

ECONOMIC SECURITY ACT

TUESDAY, JANUARY 29, 1935

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D. C.

The committee met at 10 a. m., Hon. Robert L. Doughton (chairman) presiding.

The CHAIRMAN. The committee will be in order.

The next witness is Mr. Robert Jolly, of Houston, Tex., representing the American Hospital Association.

STATEMENT OF ROBERT JOLLY, REPRESENTING THE AMERICAN HOSPITAL ASSOCIATION, HOUSTON, TEX.

The CHAIRMAN. Will you please come forward and give your full name and address, and the role in which you appear, and your interest in this bill, Mr. Jolly?

Mr. JOLLY. My name is Robert Jolly, Houston, Tex. I am president of the American Hospital Association; chairman of the joint committee of the American Hospital Association, the Catholic Hospital Association, and the Protestant Hospital Association of America. I am here this morning, Mr. Chairman and gentlemen, to represent the joint committee of all these hospital associations. We represent seven thousand hospitals of the United States. We come to make a short statement on this bill, because we see in the bill no provision made for the hospitals to be exempted, and we feel the hospitals should be exempted from this bill.

I want to give you some of the reasons why we feel that to be so. I will read these reasons item by item and then elaborate on them as I go along, or answer any questions as to each of them as I go along.

Representing a joint committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America, we wish to present to you the following reasons why the hospitals of this country feel that hospitals should be exempted from the provisions of said bills.

1. Hospitals are not industries, but they are charities, organized and operated for the common weal, without thought of profit and with the only purpose of affording, to the maximum limit of their resources, adequate hospital care for all our people when and as needed.

A lot of people try to put us in industries. We are not an industry. Most of the hospitals of the United States are not profit hospitals at all. They are not organized for that purpose. The great majority of our hospitals, outside of the Government hospitals, are hospitals organized not for profit. If we have money over the actual operating expenses it goes to take care of charity patients and in most of these hospitals we have let our debts go for the last 4 or 5 years to take care of charity patients and the people who own our bonds, and hold our notes have gone without payment.

In other words, we do not want to be classed as an industry. We are not; we are a charity.

2. Hospitals are not like industries in that they do not experience heavy fluctuation in employment of personnel during periods of depression, but with the increase of hospital care given, particularly in assuming the increased load for the care of indigent and unemployed, hospitals maintain a rather definite standard of numbers of employed personnel; the ratio of employed personnel to patients remaining practically the same during all periods.

We cannot decrease the personnel in a hospital, because we have to have a certain number of people to take care of patients, and in times such as we are having now, our patients increase in number; that is, the number of indigent patients increases, so that instead of decreasing our personnel, we must keep it as it is, and sometimes increase it. We reduce salaries, not personnel.

Mr. HILL. May I ask a question, Mr. Chairman?

You have said something about being exempt from something, Mr. Jolly. Do you mean exempt from the provisions of the old-age-annuity section of the bill or the unemployment-insurance section of the bill? Is that what you are talking about?

Mr. JOLLY. Yes, sir; both.

3. Heavy withdrawals from the income of the hospitals for the purpose of this or other taxes reduce by the amount withdrawn the financial ability to give hospital care to the indigent and unemployed.

If we should take money out of our income to put into this fund, then we would have to cease to take care of the indigent people that come to the hospitals to be taken care of. I will give another figure on that, in just a moment.

Mr. REED. Could you tell me what percentage of the 7,000 hospitals of the country are endowed hospitals?

Mr. JOLLY. There are very few of the hospitals, not over 35 hospitals in the United States, having endowments of over \$2,900,000. Of course, up here in the East you have some large hospitals, but there are very few compared with the total of 7,000 in the United States.

Mr. REED. I did not mean that were self-supporting from the endowment, but the number that had substantial endowments.

Mr. JOLLY. There are not over 35 that have substantial endowments. There are some that have, say, \$25,000 or \$50,000, but when you get up into the large figures, all of those hospitals are up here in the East—most all of them. There are few in the South and in the West. We do not know anything about large endowments down in that country.

Mr. REED. The reason I asked the question is that a great many hospitals in many States receive bequests.

Mr. JOLLY. Yes, sir.

Mr. REED. What percentage of the total number of hospitals are municipal hospitals?

Mr. JOLLY. Municipal hospitals?

Mr. REED. Yes; owned by the cities.

Mr. JOLLY. Two hundred and twenty-two hospitals in the United States are municipal hospitals.

Mr. REED. Thank you very much.

Mr. WOODRUFF. May I ask just one question at this point, Mr. Chairman?

The CHAIRMAN. Mr. Woodruff—

Mr. WOODRUFF. Doctor, can you tell the committee what percentage of the hospitals in the United States find it necessary to supplement their ordinary receipts by soliciting funds from local people through tag days, and so forth?

Mr. JOLLY. Yes, sir. Nearly all of the hospitals except the Government-owned hospitals. There are 756 Government-owned hospitals in the United States; that means Federal, State, county, and city; 756 are owned by the Government. They are tax-supported. The rest of them are volunteer hospitals, what we call volunteer or nonprofit hospitals. There are a few hospitals owned by private individuals.

You asked about tag days, and so forth. Nearly all of the hospitals have had to do that sort of thing. This might be interesting to you: In 1929, \$135,000,000 were donated to the hospitals in this country, but last year only one-fourth of that amount was donated by people to hospitals. And that was largely in the East and in the North. We used to have large donations, but the donations have fallen off.

Mr. WOODRUFF. Are the 700 Government-owned hospitals included in the 7,000 you mentioned?

Mr. JOLLY. Yes, sir; I said 7,000. That is the round figure, but the exact number is 6,437 hospitals in the United States.

Mr. KNUTSON. Will the gentleman yield right there?

