The Hospital Construction Act, 1949 Amendments and Progress to Date

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Madam President, Members and Guests of the Wisconsin Hospital Association:

This is the first time since the start of the hospital construction program that your speaker feels at ease in our great city of Milwaukee. You see, after three years of carefully worded promises about federal aid for hospitals, and with requests for aid exceeding the demand several times, the Board of Health last month finally reached Milwaukee with enough federal aid to assist six worthwhile projects.

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I now will not have to take the other side of the street when a hospital administrator approaches, unless he is an administrator from an unaided hospital. There are now thirty-five approved hospital projects and I am told there are thirty-five loyal friends in favor of the program. A lot of credit for this sudden increase in friendship can be traced to October 25, 1949, the date President Truman signed Public Law 380 which amended Public Law 725, the original Hill-Burton bill.

Major Changes In Hospital Construction Act

Major changes in the amendment to the Federal Hospital Construction Act can be briefly enumerated as follows:

First, the original five-year program has been extended three additional years, through the fiscal year ending June 30, 1955.

Second, Congress has authorized doubling appropriations from seventy-five million dollars to one hundred fifty million dollars annually. For Wisconsin this means an increase from one million five hundred thousand dollars to three million dollars annually, or approximately fifteen million dollars for the balance of the program.

Third, one of the most important changes is the discretion allowed each state in determining the rate of federal participation towards an approved project. Under the original act, a project was allowed a flat 33⅓ percent federal aid of the allowable costs. The amendment permits a state to choose one of two methods:

a. The state may keep the original flat percentage basis, to be applied uniformly to all projects;

b. It may adopt a varying percentage method which would differ among projects.

In adopting the flat percentage basis, a fixed rate may be chosen anywhere from 33⅓ percent, the previous allowance, up to the so-called "state's allotment percentage" which, for Wisconsin, is approximately 50 percent. The "state's allotment percentage" is a figure computed by the Federal Agency which takes into consideration the population and the relative wealth of the states, allowing a wealthy state, like New York, 33⅓ percent and a less fortunate state, like Mississippi, up to 75 percent. However, no state can allocate more than 66⅔ percent regardless of its state allotment percentage. Wisconsin, an average state, has about 50 percent as its allotment percentage.

If the fixed percentage method is chosen, the state must select a flat rate from 33⅓ percent, the minimum, up to the state's allotment percentage, which would be the maximum, provided it did not exceed 66⅔ percent. Wisconsin, therefore, had a choice from 33⅓ to 50 percent and, after careful consideration by the State Advisory Hospital Council and Board of Health, selected 45 percent as the rate of participation. Several other states in this region did likewise. Minnesota has 45 percent, Indiana 50 percent, and Illinois 39 percent, plus state aid of approximately 11 percent, making the total participation 50 percent.

The second method, or the varying percentage basis, has thus far been adopted by only five of forty-six states that have acted on the latest amendment. Michigan is the only one of these five states in this region. Under the variable percentage method, the rate for federal participation can be set on a graduated scale from 33⅓ percent up to 66⅔ percent for individual projects. The scale must be determined on the basis of an objective criteria, such as the economic status of various areas within the state, relative need as between areas for additional hospital facilities, and other relevant factors. Michigan, as stated, selected this second method and allocates 40, 45, 50, 55, or 60 percent to individual projects, depending on the area from which the application is received.

The great majority of states felt that the variable basis was subject to a lot of suspicion on the part of those who do not trust statisticians. Apparently there is some basis for the often quoted statement that "Figures don't lie but liars can figure". Imagine trying to explain to two hospital service areas, side by side, that one is entitled to 40 percent and the other, 60 percent! I have enough trouble trying to explain why there isn't enough federal money to take care of all eligible facilities under the Act, without trying to convince folks in Wisconsin why one community should be entitled to more than another. You can rest assured that human nature would cause many communities to become poor in record-breaking time under this system.

Fourth, one completely new section inserted in Public Law 380 refers to "Studies and demonstrations relating to coordinated use of hospital facilities". The Surgeon General is authorized to conduct research, experiments, and demonstrations relating to the effective development and utilization of hospital services, facilities, and resources, and, after consultation with the Federal Hospital Council, can make grants-in-aid to states, political subdivisions, universities, hospitals, and other public and private non-profit institutions or organizations for such purpose.

The language of this section is so broad that it could well include most any type of project related to the hospital field, if it were not for the limited appropriations. An example of the type of project approvable would be a study of the movement or referral of patients among hospitals within a logical regional area. Such a study might determine the type of services rendered and the extent to which integration of the hospital system could be improved within the region, so that a pattern might be developed for other regional areas. Since the federal appropriation for all such research projects may not exceed one million two hundred thousand dollars in any fiscal year, the forty-eight states and territories will not find much difficulty in scheming up ways and means of using the funds. There are other less important changes in the amended hospital act but there is much more of interest to report to you concerning the progress achieved under this cooperative federal-state hospital program in Wisconsin for the past three years.

Construction and Planning in Progress

A total of thirty-five projects, which will provide 1,979 hospital beds and a new state laboratory of hygiene, have been approved to date. The estimated construction cost is approximately twenty-nine million dollars, of which the federal share will amount to over eleven million, four hundred thousand dollars. It is interesting to observe the allocation made for these beds to hospitals according to the control of ownership. The largest number, 840 beds, or 42 percent of the total, is for church affiliated hospitals. The second largest group, 524 beds, or 27 percent of the total, is for non-profit associations without church affiliations. In other words, 69 percent of the beds is allocated to private non-profit institutions. County, city, city-county, and village ownership takes up 375 beds, or 19 percent of the total, and only 240 beds, or 12 percent, for one state-owned hospital for the treatment of acute mental patients at Winnebago, Wisconsin.

One of the most significant achievements is not only the sudden progress made towards providing facilities in areas of

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