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Regional Oral History Office  
The Bancroft Library

University of California  
Berkeley, California

Kaiser Permanente Medical Care Program Oral History Project

Frank C. Jones

HISTORY OF THE KAISER PERMANENTE  
MEDICAL CARE PROGRAM

An Interview Conducted by  
Ora Huth  
in 1985

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Copy No. 1



FRANK C. JONES

ca. 1974



## Frank C. Jones

Frank C. Jones, 77, who helped manage the Kaiser Foundation Health Plan through 14 years of rapid growth, died Friday at Kaiser's Santa Teresa Community Hospital in San Jose.

Mr. Jones joined Kaiser Permanente during World War II, driving an ambulance during the day after all-night shifts as a welder in the Kaiser shipyards at Richmond, which turned out Liberty ships.

When the shipyards closed after the war and the health care plan was opened to the public, he continued as a health plan representative, enrolling union and employer groups and individuals.

Kaiser Health Plan membership dropped from 90,000 at the shipyards to fewer than 10,000 immediately after the war. Then it rebounded. Oakland-based Kaiser Permanente now serves more than 2 million Northern California residents and 5 million nationally.

Mr. Jones was vice president and health plan manager for Northern California from 1960 until he retired in 1974. After retirement, he resided in Atascadero (San Luis Obispo County).

He is survived by his wife, Ethel, of the family home in Atascadero; three daughters, Susan Renkert of Pozo (San Luis Obispo County), Barbara Stephanic of Washington D.C., and Sharon Henry of Palm Springs, five grandchildren and five great-grandchildren.

Funeral services will be private. The family asked that donations be sent to the American Cancer Society or a charity of the donor's choice.





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## Interviews

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Wallace Cook, M.D.

Cecil C. Cutting, M.D.

Alice Friedman, M.D.

Lambreth Hancock

Frank C. Jones

Raymond M. Kay, M.D.

Clifford H. Keene, M.D.

Benjamin Lewis, M.D.

George E. Link

Berniece Oswald

Sam Packer, M.D.

Wilbur L. Reimers, M.D.

Ernest W. Saward, M.D.

Harry Shragg, M.D.

John G. Smillie, M.D.

Eugene E. Trefethen, Jr.

Avram Yedidia



## PREFACE

### Background of the Oral History Project

The Kaiser Permanente Medical Care Program recently observed its fortieth anniversary. Today, it is the largest, one of the oldest, and certainly the most influential group practice prepayment health plan in the nation. But in 1938, when Henry J. and Edgar F. Kaiser first collaborated with Dr. Sidney Garfield to provide medical care for the construction workers on the Grand Coulee Dam project in eastern Washington, they could scarcely have envisioned that it would attain the size and have the impact on medical care in the United States that it has today.

In an effort to document and preserve the story of Kaiser Permanente's evolution through the recollections of some of its surviving pioneers, men and women who remember vividly the plan's origins and formative years, the Board of Directors of Kaiser Foundation Hospitals sponsored this oral history project.

In combination with already available records, the interviews serve to enrich Kaiser Permanente's history for its physicians, employees, and members, and to offer a major resource for research into the history of health care financing and delivery, and some of the forces behind the rapid and sweeping changes now underway in the health care field.

### A Synopsis of Kaiser Permanente History

There have been several milestones in the history of Kaiser Permanente. One could begin in 1933, when young Dr. Sidney Garfield entered fee-for-service practice in the southern California desert and prepared to care for workers building the Metropolitan Water District aqueduct from the Colorado River to Los Angeles. Circumstances soon caused him to develop a prepaid approach to providing quality care in a small, well-designed hospital near the construction site.

The Kaisers learned of Dr. Garfield's experience in health care financing and delivery through A. B. Ordway, Henry Kaiser's first employee. When they undertook the Grand Coulee project, the Kaisers persuaded Dr. Garfield to come in 1938 to eastern Washington State, where they were managing a consortium constructing the Grand Coulee Dam. Dr. Garfield and a handful of young doctors, whom he persuaded to join him, established a prepaid health plan at the damsite, one which later included the wives and children of workers as well as the workers themselves.

During World War II, Dr. Garfield and his associates--some of whom had followed him from the Coulee Dam project--continued the health plan, again



at the request of the Kaisers, who were now building Liberty Ships in Richmond, California, and on an island in the Columbia River between Vancouver, Washington and Portland, Oregon. The Kaisers would also produce steel in Fontana, California. Eventually, in hospitals and field stations in the Richmond/Oakland communities, in the Portland, Oregon/Vancouver, Washington areas, and in Fontana, the prepaid health care program served some 200,000 shipyard and steel plant employees and their dependents.

By the time the shipyards shut down in 1945, the medical program had enough successful experience behind it to motivate Dr. Garfield, the Kaisers, and a small group of physicians to carry the health plan beyond the employees of the Kaiser companies and offer it to the community as a whole. The doctors had concluded that this form of prepaid, integrated health care was the ideal way to practice medicine. Experience had already proven in the organization's own medical offices and hospitals the health plan's value in offering quality health care at a reasonable cost. Many former shipyard employees and their families also wanted to continue receiving the same type of health care they had known during the war.

Also important were the zeal and commitment of Henry J. Kaiser and his industry associates who agreed with the doctors about the program's values and, despite the antagonism of fee-for-service medicine, were eager for the success of the venture. Indeed, they hoped it might ultimately be expanded throughout the nation. In September, 1945, the Henry J. Kaiser Company established the Permanente Health Plan, a nonprofit trust, and the medical care program was on its way.

Between 1945 and the mid-1950s, even as membership expanded in California, Oregon, and Washington, serious tensions developed between the doctors and the Kaiser-industry dominated management of the hospitals and health plan. These tensions threatened to tear the Program apart. Reduced to the simplest form, the basic question was, who would control the health plan--management or the doctors? Each had a crucial role in the organization. The symbiotic relationship had to be understood and mutually accepted.

From roughly 1955 to 1958, a small group of men representing management and the doctors, after many committee meetings and much heated debate, agreed upon a medical program reorganization, including a management-medical group contract, probably then unique in the history of medicine. Accord was reached because the participants, despite strong disagreements, were dedicated to the concept of prepaid group medical practice on a self-sustained, nonprofit basis.

After several more years of testing on both sides, a strong partnership emerged among the health plan, hospitals, and physician organizations. Resting on mutual trust and a sound fiscal formula, the Program has attained a strong national identity.

## The Oral History Project

In August 1983, the office of Donald Duffy, Vice President, Public and Community Relations for Kaiser Foundation Health Plan and Hospitals, contacted Willa Baum, director of the Regional Oral History Office, about a possible oral history project with twenty to twenty-four pioneers of the Program. A year later the project was underway, funded by Kaiser Foundation Hospitals' Board of Directors.

A project advisory committee, comprised of seven persons with an interest in and knowledge of the organization's history, selected the interviewees and assisted the oral history project as needed. Donald Duffy assumed overall direction and Darlene Basmajian, his assistant, served as liaison with the Regional Oral History Office. Committee members are John Capener, Dr. Cecil Cutting, Donald Duffy, Robert J. Erickson, Scott Fleming, Dr. Paul Lairson, and Walter Palmer.

By year's end, ten pioneers had been selected and had agreed to participate in the project. They are Drs. Cecil Cutting, Sidney Garfield, Raymond Kay, Clifford Keene, Ernest Saward, and John Smillie, and Messrs. Frank Jones, George Link, Eugene Trefethen, Jr., and Avram Yedidia.

By mid-1985 an additional ten had agreed to participate. They are: Drs. Morris Collen, Wallace Cook, Alice Friedman, Benjamin Lewis, Sam Packer, Bill Reimers, Harry Shragg, and David Adelson, Lambreth (Handy) Hancock, and Berniece Oswald.

Plans to interview Dr. Garfield and Dr. Wallace Neighbor, who had been at Grand Coulee with Dr. Garfield, were sadly disrupted by their deaths a week apart in late 1984. Fortunately, both men had been previously interviewed. Their tapes and transcripts are on file in the Central Office of the medical care program. Similarly the project lost Karl Steil due to his lengthy illness and death in 1986.

The advisory committee suggested 1970 as the approximate cutoff date for research and documentation, since by that time the pioneering aspects of the organization had been completed. The Program was then expanding into other regions, and was encountering a new set of challenges such as Medicare and competition from other health maintenance organizations.

## Research

Kaiser Permanente staff and the interviewees themselves provided excellent biographical sources on each interviewee as well as published and unpublished material on the history of the Program. The collected papers of Henry J. Kaiser on deposit in The Bancroft Library were also consulted. The oral history project staff collected other Kaiser Permanente publications, and started a file of newspaper articles on current health care topics. Most of this material will be deposited in The Bancroft Library with the oral history volumes. A bibliography is located at the end of the volume.

To gain additional background material for the interviews, the staff talked to five Kaiser Permanente physicians in northern California, two of whom had left the program years ago: Drs. Martin Abel, Richard Geist\*, Ephraim Kahn\*, James Smith\*, and William Bleiberg\*. James De Long\* in Portland, and William Green\*, William Allen\*, and Dr. Toby Cole\* in Denver talked about the history of their regions. In addition, Peter Morstadt\*, formerly executive director of the Denver Medical Society discussed the attitude of the Medical Society toward Kaiser Permanente's years in Denver.

The staff also sought advice from the academic community. James Leiby, a professor in the Department of Social Welfare at UC Berkeley and an advocate of the oral history process, suggested lines of questioning related to his special interest in the administration of and relationships within public and private social agencies. Dr. Philip R. Lee, professor of social medicine and director of the Institute for Health Policy Studies at the University of California Medical School, proposed questions concerning the impact of health maintenance organizations on medical practice in the United States.

### Organization of the Project

The Kaiser Permanente Oral History Project staff, comprised of Malca Chall, Sally Hughes, and Ora Huth, met frequently throughout 1985 to assign the interviews, plan the procedures and the time frame for research, interviewing, and editing, and to set up a master index. Interviews with the first nine pioneers took place between February and June, 1985, and with the second group between February and December, 1986. The transcripts of the tapes were edited, reviewed by the interviewees, typed, proofread, indexed, copied, and bound. The entire series will be completed during 1987.

### Summary

This oral history project traces, from various individual perspectives, the evolution of the Kaiser Permanente Medical Care Program from 1938 to 1970. Each interview begins with a discussion of the individual's family background and education--those tangible and intangible forces that shaped his or her life. The conversation then shifts to the interviewee's participation in and observation of significant events in the development of the health plan. Thus, the reader is treated not only to facts on the history of the Program, but to opinions about the personal qualities of the men and women--doctors, other health care professionals, lawyers, accountants, and

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\*Tapes of these interviews have been deposited in the Microforms Division of The Bancroft Library.



businessmen--who, often against great odds, dedicated themselves to the development of a health care system which, without their commitment and skills, might not have resulted in the individual and organizational achievements that the Kaiser Permanente Medical Care Program represents today.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to the development of the West. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Malca Chall, Director  
Kaiser Permanente Medical Care Program  
Oral History Project

23 January 1987  
Regional Oral History Office  
Berkeley, California



## INTERVIEW HISTORY

Frank C. Jones is an able pioneer who moved adeptly through the ranks to become a highly respected manager and vice president of the Northern California Kaiser Permanente Health Plan. Straightforward, personable, and persevering, he became a key team player in the medical care program. Exempt from the draft because of his age during World War II, and in need of work when his typewriter sales job ended as the L.C. Smith Typewriter Company switched to making machine gun parts, he trained as a welder in 1943, and went to work at the Kaiser Shipyards in Richmond. There he became a welder leaderman, then a safety inspector, and he moonlighted as an ambulance driver at the hospital-clinic. In his oral history he reveals that he viewed each job move as a step upward and he notes that the changes came about because he "just happened to run into" and "got talking to" people who helped him secure the new positions. This was the case in early 1944, when he met fellow pioneer, Al Brodie, and went to work for the Permanente Health Plan. Looking back on his job as a health plan representative, he describes it as having been a "challenge," adding that he thought he would succeed because he was "comfortable meeting the public and talking to people." He recalls how he signed workers and their dependents as health plan members when the plan was first opened to family members. He explains that the decision was made to open the plan because it was a time when doctors were scarce because of the war, and when workers were streaming into Richmond, causing housing to be in such short supply that "people were sleeping in their cars."

Currently residing in Atascadero, Frank Jones was born November 13, 1909, in Washington County, Iowa, as the son of farmers whose ancestors traveled there from the East Coast in covered wagons. He graduated from high school after his family moved ten miles to the town of Wellman. Two years of forestry study at the University of Iowa were interrupted for apprenticeship with a Milwaukee photographer and work as a portrait photographer in Columbus, Ohio. Hard times for the photography business in the depression years led to travel to Los Angeles for the 1932 Olympics, where he stayed on to work as a photographer, first in Los Angeles and then in San Francisco. There he switched to office equipment sales, eventually going to work for the L.C. Smith Typewriter Company, and then with Kaiser.