Mr. WOODRUFF. Yes.

Mr. KNUTSON. You say that the contributions to hospitals have fallen off practically 75 percent since 1929?

Mr. JOLLY. Yes, sir.

Mr. KNUTSON. Have the operating expenses of those hospitals remained stationary or have they gone up or gone down during that period?

Mr. JOLLY. It is just about the same. We have had to keep the same personnel, in some instances, and in some it has gone up. The average, I would say, is about the same. We have had more demand on our hospitals for charity work than we ever had before. But our income from pay patients has been lessened and donations have been lessened. Fewer people go to the hospital who can pay than once could and fewer people donate than once could.

Mr. KNUTSON. About what percentage have your receipts from paid patients decreased?

Mr. JOLLY. Our receipts from pay patients have decreased about 35 percent. I am basing that on the occupancy of hospitals. Our occupancy went down from 82 to 59 percent of pay patients.

Mr. KNUTSON. Assuming that this legislation passes in its present form, how much of an overhead will that add to the operating expenses of the hospitals?

Mr. JOLLY. The pay rolls of the "not for profit" hospitals in the United States total \$121,500,000 per year. The pay roll constitutes over 30 percent of our expenditures each year. In some cases, as for instance, in Cleveland, Ohio, the pay roll is 55 percent of the operating expenses of the hospitals.

Mr. KNUTSON. That would mean an increase, then, of \$3,630,000?

Mr. JOLLY. Yes, sir. You can see what that means to hospitals.

Mr. VINSON. Could you tell us the number of employees and the pay rolls of the hospitals that would be affected if these employees were excluded?

Mr. JOLLY. I cannot give you right off the number of employees, but I can tell you the pay roll. The pay roll is \$121,500,000 a year.

Mr. VINSON. Do you have any idea, Doctor, as to the amount of that pay roll that would be subject to the provisions of the act? You understand, salaries above \$250 per month would not be included in the bill as at present constituted.

Mr. JOLLY. A rough guess, I should say, is that not 5 percent of the people get over \$250 that are connected with hospitals in this country.

Mr. VINSON. I thought probably some doctors were included in that pay roll.

Mr. JOLLY. There are very few; the larger number of superintendents of hospitals in this country are registered nurses. Next come the doctors and then come laymen.

Mr. VINSON. I think it would be interesting if you could obtain figures as to the number of employees, 280,800 would be affected.

Mr. JOLLY. I could find that out for you.

Mr. VINSON. And the estimated pay roll that would be affected.

Mr. JOLLY. I can find that figure, and I should like to know it myself.

The CHAIRMAN. Registered nurses get their pay from patients, where the patient is a pay patient; is not that true?

Mr. JOLLY. You mean registered nurses who are superintendents of hospitals, or do you mean private day nurses?

The CHAIRMAN. Private day nurses.

Mr. JOLLY. They get paid by the patients; yes, sir.

These are the pay rolls of the hospitals that I am referring to.

Mr. VINSON. Do you have any provision in any of your hospitals to take care of aged nurses or aged employees?

Mr. JOLLY. Some of the hospitals have their own plan. Very few of them do. But most hospitals just take care of their folks. A hospital is an eleemosynary institution, and most of them, I find, take care of their employees when they get to a certain age.

Mr. VINSON. Can you tell us accurately or even approximately the number of persons over the age of 65 being cared for by hospitals themselves?

Mr. JOLLY. No, sir; I could not. I would have to find that out.

Mr. VINSON. Do you think you can get that approximate figure from any records that are accessible to you?

Mr. JOLLY. No, sir. I would have to contact all the hospitals. Three or four years ago we got some figures on that, and the number was very small. It seemed, according to the hospital figures, that very few of our people live to be 65 years old. But those who did (you understand, some of these hospitals are church hospitals, for instance, the Catholics and the Latter-Day Saints and the Methodists take care of the womenfolk in their hospitals. They are the deaconesses and sisters, and so forth) are provided for. There are in other hospitals very few of our people who seem to get to the age of 65 and a very few are taken care of. There are calls on the hospitals to take care of them.

Mr. VINSON. Is there any provision in any of these places with reference to an unemployment fund?

Mr. JOLLY. Yes, sir.

Mr. VINSON. How many employees would be affected by those provisions in those five hospitals?

Mr. JOLLY. Very few at present.

Mr. VINSON. The provisions of this bill are aimed to care for aged persons and unemployed persons, you understand.

Mr. JOLLY. We are for that, sir. We believe in that. We want our people taken care of. But we want the rest of the folks to take care of them, because the hospitals are taking care of the rest of the people who are in industry. They care for the indigent. We think that the rest of the folks ought to contribute to this fund to help take care of our people who have been taking care of them. And I will come to that in a minute, if you please.

Mr. TREADWAY. Doctor, would you prefer to complete your statement before we ask you any further questions?

Mr. JOLLY. That is all right. Just as you please.

Mr. TREADWAY. I would like to ask you a question at this point, but I do not want to interfere with the continuity of your statement. I think the chairman will agree that if you want to have your statement appear in the record in consecutive fashion, that can be arranged by the reporter.

Mr. JOLLY. Thank you, sir; I should like to.

Mr. TREADWAY. At this point let me ask you something about your first contention in connection with exemptions. I assume that you meant from title III of the bill as presented to us, which is a tax on earnings.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. That is the exemption that you want, is it not?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. In other words, you are appealing to make an exception of employees of hospitals, so far as a tax on the pay roll of the hospital is concerned.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. That is what you mean by an exemption, and that is what you are asking the committee to consider, is it not?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. I notice on page 43 of the report of the Committee on Economic Security that combines these provisions under eight titles comprising this bill that there is a hospital advisory board, of which I find you are a member.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. To what extent have you, as a member of that board, been consulted in the preparation of this bill; or how many meetings has that board had, for instance?

