEKS:

You talked about health education and I assumed you meant to tell people that they should live better and have better habits.

GARFIELD:

It depends on what they find in the health hazard appraisal. The health hazard appraisal focuses on life style things. It is a computerized thing. They sit them down in front of a computer and they answer a series of questions and it comes out...the individual brings that with them to whoever is going to give them the physical examination, the nurse practitioner or the doctor, and they look at it and they do the examination and...one of their methods is they ask the patient to select what he is going to work on whether it's nutrition or exercise or seatbelts or whatever it's going to be. Then we follow them on that, and then go to the next thing. Sometimes we do two or three things at the same time.

WEEKS:

How are the members accepting this?

GARFIELD:

We have only been in operation on it for two years. The members are accepting it fine -- very complimentary, really. The cost of the department is higher than the cost of traditional but the individuals are getting much more service and they are getting better accessibility, and they are getting better continuity, and it's not costing enough more to be concerned about.

WEEKS:

We were talking about fee-for-service stemming the inflow of patients. Will this have any effect on how many times these members come in to see a

physician?

GARFIELD:

We already know that we are reducing the business to specialty care. We are having more visits to primary care. Of course, it's more accessible, and we are inviting them in. We ask them to come in. We are having more visits, but visits are to lower cost personnel than the doctor. So what we are doing is giving more services, and a more rational service, and it is not costing any more, and possibly costing less. We are getting fewer terminations...I don't know what it is really worth in dollars but we know revenuewise our team is saving about a million dollars a year. You don't know how much of that million dollars would be expense in taking care of them, if some people hadn't left.

WEEKS:

Have you come up with any means of measuring whether you think the people are in better health because of this?

GARFIELD:

That's long range. That will be in ten years. We do know we have picked up more problems.

WEEKS:

You also have separate programs for alcoholism and smoking and this kind of thing, don't you?

GARFIELD:

Yes. All this team would do in those cases is refer them to the smoking clinic and then follow about whether they show up or not, and so forth -- remind them and things like that.

The health education people tell us that they are getting some lifestyle

changes or that people are saying that they are changing. We have until the end of 1986 before we'll do any publishing on this. I think it's the logical way to go. We've got to start keeping people well. If you are ever going to beat the cost of medical care, that's the way to do it. Particularly in a system like ours. We are supported by well people. The sick people don't support us.

WEEKS:

Your research institute has other projects besides the total health care?

GARFIELD:

Oh, yes.

WEEKS:

Is most of yours clinical research?

GARFIELD:

Yes, most of it is clinical. This particular building is partly clinic but partly what we call medical methods research -- ways of providing medical care in a better way.

WEEKS:

I noticed that in the last report -- up until this last issue -- there was one Kaiser Foundation Health Plan -- the membership people that take care of all the membership records and so forth, and back in the days when you had four or five regions, it included all of them. But I notice in this last report that there is a health plan for each one of the new regions like Colorado, Ohio, Connecticut, and Washington, and so forth. Is this just a branch or are they each separate corporations?

GARFIELD:

Just a branch.

WEEKS:

Because I notice there is only one Kaiser Hospitals Foundation.

GARFIELD:

Yes. The hospitals and the health plan have one board of directors, a single board of directors, and they are the same people.

WEEKS:

You served on that for a long time, didn't you?

GARFIELD:

We used to have a sixty-five year retirement deal.

WEEKS:

That would have been about 1971, for you wouldn't it?

The reason I ask is that I notice in the dates that that seemed to be a natural break and I assumed there was something. You moved over to research at that time didn't you?

GARFIELD:

I may still have been on facilities construction in 1971.

WEEKS:

As I sat in your outer office, I noticed some floor plan models including a circular nursing design. You have had some different ideas, haven't you, about design. In fact, you mentioned that the hospital at Grand Coulee was laid out so horribly.

