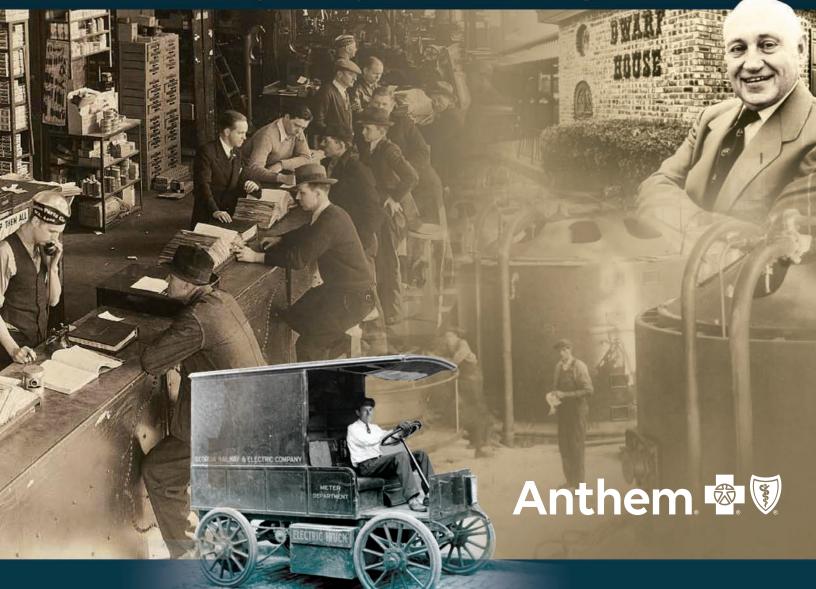


# GEORGIA BUSINESS HISTORY Initiative

Sharing the Stories of the Businesses that Built Georgia











## ANTHEM BLUE CROSS BLUE SHIELD

A PROFILE IN GEORGIA'S BUSINESS HISTORY

Anthem Blue Cross Blue Shield in Georgia has been a prominent name in health insurance for more than 85 years. With its Georgia headquarters in Atlanta, Anthem Blue Cross Blue Shield operates insurance companies across 14 states, covering more than 2 million people in Georgia and 24 million across the nation. Each day, Anthem is focused on delivering better care to its members as its associates work to improve the health of the communities they serve.

## ANTHEM BLUE CROSS BLUE SHIELD

A PROFILE IN GEORGIA'S BUSINESS HISTORY



# **Origins & Purpose**

Taking inspiration from a plan to support Texas teachers during the **Spanish Flu Epidemic** of 1918-1919, the idea of a Blue Cross Plan, a pre-paid hospitalization plan, gained traction across the nation. By the mid-1930s, there were seventeen plans in existence throughout the United States.

In Georgia, the Blue Cross Plan got its start in 1937 as an outgrowth of **New Deal** programs being implemented throughout the nation. The New Deal legislation, led by President Franklin Delano Roosevelt, was a series of government programs designed to promote economic recovery following the Great Depression. The Georgia General Assembly crafted **legislation** strengthening the **Department of Public Welfare**, including a law allowing for pre-paid health insurance for Georgia's citizens.

On March 30, 1937, Georgia Governor E.D. Rivers signed the Group Hospitalization Act with the purpose to "establish, maintain, and operate a non-profit hospital service Plan to provide for hospital care for subscribers."

# Y

#### What is a pre-paid hospitalization or physician services plan?

A pre-paid plan means that a person can pay in advance for a service they may need in the future. There is a written contract that specifies what can be expected based on the payment.



## Major Events that Shaped the Company

#### Atlanta

During the summer of 1937, five Atlanta hospitals set to work laying the foundation for pre-paid hospital insurance in Georgia. They filed **incorporation papers** on June 3, 1937, establishing The United Hospitals Service Association of Atlanta, or the Atlanta Plan. The original policy was for a group, which could be any "five or more persons, engaged in the same profession or business, or employed in adjacent offices or buildings in a similar line of work."

Initially, per the state legislation, all subscribers had to reside within a 50-mile radius of Atlanta.

For \$12 per year, subscribers were entitled to a private hospital room at a participating hospital. Services included in the contract were: "all nursing services, operating room services, anesthesia when administered by a hospital employee, all lab services (up to \$10), and all drugs (up to \$5)."