Mr. JOLLY. We were at one meeting. We are to be called to another meeting next week, but the matters which we were discussing come under the heading of health and I understand there is nothing concerning the matter of health in this bill.

Mr. TREADWAY. Do you mean the Public Health Service?

Mr. JOLLY. What I am talking about is health insurance.

Mr. TREADWAY. Oh, health insurance.

Mr. JOLLY. Yes. There is nothing about that in here, and the matter that we are called on to have consultation about is health insurance and such other matters as pertain to that.

Mr. TREADWAY. Your service on the hospital advisory board, as shown on page 43, had nothing to do with the preparation of this bill?

Mr. JOLLY. No, sir.

Mr. TREADWAY. Did your association—I am referring to the association of which you are president—offer any suggestions to anybody having to do with this bill? Did you offer any suggestion of an exemption of hospitals, to anybody who, you thought, was responsible for the preparation of this measure?

Mr. JOLLY. No, sir. We offered one to Senator Wagner, who drew up the bill for introduction in the Senate.

Mr. TREADWAY. I understand this is identical with the Senate bill.

Mr. JOLLY. Yes, sir. The suggestion was made to him last year and our understanding was that he agreed with us; that he was in favor of it.

Mr. TREADWAY. But there is nothing in the bill about that.

Mr. JOLLY. There is nothing in here to take care of the hospitals.

Mr. TREADWAY. Your first information about it was when you saw the bill in print?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. That is the first that any representative of hospitals in the country knew of the provision that your pay rolls would be taxed.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. You are the president of the American Hospital Association.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. And you represent six thousand-odd hospitals?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. And I have no doubt that some committee—not this committee—has agreed with you to place this matter before Congress?

Mr. JOLLY. Yes, sir. I represent the joint committee; I represent the American Hospital Association—the Catholic Hospital Association and the Protestant Hospital Association.

Mr. TREADWAY. Unfortunately, as I see it, you have not been a party to the preparation of this bill, nor have you been consulted by those who have prepared it, in any way, shape, or form.

Mr. JOLLY. That is true.

Mr. TREADWAY. It may be that others can justify that, but it seems strange to me that you, as the representative of 6,000 hospitals—and I should like to get that very clear for the record, because I am just a layman and know nothing about these matters. As I understand it, you are the president of the National Hospital Association and represent a joint committee which is comprised of representatives of all the hospital associations.

Mr. JOLLY. That is true.

Mr. TREADWAY. And there are 6,400 of those hospitals? Each one of those has a board of directors, I assume.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. And those members are charitably inclined, public-spirited people?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. Irrespective of religious affiliation; there is no religious factor involved here at all?

Mr. JOLLY. No, sir.

Mr. TREADWAY. They are all charitably inclined?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. People who are interested in their communities? Now, Doctor, they naturally would have a great interest in the preparation of as comprehensive a measure as this is, having to do with the public welfare.

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. Affecting communities scattered throughout the United States.

Mr. JOLLY. Yes, sir. That is why I am here.

Mr. TREADWAY. Do you not feel—perhaps this is an embarrassing question, and I do not want to embarrass anybody, unless it is some Democrats once in a while—

Mr. JOLLY. Well, I am a Democrat.

Mr. TREADWAY. Of course, that does not make any difference. You are here as representative of these hospitals. We may try to embarrass some of these Democrats on the floor of the House. However, do you not feel that, considering the large group of people, scattered throughout the United States, whom you are representing here today, someone connected with the Government in the preparation of such a broad measure as this should have asked some kind of assistance or advice or information of someone representing your group?

Mr. JOLLY. I would say yes.

Mr. TREADWAY. You would not consider that all the wisdom on these subjects was confined to these college technical experts, who have had no experience out in the world, who do nothing but lecture to college students; you would not consider that they represent all the wisdom of the United States on medical and health matters, would you?

Mr. JOLLY. No, sir.

Mr. TREADWAY. I would not, either.

Mr. HILL. Mr. Jolly, this hospital advisory board listed here on page 43 of this report that has been referred to were consulted as to this legislation, were they not?

Mr. JOLLY. I stated a moment ago that this advisory committee was called to one meeting to discuss only the problem of health insurance.

Mr. HILL. And you were interested in that?

Mr. JOLLY. Yes, sir.

Mr. HILL. You are now interested in that?

Mr. JOLLY. Yes, sir.

Mr. HILL. You favor that in this legislation?

Mr. JOLLY. Health insurance?

Mr. HILL. Yes.

Mr. JOLLY. I would not say that, not here. But that is not in here. Health insurance is not in here.

Mr. HILL. Just what were you here for?

Mr. JOLLY. When?

Mr. HILL. As a member of this advisory board.

Mr. JOLLY. To study the matter of health insurance. That is not in here. We are coming together again next week for the same purpose.

Mr. HILL. Were you interested in any other features of the bill?

Mr. JOLLY. No, sir; just health insurance. That is all we were called for.

Mr. HILL. You were not consulted about any other features?

Mr. JOLLY. No, sir.

Mr. HILL. Health insurance was not included?

Mr. JOLLY. No, sir.

Mr. HILL. Do you favor the legislation proposed in this bill?

Mr. JOLLY. Yes, sir.

Mr. HILL. You are for it?

Mr. JOLLY. Yes, sir.

Mr. HILL. And your advisory committee is for it?

Mr. JOLLY. Oh, yes, sir. We are for that, but we want the hospitals exempted.

Mr. HILL. I understand that. I am talking about the general legislation proposed in this bill.

Mr. JOLLY. Yes, sir; we are for it.

Mr. HILL. You favor old-age insurance?