Frank Jones traces major milestones in the history of the health plan, beginning with the move from Richmond to offices in the Fabiola Hospital in Oakland. He describes his work on enrollment of a variety of trade union groups; signing up government workers after passage of the Federal Employees' Health Benefit Act, said to be the beginning of payroll deductions for health care; bringing in City and County of San Francisco employees, with the innovation of a choice of plans (dual choice) by workers; and the wage freezes and accompanying union negotiating that led to the employer paid plans of today.

The interview took place on March 23, 1985, at Villa Marguerita in Atascadero, the location of the home of Frank Jones and his wife, Tudie. The setting was the dining room of their trim and tastefully decorated mobile home in a choice park in the coastal foothills overlooking the ocean. Neatly dressed in slacks, matching jacket, shirt, and tie, Frank Jones sat next to the interviewer at the dining room table. Mrs. Jones sat reading in a comfortable chair in the adjacent living room. A pre-interview conference provided for review and adjustment of an outline, mailed in advance, that presented the scope and topics to be covered. Frank Jones was fully prepared to answer the interview questions. He responded thoughtfully and with good humor. He patiently continued with the interview, with no sign of tiring, in spite of the extended time required for completion in one session. During needed breaks there was an opportunity to go into the next room to view his wall of photographs of Kaiser Permanente colleagues, and to discuss his life-time interest in raising and riding horses that has continued to occupy his time since his retirement in 1974. He told about meeting his wife-to-be, Tudie, also a Kaiser pioneer, when he worked as an ambulance driver in Richmond, noting that he often picked up patients at the clinic where she worked as a receptionist. Later, when he received his lightly edited transcript, he thoughtfully reviewed it, correcting the spelling, and adding relevant information to complete the record.

Frank Jones concludes that the Kaiser Permanente organization to provide health care is "getting better all the time," and in his history he reflects:

I can see that [it is getting better] from the kind of training programs that we're doing internally. . .it's one thing to get the member, and the next thing is to keep him. You've got to provide good service. You've got to be courteous. You've got to do all the things that a member would expect. . . our organization has improved 100 percent on that in the past few years, and particularly in northern California.

Ora Huth  
Interviewer-Editor

3 March 1987  
Regional Oral History Office  
486 The Bancroft Library  
University of California at Berkeley

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name Frank Cecil Jones

Date of birth Nov. 13, 1909 Place of birth Washington County Iowa

Father's full name Frank Arthur Jones

Birthplace Washington County Iowa

Occupation Farmer

Mother's full name Mary Elizabeth Rugg

Birthplace Washington County Iowa

Occupation Homemaker

Where did you grow up ? Washington County Iowa

Present community Central California

Education High School--Two Years College

Occupation(s) Photographer--Salesman (L. C. Smith Typewriter) (Ediphone

Dictating Machines) Welder--Safety Inspector World War II years--Kaiser

Foundation Health Plan Adm.

Special interests or activities Most all sports especially golf



I FAMILY BACKGROUND, EDUCATION, CAREER INTERESTS, AND MOVE  
TO CALIFORNIA, 1909 TO 1935

[Date of Interview: March 23, 1985]##

Iowa Pioneer Heritage, Early Life, and Schooling: 1909 to the  
Late 1920s

Huth: Mr. Jones, as we start this oral history on the Kaiser Foundation Medical Care Program and your experiences with it, I'd like to begin with your personal history, and something about your family background. But first, will you please tell me when you were born.

Jones: I was born on November 13, 1909.

Hugh: Where?

Jones: Washington County, Iowa, on a farm.

Huth: Were your parents farmers?

Jones: That's right. I had one sister who was eight years younger than I.

Huth: And any others--were there brothers?

Jones: No. Just the two of us.

Huth: Would you tell me something about your grandparents? Where were they from?

Jones: My grandparents were also farmers. In fact, they lived on the same property--on the same farm that I was born on.

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## This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 89.



Huth: So one of your parents was born there, also.

Jones: Yes, my father was. My mother was also born on a farm some fifteen miles from there, and her parents and grandparents were farmers.

Hugh: Were her grandparents also born in Iowa?

Jones: Right.

Huth: Going back even further, where did the families come from? Can you give me any information about that?

Jones: I'm not sure. They came from the East Coast; they came out in covered wagons and settled in Iowa.

Huth: What about your schooling in Washington County?

Jones: Well, I started school in the first grade, and I went through to about the third grade. Then my father sold the farm, and we moved to another farm. I changed schools and went there for maybe two or three more years. Then he sold that farm, and we moved to a town called Wellman.

Huth: Was that nearby?

Jones: Not too far--ten miles, perhaps. And I finished my high school there at Wellman, Iowa.

Huth: Then where did you go?

Jones: Then I spent a couple of years at the University of Iowa.

Huth: Where is that located?

Jones: Iowa City.

### The Depression, Travel, and Temporary Career in Photography

Huth: Then where did you go after that?

Jones: Times were pretty tough then [chuckles] at the start of the depression. I had odd jobs until I, with a friend of mine, went to Milwaukee, Wisconsin. After a short period of time, I was understudying with a well-known photographer in Milwaukee.



Huth: Were you planning to go into photography?

Jones: I did go into it for a few years, up until about 1930.

Huth: What kind of photography?

Jones: I did portrait work. We opened a studio in Columbus, Ohio, and I was running the studio there. But the depression was really hitting hard, and people were not buying pictures; they had a hard time even buying groceries. So in 1932 several of us decided to come out West.

Huth: Was this a group of people you knew well?

Jones: No, just three other fellows and myself. It was the year of the Olympics in Los Angeles, so we went out and fooled around there. I got some work as a photographer, but jobs were hard to come by.

Huth: Would you tell me something about these three friends?

Jones: They were high school friends.

Huth: Were they friends that you kept in touch with for a while after that?

Jones: No, not too much. One of them went back on the farm, and two of them went back and became school teachers.

#### University Education, Family, and Career Interests

Huth: Going back to your school years, when you were taking your classes in high school and with your high school friends, was there anything in connection with medicine or things medical at that time?

Jones: Oh, no. The closest thing along that line is that I had an uncle who graduated from the University of Iowa Medical School, and a couple of cousins that became doctors graduated from the University of Iowa.

Huth: Were they close cousins that you saw fairly often?

Jones: No, they were older fellows, and I didn't have much contact with them.

Huth: Were these on your father's or mother's side?

Jones: On my father's side. And they were in practice in Cedar Rapids, Iowa. In a way, you might say that it was kind of a group practice, because they shared the same offices, the same waiting room, used the same x-ray equipment and so forth.

Huth: Did they have different specialties?

Jones: My uncle was a surgeon, one cousin was in general practice, and the other was in Ob-Gyn--obstetrics.

Huth: So it was almost like a small clinic.

Jones: Right.

Huth: Did you ever visit that clinic?

Jones: Yes. As a matter of fact, I used to visit my uncle in the summertime, and he talked about me being a doctor, but it never worked out.

Huth: Did you ever think about it?

Jones: Well, no, I never gave it too much thought.

Huth: What did you study when you went to the university?

Jones: Well, [laughs] an unusual thing--forestry, but I didn't go too far with that.

Huth: Did you have any special friends during your college years that you kept in touch with later on?

Jones: No, because coming out to California sort of cut off those contacts.

Huth: Were those college friends that came with you to California?

Jones: No.

Huth: They hadn't all gone on to college?

Jones: Right. Well, they had gone on, but not to the University of Iowa. The two that became teachers probably went to Iowa State Teacher's College. When I left Columbus, Ohio, and went back to Iowa, we kind of fooled around together, and we decided to come to California for that summer--for the Olympics. They went back, and I stayed out here.

Huth: Did you have any special girlfriends during your high school years or those first two college years?

Jones: No, none in particular.

Huth: How about hobbies? Did you already have a hobby in photography in your high school years?

Jones: I didn't even have a camera. [laughter] Getting back to your question about girlfriends, I did have a girlfriend that I met in Milwaukee. She lived in Los Angeles, and while I was in Los Angeles I visited her a few times, but that was nothing serious.

Huth: When you were on the farm did you think that you might become a farmer, since going back in your ancestry there had been all these farmers? Was there a push to have you continue on the farm as far as the family discussing what you might do in the future?

Jones: No, I really didn't have any desire to continue on in farming. The fact of the matter is that the year I graduated from high school, one of my classmates had a sister living in Illinois on a dairy farm. And we went back there that summer, and I worked on the dairy farm, and I had enough of that.

Huth: So you worked there one year.

Jones: Yes. We didn't even have milking machines. We had to milk thirty-seven cows by hand.

Huth: Do you ever look back on any of the farming experiences as having been pleasant special years, or not necessarily?

Jones: Not necessarily. Farming is a great thing. I mean, we all got plenty to eat. We didn't have a lot of money, but we had a lot--  
[laughs]

Huth: In the depression years, when other people were struggling for food, did you have enough?

Jones: Yes, we always managed.

Huth: What kinds of things did you grow or raise on that farm?

Jones: We grew mostly corn, corn and oats, and we raised hogs.

Huth: Did you have special chores that you were given to do?

Jones: Oh, yes. The usual things--especially milking.

Huth: Did you have any pets, like cats or dogs? On the farm did you find that pets were important?

Jones: Well, I had a dog when I was little, and he was a little black and white fellow. But that's about it--other than horses. I always had a horse to ride, and I did a lot of riding.

Huth: Would you say that riding was one of your hobbies?

Jones: That, and hunting.

Huth: And what kind of hunting did you do?

Jones: Oh, we had ducks in the fall of the year. I'd hunt rabbits in the wintertime, and I did a lot of fishing. Every time a storm came up we had a river running through our place, and we'd head for the river. We had a little pond there, and we'd take a net and get crawfish out of there with a net, and we'd bait up our throw lines. And when the river receded the fish would bite. [laughter]

Huth: So you always knew you'd have good fishing there.

Jones: Sure, we'd get a washtub full of fish.

Huth: Are there any other things you can tell me about your family or your early years?

Jones: No, I don't think there's anything else.

Huth: Do you remember your grandparents?

Jones: Oh, yes.

Huth: Did they live in the same house with you?

Jones: No.

Huth: Or close by?

Jones: My grandmother on my father's side lived in Wellman. In fact, before we moved to Wellman, I spent some time with her. But I didn't know my grandfather because he was dead before I was old enough to know him. On my mother's side, there were my grandmother, and grandfather, and great grandfather.

Huth: Did they live close by?

Jones: Not too far--five or six miles away. One fact I remember about my great grandfather was that he was always trying to run away. He was trying to get back to a place about thirty miles away from there where he was born. He'd head up the road, and the neighbors would call up and say, "Grandpa's going up the road," and they'd have to go get him.

Huth: How old was he at that time?

Jones: Oh, he was in his late eighties. In fact, they found him on the side of the road one time, passed out, and they thought he had had a sunstroke and was dead. They brought him back to the house, laid him out on the porch, and went in to call the undertaker. When they came back out he was gone. [laughter]

Huth: He really fooled them, did he? [laughs]

Jones: He came to and took off again.

Huth: So did they have to catch him again? Did he continue to try to find where he had been born?

Jones: Yes, but they caught up with him. He was an independent type person.

Huth: Did your grandparents live to relatively old ages--such as to the late eighties?

Jones: All of my relatives lived to be quite old.

Huth: How about your mother and father? Are they still living?

Jones: No, my mother died a couple of years ago. I think she was around ninety--eighty-nine or ninety.

Huth: What about your father?

Jones: He died about a year after that.

Huth: Was he about the same age?

Jones: Yes. They were both twenty-one years old when I was born.



Relocating in Northern California, 1933

- Huth: Shall we move on to your career activities? You told me you went to Milwaukee, and then you came out to California.
- Jones: Yes, Milwaukee, and Columbus, Ohio. I did a little stint there. Then I came to California in 1932.
- Huth: Did you stay, then, in California?
- Jones: Yes. I spent about nine months in southern California. And then I had some friends in San Francisco, so I came up to San Francisco in 1933. Outside of a couple of trips visiting back in Iowa, you know, on business, or going to see that area, I've been here ever since in northern California.
- Huth: What caused you to stay, do you think?
- Jones: Well, I just decided this is where I wanted to be.
- Huth: Did it have anything to do with the place itself? With your impressions of it?
- Jones: Oh. I just like California better than Iowa. [chuckles]
- Huth: What about the Bay Area rather than Los Angeles? You said you were there for about nine months.
- Jones: I like the Bay Area much better.
- Huth: What did you like about the Bay Area?
- Jones: The climate, and just being around San Francisco was very appealing to me in those days.
- Huth: You were in San Francisco itself, and not in one of the outlying areas?
- Jones: No, for a long time I was in San Francisco, beginning in 1933, then in San Jose. I did some photographic work in San Francisco for a year or two.
- Huth: For yourself, or for someone else?
- Jones: No, someone else. I was doing some developing of negatives and proofs, and finished pictures, and so forth--for a photographer.