Under the leadership of Carey Judson (C.J.) Anderson, a small but dedicated staff began serving the population of greater Atlanta, creating a stable foundation for the new

# What was the Spanish Flu Epidemic?

In just one year, 1918 – 1919, the Spanish Flu, or the Influenza Pandemic of 1918, killed 20 to 40 million people worldwide. In the United States, one quarter of the population was affected, with an estimated 675,000 deaths, making it one of the most devastating epidemics in history.

The flu epidemic began as World War I (WWI) was ending. The first wave of the sickness spread through the military camps in the United States and across Europe in the spring of 1918. A more deadly second wave, causing lethal pneumonia, emerged in the summer. In the winter, the third wave swept in, ending in the summer of 1919.

Military troop movements around the world spread the disease, raising the death toll. While an estimated 16 million lives were lost due to WWI, up to 50 million deaths have been attributed to the global epidemic of the flu during that same timeframe.



Interior of Red Cross House at U.S. General Hospital #16, New Haven, Conn. during the influenza epidemic. *Library of Congress*.

venture. Due to the Plan's simplicity of providing essential patient services and guaranteeing that hospitals would be paid for providing those services, the Plan succeeded from the start. The first group to participate in the Blue Cross Plan in Atlanta was Atlanta Surgical Supply with seven contracts.

The success of the Atlanta Plan led to the establishment of the Savannah Plan in 1939 and the Columbus Plan in 1947. These three pre-paid hospital plans serviced citizens throughout Georgia.

#### Savannah

While attending a conference in Philadelphia in late 1937, Sister Mary Theresa of the Order of

the Sisters of Mercy, learned about the Atlanta Plan. The Sisters managed St. Joseph's Hospital in Savannah and struggled to keep it open during the Depression. Sister Mary Theresa thought the pre-paid hospitalization plan could benefit both the hospital and the residents of Savannah. Returning home, Sister Mary Theresa eagerly shared the opportunity with the board of St. Joseph's, and they began the work to establish the Savannah Plan.

In 1939, three Savannah hospitals formed The Hospital Service Association of Savannah under the leadership of Harold Coolidge, a wellrespected businessman. The new endeavor was immediately successful and grew at a steady pace in Savannah.

#### The Three Plans by the Numbers

Using the chart, answer the following questions:

- Which plan was the least expensive?
- If a person purchased the Atlanta Plan, how much would they pay per month to be in a hospital ward?

REGION	Atlanta	Savannah	Columbus
Year the plan was established	1937	1939	1947
Executive Director at start	Carey Judson (C.J.) Anderson	Harold B. Coolidge	Sam M. Butler
Plan details	\$12/year for a private room; \$8.40/year to be in a ward.	\$10.80/year for a private room.	\$1/month for an individual; \$2/ month for a family.

PRIMARY	SOURCE	INVESTIGATION:

Contract for Sybil Gray, 1941

Based on the document, answer the following questions:

CRAWFORD W. LONG MEMORIAL HOSPITAL
EMORY UNIVERSITY HOSPITAL
GEORGIA BAPTIST HOSPITAL
PIEDMONT HOSPITAL
ST. JOSEPH'S INFIRMARY
The above-named hospitals hereby severally agree to render hospital service in any one of the above-named hospitals, upon the terms and conditions set forth on the reverse side hereof, which are hereby made a part of
this contract to Mrs. Herbert k. Gray ,
hereinafter called the Subscriber, employed by Allyn and Bacon
and such members of the Subscriber's family (including his wife, or her husband, and the single, unemployed children under nineteen years of age), whose names appear on the Subscriber's application for this Service Con-
tract, for a period of one year from date upon payment of \$_8.40 per year in advance for Ward Room
service, payable Quarterly according to the terms and conditions as set forth in this contract, and in the application therefor.
Dated this 8th day of November, A.D., 1941
<ul> <li>Who is covered under the terms of the contract?</li> </ul>
<ul> <li>What is covered under the terms of the contract? What do you</li> </ul>
think that included?
<ul> <li>What is the annual cost? If paid quarterly, how much is paid each</li> </ul>
quarter to equal the annual cost?
THE UNITED HOSPITALS SERVICE ASSOCIATION OF ATLANTA
ATTEST: as agent for the above-named participating hospitals.
Jobert Studgens Wiley & Moore President.
Secretary.

COUNTERSIGNED BY

Director.