Mr. JOLLY. Yes, sir.

Mr. HILL. And you favor unemployment compensation?

Mr. JOLLY. Yes, sir.

Mr. HILL. And you want your own group exempted from the tax to be imposed under those provisions?

Mr. JOLLY. Yes, sir.

Mr. HILL. But you are favorable to the legislation proposed in this bill as to those subjects?

Mr. JOLLY. Yes, sir.

Mr. HILL. So you are not hostile to it?

Mr. JOLLY. No, sir; not at all.

Mr. HILL. You gave some study to it, I take it?

Mr. JOLLY. Yes, sir.

Mr. HILL. Your group did?

Mr. JOLLY. Yes, sir.

Mr. HILL. Your advisory group?

Mr. JOLLY. Yes, sir.

Mr. HILL. You are president of the American Hospital Association?

Mr. JOLLY. Yes, sir.

Mr. HILL. Does that include church-supported hospitals as well as those that are not supported by churches?

Mr. JOLLY. Yes. There are 748 church hospitals in the country.

Mr. HILL. How are the others supported? The others are non-sectarian, I take it?

Mr. JOLLY. Yes. Sometimes some of them are fraternal hospitals like the Shrine Crippled Children Hospital, or some of them are set up by people in the community. Sometimes even a doctor puts up a hospital that serves the community. There is no profit to it. He has put it up for that. For instance, I know of a doctor this last week that showed me his hospital. He has the only hospital in the county. He said, "I put every cent I ever made into this hospital, and now I am ruined, and I am going to lose the hospital. I have lost everything I have had because I have tried to serve the whole county and they have overruled me and ruined me."

Mr. HILL. Did he expect to make a profit when he originally set up the hospital?

Mr. JOLLY. He did not expect to make a profit, but he expected not to lose everything that he had.

Mr. HILL. Are there any hospitals within the American Hospital Association that are not nonprofit hospitals?

Mr. JOLLY. Yes, sir. Most of them are nonprofit hospitals.

Mr. HILL. I said not nonprofit hospitals.

Mr. JOLLY. Oh, there are a few owned by private individuals; a very few of them.

Mr. HILL. Do you want to exempt those from the operation of this bill? Do you want to exempt those that operate for a profit from the operation of this bill?

Mr. JOLLY. No, we do not want to exempt them. It is just the nonprofit hospitals that we want to exempt.

Mr. HILL. There are some hospitals in your group, the American Hospital Association, that are operating for profit. Is that true?

Mr. JOLLY. Yes, sir; but a very few of them.

Mr. HILL. You do not want to exempt those from the operation of the bill?

Mr. JOLLY. I would not; no, sir; if they are operating for profit.

Mr. HILL. You want exemption of the nonprofit hospital institutions from the operation of this bill?

Mr. JOLLY. Yes, sir; that is it.

Mr. HILL. Are you acquainted with the character of institutions embraced in the Western Hospital Association?

Mr. JOLLY. Yes, sir; I know them.

Mr. HILL. Are they nonprofit, or not?

Mr. JOLLY. Yes, sir; nearly all of them are nonprofit. There are 1 or 2 that are set up for profit. There is a group of doctors in Los Angeles who have set up their own hospital. They have a whole, complete scheme for taking care of people, their health and the hospitalization, and everything, I think, but dental care. That is a profit hospital. But there are very few on the Pacific coast that are profit hospitals.

Mr. HILL. There are some hospitals within that group, that are operated for profit?

Mr. JOLLY. Yes, sir; very few, though.

Mr. HILL. Do you know the relative number?

Mr. JOLLY. I would say that there was not over 2 percent of them.

Mr. HILL. What character of hospitals are the 98 percent, then, in that Western Hospital Association?

Mr. JOLLY. Those are nonprofit hospitals.

Mr. HILL. Who maintains them? How are they maintained?

Mr. JOLLY. They are maintained by churches or by community groups, and the rest of them Government hospitals. Of course, you can count the Government out if you want to.

Mr. HILL. The hospitals in the Catholic Hospital Association are all sponsored by the Catholic Church, are they?

Mr. JOLLY. There are 650 Catholic hospitals in the United States.

Mr. HILL. Are they all in that?

Mr. JOLLY. They are all in this group about which we are talking, the nonprofit hospitals.

Mr. HILL. Are they all in that group known as the Catholic Hospital Association?

Mr. JOLLY. Yes, sir.

Mr. HILL. They are all nonprofit, you say?

Mr. JOLLY. Yes, sir.

Mr. HILL. You have here the Cincinnati General Hospital.

Mr. JOLLY. That is a tax-supported hospital, municipal.

Mr. HILL. Is that a nonprofit hospital?

Mr. JOLLY. Yes, sir; that is tax supported.

Mr. HILL. It pays nothing above expenses of operation?

Mr. JOLLY. No, sir.

Mr. HILL. How about this last one here, Mr. Davis, chairman of the council on community relations of American Hospital Association. Is that a kind of a liaison organization?

Mr. JOLLY. Yes; that has nothing to do with any particular hospital. That is just a committee of the American Hospital Association.

Mr. HILL. As I get it, you would have no objection to including within the provisions of this bill all of the hospitals that operate for profit?

Mr. JOLLY. Yes, sir; that is right.

Mr. HILL. But you want to exclude those that are operated without any idea of profit?

Mr. JOLLY. Yes, sir.

Mr. HILL. Can you tell us about what percentage of all the hospitals of the country are operated for profit?

Mr. JOLLY. I could only approximate it. I told you that there are 6,437 hospitals, to be accurate, in the United States. Seven hundred and fifty-six of those are Government hospitals. That leaves 3,481 general hospitals, non-Government. Then we have tubercular hospitals; mental hospitals; special hospitals, like ear, nose, and throat, genito-urinary, and such. I should say there are 4,500 nonprofit hospitals in the United States.