Huth: Was this a commercial photographer?

Jones: Right.

Huth: Do you remember the name?

Jones: No, I can't remember.

Huth: How long did you stay; was it a year or two there, and then did you get another job in San Francisco?

Jones: No.

## II SHORT CAREER IN OFFICE EQUIPMENT SALES, 1935 TO 1943

- Jones: A fellow that I knew had a friend in the office equipment business in San Jose, at Hunter's Office, Store, and Equipment Company. He was looking for salesmen, so I went down and got a job. I was with Hunter's Office, Store, and Equipment Company for several years.
- Huth: Were you a salesman of all of their products, or just one product?
- Jones: Mainly typewriters--typewriters and adding machines.
- Huth: And would that have been about 1935?
- Jones: Yes. Close enough, I think.
- Huth: Did you like that job?
- Jones: Yes, it was pretty good.
- Huth: Were they a special make?
- Jones: L.C. Smith typewriters, and Victor adding machines. There, I met the district manager for the L.C. Smith Typewriter Company. He had all of northern California. After about three years there in San Jose, there was an opening in Sacramento, and I went up there representing the L.C. Smith Typewriter Company for all the state offices.
- Huth: Was this as a salesman and for their potential purchase of L.C. Smith typewriters?
- Jones: Yes.
- Huth: So that was three years later, in about 1938?



- Jones: Yes. Through some maneuvering around of the state purchasing agent, the agent decided at one point in time that he would not buy any typewriters from anybody until he could break their rule on the value of trade-ins. So I left and I went to work for the Ediphone Dictating Machine Company, since I couldn't sell any typewriters-- [chuckles] calling on the same customers--the state offices.
- Huth: How long did you work for L.C. Smith, then, until this happened?
- Jones: About a year. Let's see, where are we now in time, '38?
- Huth: We were in 1938 when you told me you went to Sacramento?
- Jones: Yes. I was there about two years working for the L.C. Smith Typewriter Company, and for Ediphone dictating machines.
- Huth: That would be about 1940?
- Jones: Yes. Then I went back to San Francisco as a representative for L.C. Smith typewriters.
- Huth: During all of these years, did you make any special friends that were long-lasting friendships?
- Jones: Not really close--only in a business sense. There was this fellow, the district sales manager for L.C. Smith. He was an old friend of mine. He's dead now. I had good friends along the way, but most of them have passed on.
- Huth: You said you came back to San Francisco as a representative for L.C. Smith typewriters. Was that for all of northern California?
- Jones: No, for the financial district in San Francisco.
- Huth: How long did you continue in that job?
- Jones: Until the war started. That was in 1942, wasn't it?
- Huth: Yes.
- Jones: We could see the handwriting on the wall when the war started. During World War I, the L.C. Smith company made changes. After the government bought all the typewriters that they wanted, and all the priority industry got all they wanted, they changed their machinery over to make machine-gun parts.

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Jones: The only typewriters that could be purchased were for federal offices or for industries that had high priorities for war material. We knew that once those orders were all filled they probably would go back to making machine-gun parts like they did in World War I, and that's exactly what happened.

Huth: So what did you do?

Jones: One of my buddies and I decided, "We'll plan ahead a little bit," and we went out to Samuel Gompers Trade School in San Francisco. The only classes they had open were for welders. So we took care of our business in the morning. We didn't have to do any selling in those days because the purchasing agents were calling us.

Huth: Because they needed typewriters.

Jones: They needed everything, you know. So at noon we'd take off and go out to Samuel Gompers Trade School and learn how to weld. We did this for several months.

Huth: About three months, would you say?

Jones: Yes, at least that. In fact, the instructor there said, "You guys know all I can teach you. Now, go on out to the shipyards and get a job." But we didn't want to leave because we still had our other jobs. Eventually they closed us off.

Huth: How much later were you closed off?

Jones: Where are we on dates?

Huth: We were in 1942 when you came back to San Francisco. It took a while to get the shipyards going.

Joens: Yes. I guess it was in 1943.

III WORLD WAR II: WARTIME WORK IN THE RICHMOND KAISER SHIPYARDS,  
1943 AND 1944

Welding Job at the Richmond Kaiser Shipyards, 1943

Huth: What happened in 1943? Did you get another job?

Jones: We went out to the Richmond Kaiser Shipyards, and got a job. There were just two of us. My friend took a day job, and I took a graveyard shift job, and we sort of drifted apart after that. When the war was over we didn't get to see much of one another.

Huth: And was the graveyard the really late shift that began about midnight?

Jones: Yes, I think we went to work at eleven, something like that.

Huth: Was it an eight hour shift?

Jones: Yes.

Huth: And was this so they could get things done as fast as possible?

Jones: Yes, there were three shifts.

Huth: For a speed-up process?

Jones: Yes, so along with that, we first moved to Berkeley, and took an apartment there, maybe for six months or so. Then they were building housing units in Richmond--

Huth: Were you living with anyone else in this apartment, or just by yourself?

Jones: No, I was married then.

Huth: Oh, you were? Well, we skipped all of that.

Jones: Yes.

More Family Background, 1935 to 1943

Failed Marriage, Daughters, and Marriage to "Tudie" White,  
1934 to 1944

Huth: That marriage is part of family background, so we should backtrack now and cover that.

Jones: When I was living in San Jose I was married. Her maiden name was Yvonne Boss. And that was back when I got the job at L.C. Smith.

Huth: How did you meet your wife?

Jones: Through mutual friends at a social gathering. We were married afterwards.

Huth: How long did you know her before you married?

Jones: Oh, not too long, a few months. Her parents lived in San Mateo.

Huth: Do you remember what year you married, or what year you met?

Jones: Yes, it was about '35, when I went to work in San Jose and married.

Huth: Was she working at the time?

Jones: No.

Huth: Had she gone to school?

Jones: No.

Huth: Had she always lived in San Mateo before you married?

Jones: Right. Right.

Huth: And she hadn't gone on to college?

Jones: No.

Huth: Had she had any further training for anything?

Jones: No.

Huth: Do you remember how old you were when you married? Since it was in 1935, and you were born in 1909, were you about twenty-six years old?

Jones: Yes, and I don't know how old she was. She was two or three years younger than I was.

Huth: Is this your present wife?

Jones: No. We had two children, two girls.

Huth: How long were you married?

Jones: We were married until I went to Richmond.

Huth: Richmond was in 1943. So were you divorced at that time?

Jones: We were divorced at that time, yes.

Huth: And that was about eight years later. Have you seen these two girls since then?

Jones: Yes. One of them, Sharon, the oldest girl. The girls went with their mother, and I didn't see them for a long time. Sharon now lives in Palm Springs. I'm not close to Wendy. That's the youngest one.

Huth: Is the oldest named Sharon Jones, or does she have a different name?

Jones: She has a different name. She is now Sharon Henry.

Huth: Is she married?

Jones: Not now, she's divorced.

Huth: How much younger is Wendy? About two years?

Jones: About two years, yes. And her last name is Lezenbee. She's married and has four or five kids, but I don't see them. She lives up in the Sacramento area someplace.

Huth: So you haven't kept in touch?

Jones: No.

Huth: Did you keep in touch with your former wife at all?

Jones: No.

Huth: Did she remarry?

Jones: Oh, I think she did.

Huth: When we were talking about your family and family background, we should have talked about your present wife. When were you married?

Jones: We were married in 1944. My present wife's maiden name was Ethel ["Tudie"] White.

Huth: Where was she from?

Jones: She was born in Ohio. She was just a baby when they came out here.

Huth: Did her family move to San Jose?

Jones: No, they moved to Los Angeles, and then to San Jose.

Huth: Do you remember when you first met?

Jones: Well, she was working at our clinic in Richmond. I was already divorced when we met.

Huth: Did she work at the medical clinic?

Jones: Yes.

Huth: Was she a nurse?

Jones: No, a receptionist. When the patients came in the front door, she'd direct them to whatever direction they were supposed to go--[chuckles] surgery, medicine, whatever.

Huth: How long had she worked there before you went to work?

Jones: She came at about the same time.

Huth: You said you met her at the clinic, but you were working as a welder in the shipyards. How did you happen to meet her at the clinic? While you were working as a welder did you get another job?

Jones: Yes.



Moving Up at the Shipyards: Welder, to Welder Leaderman, to  
Safety Inspector

Huth: We were talking about your welding job and working on the graveyard shift at eleven p.m. Then you worked about an eight hour day-- eight hour nights, we would have to say.

Jones: Yes, I was a welder, and then I had a hernia operation.

Huth: Through the Kaiser clinic facility?

Jones: Yes.

Huth: And was it because of your welding job that you had to have the operation?

Jones: No, I stepped on a cable when I was carrying a big plank. I was trying to make some scaffolding there for one of my welders, and I stepped on a cable. It went out from under me and caused a hernia, so I underwent surgery.

Huth: Where was the surgery done? Was it done there in Richmond?

Jones: No, it was done in Oakland. It was an industrial accident. In fact, I had a double hernia; they discovered I had a weakness on the other side, so they did one as an industrial, and the other side was done under the health plan coverage.

Huth: When you first went to work there, were you immediately covered under the health plan?

Jones: Yes.

Huth: When you first joined Kaiser as an employee, what were you looking for in the job that you took with them as a welder? Was there any special reason for taking a Kaiser job? Weren't there other places you could possibly have gone?

Jones: Oh, all the shipyards around were hiring. It just happened to be that we knew Kaiser was hiring, so we just went over one day, and there we were.

Huth: And it could just as easily have been another company that would be hiring. You didn't seek out Kaiser?



Jones: No, it was just that they were hiring a lot of people.

I went back to work after the surgery, and they'd busted up my crew. By that time I was a welder leaderman. I only welded for about a month, and then I was a leaderman.

Huth: Did that kind of job change also happen to others fairly fast? Why did it happen to you?

Jones: Oh, there was so much going on, so many new people coming in and so forth. Probably there weren't too many leaderman. Most of them continued on welding. So when I had the surgery I was a leaderman. I was trying to help my crew with the staging, and I was injured.

As I said, when I went back they'd busted up my crew, so I transferred out of welding. When I was up at the hospital, I ran into some people up there, and I heard there was an opening in the safety department.

Huth: Who did you talk to to find that out?

Jones: Oh, he was a safety engineer that I ran into there.

Huth: Was he a patient?

Jones: No, I just happened to run into him. We got to talking, and I said something about going back to work. He said, "I've got an opening down there, if you can get transferred." They wanted to give me a new crew, and I said, "I'll transfer out if I can," so I made arrangements to get transferred to another Kaiser yard. Then I was a safety inspector.

Huth: Was that also in Richmond?

Jones: Yes.

Huth: They had several shipyards there, then?

Jones: Yes, they had four. There were yards one, two, and three, and then there was another small yard--yard four. The main ones were yards one, two, and three. The other one was sort of an assembly setup.

Huth: What was your official title on this new job?

Jones: I was a safety inspector.

Huth: What were you anticipating with this new job? Did he talk to you so you had some expectations about it?

Jones: No. [laughs]

Huth: Any special reason that you took it over welding?

Joens: The safety inspector's job was a lot better job.

Huth: Was it higher pay?

Jones: About the same, I think. But it was a lot cleaner, and a lot better job.

Huth: What hours did you have then?

Jones: I was on swing shift--four to eleven, I think--something like that.

Huth: Did you like that job?

Jones: Yes, it was all right. I had a lot of fun there.

Huth: Did you meet any special friends while on that job?

Jones: No. Not particularly, no. As a safety inspector I ran into Al Brodie, who was then the health plan manager. Al Brodie was John Brodie's father. John Brodie was the well-known quarterback for the San Francisco Forty-Niners football team.

Huth: Oh, yes. That is a well-known name.

Jones: Al Brodie was the first health plan manager.

Huth: And the health plan was located in Richmond at the time?

Jones: Yes.

## IV THE WARTIME AND POSTWAR PERMANENTE HEALTH PLAN, 1943 TO 1946

- Huth: You said you ran into Al Brodie. Was it in connection with your safety inspection route?
- Jones: No. We just ran into one another and got to talking about one thing and another. He said, "How would you like to go to work for me with the health plan?" I said, "I've got a job." He said, "Maybe we can get you out of that--get you transferred."
- Huth: That's out of time sequence because the ambulance job must be in there somewhere.
- Jones: Yes, before I met Al Brodie there were two fellows that lived upstairs where I lived who were working over at the clinic.
- Huth: You were living in Richmond then?
- Jones: Right. Yes, we had moved from Berkeley to Richmond.
- Huth: And they both worked in the clinic?
- Jones: One of them, Tom Stevenson, worked in the shipyards, and he was in the transportation department in the daytime, at the hospital-clinic.
- Huth: So that's two jobs?
- Jones: Yes, he worked in the shipyards at night, and in the daytime he would be on call in the transportation department.
- Huth: Were they both full-time jobs?
- Jones: Well, in this transportation department you'd sit around and do nothing until you had to go someplace on call. You'd sleep on the gurney.