THIS CONTRACT IS NOT VALID UNLESS COUNTERSIGNED BY THE EXECUTIVE DIRECTOR

#### Columbus

Across the state, the city of Columbus was dealing with an economic transition in the mid-1940s from supporting the war effort to providing goods for general consumers. With new industry in a booming economy, the timing was perfect for the introduction of a new idea. The Merchant Association in Columbus set out to create the Columbus Plan, officially named The West Georgia Hospital Service Association, Inc. With the slogan, "operated for service – not profit," the Columbus Plan was established on June 5, 1947, under the direction of Sam M. Butler, previously a salesman for the Blue Cross Plan of Tennessee.



PRIMARY SOURCE INVESTIGATION: "Be Prepared"

- Looking at this sample of costs for a typical hospital stay in 1939, how much money would someone save by purchasing the Savannah Plan for \$10.80?
- Compare this sample cost structure with the 2021 hospital bill. What differences do you see? Why do you think this is the case?

Be Prepared The Hospital Bill listed below is typical of those rendered daily by our local hospitals.	,
John J. Doe	DEBIT
BOARD IS DAYS AT \$5.00 (PRIVATE ROOM)	75.00
USE OF OPERATING ROUM	2.50
DRESSINGS	3.45 8.00 \$103.6
Protection against this unex emergency may be p through	xpected rovided

#### 2021 Hospital Bill

Recreation of an actual itemization of hospital services for surgery and one night in hospital. December 3, 2021, Kendall Regional Medical Center in Miami, FL.

Room and Care	\$2,291.00
Pharmacy	\$98.00
Drugs/Other	\$162.00
Sterile Supplies	\$23,131.15
Lab/Chemistry	\$2,362.00
Lab/Immunology	\$1,323,00
Lab/Hematology	\$3,413.00
Lab/Bact-Micro	\$51.66
Lab/Urology	\$736.00
<b>Operating Room Services</b>	\$79,991.00
Anesthesia	\$27,057.00
Emergency Room	\$11,024.00
Drugs Requiring DET Code	\$5,733.00
Recovery Room	\$14,465.00
EKG/ECG	\$1,260.00
TOTAL	\$173,097.81

Like its predecessors, the Columbus Plan was very successful from the start. In year one, the plan enrolled 5,976 members, which more than doubled a year later with over 17,000 members by the end of 1948.

With the success of the pre-paid hospital plans, physicians eventually realized the impact this could have for their patients outside of hospital costs. In 1954, the Atlanta Blue Shield Plan was established. This plan, like the pre-paid hospital concept, provided for pre-paid physician services.

In 1950, Georgia rescinded the 50-mile radius limitation on the various plans, allowing any of the three to sell group policies outside of their geographic area. While the Atlanta and Savannah Plans chose to stay local, the Columbus Plan took advantage of this opportunity and grew to encompass 128 counties in Georgia.

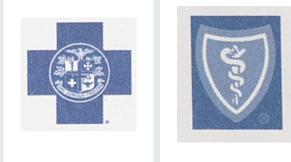
In 1966, the Savannah and Columbus Plans merged. By 1985, the Columbus and Atlanta Plans combined becoming Blue Cross Blue Shield of Georgia (BCBSGa). Ten years later, in 1995, the Georgia General Assembly, after almost a year of debate and discussion, passed legislation that allowed the corporation to transition to a "for-profit" company. As part of this process, BCBSGa, functioning under the name Cerulean (pronounced sa-roo-le-an, meaning "clear blue"), was required to offer shares of company stock to policyholders, as well as private investors. Additionally, they would need to provide significant charitable distributions to non-profits throughout the state.

Moving forward as a for-profit company, BCBSGa also went through several **mergers** with other health-care corporations, including California-based WellPoint Health Networks in 2001. The mergers made it possible for the corporation to reach more people with consistent service.

Conducting business today as Anthem Blue Cross Blue Shield, the corporation has a long history of providing services to the citizens of Georgia. From its beginnings as three distinct Blue Cross plans, a move from non-profit to for-profit status, and several mergers heading into the 21st century, Anthem has continued to support the health and wellness of its constituents within and beyond Georgia's borders.

#### What are the Blue Cross and the Blue Shield?

The blue cross symbol was adopted by the Hospital Service Association of Minnesota in 1933 from the familiar red cross symbol in use by the International Red Cross since 1864. By 1937, the American Hospital Association allowed accredited insurance plans to utilize the symbol, identifying them as a Blue Cross Plan. Like the blue cross, the blue shield became indicative of medical assistance, this time geared toward



individual doctors instead of hospitals. By 1951, companies accredited by the Associated Medical Care Plans, Inc. were identified as Blue Shield Plans.