GARFIELD:

Yes. I actually got into hospital design when I was back in that superresidency. I had been through my experience at Coulee and down in the desert building those facilities. Going back to the Los Angeles General Hospital, new in those days, working in surgery over there -- I was very

unhappy with the surgery suite and I came out with a new system, after working with and talking to a lot of my fellow workers and surgeons and so forth. I came out with a new design which consisted of central work space/peripheral corridor design, we called it. Instead of having the ordinary corridor which everything goes down and back -- dirty materials and clean materials and the stretchers -- it was a handicap course, practically. The Director of Nurses would run in and you would need some help and there was no way of getting her. So we decided that the central space ought to be all clean. That's where the Director of Nurses should be and the operating rooms should be more or less in a circle. Then the patients and dirty materials go out an exterior peripheral corridor.

We thought that would be the best design and we built it up in Vancouver, Washington. It was the first new hospital I built after that. I couldn't do much with this building I redesigned here but Vancouver was brand new. We tried that peripheral corridor/central workspace design in surgery, obstetrics, and in the x-ray department. It worked beautifully. We had administrators from all over the country coming to look at it, so we thought we had something.

Then we thought the best place, the most beneficial place for such a system would be the nursing units themselves. You could have the nurses and doctors working, and the materials themselves, inside of a central work space and have the beds around them and have the visitors and public come in through an exterior corridor and you could keep it clean and keep them out of the works, keep your service right next to the patient, and put everything for the patient right next to it. So we designed Walnut Creek -- one of the first ones. The units worked so great.

Then on the nursing floor the problem was that the exterior corridor would cut off the windows to the room. About that time everybody started using a lot of glass, you know. We thought maybe an outside glass...inside glass of the patient's room would give them more vision than an ordinary window would. We tried that. At Walnut Creek we didn't need an outside glass, the weather was so nice. That worked beautifully there. In San Francisco we put a double glass exterior corridor. In Los Angeles we left it open.

Then we built the same thing in circles, what we called circles and rectangles. Everybody loved our panoramic city circles, everybody loved that. But the trouble with it was the rooms were wedge-shaped rooms and you can't expand a circle easy. So we started working on what we called rectangle with the circles of service in the rectangles, so you could expand on the end of it easy and the rooms don't have to be wedge-shaped. We did about six or eight of those all through the various areas: Portland, down here, and Honolulu.

Then we started working on a hexagon structure. That was going to be the best of all, but we never built it.

WEEKS:

What does the Foundation do in the case of construction? Assuming you're still on the planning job and some way or another you have decided in a certain region or a new region you need a hospital and you have some idea of the number of beds you need because of the population and so on: Do you work with an architect, or do you have an architect within your group?

GARFIELD:

We have an inside group and an outside group. We do the preliminary work inside and then turn it over to outside architects to finish it.

WEEKS:

Then do your inside people follow through on the outside like...

GARFIELD:

Yes. The decision to build something is left to the Regional Administrator and the Regional Medical Director. The two of them decide what they want to build and how big. The basis for requesting stuff is set up by a department we have that has evaluated the spaces we need for everything in all our places and come up with a reasonable amount of space for a surgery and for an examining room and even with the equipment that goes into it and everything else. Suppose they decide they want a 175 bed hospital that will serve about 150 members, the average figure, how many beds they need per thousand members. They decide that that is what they want. The department will turn out the size of the space they need for x-ray and everything else. It's all done automatically with computers. The cost is figured out by a cost estimator, the project is approved by the board of directors, approved or disapproved by the board of directors.

WEEKS:

The board of the ...

GARFIELD:

Hospital, if it is a hospital. Our clinics and hospitals are considered to be all together.

WEEKS:

The Directors of the Foundation which is the same as the Directors of the Health Plan.

GARFIELD:

They approve it and it is turned over to an outside architect to do as

they have put up the figures on how much space they should use for each of these services, and then bids go out. Sometimes -- we have our own construction department -- we do about 20% of the construction ourselves. It keeps us intelligent about it. It is a very, very carefully thought out process and it is fast. We don't wait five or ten years.

WEEKS:

How long does it take you to build a hospital?

GARFIELD:

About a year and a half to two years.

WEEKS:

That's better than most.

GARFIELD:

Most of them would take longer than that to decide what they want to build.