Huth: And just one of them worked at two jobs?

Jones: Yes, the other one, Gene Gross, was in the transportation department full time. That's all he did. Tom Stevenson worked part time in the shipyards, and he filled in in the transportation job.

Ambulance Driver for the Richmond Hospital-Clinic, 1943

Jones: They asked me one day if I'd come over to help them out. They needed some help over there. I was working a full shift, and I didn't want to do it. But finally I agreed to go over and help them out for a day or two, and that's how I got started in it.

Huth: So you did it just for a day or two?

Jones: Well, that's what I had in mind, but the food was good.

Huth: Why was the food a factor?

Jones: You know, in those days we had ration stamps [chuckles], and they had plenty of food there.

Huth: Are you talking about food as part of the clinic?

Jones: Yes, they had a dining room there for the help to eat.

Huth: Working with the transportation department, were you actually located at the clinic?

Jones: Yes, it was right there.

Huth: You stayed there?

Jones: Yes.

Huth: Was it so whenever they needed an ambulance, you'd be handy there?

Jones: In those days a lot of people there didn't have automobiles; they didn't have transportation, so we'd have to go haul patients. Sometimes we'd go get them and bring them in, and take them back if they were crippled. Or if they were in the hospital and they'd be dismissed, and they didn't have transportation--we'd take them home. Most of it was just short runs.

Jones: We'd also have to go over to the Irwin Memorial Blood Bank in San Francisco once a day. One of us would take that trip to go over and get blood at the Irwin blood bank. There were a variety of things that we did.

Huth: Did they have plenty of gasoline at that time?

Jones: Oh, yes.

Huth: Gasoline was rationed too, wasn't it?

Jones: Not for hospitals. They had all they could use.

Huth: Do you remember what year you would have started doing that? Was that around 1943?

Jones: Yes.

Huth: So that was just kind of a fluke that got you into that. You weren't actually seeking that as an extra job?

Jones: No. That's when I met Al Brodie.

#### Health Plan Representative, 1944

Jones: I was there where Al Brodie was. Al's office was right there, close to the transportation department, and we chitchatted back and forth.

Huth: Was that when he offered you a job--when he said he'd like to have you come to work for the health plan?

Jones: Yes. So I did that, and I continued on in my job at the shipyards, until Dr. Sidney Garfield wrote a letter to my draft board that got me a health plan representative job that was classified as an essential job during the war. Otherwise, if I had quit my job at the shipyard, they would have sent me an induction notice. Nobody could quit their jobs.

But Brodie talked to Dr. Garfield, and he wrote a letter to the draft board, and he got me this particular kind of a job as health plan "rep" that was a classified job.

Huth: Does health plan "rep" mean health plan representative?

- Jones: Yes. I don't remember the exact terminology. The draft board would set up various criteria. It was either an essential war job or it wasn't. You had to be in an essential war job or be subject to the draft.
- Huth: About how many months later would that have been after you began work as a welder? How many months elapsed?
- Jones: Oh, probably a year.
- Huth: Would this have been about 1944?
- Jones: I think that's about right.
- Huth: Did you have any special expectations about that job when you first took it, other than that it was considered an essential war job? Why did you want to switch jobs?
- Jones: It had a lot more appeal to it. I mean, a safety inspector's job is a routine thing. You go around and look at something that needs to be fixed because it's a safety hazard and so forth. There's no challenge to a job like that.
- ##
- Jones: I always felt very comfortable about meeting the public and talking to people. This job had a lot more appeal to me than what I was doing. See, up to that point in time the health plan was only for the employee, and Dr. Garfield thought he had enough staff there so they could start offering coverage for the dependents. Brodie was going to start enrolling dependents in the health plan. So that's how I got involved. He wanted some more help so we could start enrolling dependents.
- Huth: Would it have been about 1944 that they began to do this?
- Jones: Yes.
- Huth: Do you know anything about how he came to that decision to enroll dependents, and not just the employee?
- Jones: There weren't too many private doctors in Richmond, and a lot of doctors had joined the service. And there was a big influx of people into Richmond. Richmond was a small community before the war, and here came all these thousands of people in. There just weren't enough doctors around to take care of them. Dr. Garfield thought they should be able to offer medical coverage to those dependents, and that's what we did. There were many people not getting medical care that needed it, and it was difficult to get medical care.



Huth: Was your job specifically related to enrolling dependents? What did you do?

Jones: Until they got really going, the first job I had was going around to all the shipyards and picking up their payroll ledgers. And that indicated that these people were health plan members. We needed these because there were terminations, people leaving, people coming in, and we tried to maintain some kind of eligibility records. I would go around and pick those up and match the last week's against the current week's ledger. The records weren't very accurate, but at least we made some attempt to establish eligibility.

Huth: How long did you do that?

Jones: That went on maybe three, four, five months, until we started enrolling the dependents.

#### The Health Plan Opened to Dependents, 1945

Huth: And did you have a full-time job that was specifically related to enrolling dependents?

Jones: Yes.

Huth: Did you have to go outside the office to do this?

Jones: Oh, yes. We went into the shipyards. We had approval from the Kaiser Industries corporation that we could interview the employees to enroll their dependents, so we went through every department in the shipyards. We'd usually set up a desk someplace, and they would send the employees in, one by one.

There were about three or four of us who were doing this; I wasn't the sole one. That's the way we enrolled them.

Huth: Was it intended to be just a short-term job until you got all of them enrolled? Or did they look forward to that being something that you would continue doing, so when you took it you knew it was likely to be a fairly permanent job?

Jones: Yes, fairly permanent. It was a pretty good guess that no one knew how long the war would go on, and no one knew whether the health plan would continue after the war or not. But it was a pretty good guess



Jones: that it probably would. And nothing seemed very permanent at that particular time because, when the war was over, I could have gone back to my old job with the L.C. Smith company in San Francisco. So this was something that you did at the time. Nobody could foresee the future.

We knew that Dr. Garfield had set up a health plan situation for Mr. Kaiser in other places, like the irrigation project in southern California, Grand Coulee Dam and so forth. They were all for Kaiser employees. Then when they were completed that was the end of it. And it could have happened the same way during the war.

Huth: So the whole health plan could have closed at the end of the war?

Jones. Yes.

Huth: Was it difficult getting the employees to enroll their dependents? There must have been a fee that was charged.

Jones: Yes.

Huth: And was it hard for them to pay it?

Jones: No, it wasn't difficult because most of them were asking for it.

Huth: So most of them saw it as something good?

Jones: Yes. It was kind of a lifesaver to most of them.

Huth: Did "dependents" mean wives and children?

Jones: Yes.

Huth: As time went on in the job, how did it work out?

Jones: It worked out fine.

Huth: How many years would you say you worked at that job?

Jones: Thirty-one--altogether--for Kaiser and the health plan. I worked as a health plan representative until the war was over.

More Family Background: Daughter Susan Born, 1946

Jones: Incidentally, along about that time we had a daughter.

Huth: What year would that have been?

Jones: Susan's thirty-nine. She was born in 1946. Her married name is Renkert. She and her husband, Rich, have a daughter, Erica, who is eight years old. Susan is a registered nurse, and she works here in Atascadero at the state hospital.

My wife has a daughter, too, Barbara Stephanie. She is married, and she lives in Washington, D.C. She has her Masters Degree in art history from George Washington University.

Huth: That university is located there, isn't it?

Jones: Yes. Susan was born after we had moved to Oakland. She was our only child.

More on Richmond Kaiser Facilities and Enrolling Dependents

Huth: What can you tell me about the Richmond clinic? Do you know about how many employees it had? How many doctors did it have? How big a facility was it? Was it located at the shipyards?

Jones: Well, it was located at 14th and Cutting in Richmond--some distance from the shipyards.

Huth: Did they have doctors there on duty, so if someone came in injured in an accident a doctor would be there to see them?

Jones: Actually it was a hospital--a hospital with a clinic attached to it. The government put up the hospital. Each shipyard also had a first aid station.

Huth: Were the first aid stations set up with a doctor present--or just nurses?

Jones: Only nurses. And the nurse would be like a screening nurse.

We ran station wagons from the hospital down to each first aid clinic to pick up patients.

Huth: Was your transportation facility located at the hospital-clinic?

Jones: Right. So our biggest transportation job was running this shuttle service to all the field station clinics on a twenty-four hour basis because we had it available round-the-clock.

Huth: Was it always for someone in need of medical attention?

Jones: Yes.

Huth: What did you find that you didn't expect to find in the health plan job? Can you think of anything that struck you as being memorable?

Jones: There were a lot of things that happened.

Huth: Do you want to talk about any of the unusual things that happened?

Jones: We left off with how we began enrolling the dependents. We worked through all the shipyards, and all the departments, and had our enrollment all in shape with the exception of one department, and that was the ship painters. These are painters that spray paint on the outside of the ships.

The foreman said, "I can't pull those guys off the job because I've got a commitment. We're launching these ships everyday, and we're doing all these things. I can't pull them off the job, so forget it."

I said, "That's fine with me. I'll just have to report to the yard superintendent that you won't cooperate." He said he would see what he could do. So he got on the loudspeaker, and he got them all in there. And here they came, and they had coveralls on, and they had grease all over their faces and hands, you know, for protection from the paint. Here they came, about one hundred of them.

I knew I was in trouble if we had to interview each one of these fellows to get their wives' and their children's names and birthdates and so forth. So there was another fellow helping me out, and for the first one that came through, we just said, "Are you married?" He said, "Yes." Then we asked, "What's your wife's name?" "So and so." "Sign here." [laughs] And we ran them all out of there in about thirty minutes.

Huth: All one hundred in thirty minutes?

Jones: Oh, yes. For the single ones, we just said, "Okay, we don't need you." We just picked out the married ones and got them to sign the card.

- Huth: So they made their work deadlines and enrolled, too.
- Jones: Then we had the problem of going back and trying to get the names of the kids and so forth, and birthdates.
- Huth: And you had to match it all up with the right person.
- Jones: Yes. But we got them enrolled anyway. This is just one example of some of the funny things that happened.
- Huth: Yes. That's the kind of story that makes an oral history interesting. Do you have any more stories to tell me?
- Jones: You see, another interesting thing is that, for every employee that came to work in the shipyards, membership in the health plan was on a voluntary basis. You didn't have to belong to it. So as you signed in at the employment office at the shipyard, they had about eight or nine forms to fill out, and one of them was a health plan application card. So, you know, everybody signed it, at least 99 percent of them did. In fact, one fellow come around one day and said, "I know I signed this. How do I get out of it?"

I said, "You have to find that foreman out in the shipyard." He come back one day, and he said, "You know, I've been looking for that foreman for three months, and I never did find him, and thank God I didn't. I had to have my appendix taken out, [laughter] and it didn't cost me a dime."

So, anyway, I was over at the employment office one day when we were enrolling dependents. We had asked the employment office to ask all new people to come in to get them to enroll the dependents right then, you see--with names, and birthdates and so forth. This one gal said, "I'm not going to do it. I refuse to do it. This takes too much time." So I said, "Okay."

- Huth: Was this one of the employment office employees?
- Jones: Yes. So I went over and mentioned it to her supervisor. I said, "You know, we've got a problem here. This gal won't do this and that and so forth." She said, "I'll take care of it." About two weeks later I went up to pay my rent at the housing authority and the gal who refused to sign up our people said, "You son-of-a--." [laughter] She got fired from that Kaiser job, and she was transferred up there to the housing authority. The way it turned out was funny, but I had no intention of getting her fired.
- Huth: She was fired as a result of this refusal to sign people up?
- Jones: Yes, right. Funny things like that happened.

Quality of Early Membership and Care

- Huth: Can you tell me anything about the health plan membership during the war? Numbers of people, and the kinds of people that came in as members? Who were the people who were covered under it?
- Jones: Of course they were all Kaiser employees, and they were bringing people in from all over the country into the shipyards. They were sending recruiters out to all the states--southern states and so forth, and they were coming in. They were promising housing, and everything else, and they didn't have enough housing. People were sleeping in their cars--this sort of thing.
- As soon as they got here, all of those people got jobs in the shipyards. So they were from all over the country.
- Huth: Did some of them maybe start working while they were still sleeping in their cars?
- Jones: Oh, yes. And if you didn't have a skill, you went through a training process. You got on the payroll, and then they'd train you--shipfitter, or chipper, or welder, or whatever. They had training going on all the time.
- Huth: Were they people that were not eligible to be drafted?
- Jones: Yes. I was not a draft candidate either, due to my age. I was just too old for the armed services. Everybody was registered with the draft board, and they were pretty sticky. You either got into a war industry, or you were liable to get called in the draft. Most of the people there wouldn't have been eligible for the draft, anyway, and there were a lot of women employees there, too.
- Huth: Were the people who were in the health plan at the shipyards not necessarily healthy people?
- Jones: No. At that time there was no pre-existing condition limitation. Some had good health and some had bad health.
- Huth: What about the ages of the people?
- Jones: There was no age limit.
- Huth: So how old were some of your oldest employees?
- Jones: Oh, I don't know.