#### **PRIMARY SOURCE INVESTIGATION:**

#### Columbus Enquirer Article

Read the article from the *Columbus Enquirer* about the first patient to receive services under the Columbus Plan. Answer the following questions:

- Why was the patient admitted to the hospital?
- What costs did the pre-paid plan cover?
- Who are the three people featured in the picture? Why those three?

# City Hospital Handed First Blue-Cross Check After Initial Patient Undergoes Appendectomy

An appendicitis attack suffered Thursday by Miss Martha Duffield, 117 Tickner drive, sent officials of the West Georgia Hospital Service association to their check book for the first time to write a draft to cover the young woman's hospitalization and operating expenses.

penses. Miss Duffield, who underwent an appendectomy at City hospital Thursday afternoon, had recovered sufficiently Friday to look on happily as Sam M. Butler, administrator of the recently installed Blue Cross plan, presented D. L. Metcalf, member of the hospital board, the check in a ceremony, at her bedside. The check covered everything

The check covered everything but the cost of the anaesthesia, it was said.

Miss Duffield suffered the appendicitis attack at 2:30 p. m. on Thursday at the J. A. Kirven company department store where she is an employe. She was operated on at 5 p. m. with most of the expenses being paid by the Hospital Service, in which her firm had been one of the first to enroll as an employe group.

"There were no delays and before I knew it I was in the operating room. I thought it was wonderful and I'm feeling just fine now," the patient said.

An informal ceremony accompanied the presentation of the check to cover the first payment of a Blue Cross subscriber's hospital bill.

Mr. Metcalf, a member of the hospital board and also a Blue Cross plan director, jokingly told Miss Duffield:

"In a couple of years more, we'll furnish cigarets and candy."



FIRST BLUE CROSS BENEFITS-Check to cover hospital bill of first patient to enter City Hospital under the Blue Cross Hospitalization plan is handed to D. L. Metcalf (left), of the City Hospital Board, by Sam M. Butler (center), local Blue Cross executive director. Miss Martha Duffield (right) pretty patient, smilles, obviously pleased with the transaction, which saved her additional financial

### CASE STUDY A Short History of Health Insurance in the United States

The modern concept of health insurance grew out of German Chancellor Otto van Bismark's plan, starting in 1883, to provide insurance for working men to **offset** potential expenses **incurred** if they were unable to work due to injury or sickness. The plan was facilitated through "**sickness funds**" and included both potential sickness and funeral expenses. About one-third of Germany's population benefited from this practice.

Germany's model was quite successful, and it spread to other European countries. By the start of World War I, ten nations had implemented a similar form of health insurance for their workers.

In the United States, sickness funds became prevalent during the Civil War. Most funds were established by employers, **workers' unions**, or **fraternal** organizations. Participating workers contributed roughly 1 percent of their income and if there came a time where they were unable to work due to sickness or injury, the fund provided approximately 60 percent of their **wages** during that period.

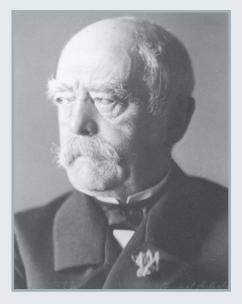
During the 20th century, there were approximately 1,300 sickness funds in existence in the United States. Before World War I, approximately 20 percent of all industrial workers in the nation participated in some type of sickness fund.



At the same time, **common law** in the United States held employers responsible for on-the-job injuries to employees. **Workers' compensation** rose in prominence in the first two decades of the 20th century and 32 states enacted such laws by 1915.

During the Spanish Flu epidemic of 1918-1919, a new type of fund was initiated by Justin

#### Who was Otto van Bismark?



Otto van Bismark was a German politician, who, among other roles, served as an ambassador, the Prime Minister, and eventually as the first Chancellor of the German Empire, serving from 1871 – 1890. Visit <u>Britannica</u> to learn more! Ford Kimball, superintendent of schools in Dallas, Texas. To help teachers maintain their livelihoods if they contracted the flu, Kimball established a sickness fund that, ten years later, would become a pre-paid hospital fund. During the **Great Depression**, Kimball was working at Baylor University Hospital. With people unable to afford hospital care, there was a significant decrease in the use of hospitals and an increase of more than 400 percent in **charity care**. In 1929, this pre-paid hospital fund, the first of its kind, set the stage for modern health insurance in the United States.

The "Baylor Plan" was soon adopted and adapted by various hospitals in cities across the nation and by 1935 there were 17 plans in existence. As plans were accredited by the American Hospital Association, they were allowed to be recognized as a "Blue Cross Plan." All plans were considered **non-profit** organizations and fell under the authority of their respective state legislatures.