WEEKS:

Somewhere I read that you are looking ahead in five year cycles.

GARFIELD:

I don't know whether it's five or ten.

WEEKS:

I suppose it depends on circumstances too. If you have a great influx of people in an area you would have to do something faster.

I can't quite understand how a new plan comes about. I can understand if somebody comes to you and says, like a union as you were saying in the case of Southern California, let's say a big union like the UAW...I think you or somebody referred one time to Walter Reuther coming to Mr. Kaiser and saying, "Come out to Detroit and tell us how we can do things."

GARFIELD:

Yes, John L. Lewis said that once, and Reuther did that too -- wanted us to take over their whole operation. Our inside expansion varies, you know. Around here we are expanding all the time. We are building all the time. We're contemplating a new place at Fairfield; we're contemplating a new place in Stockton; a new place in Fresno.

WEEKS:

These are all within your membership limits at present?

GARFIELD:

Yes. We're moving in that direction and so that would be the next hop, you know. So there's a kind of expansion we have from our growth around the areas where we are. In Sacramento, we just built another place that opens up next month in South Sacramento. South Sacramento to Stockton is about 30 miles so that will be the next place. That kind of growth can be very well figured out. The type you're talking about, I think, is a new plan in Connecticut or someplace like that.

WEEKS:

I was thinking of a new plan that isn't absorbing or merging with an existing plan. If you did decide to go to Cincinnati, as an example, I don't know anything about Cincinnati, but...

GARFIELD:

We are in Cleveland.

WEEKS:

Yes.

GARFIELD:

Cleveland, and now they are talking about, oh, we have several places

around Cleveland. But they're just starting in Atlanta, Georgia and they just took over one in Connecticut.

WEEKS:

That's rather small, isn't it?

GARFIELD:

Small, yes. What happens there is that usually those places there are floundering and they come and ask us.

WEEKS:

Has it upset you? Do you give them financial support or do you use your credit to...

GARFIELD:

Yes, we usually support their starting up costs.

WEEKS:

Now, when you say we is this the hospital's corporation that does this?

GARFIELD:

Yes.

WEEKS:

And then another thing I wondered is when you go into a new area like that, how do you train the physicians? It isn't training physicians, it's getting the spirit in them, right? You get a special spirit...

GARFIELD:

We usually move somebody from our existing area who usually takes a few people with him.

WEEKS:

I see.

GARFIELD:

Starting it up.

WEEKS:

....to teach them the gospel, in other words.

GARFIELD:

Yes. Well, it's not only to teach them, you select people who are team workers, who like group practice, who want group practice, are dedicated to the idea of prepayment and so forth. So you carefully select them, but start with top people, being people that we know very well.

WEEKS:

Well, somewhere I read that you have a formula as far as the minimum number of members you need and the population you need, and the hospital facilities that you may need, but you also must have to look into this factor, too, like you're saying that the people that will think like you do, and act like you do.

GARFIELD:

Yes, the number of people, I think, has been exaggerated. They used to say you needed 75,000 to 100,000 people. We just took over Connecticut, I think, at 12,000 and there is one that is already in the black at 24,000 or 28,000, something like that. I think the number isn't the thing, it's the way you operate it, and, of course, the larger it gets, the more efficient it gets. But not too large. We also try to keep each unit down to, I don't think we have any hospital bigger than 600 beds.

WEEKS:

I noticed in most of your hospitals, they are under 200 beds, aren't they?

GARFIELD:

For a long time our policy was 250 maximum. The reason for that is that we felt that when you get bigger you get into a factory situation. People don't know each other. You lose some of the spirit of the...

WEEKS:

Now what do you do about specialized surgery like bypass and organ transplants?

GARFIELD:

We locate one of those in each region. San Francisco does all our heart work. Up until about two years ago, we used Stanford. But we got such a demand ourselves, we built our own cardiac units. They're beautiful units, they're brand new units, then we picked a top man in the country, who is young, and we all...

WEEKS:

Wants his own workshop?