Mr. HILL. 4,500 out of 6,400?

Mr. JOLLY. Yes, sir.

Mr. HILL. Are nonprofit?

Mr. JOLLY. Nonprofit hospitals, yes.

Mr. HILL. That leaves a very considerable number of hospitals operated for profit.

Mr. JOLLY. If you take 756 out of that, then that does not leave so very many.

Mr. HILL. How many does it leave? You make the calculation.

Mr. JOLLY. In round numbers there are about 250 profit hospitals.

Mr. COOPER. Doctor, without undertaking to reflect any personal views on the points raised by you, I am simply seeking a little information on this question that has been raised by the gentleman from Washington. I understand that it is your position that the hospitals throughout the country that do not make a profit should not have this tax imposed upon them.

Mr. JOLLY. That is true.

Mr. COOPER. From an administrative standpoint how could that be handled? You do not know until the end of the year, do you whether a hospital has made a profit or not?

Mr. JOLLY. We know every 30 days. Our own hospital has its books audited every 30 days by a certified accountant.

Mr. COOPER. You mean every hospital within your group has an audit every 30 days?

Mr. JOLLY. No, I mean the one of which I am superintendent, but we all keep books every 30 days.

Mr. COOPER. You are speaking not for your hospital alone, you are speaking for your association of hospitals, are you not?

Mr. JOLLY. I think every hospital in the United States could tell you every 30 days how they got along that month. I know they could.

Mr. COOPER. But of course you understand this bill does not contemplate the tax shall be imposed on a profit basis. That is not the plan of this measure. You understand that, do you not?

Mr. JOLLY. Yes, I understand that, but it is on your pay roll, is it not?

Mr. COOPER. Yes, on the pay roll.

Mr. JOLLY. Nonprofit hospitals have pay rolls just like the rest.

Mr. COOPER. What I am getting at is, from an administrative standpoint how could you work out some arrangement so as to take care of the hospitals you have in mind, and yet not allow the others to escape that you frankly state that you think should not escape?

Mr. JOLLY. Of course, I do not know how to set that up for you; it certainly would be a very easy matter to find out the hospitals that are set up for profit; whether they make a lot of profit or not—of course, a lot of them that are set up for profit do not make any profit. Some of them have been ruined. Even with the nonprofit hospitals we have closed 400 in the last 5 years. I came through Chicago Saturday, and they had just closed the Iriquois Hospital, that was put up in memory of the fire.

Mr. HILL. Will you define for the record what you consider a nonprofit hospital?

Mr. JOLLY. A nonprofit hospital is one that is organized for the purpose of not making a profit, but that every cent over actual operating expenses goes to take care of charity patients, maintenance of the property, and so forth. We call them voluntary hospitals, where they are put up to take care of just as many people as it is possible to take care of. After you take care of the people who pay you, you take care of as many free people as you can off the profit from those who pay you.

Mr. COOPER. Would it be your idea that all hospitals, within the definition just given, should be exempted?

Mr. JOLLY. Yes, sir.

Mr. COOPER. Is it not conceivable that some hospital, although it is not organized or conducted as a profit hospital, might at least break even or make a little money, while on the other hand some hospital that was intended as a profit-making hospital might come out in the red? I am just wondering how you are going to be able to administer any exemption provision so as to make the separation that you have in mind.

Mr. JOLLY. Many of the profit hospitals have come out in the red. Some of those that are not organized for profit have gotten over into the black—very few of them—but the black that they have must go to take care of charity patients. It is written in their charters. That is the way their charter reads, to take care of charity patients—free service.

The CHAIRMAN. Would the distinction be, Mr. Jolly, that a nonprofit hospital would be one that under no circumstances would pay any dividends to either the stockholders or the private owners?

Mr. JOLLY. That is usually the way it is written in.

The CHAIRMAN. And a profit hospital would be one that might and would, when it had a profit, pay dividends to the stockholders or to the private owners?

Mr. JOLLY. Yes, sir. That is the usual way the charter is written.

The CHAIRMAN. That could be easily determined?

Mr. JOLLY. Yes.

The CHAIRMAN. In other words, the nonprofit hospital upon making any profit, if it does, enlarges the scope and usefulness of the institution, and none of it goes to the benefit of the owners?

Mr. JOLLY. That is it.

Mr. LEWIS. I want to compliment the Doctor on the directness of his answers. It is very helpful to the committee.

Mr. JOLLY. Thank you.

Mr. LEWIS. You may not be able to give me the approximate figures, but I would like to have them given. What percentage of the budget of expenses of a typical hospital will go to the pay roll?

Mr. JOLLY. About 30 percent is the average over the United States. As I say, in some places it is higher. In Cleveland it is 55 percent. But the average in the United States is between 30 and 33 percent for pay roll.

Mr. LEWIS. Not as high as I had supposed.

Now, then, Doctor, this further question: The employees are largely nurses, are they not?

Mr. JOLLY. No, sir; I would not say that the nurses predominate. I think that maids and orderlies and porters perhaps would be the larger number; then would be the nurses, and then clerical help.

Mr. LEWIS. What percentage of the salaries of those on salary would fall below \$100 a month?

Would fall below \$100?

Mr. LEWIS. What percentage of the employees?

Mr. JOLLY. I would say 85 percent. It is different in different parts of the country. For instance, in the South, our folks work for less than they do in the North and the East. Nurses and everybody work for less there than they do in the North and the East.

Mr. LEWIS. Then the phenomenon of dependency and old age is about as likely to fall on hospital employees as on other branches of the population?

Mr. JOLLY. I could not answer that except to give my own idea, and I think you would be correct; yes, sir.