- Huth: As you were interviewing them, that would have given you an opportunity to find out ages.
- Jones: Most of them were in their thirties, forties, and fifties. A lot of them came out of the South.
- Huth: Were any of them over sixty, do you think?
- Jones: I doubt it.
- Huth: One of the books I read said they were older than sixty, and I wondered if the author had his facts right.\*
- Jones: It could have been. Well, I'm sure there were some, yes.
- Huth: But there weren't a lot of them?
- Jones: No, not to my recollection.
- Huth: Were there any problems for the health plan because of the kinds of people who were members? Was it more costly? Did the fees that you charged still cover all of the care that was required?
- Jones: Yes. It was full care.
- Huth: And was the care good at that time? You had your operation--what did you think of the care?
- Jones: Oh, it was good. Dr. Cecil Cutting operated on me.\*\* He did a lot of surgery.
- Huth: And during your stay there, was the food and everything else up to what you would have thought was good or better?
- Jones: Yes. In those days, there were free drugs. I mean, there was no charge for prescriptions.
- Huth: What about the number of people? Do you recall how many members you had then?

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\*Paul de Kruif, Kaiser Wakes the Doctors (New York: Harcourt, Brace and Company, 1943), 4, 104.

\*\*Cecil Cutting, M.C., The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1985-1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1986.

Jones: I think there were around sixty thousand then. I think it got up to a top of around ninety thousand.

Huth: During the peak years of hiring?

Joens: Yes.

Huth: Did they ever have more than the four shipyards that you mentioned?

Jones: No.

Huth: Was there any other Kaiser medical facility located in Richmond?

Jones: No. Just the hospital and the outpatient facilities. Then each shipyard had a first aid station.

Huth: Where were the health plan offices located? Were they in the hospital?

Jones: No. We had a little separate building there.

Huth: Near the hospital?

Jones: Yes. Just across the street.

Huth: Have we covered everything up to this point that you want to tell me? Is there anything else from that early period in Richmond?

Jones: Yes, there is more. You see, during that time, they bought the Fabiola Hospital in Oakland.

Huth: Was that where you had your operation when you went to Oakland?

Jones: Yes. So, in that period of time they opened up Fabiola as an extension of Richmond. Richmond was getting a little overcrowded, so Mr. Henry Kaiser, Sr., bought that.

Huth: Was that in 1944?

Jones: Yes. But other than that, I guess we've covered pretty much everything until the war was over.

Huth: Did you know anything about what was happening in buying the Fabiola facility? Any of the ins and outs of how that was done?

Jones: No.

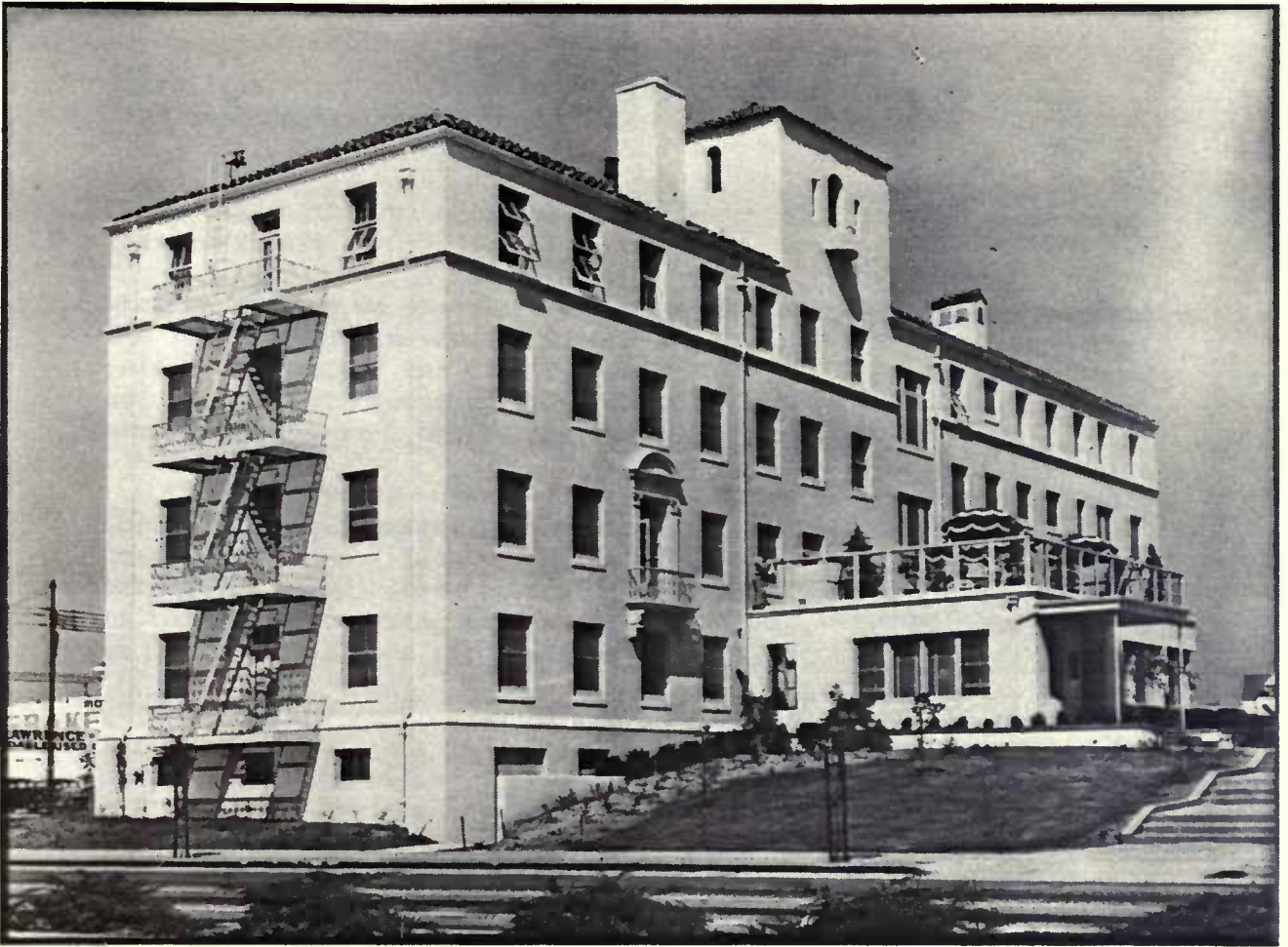


Postwar Changes: Opening the Health Plan to the Public, 1945

- Huth: Then the war was over in the fall of 1945. How soon after that was the health plan office moved to Oakland?
- Jones: Right away, really. Brodie moved the health plan office down to Oakland and left me in Richmond to kind of clean up things around there because there were still a few people left in the shipyards, and some things that needed to be done there. So I stayed in Richmond for another few months.
- Huth: Until late 1945?
- Jones: Yes.
- Huth: Because it took a while to kind of wind it all down?
- Jones: Yes, right.
- Huth: But did Kaiser leave anything at all there after the war and the closing of the shipyards? Were there any of his offices or anything at all left in Richmond after the war, or did they close out everything?
- Jones: No, the hospital still was there.
- Huth: Who did it serve after that?
- Jones: Health plan members. See, the decision then was made by the organization to offer the plan to the general public for the first time.
- Huth: So that came just after the war?
- Jones: Right. Dr. Garfield had a staff of doctors, and they wanted to stick together. A lot of the shipyard workers stayed in the area, and they went out into their various crafts, like the carpenters and machinists, and so forth, and they stayed in the Bay Area. They wanted to continue the plan. So based on that, Dr. Garfield and Mr. Kaiser, Sr., decided to try it out and offer it to the public to see how they'd get along.

*The Permanente Foundation Hospital*

The first Kaiser Foundation Hospital. Oakland, mid 1940s.



The hospital (above) incorporated the most modern design features of the time. Forty-five persons could be accommodated, and in an emergency fifteen to twenty more could be handled.



At left--As it was. This view shows the hospital before construction was started on April 8, 1942. It was a unit of the old Fabiola Hospital, an institution founded in 1887 and which continued to serve humanity until 1932-- a total of fifty-five years.



Incentives for Group Enrollment, and the Role of Health  
Plan Representatives

Huth: Then, was it through their places of business that the health plan fees were paid?

Jones: What we did was we organized groups of at least twenty-five members. The first one I did was the Richmond Police Department because the police were around the clinic-hospital all the time, and they found out that we were going to offer it to the public. So there were a number of policemen there that wanted to enroll.

I went down one night--I got them all together, and I talked to them. Our requirements were that twenty-five or more were needed to start a group. Then you had a problem of collecting the money because in those times the employers weren't paying for any of it, or they weren't making any payroll deductions. So we established what we called collectors for the group.

Out of the dues we would allow forty cents to go to the collector for the time he spent in collecting the money. So one of the policemen in the office agreed to be the collector, and he collected all the dues. We'd send a bill to him each month, and he'd pay it.

Huth: And he did his own bookkeeping?

Joens: Yes.

Huth: You didn't have to get involved in that at all?

Jones: No. But this was generally what we were doing all over, you see.

Huth: Did you keep people who were already members of the health plan?

Jones: Yes, they could remain as individuals.

Huth: But then they made their payments themselves?

Jones: Right. But the coverage wasn't as good as in the group. You see, they'd be billed individually for individual coverage. We didn't class ourselves as salesman. We didn't do any advertising. It was strictly forbidden. The medical group just took a dim view of any advertising. They didn't want to be associated with it.

Huth: Was that because of the American Medical Association's view of advertising?



Jones: No, it was the Permanente Medical Group's point of view. Our medical group wouldn't have anything to do with advertising because they were having their own battles fighting their county medical societies and so forth. They took enough grief as it was.

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Jones: We would say, "If you can get twenty-five of your people in your [union] local, you can have group coverage--for the same amount of money, and you also get the many benefits of group coverage." So we would fix it so we'd be invited in to talk to a group, and we'd tell them about the health plan, and what the requirements were, and that's how we'd get started. And usually an office employee or someone would agree to be the collector.

Huth: Because they got the forty cents? Did the group decide on the person that would do the collecting?

Jones: Yes.

Huth: You said that it was better coverage if they joined as a group than if they stayed on as individuals, so wouldn't that have been an incentive for the people, wherever they worked, to try to get a group going?

Jones: Right. The theory being that the individual who stayed with you might be the person who needed medical care. But if you get twenty-five or more, not all of them are going to be sick, you see, so the well help pay for it.

Huth: You were a representative. How many other people did the health plan have who were out working as representatives? And was it done in places other than in Richmond?

Jones: This was just for a few months in Richmond, and then I went to Oakland. There were three or four of us: Avram Yedidia, Gibson Kingren, and Jack Kempton. Gibson Kingren was our legislative advocate for a while. You'll probably run into his name.

Huth: I certainly have run into Avram Yedidia's name.

Jones: Yes, he was working out in Richmond. It was the same for Gibson Kingren and Jack Kempton.

Huth: Wasn't this at a time when there were not very many members, when the health plan was down considerably in memberships.

Jones. Yes, after the war.

- Huth: Earlier you had had some ninety thousand members.
- Jones: Yes, we must have gone down to ten thousand members.
- Huth: Within a few months?
- Jones: Well, I don't know how long, but it went down pretty rapidly, because a lot of them just went back home.
- Huth: So then the four of you were out attempting to get it going again.
- Jones: Yes, Avram Yedidia will fill you in on his activities when you interview him.\*
- Huth: I'm glad to know he was in on it then.
- Jones: Yes, Avram had a great deal to do with it. Most of the people that we had as members in the shipyards were trade unionist people. You know, they went back into their various unions, and that's where a lot of our groups started after the war--in the carpenters and various other labor groups. So they were really friendly to us, and not many employers were interested in us at all until a later time. Avram had a lot to do with certain labor unions.
- Huth: Why did he have a lot to do with that? Did he have some background in working with the unions?
- Jones: Well, no. It was just that he had a certain feeling for various things.
- Huth: So as a representative he was often going out to get labor unions interested?
- Jones: Well, yes. Right. Those were our main contacts then, the labor forces.
- Huth: I read that the longshoremen's union was the first big group to join Kaiser as a service union, and that they wanted Kaiser to cover all of their members, all up and down the coast. Would that have been around this time or was that later?
- Jones: Avram will fill you in on the longshoremen. We didn't cover them. He knows more about the longshoremen than anybody.

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\*Avram Yedidia, The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1985-1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1987.