By the start of World War II, only about 9 percent of American families had private health insurance or belonged to one of these pre-paid plans. However, as World War II (WWII) was ending, almost 23 percent of American families participated in some form of private health insurance and by 1960, that number was closer to 70 percent.

What caused this rapid increase of private health insurance participation in a relatively short period of time? There were three main reasons:

- The United States government set various wage and price controls during WWII that made this option more desirable.
- Due to the <u>Taft-Hartley Act in 1954</u>, unions could act on behalf of the employer to provide health insurance and/or a pension to the union members.
- Under the U.S. Tax Code, revised in 1954, employer-provided health insurance was exempt from taxation.

These changes also made the competition between commercial (for-profit) insurance companies, and the Blue Cross Blue Shield (non-profit) companies more intense. By the late 20th century, most plans that began as non-profit, pre-paid funds were transitioning into for-profit insurance companies so they could remain competitive in the health insurance market.

Today, there are many options available throughout the United States, such as: health insurance (provided by an employer, the government, or purchased privately); **indemnity** policies, which function in much the same way as the original sickness funds; and **concierge** medical services.

According to the American Hospital Association, "Meaningful health care coverage is critical to living a productive, secure and healthy life." The expansion of health care coverage throughout Georgia and the United States has allowed millions of Americans the opportunity to do so.

#### Vocabulary

**Bargaining** - To negotiate over the terms of a purchase, agreement, or contract.

**Charity care** - Free or discounted medical care and especially hospital care provided to patients who do not have health insurance or are unable to pay for all or part of medical costs due to limited income or financial hardship.

**Common Law** - Unwritten laws, based on custom and precedent, carried over to the U.S. from the English judicial system.

**Concierge** - Of, relating to, or being a healthcare offering in which patients pay a membership fee for enhanced access and services.

**Exempt** - Free or released from some liability or requirement to which others are subject.

**Fraternal organizations** - a brotherhood or type of social organization formed around a common bond, ideology, or personal background.[Investopedia.com]

**Great Depression** - The period of severe worldwide economic decline that began in 1929 and lasted throughout the 1930s that was marked by deflation and widespread unemployment.

**Incorporation** - Creation or formation of a legal corporation.

**Incurred** - To become liable or subject to; bring down upon oneself.

**Indemnity** - Security against hurt, loss, or damage.

**Legislation** - The exercise of the power and function of making rules.

**Merger** - Various methods of combining two or more organizations.

**Non-profit** - An entity which is created for charitable or socially beneficial purposes rather than for making a profit. [Investopedia.com]

**Offset** - To serve as a counterbalance.

**Sickness Funds** - Financial institutions that extended cash payments, and in some cases, medical benefits to members who became unable to work due to sickness or injury. [Economic History Association]

**Wages** - A payment usually of money for labor or services usually according to contract and on an hourly, daily, or piecework basis.

**Workers' Compensation** - A system of insurance that reimburses an employer for damages that must be paid to an employee for injury occurring in the course of employment.

**Workers' Unions** - An organization formed by workers in a particular trade, industry, or company to improve pay, benefits, and working conditions. [Investopedia.com]

All definitions are from the Merriam Webster Online Dictionary unless otherwise noted.

# **Educational Activities**

#### What is the difference between a non-profit, a not-for-profit, and a forprofit company?

When the Blue Cross Plans started they were set up as non-profit companies. Read "<u>Nonprofits</u> <u>vs. Not-for-Profits vs. For-profits: What's the Difference</u>," and create a chart that the compares and contrasts the function and structure of the different types of companies.

During the same time that the Blue Cross Blue Shield Plans were expanding throughout Georgia, forprofit insurance companies were competing in the same field. Visit the <u>New Georgia Encyclopedia</u> to learn more about the medical insurance industry in Georgia.

#### The Spanish Flu/Influenza Epidemic of 1918 & how it impacted Georgia.

Watch the <u>Today in Georgia History video</u> about the Spanish Flu and read "<u>A City Under</u> <u>Quarantine: Atlanta and the 1918 Influenza Epidemic</u>" at the Atlanta History Center. Based on these two resources, answer the following questions:

- The virus spread quickly due to the conditions soldiers lived and fought in during World War I. Describe the conditions and why they were ideal for the spreading of a virus.
- How did the epidemic impact daily life in Georgia in 1918?