GARFIELD:

Yes, and we have one like that up here now. Los Angeles has been running their own show for cardiac surgery for 15 years. They started a long time ago. Up here they wanted to stay with Stanford.

WEEKS:

Now what about such things as technology, CAT scanners, all this sort of thing, do you have any way of controlling what...

GARFIELD:

Yes, the regional director and the regional manager and the regional medical director decide what we need. Now at their disposal is all our accounting services and so forth, and we have the technology appraisal

committee so we have CAT scans in several locations. I would say almost every center we have. We have 13 centers up here in northern California and every one has a CAT scanner.

WEEKS:

I see. I probably shouldn't use that as an example.

GARFIELD:

When they get into the magnetic deal -- I don't know whether they will get into that for a while yet. The doctors and the regional managers are the ones that decide.

WEEKS:

I'm just wondering in the case of nuclear magnetic resonance, if you had a region, populous region, like you have here, if you would transfer patients by ambulance to get treatments or to get examinations?

GARFIELD:

If we put one in, they probably would.

WEEKS:

Until you were sure that...

GARFIELD:

Until they are sure that it's economically sound to do it, if they wanted that kind of service they would use one of the outside services and pay for it. Now for instance, we didn't have the CAT scanners, we used Mt. Sinai in San Francisco up until about five years ago in this Oakland facility. Five years ago they put in their own. When their volume gets to a certain point, they do it, and then they have to get the space for it, too.

WEEKS:

That's right. And I suppose you look at the feasibility of it too, as to

whether it cuts down on x-rays and a lot of things of this sort. Replacement rather than addition to services already given.

GARFIELD:

We were very well organized that way. I think better than any organization in the country.

WEEKS:

What do you do on information systems? I mean, do you have, do you collect data on patients for your research, do you put stuff on computers that can be used for scientific research.

GARFIELD:

All our stuff here is run on a bunch of computers. We have a research computer that they've got upstairs here. The organization in general has got a computer center out in the Walnut Creek area, and it serves all our regions and then each major facility has a satellite computer, an IBM 6000.

WEEKS:

Yes, I noticed some. You put your medical records on computers, too?

GARFIELD:

Medical records are not on computer, but the tracking of medical records is.

WEEKS:

Oh, I see. I haven't heard anything recently about privacy. That was a big factor when they started talking about putting medical records on computers that would be available to...

GARFIELD:

I see. I don't know. I know that they have a division that's looking at all our various departments, including the records system, but I'm pretty sure

the record system is far off. What they are doing is computerizing, as I say, the tracking of records. And we do, right now, have a central record file, for all our institutions which tells us where every member, where each member has a record. He may have one in two or three. See, we don't insist that they go to one place, they can go to any place they want.

WEEKS:

Oh, I see.

GARFIELD:

So they may have two or three records. So when we ask for a record, it will tell us where else the record may be.

WEEKS:

But they have one primary physician, don't they?

GARFIELD:

No.

WEEKS:

Well, what I was wondering was all this trouble that has come up about Medicaid where a person would have several physicians, three or four, in order to get prescriptions and medicine and things of that sort in quantity, I was just wondering how you handle...

GARFIELD:

I don't think we've ever been concerned about that. It would, if we request a record, it will tell us that the individual has a record in two or three other places. Somebody might wonder why we look that up, but,...

WEEKS:

But you wouldn't know multiple exposures, so to speak.

GARFIELD:

No, we're fairly loose on membership data, for instance, on terminations. We know we have something like 5% of our people, 5% of our visits that are from people that aren't really members any more. We know that.

WEEKS:

Oh, I see.

GARFIELD:

We've never done much about that, except are planning just now to start to try to limit that by computerizing our appointment system. By this time, by the first of the year all our places will have computerized appointment systems. When we get that in, they'll be able to check that against their membership files. But even then, we will not turn down treatment, but we find somebody coming in who isn't a member, then we just send them a bill. Because we are concerned about turning down somebody who might need help.

WEEKS:

You have to do a certain amount, or do you do some charity work to...

GARFIELD:

I don't think that's a requirement any more, but I know we do.