- Huth: How would the health plan decide how or when to recruit members? You said that the unions were interested. Did these union people contact you?
- Jones: Oh no, no. Generally, two or three people in the carpenters' local, let's say, had our plan, and they'd say, "Well, we had better coverage in the shipyards." We'd say, "Yes, but that was group coverage. Now, if twenty-five of you guys get together, we'll start a group in your local. So if you want to start a group, have your secretary invite me down to one of your meetings." So I'd get a call, "Come on down and talk to the fellows." So we'd go down and talk to them, and that's how we'd get the group started.

#### Membership Goals, Dues, Budgeting, and Services

- Huth: At the time when there were about ninety thousand members there must have been many doctors at the first aid stations and clinics to handle them. Did the doctors leave too after the war, so there were only a few doctors around, or did they stay on? What happened to the medical group?
- Jones: Some stayed on at Richmond, and others went to Oakland, or were already in Oakland. I don't know anything about numbers, but there should be somebody that you will be interviewing who could give you more. Are you going to interview Dr. Cutting?
- Huth: I think they have completed his interview.\* Someone else is doing it.
- Jones: He would have all those answers.
- Huth: Did you, when you were recruiting members, have to keep in mind whether or not there were doctors enough to handle them? Was that ever a problem?
- Jones: No. See, what happens in this organization is, you set up a budget, you know you have so many members in a year, and we're going to project membership for the next year. Our goal was perhaps twenty thousand, and we'd get fifty-, sixty-, or sixty-five thousand and so forth. One year we enrolled over one hundred thousand members. But you project, you have goals to reach, and the hospitals are budgeted too. The medical group is paid on the basis of the health plan dues, and they run their own business. But the health plan per se has a goal of so many members you're going to try to enroll each year.

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\*Cutting interview, Regional Oral History Office.



- Jones: We always pretty much reached our goals. We worked toward that, and sometimes we exceeded it. And the medical group had enough flexibility because their income is based on health plan dues. So they would recruit doctors in line with what the health plan membership was doing, you see.
- Huth: So there wasn't ever a need to try to catch up, no time when there were way too many patients and not enough doctors? That never happened?
- Jones: No. If it did, it was a very, very temporary kind of an arrangement. There were times throughout the history of the program that people complained that they had to wait too long or something, but pretty generally the service was good.
- Huth: Did you have some input into the decision to open up the membership to the public?
- Jones: No.
- Huth: Was that all Garfield's and Henry Kaiser, Sr.'s, decision?
- Jones: Right.

Two Stories from the Richmond Ambulance Driving Days

- Huth: Is there anything else you want to tell me about Richmond--any special stories that come to mind about things that happened?
- Jones: A couple of amusing things happened in the transportation department. One was when Tom Stevenson, who I mentioned before, and I were taking a patient home one time, and we were driving down the freeway, and we came to a stop light in Richmond. When the light changed to green, and Tom started the ambulance up, the back door flew open and the patient and the gurney went out on the street. The gurney caught on the rear bumper and the mattress slid right off with the patient on it. We went back and the patient was laughing like crazy. [laughter]
- Huth: I hope he wasn't terribly sick at the time.
- Jones: No, he had been discharged. Those ambulances were just panel-bodied trucks and they were makeshift kinds of things. You'd hook a gurney in there and the catch didn't work, I guess.

Jones: Another time one of the ambulance drivers called in and said he was out in north Richmond and he was stuck in the mud out there. So the dispatcher said, "Well, did you get the patient home?" And he said, "No, he's out here trying to help me push it out of the mud." [laughter] He'd had pneumonia or something, and he was out there helping to push the ambulance out of the mud. There were funny little things like that.

Health Plan Move to Oakland, Late 1945

Huth: Shall we move on to the health plan move to Oakland?

Jones: Yes.

Huth: Would that mean you moved to Oakland at that time, too?

Jones: Right.

Huth: And do you know what year the health plan moved to Oakland?

Jones: Yes, it was right after the war. We only stayed out in Richmond a few months.

Huth: Was it late 1945?

Jones: 1945, yes.

Huth: And where did you move to in Oakland?

Jones: Well, the health plan offices were in the basement of the Fabiola Hospital.

Huth: Where did you personally move to? Did you and your wife move close by-- close to the hospital?

Jones: No, we moved to an apartment in Richmond. Housing was a problem, and we found this apartment. We were there about a year, and then we bought a house there in Richmond in the Richmond Annex area. It was a nice little neighborhood.

Huth: Did you buy your house about 1946, the same year your daughter, Susan, was born?

Jones: No, it was the year after that, '47. We were still living in an apartment when Susan was born. It was a duplex.

V SIGNIFICANT EVENTS IN NEGOTIATING INNOVATIVE PREPAID HEALTH PLANS, 1946 TO 1960

Enrolling Members at the Alameda Naval Air Station with Al Brodie

Huth: After the move to Oakland, was the Alameda Naval Air Station one of the first recruitment jobs you had?

Jones: Well, pretty soon after. See, what happened there was that Al Brodie, who was the health plan manager, resigned. He made a deal with Dr. Garfield to take over the enrollment of all the federal employees, if we wanted to get in there. There were a lot of them around.

Al Brodie had his own representatives, who collected the money, and as a collector, he got the forty cents. But he paid for his own help--for health coverage and everything. He was an outside contractor.

Huth: And do you think that this idea came from Dr. Garfield, that he thought this would be good, or did it come from Al Brodie?

Jones: Well, I don't know. It was just an agreement. I guess it came from Brodie.

Huth: Did they think that Kaiser would benefit from that, rather than having him stay in and do it inside? Or as an outsider would he have more influence because he wouldn't have the Kaiser name connected?

Jones: I don't know what prompted it, but that's the way it worked out. And in the beginning, one of my first jobs was working at the Alameda Naval Air Station doing the same thing, enrolling members.

Huth: Were you working for him?

Jones: Well, no, not then. No, I wasn't. And at that time we had two separate cafeterias there. We set up booths in the cafeterias, and Mrs. Brodie occupied one of them and my wife occupied the other-- collecting health plan dues. They were trying to do everything they could to-- People would come in and ask questions; they'd enroll them, collect dues, whatever.

Huth: But I want to get clear, he was not an employee of Kaiser at that time, but you were?

Jones: Yes.

Huth: And you were not yet working for him?

Jones: No, it was a joint effort.

Huth: With him.

Jones: Yes. We were just trying to get the thing off the ground.

Huth: So it was a joint effort between the health plan and whatever he called his business.

Jones: Yes.

Huth: Did he have a name for it?

Jones: No.

Huth: And did it work?

Jones: Oh yes.

Huth: You got most of the employees?

Jones: Well, we did all right. There was a time following that when I was ready to move out of this Alameda situation and do something else. He wanted me to go to work for him then, and he offered me a job, and I said, "No, I'll stay where I am." We'd just about wound up the enrollment there.

Huth: Why did you decide not to take it?

Jones: Well, I wanted to stay with the health plan. I decided that was the best thing to do.

Huth: Do you know what happened to Mr. Brodie and what he went on to do after that?

Jones: Oh yes, he stayed on there for a number of years. He went to Vallejo and enrolled all the employees at the Mare Island Naval Shipyard. He was going strong and he built up a big membership, until the time that the federal government decided to make a contribution to the cost of a medical care program for all federal employees.

Huth: To whom were they making the contribution?

Jones: Well, to whatever health plan carrier they selected. You see, this was by an act of Congress.

Huth: And do you know what year that happened?

Jones: No. I knew you were going to ask that! [laughing]

Huth: That's all right. In case you know it, I will put it in. But that was much later, you said.

Jones: Yes. It was a number of years later.\*

Huth: That must have been a really big thing--getting the federal employees?

Jones: It was. It was a good source of membership.

Huth: Did he work only in the Bay Area?

Jones: Yes.

Huth: There were certainly enough federal facilities around the Bay Area, especially in Alameda and San Francisco. Mare Island Naval Shipyard in Vallejo was one other place that federal employee enrollment must have been important in getting a clinic started.

Jones: Yes.

#### Covering Steelworkers in Contra Costa County, 1946

Huth: How about enrollment of the steelworkers in Contra Costa County? That was not a federal facility. Was it right after the war that you worked on enrollment of these workers?

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\*The Federal Employees Health Benefit Act, passed by Congress in 1959, effective July 1, 1960. [Frank Jones]



Jones: Yes. The steelworkers at Bethlehem Steel talked about enrolling in our plan. And we talked them out of it because they were located in Pittsburg, California, and they would have had to come to Oakland to get service, and it didn't work out.

Well, as time went by, Mr. Henry Kaiser, Sr., and Dr. Garfield decided to expand and built a hospital in Walnut Creek. At that time then we went to the steelworkers--Avram Yedidia was involved in that too--and we said, "Okay, we're in Walnut Creek now, and we'd be glad to talk to you." And during the course of conversations we agreed to put a clinic in the Pittsburg-Antioch area.

It's important to point out that nationally the steelworkers had Blue Cross, so there wasn't any way that we could turn that thing around at that particular time. What the steelworkers wanted was for us to come up with a program that would fill in the blank spots that Blue Cross didn't cover. So that's what we did. We came up with a plan. See, Blue Cross primarily was carrying hospitalization in a three-bed ward, with three or more beds, and very limited in outpatient services. So we designed a benefit package to fill in all the loopholes. So the steelworker was covered by Blue Cross, and he would pay us the amount needed for the fill-in coverage.

Huth: And was it the workers themselves who would pay it, or was this collected by your collectors?

Jones: This was by payroll deduction.

Huth: Oh, there was a process for payroll deduction by that time? We're up to 1946. Was that the first health plan payroll deduction you had?

Jones: I'm not sure. That's a whole category in itself.

Huth: But earlier, before 1946, were there payroll deductions?

Jones: No, there were not too many around in 1946.

Huth: So there may have been some others at this time?

Jones: Yes.

Huth: Were there any problems for the health plan at this time because of the American Medical Association's opposition to prepaid medical plans? Did you hear much about that opposition?

Jones: Oh, you'd hear about it all the time. The American Medical Association is made up of fee-for-service doctors, and the doctors under the Kaiser Permanente system worked under prepayment. They didn't like the whole idea. The local medical societies were giving our Permanente physicians problems, you know, but there must be others that can fill you in on that.

Huth: But did the plan itself have any problems because of it?

Jones: No. We had more problems with the carriers than we did with the society.

Huth: Blue Cross would be one. Are there any others that stand out?

Jones: Well, all of the insurance companies.

As to the steelworkers, we were able to get a big enrollment there, after a lot of infighting. The local county medical society really did try to put the screws on it. The fact of the matter is, when the enrollment was going on, the local doctors' wives were out passing out propaganda against it! [laughter]

Huth: Where were they passing it out? In the steel mill?

Jones: Yes--after people had gone to work.

Huth: At the gate?

Jones: Yes. I don't know whether you want to use that. I don't want to be sued! [laughter]

Huth: No, that's all right. I don't think you would be sued at this late date--now that everything's changed. Were they passing out propaganda against joining Kaiser?

Jones: Right.

Huth: Were you out there telling them they ought to join?

Jones: Well, we had tables set up out there and people would come by.

Huth: Were they passing out their material close to your tables?

Jones: No, no. We heard that they were there.

Huth: You knew they were there?

Jones: Yes.



Huth: Was the reason they were worried mainly because this was a large number of members you were going to be taking in, and the doctors thought they were going to lose patients?

Jones: Yes.

Huth: It was economic!

Jones: You see, if close to 90 percent of the steelworkers enrolled in our plan, it meant that they were going to come to our physicians, and that was going to hurt--that was bound to hurt them in the pocketbook. And it was the steelworkers who came to us and asked us to design a plan for them. If they were happy with the kind of medical care they were getting there, they wouldn't have done that in the first place.

Vallejo Medical Community Opposition to Enrollment of Dairy Workers and School Personnel

Jones: I went up to Vallejo when we bought that facility in Vallejo, and I developed the health plan up there. One of the first groups that I enrolled was a group called the Red Top Dairy. The owner, Al Ferreira, invited me over to talk to the people one night, and I did. They also asked this California Physicians' Service man to come.

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Jones: I think it was the California Physicians' Service representative. Anyway, the employees said they'd rather have Kaiser, and I told Al that we wouldn't accept a 100 percent group. We would only accept those people who wanted to voluntarily enroll in our plan, which has always been our policy. And Al said, "Well, as to those that don't join, then, there's not enough to go in another group--for those that don't--I'll just give them that money and they can go buy what they want to."

Well, this really stirred up a problem because I heard that the doctors' wives in Vallejo went to the grocery stores and said, "We don't want you buying any more Red Top Milk. Don't carry Red Top Milk because we're going to boycott your stores." Even the local banker--I don't know which bank it was--called up Ferreira. He must have been carrying Al's loan, and he said, "Al, you'd better reconsider, you know, there's a big hullabaloo going on here about you putting your employees in Kaiser, and you'd better rethink it."