Mr. LEWIS. That is very acceptable.

Mr. JOLLY. Yes, sir; I think it would.

Mr. LEWIS. In other words, they would stand in the same general need for likely assistance when past 65 as the rest of the population?

Mr. JOLLY. Yes, sir.

Mr. HILL. Is there an age limit on the services of nurses? For example would you consider a nurse unavailable at 60 or 65, though she be in good health?

Mr. JOLLY. No, sir. We have no arbitrary figure set there. We do for doctors, but we do not for nurses.

Mr. LEWIS. I think that is all.

The CHAIRMAN. Were you through with your main statement?

Mr. JOLLY. No, sir.

The CHAIRMAN. Will you proceed?

Mr. JOLLY. Hospitals have no opportunity to increase the rates for service to cover the cost incident to unemployment insurance as industries and commercial enterprises have. The industries, when they have this tax put upon them, can raise their selling price and get their money back. Hospitals cannot do that. We are almost at a fixed charge there. People just will not stand for certain charges in a hospital. You get to a certain amount and you cannot go any further with it. Industries can raise their selling prices, but hospitals

cannot raise the selling prices very easily. There is another way in which we do not parallel industry. Hospitals must keep personnel fairly constant, to be ready for emergencies. Industries' employees fluctuate with amount of work to be put out.

While we do not want to be considered as an industry—

Mr. LEWIS. May I interrupt? That argument would apply to the unemployment feature particularly, but it would not apply to old-age dependency.

Mr. JOLLY. No, sir; you are right. The hospital load tends to increase during the periods of general unemployment. More indigent people come to the hospital during the depression than come when they are at work. I think you can see the reason for that without any argument.

Hospitals in such periods meet their financial problem not by the discharge of employees, but through the reduction of salaries and wages, and that as a consequence an enforced payment into an unemployment pool would result in a reduction of the salaries and wages of employees in hospitals, without their ever being able to draw any appreciable result.

That is what we did during this depression. Instead of turning people off, workers in the hospital—because we could not turn them off; we still had a great many patients in the hospitals and we had to take care of them—instead of turning the people off we reduced wages. Some hospitals reduced wages 50 percent, and some of us went as far as 60 percent reduction in pay roll. I can cite you some instances where people worked in a hospital for nothing but their room and board in order to keep their jobs; and even then hospitals went in the red, and some of them had to close.

The annual pay roll of the voluntary hospitals of America amounts to \$121,500,000. The pay roll of hospitals constitutes about 30 percent of the total cost of operation. Hospitals have had an increased burden of indigent sick without Government relief except in three or four States. Relief agencies have fed and clothed and housed the indigent but the moment they need hospitalization the relief agencies have taken the attitude that the hospitals always have cared for the indigent so let them do so now, ignoring the fact that in addition to an increase in free patients, the hospitals have had a falling off of earnings from pay patients and a falling off of donations from philanthropically minded people to about 40 percent of what such donations were in 1929 and 1930. I would like for you to remember that, gentlemen. We have had no relief at all, the hospitals, from any relief association except in three or four States where the local relief association does that.

Mr. KNUTSON. I desire to call your attention to section 3, at the bottom of page 2 of the bill. The language after the comma in line 23 does not seem to offer very much hope for hospitals under this legislation.

Mr. JOLLY. I know that, sir.

Mr. KNUTSON. It closes the door on any charity patient that any hospital may have, for he would be ineligible to relief.

Mr. JOLLY. Yes, sir.

Mr. KNUTSON. Do you put any other construction on that?

Mr. JOLLY. No, sir; I see no help in this for the hospitals at all.

Mr. KNUTSON. Nor the people in the hospitals?

Mr. JOLLY. No, sir; that is what I am trying to tell you, that the relief associations have fed the people and have taken care of them by food and clothing and housing and so forth, but the minute they got sick and walked up to the hospital door, they said, "All right, you take care of them". We have not been able to get any money from anybody to take care of these indigent patients, for relief patients, even. We have not been able to get money for them. The hospitals have borne not only the burden they have always borne but have had this increased burden.

Mr. KNUTSON. Would it not seem that an indigent person in need of medical attention or hospitalization is more in need than an indigent person who has his health?

Mr. JOLLY. Yes, sir.

Mr. KNUTSON. If anything, we should make extra provision for him?

Mr. JOLLY. Yes, sir.

The CHAIRMAN. Doctor, is it your position that if this tax is imposed upon hospitals of the type and class you represent, that it will be reflected in less service to those that receive charity treatments; in other words you will be able to do less charity work?

Mr. JOLLY. Yes, sir; absolutely. If we have to pay this tax, where in the world are we going to get money to take care of indigent patients? Most of us are absolutely dependent now on the receipts from pay patients, because our donations have gone down to nothing, or almost nothing; I mean that comparatively. We have no other way to get at more money.

The CHAIRMAN. The net effect would be, then, that your institution would be unable to do as much charity work as it has been doing and is doing at present?

Mr. JOLLY. Yes, sir.

Mr. TREADWAY. The purpose of this bill seems to be to gather together quite a large lot of money one way or another, by tax, by levying on pay rolls, or various ways, and appropriations from the Federal Government. If all this money that is in prospect be gathered together under this bill and equitably distributed, would it relieve hospitals from some of the need of money for indigent cases?

Mr. JOLLY. I do not see how it would relieve us if we have to take care of patients. The patients come to our doors.

Mr. TREADWAY. The theory of this bill so far as the unemployment and the old-age sections are concerned, is to relieve indigency and distress.

Mr. JOLLY. That does not relieve indigent sickness, does it? The amount of money that they would get if they were out of employment would not justify them in going to a hospital and paying their way.

Mr. TREADWAY. It would not add to your receipts?

