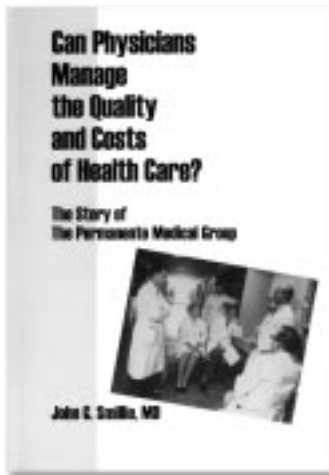




## Book Reviews



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### Can Physicians Manage the Quality and Costs of Health Care? The Story of The Permanente Medical Group

by John G Smillie, MD

Book Review by Morris F Collen, MD

Every book of history tends to be influenced by the viewpoint of its author. In this case, the author, John “Jack” Smillie, lived through most of the history he wrote about: He held major professional and administrative positions within Kaiser Permanente and was a key participant in its growth and development. Accordingly, this book provides as reliable and as firsthand a story of our organization’s history as could ever be written.

Now in its second printing, Smillie’s comprehensive, engaging book presents considerable factual detail about the key people originally involved in forming the organization. Further, the book recalls the wartime and postwar conditions under which the Kaiser Permanente Medical Care Program evolved. Smillie’s entertaining and informative book should be required reading for every Permanente physician and is sure to be of interest to many others—both within and outside our organization.

#### A Surgeon’s Journey: Mojave Desert to Permanente Creek

The first chapter appropriately begins the story in the 1930s in the Mojave Desert of Southern California, where Henry J Kaiser was building an aqueduct to deliver water from the Colorado River to Los Angeles. A young surgeon, Sidney Roy Garfield, had recently completed his residency training at the Los Angeles County General Hospital and had assumed the responsibility of providing industrial care for the workers on the aqueduct project.

There, in his first medical practice, Garfield discovered the power of prepayment capitation when he negotiated with the industrial insurance corporation to pay him a nickel per worker per day for providing industrial care. There he also discovered the importance of preventive medicine, and he strove to remove potential health hazards for the workers—although it is only legend that Garfield would go to the construction sites and pound down any protruding nails himself (p 13). Soon he negotiated payment of another nickel per worker per day, this time for providing nonindustrial care. Thus began Garfield’s first prepaid, comprehensive medical care program as well as his close, productive, lifelong association with Henry Kaiser.

In the book’s second chapter, Smillie describes the years 1938 to 1941, when Garfield moved to the State of Washington to establish his second medical care program for Kaiser workers: These workers were building the Grand Coulee Dam. Then, in early 1942—soon after the bombing of Pearl Harbor—Kaiser opened the Kaiser-Todd Shipyards in Richmond, California, to build “liberty ships” for use by the Allied troops fighting in Europe.

During this dramatic wartime period (described well in Smillie’s third chapter), Garfield and the other county hospital physicians prepared to be shipped out for duty in India—but Henry Kaiser arranged to have Garfield pulled out of uniform and assigned to provide medical care to the Kaiser-Todd shipyard workers. Thus, in 1942, Sidney R Garfield and Associates began to provide comprehensive industrial and nonindustrial care on a prepayment-capitation basis to all the shipyard workers. By 1944, approximately 100 of Garfield’s physicians were providing care to about 90,000 Richmond shipyard workers.

Chapters 4 and 5 review how, at the war’s end in 1945, the program of prepaid medical care was reorganized to form Kaiser Permanente. Accompanied by 13 physicians who stayed with him after the war, Garfield opened the Health Plan to the community, beginning with only about 14,000 members. In 1947-48, Garfield relinquished his sole proprietorship of the program to establish as nonprofit trusts the Permanente Foundation Health Plan and the Permanente Foundation Hospitals. The physicians employed by Garfield then established a partnership, The Permanente Medical Group. Kaiser had named his earliest companies “Permanente” after the “ever-flowing” Permanente Creek that ran near his cement and gravel plant in Los Altos, California (*The Permanente Journal* Vol



2, No 3, Summer 1998). In 1952, the trusts were renamed Kaiser Foundation Health Plan and Kaiser Foundation Hospitals, but The Permanente Medical Group retained its name to signify they were not Kaiser employees but were instead a separate and independent partnership. The book also recalls the decade of harassment which ensued when the organized medical establishment realized—with overt displeasure—that Kaiser Permanente was set to continue beyond the war's end. During this period, Permanente physicians were verbally attacked in various attempts to declare them unethical. Although the attempts failed, they are important not only in our own organization's history but also in the development of modern US health care.

### **Roots of Permanente Medicine: Founding Principles**

Beginning in 1945, Garfield advocated the importance of providing good-quality patient care at a cost health plan members could afford. He defined six basic principles that would govern his program: prepayment capitation, group medical practice, adequate integrated facilities, preventive care, voluntary enrollment of members and their dual choice of health plans, and physician responsibility for patient care.

### **Evolution and Growth of the Program**

In Chapters 6, 7, and 8, Smillie describes in some detail a dramatic period of confrontation between The Permanente Medical Group and the Permanente Foundation Health Plan and Hospitals. Henry J Kaiser had begun to show an increasing interest in taking personal control of the medical care program, beginning with administration of the new medical center built in Walnut Creek, California. After a long series of stressful negotiations that included a three-day session held at the Kaiser estate at Lake Tahoe, the participants formed the 1955 "Tahoe Agreement," a document that defined the responsibilities of each of these three entities as well as the contractual relationships between them.

Chapters 9, 10, and 11 review the growth of the Program through the 1960s. The final chapters (12 and 13) outline the challenges and accomplishments of the Program during the 1970s and 1980s. In 1973, Kaiser Permanente became the model for the federal Health Maintenance Organization (HMO) Act, legislation that encouraged formation of similar programs.

### **A Modern Health Care Legacy**

Although later modifications of Garfield's basic principles led to the appearance of "managed care" programs that control the quality of care by strictly managing its costs, the program pioneered by Garfield and Kaiser would leave a permanent legacy for health care in the United States. The founder of many organizations, Henry J Kaiser died in 1967, having often predicted that he would be remembered best for his health plan and hospitals. His prediction became reality.

Sidney R Garfield died in 1984, having received much well-earned recognition for his extraordinary contributions to health care in this country. In 1977, Garfield received the prestigious Lyndon Baines Johnson Award for Humanitarian Service from Mrs Lyndon "Ladybird" Johnson, former First Lady of the United States. In 1986, the University of Southern California dedicated the S R Garfield Chair in Health Services. In 1988, Garfield was posthumously inducted into the Modern Health Care Hall of Fame. John G Smillie died on September 6, 2000, leaving us this memorable history and many other substantive contributions to Kaiser Permanente. This review is written with the greatest respect for the memory of Jack Smillie, who was for so long my good friend and esteemed professional colleague. ❖

*Morris F Collen, MD, FACP, was one of Dr Garfield's earliest associates when he joined The Permanente Medical Group in 1942 as Chief of Medicine. He founded Medical Methods Research, now the Division of Research. Dr Collen is a member of the Institute of Medicine and is a scholar-in-residence at the National Library of Medicine.*