#### **Mapping It Out**

Initially, people had to be living within a 50-mile radius of the hospitals within the plan they purchased. Look at a map of Georgia and figure out what other cities and towns would have been covered in the Savannah Plan, using the center of Savannah as the focus of the circle.

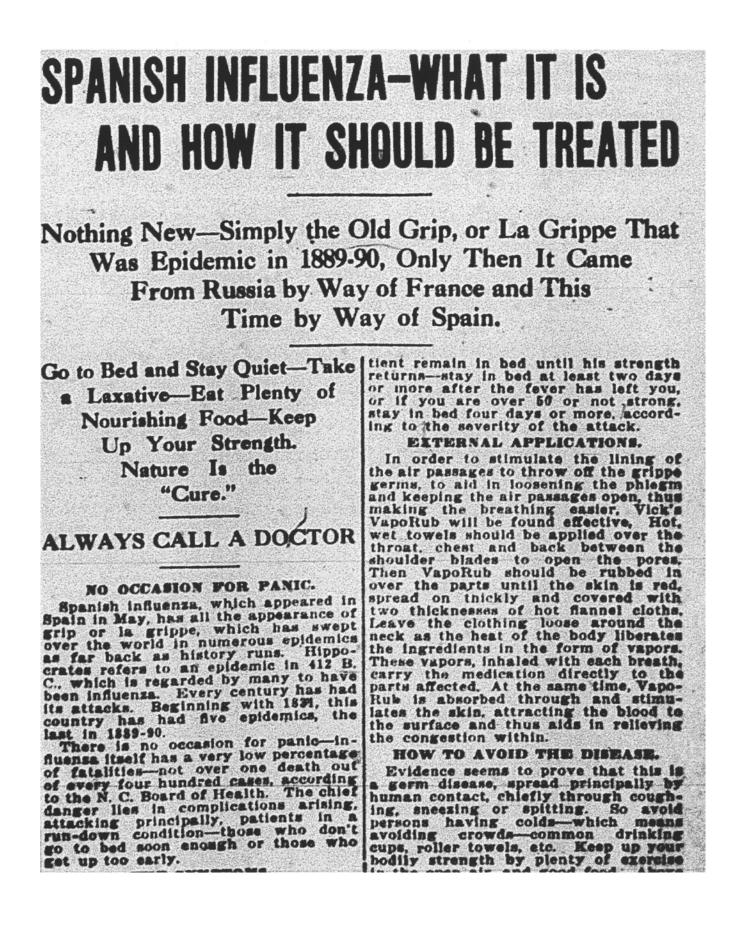


#### **Primary Source Investigation**

*Savannah Morning News*, October 12, 1918 Based on the clip from the newspaper on the following page, answer these questions:

- The subtitle of the article calls the flu, "la grippe." What is the origin of this phrase?
- What steps are recommended if a person has the flu? Is this the same as what doctors might recommend today?

Create a public service announcement in the form of a poster that reflects the recommendations.



#### Georgia Standards of Excellence addressed throughout this document:

- Map and Globe Skills K-12: SSMGS5, 7, 8
- Information Processing Skills K-12: SSIPS1, 2, 6, 7, 19, 11
- Middle School Social Studies: SS8CG2; SS8E2; SSEMI3; SSEMA1; L6-8RHSS3

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#### Images

United Hospitals Service Association of Atlanta contract (page 5), 1939 hospital bill (page 6), blue shield emblem (page 7), and *Columbus Enquirer* article (page 8), courtesy of Anthem Blue Cross Blue Shield.

Otto van Bismark photo (page 10), from Wikipedia.

Savannah Morning News article (page 13) and Georgia infirmary photo (back cover), courtesy of Georgia Historical Society.



Founded in 1839, the Georgia Historical Society is the premier independent statewide educational and research institution responsible for collecting, examining, and teaching Georgia and American history. Founded in 1839, the Georgia Historical Society is the oldest continuously operating historical society in the South and one of most prestigious in the nation.

Making the past relevant to the present is at the core of our mission. Through our award-winning public programs, publications, teacher training, and research services, we aim to use the power of our shared history to offer all Americans new and deeper perspectives on the past and present.

#### What We Believe

We believe in the value of history.

We believe that public knowledge of our past is fundamental to our future.

We believe our shared history is what binds us together as Americans.



Each year the Georgia Historical Society selects iconic companies in our state to be honored through the Georgia Business History Initiative.

By showcasing these companies, GHS seeks to teach Georgia students, citizens, and tourists alike about the pivotal role of Georgia's leading businesses in the economic, cultural and social development of Georgia and the United States.