Mr. JOLLY. No, sir.

Mr. TREADWAY. Or relieve you of the care of the indigent?

Mr. JOLLY. If a person gets \$15, or \$30 a month, that is a dollar a day. It costs that to feed him in a hospital.

Mr. TREADWAY. So you do not feel that the patients liable to ask for service at hospitals will be reduced?

Mr. JOLLY. No, sir.

Mr. TREADWAY. Or cared for in another way, with this bill in operation?

Mr. JOLLY. No, sir; I see no help for the hospitals in that.

The CHAIRMAN. Would it not be a fact, then, that with relief being given under this bill there would be fewer charity patients?

Mr. JOLLY. No, sir; I do not think so, because there is not enough relief in this for the patient to enable him to go to a hospital and pay his way. He is still going to have to go to some free hospital. A person getting \$30 a month cannot pay his way in a hospital. It would not pay his way over a week in a hospital.

I have just one more point in my statement:

Nearly 400 voluntary nonprofit hospitals ceased operation in the past 5 years because the financial burden became too heavy.

We respectfully request you to consider:

First, complete exemption of hospitals from payment to the general fund; or

While being exempted from the 1 percent donation hospitals be allowed to pay into a special pool which after it reaches a certain amount would release them from further payments except when withdrawals were made from this for the payment of unemployment; and

Include in legislation the cost of hospitalization for beneficiaries so that hospitals may be paid for the care which they are asked to provide free from the unemployed.

Mr. REED. I just want to ask if during this depression when the contributions to your hospital were going down you had to curtail the service you rendered as a result, in order to keep within your budget?

Mr. JOLLY. You mean to refuse to accept patients or give less service to those in the hospitals?

Mr. REED. Give less service to those in the hospitals.

Mr. JOLLY. I think that I can safely say that very few hospitals have reduced the service that they give to patients. We may have to reduce the number of patients that we take in, but we try to keep our service—you understand that hospitals, approved hospitals meet standards set up by the American College of Surgeons. Any hospital which does not keep up with the standards is put off the approved list, and no hospital wants to go off the approved list.

Mr. REED. There has been no relaxation in that standard at all?

Mr. JOLLY. No, sir. I do not know of a single one.

Mr. REED. Has the cost of operation increased materially, the cost of operating your hospitals?

Mr. JOLLY. Yes, sir; because when the occupancy of a hospital goes down, your cost of operation goes up. You have the same overhead, or almost the same, and you can see your divisor is less, therefore your quotient is greater.

Mr. REED. You would have a lot of idle beds with all that overhead?

Mr. JOLLY. Yes, sir.

Mr. REED. Have the salaries gone up or down?

Mr. JOLLY. The salaries have gone down. As I say, in some hospitals they have gone down 50 percent.

Mr. REED. Has the cost of supplies and material gone up?

Mr. JOLLY. Yes, sir. In the past 6 months supplies have gone up, and they are still going up. Food supplies are going up and all the materials we use in the hospital have gone up. Food has gone up 20 percent.

Mr. REED. So that you are getting squeezed from every direction?

Mr. JOLLY. Every direction.

Mr. REED. This would be just one more squeeze?

Mr. JOLLY. Exactly. I could not have stated it better.

Mr. Chairman, if you do not care to ask me any other questions, I would like to introduce to you Monsignor Griffin, who is the vice president of the Catholic Hospitals Association and a member also of this joint committee. I would like for him to say a word.

Mr. HILL. I would like to ask a question or two: You are appearing here for the interests of the nonprofit hospitals?

Mr. JOLLY. Yes, sir.

Mr. HILL. Within the definition that you gave of nonprofit hospitals?

Mr. JOLLY. Yes, sir.

Mr. HILL. You are not interested in exempting those hospitals which are set up and operated for profit?

Mr. JOLLY. No, sir.

Mr. HILL. Whether they make a profit or not is beside the question?

Mr. JOLLY. Yes, sir.

Mr. HILL. Would you care to submit in the form of an amendment something to meet that situation that you have presented here as to the nonprofit hospitals?

Mr. JOLLY. Yes, sir.

Mr. HILL. So as to exclude those set up for profit?

Mr. JOLLY. We can put that in this little brief here that I have for you.

Mr. HILL. All right.

The CHAIRMAN. You understand, doctor, that the proponents of this bill when they first appeared before the committee said it was only a framework, that they desired to cooperate with the committee and that any change which the committee wished to make would be welcomed by the sponsors of the bill. That is the reason you are here.

Mr. JOLLY. Yes, sir.

The CHAIRMAN. You understand that it is not a hard and fast bill that is closed against all amendment or change?

Mr. JOLLY. We appreciate the opportunity to come and show you our side of it.

(Mr. Jolly submitted the following for the record:)

The joint committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America, referring to H. R. 4120, respectfully submit to the consideration of the Committee on Ways and Means the following which we suggest be adopted as amendments to H. R. 4120:

1. That all hospitals organized and operated "not for profit" and no part of whose earnings accrues to the benefit of any private person or individual be totally exempt from the payment of any taxes imposed by this bill.

2. That no provision of this act be ever interpreted as prohibiting or preventing the use of funds made available under this act for disbursement to a public or private nonprofit charitable institution for any service rendered to any person who is a beneficiary of this act and that no person otherwise a beneficiary of this act be deprived, by reason of being an inmate of a charitable institution, of benefits provided by this act.

Follows a brief memorandum in support of our suggestions:

1. The three hospital associations represented by the joint committee speak for a total of 6,437 hospitals in the United States. Of this number 1,776 are Government hospitals, leaving 4,661 hospitals not Government owned. Of these 4,661 hospitals, approximately 4,500 are nonprofit hospitals. The others not being organized "not for profit" are excluded from our recommendations. These nonprofit hospitals are truly public-service corporations and as such have a

partnership with the Government in providing for the general welfare and in the execution of the plan embodied in the bill for the relief of indigency and distress in the interest of greater social security.