Jones: Al told me this himself. He said, "I told the banker that I wasn't going to try to run his bank, and I didn't want him trying to run my milk business." [laughter] So we put the plan in.

Huth: Did he get into any trouble with his loan officer?

Jones: No, they just didn't want the stores to handle Red Top Milk.

And we had the same kind of problem when we enrolled the Vallejo Unified School District.

Huth: Tell me about that. I'm especially interested because I was a teacher in Vallejo at that time, and I joined Kaiser very early.

Jones: Well, I talked to the principal of the high school there. Now, I don't recall whether I talked to the whole group or not. But anyway we made arrangements to put the plan in, and I heard from the grapevine that the local physicians around there really raised Cain trying to convince the school board that they shouldn't be doing business with Kaiser. You were there then?

Huth: Oh, yes. I had a friend whose brother was a doctor in Vallejo, and she was shocked that I joined Kaiser. [laughter] She told me all kinds of things I was going to find, which never appeared, of course. But I was one of the early ones to join, and I am still a member.

Jones: Still there?

Huth: Yes, still a Kaiser member.

So the local physicians in Vallejo tried to stop the schools from coming in?

Jones: Yes, they were putting the heat on them.

Huth: Do you know what kinds of things they did?

Jones: No. You'd just hear rumors.

Huth: Just by word-of-mouth--calling people up--like I heard about it from the sister of a doctor?

Jones: Yes, that kind of thing.

Huth: How about the medical society in Solano County? Do you know anything about them? We have heard from others that that was the last breakthrough, and that it was way up in 1970 before they would allow Kaiser doctors to belong to the Solano County Medical Society.

Jones: I know there were a lot of counties that took that attitude.

Huth: But they were the last.

Jones: They were the last. Dr. Paul Stang probably could fill you in on that. He was the area medical director there in Vallejo. I think Paul is still there.

Huth: That's a doctor that I met at one time. I remember him.

Jones: Nice guy.

Huth: Did you know Dr. Lawson there?

Jones: The name sounds familiar.

Huth: He was the chief medical doctor at Vallejo for many years.

Jones: In the Department of Medicine?

Huth: Yes. He's still there.

#### National Wage Freeze, Fringe Benefits, Unions, and Dual Choice

Huth: Now, let's see where we are.

Jones: Well, we're getting down to dual choice, now.

Huth: Yes. That goes along with what Al Ferreira did, in that he gave the employees an equal amount of money so they could join another plan. In a way, that's dual choice.

Jones: Yes.

Huth: Do you think he had anything to do with the idea?

Jones: No. What really happened was that at one point in time--and I don't remember the year--the federal government put in a wage freeze. Nobody could get any increase in wages, so the only thing left for the unions to bargain for was fringe benefits. That's what started it all. The unions couldn't negotiate for more money for wages, but they could negotiate for fringe benefits, so this is when they started to change things. First, they got payroll deductions, you

Jones: know; they negotiated for their dues to come out of payroll deductions. Then, the next step was employer contributions, and this was when welfare funds got started.

### The Carpenters' Union

Jones: A good example is the carpenters. We had members in all the carpenters' locals around the Bay Area. But they got together for bargaining purposes--for strength for all the locals in northern California--and bargained with the employers. And they got an employer-paid medical care amount, which they paid into a welfare fund. The employer paid it into the fund.

I don't remember whether it was totally paid for by the employer. It usually started out partially paid, and as time went on, completely paid. And then came the dependents; they'd negotiate for dependent coverage as well. So eventually, over a period of time, the employer was paying the total bill.

Well, to get back to the start with the carpenters as an example, they came to us and said, "Look, Jones, we like your plan, but we can't do business with you because--how are you going to cover all of our carpenters in northern California, where you don't have facilities?"

Well, this created a problem. Now, what this group did was they went with Blue Cross. And some of the carpenters stayed with our plan because they liked it and they paid the dues out of their own pocket. But we could see the handwriting on the wall then because, as this spread, unless we could figure out some way to live with it, we were going to die on the vine. You know, voluntary self-pay for our plan was kind of out of the picture by then.

So this is where we came up with the idea of dual choice, the theory being that for those carpenters who lived in our area, let them join our plan--and for those carpenters who lived in the other area, let them have Blue Cross. But no one really understood this. The actuaries for the insurance companies and the Blue Cross said, "God, we can't live with a thing like that. We don't know how to quote rates."

You see, those groups are all experience rated. They charge dues based on the experience that the group had on medical costs. Our plan is not experience based. It's community rated. But the

Jones: actuaries for Blue Cross said, "Hell, we're going to get all the bad risks and Kaiser will get the good ones." And the insurance companies said the same thing.

Avram Yedidia will fill you in on dual choice because he and I, I think, developed this thing.\*

Huth: Do you think he was the chief developer of the idea?

Jones: No, because he and I argued it out.

Huth: So you both worked on it?

Jones: Yes, the two of us. Oh, yes.

#### The Watchmakers

Jones: I had a little group over in San Francisco called the Watchmakers' Group that wanted our plan, but they were in several different parts of the Bay Area. Some were down in Santa Clara County and we couldn't cover them down there. We didn't have any facilities.

Then, Al Brodie used to be an old insurance man before he was health plan manager, and Al said, "I know of an insurance company that's just getting started down in Los Angeles, and I'll see if they'll work with us on this." We got them to come up. And they knew nothing about it either, but they wanted business, and we got the Watchmakers' Group into dual choice with this little insurance company down in southern California. They offered their insurance plan.

Huth: Their plan?

Jones: Yes, so the watchmakers had a choice--each employee had a choice.

Huth: Between that Los Angeles company and Kaiser?

Jones: Yes, right. And that was only a piddling little outfit that didn't amount to anything.

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\*Yedidia interview, Regional Oral History Office.



## San Francisco's Health Services System

Huth: Was the Watchmakers' Group plan the first dual choice that included Kaiser's plan?

Jones: Well, no. Along about the same time there was the Health Services System in San Francisco.

Huth: What is that?

Jones: That's all the employees of the City and County of San Francisco. That's their own plan.

Huth: It's a health plan?

Jones: Yes. The Health Services System. It was created by the board of supervisors years ago, and everybody that went to work for the City and County of San Francisco had to belong to it. That was one of the employment requirements.

Huth: And what did it do for the employees?

Jones: Well, it provided them with a plan--a medical care plan. And the doctors in San Francisco were the providers of service.

Huth: Any doctor in San Francisco?

Jones: Right, on a fee-for-service basis. It was like an insurance plan really. But the doctors had some kind of a financial arrangement with the Health Services System. I don't know what it was. But I do know this--that right around this point in time we're discussing the doctors said to the Health Services System, "We want more money for our services." Then there was a dispute there to the extent that the doctors said, "We'll no longer service your people." It's like the doctors struck.

About that time Avram Yedidia had some San Francisco people that were contacting him saying, "What can Kaiser do for us?" So we offered our program on a choice basis. And in the final analysis, it went to court and the Health Services System won their point. The doctors in San Francisco said, "Well, okay. We'll come back." So there was a big dual choice group set up. Avram can fill you in on all the details.\*

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\*Yedidia interview, Regional Oral History Office.

- Huth: Was their choice the individual doctors on a fee-for-service basis versus Kaiser?
- Jones: Yes. It was just whatever their benefits were and the private doctors in San Francisco versus Kaiser.
- Huth: Do you know the year? Was it close to when all of this other change was going on that we've just talked about?
- Jones: No, it was after that.
- Huth: Maybe Mr. Yedidia will remember.
- Jones: Yes, Avram. I think he'll be able to answer that. But I had this little group and Avram had the big group. And one day I remember we were standing out in the parking lot, and Avram said, "God, do you think this thing will fly? You know, this dual choice? Because I've got my doubts about it." And I said, "Hell, I don't know but we've got to do something."

Well, as it worked out, Avram got into it deeper and I got into it deeper. It did work out. In fact, Avram wrote a paper on it and delivered this paper at a convention where other medical care programs like ours were present, and they all said, "Hell, it won't work." They said to Avram, "You can't get in bed with the 'Blues' [Blue Cross and Blue Shield] and the insurance companies, you know, with a choice thing like this. It just won't work."

So right then really what happened was that was the start of the whole thing--dual choice or multiple choice. And it was the grandfather of what's going on today in HMOs throughout the country.

- Huth: And you were in there in the beginning?
- Jones: Yes, we were there.
- Huth: Well, that's an important story to have.
- Jones: You see, it was by necessity. Nobody planned it. Nobody had a long-range goal saying, "This is where we ought to go." But the fact that there were wage freezes and the employees were negotiating for employer-paid programs caused the whole darn thing.

Now the employer is picking up the whole tab, you see, in many instances. The employers now are in favor of Kaiser because our program generally costs less for more benefits.



Staff Dedication to the Prepaid Care Concept

Huth: We talked about the factors in the growth of the health plan, and we talked about the workers who wanted Kaiser coverage, and how wherever they worked they tried to talk Kaiser into coming in.

Jones: Yes, that was the basis of forming a group.

Huth: We have heard that there were some other factors in the growth of the health plan. One was that the employees of the plan, the administrators and the doctors were dedicated to it. They thought it was a great idea, and therefore they pushed as hard as they could.

Jones: Yes.

Huth: In addition to you and Mr. Yedidia working hard on this, out there working to try to build it up were doctors and nurses who were interested in it, pharmacists, employees all along the line, including the people who worked in the health plan offices?

Jones: Yes. They did work at it--they had a dedication. It wasn't just a nine-to-five job, and they went to get the paycheck, you know. They really had an interest in it.

Huth: Were you aware of that when you were working on this so hard to try to get things going with the Red Top Dairy and some of these other places? Were you aware that it wasn't just you out there, that there was a backup?

Jones: Oh yes, oh sure, yes. The reason I'm hesitating here is that I think the doctors today are more out in front, taking a more active role in promotion than they did before because they were so beat down, you know, by the local medical societies and their own peers in the community that they didn't want to do anything that looked like advertising or promotion or anything else. But they're right out in the open today.

Important Expansion of Facilities and Membership

Huth: One of the other factors in the growth of the health plan was moving facilities to where people needed the service. You did say that there was a problem covering the carpenters because they were not where the facilities were.

Jones: Dual choice provided us with a great opportunity to grow and expand and so forth. But in the northern California region, it was determined a long time ago by the physicians and the administration that we had to grow. We had to continue to grow for this reason: If you close your membership when you've got a million members, and you say, "That's all we want," those people get older, and older people require more medical care. And if you don't have an influx of younger people coming in, new blood coming into the organization, pretty soon your dues rates are going to be so high taking care of the old people that you're going to, you know, go down the drain. So there's been a dedication toward growth into new areas.

Huth: And continually bringing in younger people?

Jones: Yes, it's like a wheel, you know, you start here and you branch out here and here, and you don't hedgehop.

Huth: Do you mean--not jumping over?

Jones: Yes. Not over here [gesturing] because then you've got supply line problems, you know, and so forth. So Walnut Creek was one of our first expansions, then San Francisco, Vallejo, and now they're all over.

Huth: But wasn't that a big factor in the growth, that you were able to open up facilities where the people were, so that was an incentive for people in the area to join?

Jones: Yes. Yes, a big move was Sacramento. That was a tremendous thing. We were really going quite a way away from the Bay Area. But we had a lot of state employees up there. But the medical society was really jumping down our throat up there too. But now they've built another hospital in Sacramento, a second hospital in South Sacramento.

Huth: In another location?

Jones: Yes.

Huth: One of the other factors in growth was said to be the satisfied members that talk about it and then their friends want to join and the word gets around.

Jones: Yes. That happens if you're giving good service and some member of your family is sick, and they go into the hospital to have some serious thing, surgery or whatever, and then they walk out of there. If it didn't cost them a dime, and they discuss it with their neighbor who belonged to another kind of a plan that only paid, let's say, 80 percent of it, you know, the neighbor might say, "Gee, if Kaiser was around here we'd sure join," and that's how the thing grows. It's more medical care for the dollar. It's better use of the medical dollar. That's important, how you use that medical dollar.





Northern California Kaiser Foundation Health Plan reunion dinner, October 3, 1979. *Top row:* Vernon Guthrie, Thomas Stevenson, Webb Witmar, John C. Custer, Karl T. Steil, James Cook. *Bottom Row:* Arthur Weissman, James A. Vohs, Dr. Sidney R. Garfield, Dr. Cecil C. Cutting, Frank Jones.



Frank Jones (second from right) poses with International Harvester management and union leadership after signing the group in the early 1950s--one of the first groups to offer payroll deductions.