WEEKS:

What I was thinking about here was your 501(C)3 or (C)4, IRS rating, whatever it is you have to turn in for your income tax...

GARFIELD:

I'm sure we do it, we do it anyway. I know they do quite a bit of charity work. We never turn anybody away.

WEEKS:

Now somewhere I read about an outreach program that they have in Hawaii,

is it, where they go out into the hinterlands and try to look for people that need help?

GARFIELD:

I don't know. I think I've heard something about that, but I'm not sure.

WEEKS:

Maybe it was just an experiment to see what, in the back regions, if there was someone who didn't know that...

GARFIELD:

Could be.

WEEKS:

Have any way to get health care... Well, I don't know, are you getting tired?

GARFIELD:

No, I guess I can stick it out a little longer.

WEEKS:

Well, that would be wonderful. I wanted to ask you about budgeting. Now as I understand it, the budget begins with the department heads in the hospital and I assume that the departments in Permanente or at least the clinical departments, where whoever is in charge of that submits a budget in the hospital to the hospital administrator and he in turn goes to the regional administrator, after he's either approved the hospital administrator's approved or altered the budget, and then it goes to the regional hospital administrator and the same thing would be true with a Permanente. Then does it go to the Hospital Plan for approval?

GARFIELD:

As far as I know. See I'm not close to that any more, and I couldn't be

authoritative on this. As far as I know, nothing has to go beyond the regional managers as far as operation budgeting. How they particularly handle their budgets down the line, I don't know. I think the regional managers and the medical directors have quite a lot of power.

WEEKS:

These people are on the firing line and they know what they need. But it must take a lot of diplomacy sometimes to find consensus between people who have different interests besides their common interests.

I noticed that in the health plans, particularly in this area, there is a higher percentage of government employees, I mean all kinds of government, as many as there are industrial members. Is this true in most of the plans? Are the federal employees, as an example, opting for it?

GARFIELD:

They're a large group, a large group. I don't know whether, did you say most of them are?

WEEKS:

No, I said...

GARFIELD:

A large percentage?

WEEKS:

A large percentage of your memberships are...

GARFIELD:

Government employees.

WEEKS:

Government employees of one kind or another.

GARFIELD:

Yes, I don't know what that percentage is. But they are a significant group.

WEEKS:

For instance, in northern California I've seen figures like 40% or 42% or something of that...

GARFIELD:

I've never seen that. I could find out for you, if you want.

WEEKS:

Well, it's probably just an academic question but I just wondered if the...

GARFIELD:

All I need to do is just call...

WEEKS:

Okay.

You didn't tell me Mr. Ordway's first name.

GARFIELD:

Alonzo.

WEEKS:

Alonzo. I've heard you speak several times of him, very respectfully and I thought I should put that on the record so I can work it in. I can work some of these things out, too, that are extraneous. Are there any words of wisdom you would like to add to what we've recorded?

GARFIELD:

No. I think we have the best medical care plan at the present time that there is. I think it can, it has the potential of being a great deal better

and I am looking forward to seeing that happen.

WEEKS:

Would you be in favor of working with what you've got for a while rather than starting or helping start other regional plans?

GARFIELD:

Oh, yeah. You see, our basic philosophy has always been that we should be an example, rather than to take over the care of the...in other words, we'd like to stimulate other people to do the job, rather than to have to do it ourselves. A lot of the movement we've done into other regions has been on the basis of the fact that nobody believed that we could succeed in other areas. And they are demonstration areas, actually. And right now, the only movement we have into other regions is when there is a request for help.

WEEKS:

This is where your advisory committee comes in, I suppose.

GARFIELD:

Yeah, but I don't think our people are inclined to feel that they should expand all over. I think they'd rather see others do the job. Where there's a vacuum, you know, things move into it.

WEEKS:

Well, the HMOs have sort of sprouted out in many, many forms, and some with a fee-for-services. When I think of your plan, of a prepaid group practice, per capita dues and so forth, it just seems like a nice tight system that furnishes a lot of care...

GARFIELD:

At a reasonable cost.