2. Nonprofit hospitals are not industries but they are charities, organized and operated for the common weal, without thought of profit and with the only purpose of affording to the maximum limit of their resources adequate hospital care for all our people when and as needed.

3. Nonprofit hospitals are unlike industries in that they do not experience heavy fluctuation in employment of personnel during periods of depression, but with the increase of hospital care given, particularly in assuming the increased load for the care of indigent and unemployed, hospitals maintain a rather definite standard of numbers of employed personnel; the ratio of employed personnel to patients remaining practically the same during all periods.

4. Heavy withdrawals from the income of nonprofit hospitals for the purpose of this or other taxes reduces by the amount withdrawn the financial ability to give hospital care to the indigent and unemployed.

5. Nonprofit hospitals have no opportunity through the increase of their rates for service to cover the costs incident to unemployment insurance, as industries and commercial enterprises have.

6. Unemployment in hospitals has not been a serious factor in hospital problems.

7. Employment in hospitals is dependent upon the amount of sickness and not upon the condition of industry.

8. The hospital load tends to increase during periods of general unemployment.

9. Nonprofit hospitals in such periods meet their financial problem not by the discharge of employees but through the reduction of salaries and wages, and that as a consequence an enforced payment into an unemployment pool would result in a reduction in the salaries and wages of employees in hospitals without their ever being able to draw any appreciable result.

10. The annual pay roll of the nonprofit hospitals of America amounts to \$121,500,000. The pay roll of hospitals constitutes about 30 percent of the total cost of operation.

11. Hospitals have had an increased burden of indigent sick without Government relief, except in three of four States. Relief agencies have fed and clothed and housed the indigent but the moment they need hospitalization the relief agencies have taken the attitude that the hospitals always have cared for the indigent so let them do so now, ignoring the fact that in addition to an increase of free patients the hospitals have had a falling off of earnings from pay patients and a falling off of donations from philanthropically minded people to about 40 percent of what such donations were in 1929 and 1930.

12. Nearly 400 voluntary nonprofit hospitals ceased operation in the past 5 years because the financial burden became too heavy.

Any statistical information the committee may desire will be gladly furnished.

Chairman Joint Committee and President American Hospital Association.

*Member Joint Committee and Vice President,
Catholic Hospital Association of America.*

The CHAIRMAN. We thank you for your appearance before the committee and for the information which you have given.

STATEMENT OF RIGHT REVEREND MONSIGNOR MAURICE F. GRIFFIN

Monsignor GRIFFIN. My name is Right Reverend Monsignor M. F. Griffin, Cleveland, Ohio, vice president of the Catholic Hospital Association of the United States and Canada, senior trustee of the American Hospital Association.

I would like to speak briefly for the trustees of the American Hospital Association and for the board of directors of the Catholic Hospital Association.

The CHAIRMAN. If you prefer, you have the privilege of making your statement without interruption.

Monsignor GRIFFIN. I have no prepared statement, Hon. Mr. Chairman.

I would like to begin with the beginning of the bill to alleviate the hazards of old age, unemployment, and illness. I would like to stop right there. That is our business, alleviating the hazards of illness. We have the organization for that purpose. If the purpose of this bill is to alleviate the hazards of illness, we feel we should be included in the activities contemplated by this bill, just as, for instance, when the C. W. A. was organized it became necessary over night to take care of approximately 5,000,000 men, and we, this same committee whose representatives are appearing before you today, were called in by the Federal Emergency Relief Administration and requested to mobilize the 6,400 hospitals for the purpose of making them tributary to the welfare that was desired. So, too, we feel that in the operation of this bill, there should be provision made to bring in the hospitals in order that they might contribute their services, cooperating in this general program. We view with alarm such provisions as this, that make the beneficiaries of this act ineligible to receive its benefits just because they are inmates of public or charitable institutions. We all know that these people 65 years and over are going to be inmates of charitable institutions, and such we consider ourselves. We know that they are going to be in the hospitals in large number. We express great surprise that provision was written in this act to make them ineligible.

Mr. HILL. Will you yield for an observation right there? You are referring to section 3 on page 2 of the bill?

Monsignor GRIFFIN. No, lines 23 and 24 on page 2, the definition of "old age."

Mr. HILL. That applies to old-age assistance. That is what we call old-age pensions.

Monsignor GRIFFIN. Yes.

Mr. HILL. But it does not apply to the old-age annuity or the unemployment compensation provisions of the bill.

Monsignor GRIFFIN. Would that relieve us, sir?

Mr. HILL. I say, the provision here in section 3, which says:

As used in this title "old-age assistance" shall mean financial assistance assuring a reasonable subsistence compatible with decency and health to persons not less than 65 years of age, who, at the time of receiving such financial assistance, are not inmates of public or other charitable institutions, * * *

applies only to those otherwise eligible for the old-age pension, as distinguished from those who are beneficiaries under the old-age annuity and the unemployment compensation provisions of the bill.

Mr. LEWIS. I presume it may have been designed to stop the inmates from getting this free charitable service from the public institution and the pension at the same time.

Mr. HILL. That is the idea.

Monsignor GRIFFIN. I see the point that is raised. As charitable institutions, we are conducting these hospitals. When a patient comes to us, does he ipso facto become ineligible to the benefits that he has already been receiving?

Mr. HILL. Ineligible to receive the old-age pension.

Monsignor GRIFFIN. Yes.

Mr. HILL. But not ineligible to receive the benefits under the old-age annuity provisions or the benefits under the unemployment compensation provisions of the bill.