WEEKS:

At a reasonable cost. Now would you think of branching out into new kinds of treatment? Now, I know you do a certain amount of home care, visiting nurse, and this kind of thing. Another think I was very much amazed to read was that sometimes physicians make home calls and I suppose therapists do. I don't know whether a social worker would or not, out of your group.

GARFIELD:

I think they do.

WEEKS:

I was wondering about hospices. I understand you have a couple of those.

GARFIELD:

Yes, we are, and they are planning more of them.

WEEKS:

Now, do these come in under the regular membership dues or have you, or is this a supplemental deal?

GARFIELD:

I am not 100% sure. I think they come in under the... If a case that requires hospitalization, they are covered. I don't think there are any extra charges for that.

WEEKS:

Yes, the cases of the social worker and the people that work with the...

GARFIELD:

Terminal cancer, for example. That would be covered.

WEEKS:

Even for the ancillary services?

GARFIELD:

Ambulatory services?

WEEKS:

Yes.

GARFIELD:

Oh, yes. You mean x-ray and so forth?

WEEKS:

Yes.

GARFIELD:

Sure.

WEEKS:

It would seem to me that that is a great field that needs expansion.

GARFIELD:

The biggest field there is is to take care of the young people. The greatest job that is facing the country is to take care of the young, well people.

WEEKS:

I could see that when you read the causes of death of the young people.

GARFIELD:

Not only that, but keep them from getting as sick, keep them in the best of health. We should be optimizing the health of the people, rather than just treating sickness. All our resources right now are focused on sick people and we are doing a trifling amount of work taking care of the younger people. Getting them started with their habits in the right direction and dieting in the right direction. We're still feeding kids with ice cream and cholesterol. Stuff like that. They talk about, you know, doing a better job of taking care

of the older people and geriatrics and so forth. The best way of taking care of geriatrics is to take care of the young people. You and I would be so much better off if we had been taken care of as youngsters.

WEEKS:

Well, this is true. I look at these mortality tables, and I think that I was lucky. Maybe I had the right kind of parents, or grandparents, or something genetically.

GARFIELD:

Yes, that and you probably took care of yourself a little bit.

WEEKS:

Yes, I think that I have in general.

GARFIELD:

You can see your weight's down, and...

WEEKS:

My weight's down, and I don't smoke, and I drink very little.

GARFIELD:

You rest reasonably and you exercise reasonably.

WEEKS:

Yes, but...

GARFIELD:

When did you start that?

WEEKS:

Well, I haven't smoked in 30 years. Otherwise, I'm not much different than I have been, I used to weigh 10 pounds more than I do now. I took that off.

GARFIELD:

Well, Mr. Kaiser had a great constitution. He died when he was 84, I think. But, the way he lived! He took 20 years off his life, I'm sure.

WEEKS:

The nervous tension he was under must have been terrific, I'm sure.

GARFIELD:

Well, he can handle that very easily, but his dieting was terrible.

WEEKS:

He was overweight?

GARFIELD:

Ate too much, much overweight, and, of course, he had a tremendous amount of drive and he wouldn't sleep enough, no exercise. He just didn't take care of himself at all. But he had wonderful genetics.

WEEKS:

This must be, I'm sure this makes a big difference in all of us, what we start out with...

GARFIELD:

Yes, but you should optimize what you have.

WEEKS:

Yes, I wish I had thought of it 30 or 40 years ago, or 50 years ago, I guess...

GARFIELD:

Well, you have grandchildren. I have, and I see them eating the wrong stuff now, and now's the time you should be teaching them.

WEEKS:

It's difficult for them to understand why you can't live on hot dogs...

GARFIELD:

Or hamburgers...

WEEKS:

I like a good hamburger myself. But,...

GARFIELD:

Once in a while.

WEEKS:

Once in a while, yeah. But the kids don't like vegetables, they don't like a lot of things they should be liking. Well, I've taken up about four hours of your time. Thank you for your courtesy.

GARFIELD:

It's been fun talking with you.

Interview with Dr. Sidney R. Garfield

Oakland, California, August 22, 1984.

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