## VI MORE ON FAMILY BACKGROUND

Family Experiences With the Health Plan

- Huth: How has the health plan been for you and your family? You mentioned the one early use, way back when you had the hernias. How have you found it to be as a health plan?
- Jones: Well, that's about the only illness I've had.
- Huth: You and your wife, or your child?
- Jones: Well, our daughter had rheumatic fever when she was five years old and came out of that. She had really great care and she has no problems now. My wife, about fifteen years ago, had a heart attack. We were down in Palm Springs, and on the way back she was hospitalized in Solvang, on an emergency kind of a basis, and she was in there for a couple of weeks. Kaiser paid all of it. It was a health plan emergency. Later she was transferred to Kaiser in Santa Clara, and it was a total hospitalization of twenty-nine days, I think. And it was completely covered--all of it. She's on medication now, has been ever since then, and my health plan covers all medication.
- Huth: Are you close to any facilities here in Atascadero?
- Jones: No, that's the only drawback to this location.
- Huth: Are you still members, though?
- Jones: Yes.
- Huth: Are you still covered by your retirement plan with Kaiser?
- Jones: Right, yes. We go to Santa Teresa, which is in south San Jose. It's one hundred fifty-six miles.

Huth: But if you had an emergency it would be covered?

Jones: Yes. Well, she had a torn retina in her eye. She just woke up one morning, and the thing was going around and around. And we took her down to a doctor, an eye specialist here, and he said she should have it repaired that day. We did, and they covered the whole thing. She gets follow-up care at Santa Teresa.

Huth: So for yourself and your family you've found it to be good care.

Jones: [gesturing] The person that lives over there is a Kaiser member. Down the street are Kaiser members. [laughter]

Huth: Then they live all around you?

Jones: They live all around.

Huth: You can't get away from them?

Jones: No. The fellow I play golf with that lives down here now was the superintendent of schools at a high school district someplace in the Bay Area.

#### Retirement in 1974, Atascadero, and Close Family Members

Huth: What about your move down here to Atascadero? What caused you to-- [someone calls "Tudie" in the background and a brief discussion of names ensues]

Jones: My wife's name is Ethel and she doesn't like the name. We call her Tudie. We have grandchildren, great-grandchildren.

Our daughter, Susan, went to school down here. We came down here on weekends frequently. We got to know some people. Our granddaughter also went to school down here at Cal Poly. She owns a preschool out here now. She has twenty-four little kids she cares for every day. She's got two of her own. As I said before, our daughter Susan is a nurse, an RN [registered nurse] here at the state hospital. And she and her husband have a little ranch out here in Pozo.

We wanted to get out of the Bay Area.

Huth: And when did you move down here?



Jones: 1975. January of '75.

Huth: What year did you retire?

Jones: November, 1974, and we moved down here in January. We actually owned this place two years before that. The son of the fellow that developed this [mobile home] park here was a professor down at Cal Poly, and my daughter knew him. So she said to him, "My folks are looking around for a place down here when my father retires." He said, "Gee, my dad's going to sell this park here, and he wants to sell this place [interviewee's home in the park]." So we came down the next weekend and I bought it. We rented it out for a couple of years because I still had a couple of years to go yet. We thought we'd come down here and try it out, and if we didn't like it, we would do something else. Well, since my wife had her heart problem, we sold our home and were living in an apartment in San Mateo. We had lived in Lafayette; we lived in Walnut Creek, and then San Mateo. And we came down here and we liked it so well we just decided to stay.

We're just getting warmed up!

Huth: Yes, that's right. [laughing] As we think of things we should include them.

## VII MORE ON THE YEARS OF HEALTH PLAN GROWTH, 1945 TO 1966

Remembering the Lean Years

Huth: We've been talking about the growth of the plan. Were there any great hardships for the health plan during the lean years? You said it went down to about ten thousand members. Did you have any problems with having to let people go at that time? Long-time employees?

Jones: I don't think so.

Huth: Were you able to keep everybody who wanted to stay?

Jones: Yes. I'll tell you this. There was a period of time when Dr. Garfield had some problems. You see, it was Sidney R. Garfield and Associates. In other words, everybody had some kind of financial arrangement with Garfield. I recall when patients would walk into the hospital and the doctors would wait to see which one was going to get to take care of him! [laughter] But that didn't last too long. We started building it up pretty fast. But there was a time when there were some problems.

Have you heard of the Pencil Stub Club?

Huth: No.

Jones: You've got to see this. [gets up] Well, come on in here for a little break. [Brief tape interruption. Interviewee took interviewer into another room to see a wall of photographs from his health plan days, including one when he was inducted into the Pencil Stub Club for having survived the lean years.]

The Federal Employees Health Benefit Act

Huth: What can you tell me about the federal legislation that passed in 1959, the Federal Employees Health Benefit Act, and its effect on the health plan, and what people connected with it did in connection with the legislation before passage when it was still being discussed?

Jones: That was the legislation that made payment for medical care programs available to the federal employees. As it was being considered, there was a lot of lobbying going on in Washington as to who the carriers were going to be. All the insurance companies were in there pitching to be the carrier. Blue Cross and Blue Shield were in there pitching. Because of the fact that we had such a large enrollment of federal employees in northern California, they [the employees' representatives] in turn lobbied in Washington, saying, "Whatever happens, we want Kaiser here."

There were several people from our organization that went back to Washington and discussed with various groups the nature of our program. The main thrust was how Kaiser could fit in the picture and make multiple choice available to the federal employees. And this is finally what happened. They adopted that kind of approach.

Huth: Do you think it was because of the Kaiser people going back and arguing for it that it passed?

Jones: Well, that was part of it. But I think a lot of it was due to the fact that the federal employees argued for it in northern California, and to maybe some extent in southern California. I don't know how many members they had down there. They said, "Whatever carrier you use, we want Kaiser."

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Huth: Do you remember any of the names of the people who went back to Washington, D.C.?

Jones: Well, I think Art Weissman was there a number of times, and I think probably Scott Fleming, but I'm not sure. You can ask Scott about that. And I'm not sure who else, whether other people were there or not. I know we waited it out because it was very important to the program, our program, that we be included in this national enrollment program.

Huth: Do you know about what year that was?

Jones: No. You'll have to get that from someone else, I guess.

Huth: Was there similar activity in the state, or in connection with state employees? Was there ever any related state legislation?

Jones: Well, at one point in time the state started making a contribution toward the cost of medical care--toward the employees' care. And we had quite a few state employees enrolled in various little groups around the state. I don't recall that there was too much of a problem getting our program adopted by the state.

### Dual Choice for the Autoworkers

Jones: There was one other thing concerning dual choice. Could we go back to that for a minute?

Huth: Yes.

Jones: In addition to San Francisco's Health Services System that we were talking about, the autoworkers' union in the Bay Area had a lot of members enrolled in our plan. So when the unions negotiated with General Motors for an employer-paid program, Blue Cross was selected nationwide, but the people here in California wanted Kaiser. Then we suggested the dual choice concept, and Blue Cross said they wouldn't go along with it.

The administration in Detroit--of General Motors--sent some people out to northern California to see what our program was about because they'd been hearing so much from the unions that said, "We want Kaiser." They went back and reported that our program sounded good, that a lot of people liked it, enjoyed it and so forth. So General Motors said to Blue Cross, "We want to have Kaiser in as the choice program." Blue Cross said they wouldn't go along with it. General Motors said, "Well, there are a lot of insurance companies that have been after this contract for a long time, so I guess we'll have to start looking elsewhere." At that point, Blue Cross reconsidered, and they are still there.

Huth: That's a good story.

Jones: [chuckles] Yes.

Impact of Medicare

Huth: Since we're talking about federal and state input, could we talk a little bit now about Medicare, even though that comes in later? It came in around 1966, but it fits in with this section. So what changes came to the health plan when Medicare came in, and people were covered? Was there any impact that you can recall from that? Was it helpful, or was it something that you wished hadn't come, and that caused more problems than it helped?

Jones: No, I guess our biggest problem there was, as a prepaid program, how we related to Medicare. I know a lot of work and effort went on as to what Medicare would provide and what Kaiser would provide--to get them to tie together under a prepayment kind of thing. And I think there are others that you should talk to about how that went together.

As far as the health plan was concerned, it didn't bother us much because these were people over sixty-five, and it affected about 5 percent of our membership.

Huth: It's going to be more and more, though, now.

Jones: Yes, it's going to grow.

Now, it seems to me, and I could be corrected on this, but it seems to me that we did work out an arrangement whereby Medicare pays us on a prepayment basis, rather than a fee-for-service basis. See, doctors and hospitals bill Medicare for services they provide. But we worked out, I think, something based on the care we provide, and then we accept in prepayment something from Medicare. Now, whether that's ever changed or not, I don't know. I wasn't involved in that.

Huth: We'll check into that.

The Neighborhood Health Services Poverty Program

Huth: What can you tell me about the federal poverty program that was brought into some of the Kaiser hospitals? Up in Oregon and in Fontana they added programs offering neighborhood health services under subsidization, under the federal poverty programs. Do you know anything about why this wasn't also done in Oakland and in Richmond, which were areas with major poverty programs? Why did it happen only up in Oregon and down in Fontana?



Jones: You have to find somebody that wants to do it. Ray Kay in southern California wanted to do it, I think. And I think Ernie Seward in Portland, you know, he had these kinds of ideas. It took somebody to go out and push it. There wasn't anybody in northern California doing that.

Huth: So it was probably these two doctors that caused that to happen.

The Federal Health Maintenance Organization (HMO) Act\*

Huth: What else can you tell me about the health maintenance organizations [HMOs], the federal input into that, and its effect on the Kaiser Foundation Health Plan? Is there anything else?

Jones: Well, the HMO Act benefited the health plan to the extent that essentially the government said that any employer that employs over so many people must offer a group practice prepayment plan to his employees, if it's in the area and if it's available to them. This opened up a lot of doors.

Huth: Because it was here!

Jones: Yes, here. I mean, by law they had to do it. We didn't go out and advertise it. We didn't go seek it. We didn't go to an employer and say, "Look, we're here. You're here--you've got to offer our plan." It came by, you know, just by the push from the people that worked there.

The 100 Percent Membership Problem: The Longshoremen and Judson Steel

Huth: Do you have anything else to tell me about those previous years, before 1960, that you think should go into this story? That's from about 1945 to 1960. That's a fifteen-year period, and I think all of the things we've talked about have come within that time.

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\*Health Maintenance Organization (HMO) Act passed by Congress in 1973. There was very little activity under the act until it was amended in 1976. [F.J.]



Jones: There's one thing we were talking about, the International Longshoremen [and Warehousemen's Union] group. And you mentioned the fact that they were supporters of our program, which is so. At one point, in northern California, all of them were in our plan, a 100 percent group, and that's where we found out that 100 percent groups didn't work right. It puts too much pressure on the physicians. A doctor feels very uncomfortable, and he's probably at a very great disadvantage to have a patient who didn't want to come to him in the first place. So it took Avram Yedidia a long time to convince that group that they had to get another carrier. Maybe nobody would enroll in this second carrier, but we worked for it anyway.

Huth: Was he the primary one who said this 100 percent enrollment wouldn't work?

Jones: [laughing] Well.

Huth: Or rather, was he one of the ones? [laughing]

Jones: We both weren't sure. We said, "We don't know whether it'll work or not."

Huth: Should we also ask him what he had to do with that?

Jones: Yes. He had a lot to do with dual and multiple choice because we were in it right up to our ears.\*

Huth: Do you know of any other unions that required the 100 percent choice?

Jones: Yes, we had a group in Oakland, down there on the freeway--the steel company. What the heck was their name?

Huth: Judson?

Jones: Yes, Judson Steel Company. They were 100 percent at one time, and I had to change them over--bring another carrier in.

Huth: Did they have this 100 percent requirement for very long--since it caused so many problems?

Jones: No, they didn't because the employer wasn't paying for it too long, you know. When they'd get started the employer would say, "Well, I want to deal with this or that," and then we had the group for a

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\*Avram Yedidia, The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1985-1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1987.

Jones: little while. And finally the minorities in those groups were the ones that caused all the trouble, you know. They said, "We'll do damn well what we like," you know, and they'd go to see the doctors with complaints. So when they got another carrier, most of these people that were complaining all the time didn't change over to that carrier either! [laughter] Some of them did.

Huth: But some of the complainers stayed on with Kaiser?

Jones: Yes.

Huth: They just liked to complain, maybe?

Jones: Yes.

Another good example of an employer that came to Kaiser for health care for their employees is Bank of America. They contacted our Central Office, seeking information about our program, and stating that a number of their employees seemed interested in Kaiser Permanente membership. This August 9, 1974 issue of the Kaiser/Permanente Reporter includes an article about that. Can it be added to this manuscript?

Huth: Yes.

the kaiser/permanente

# reporter

Vol. 17, No. 12 August 9, 1974



Health Plan Manager Frank Jones discusses the major points of the contract with B of A Assistant Vice President Frank Callicott.

## Bank of America becomes first bank to offer Health Plan

The Bank of America, the largest bank in the world, becomes the first major financial institution to offer the Health Plan to its employees this month.

The Health Plan will be offered as an alternate choice to the bank's existing group health care plan to all salaried employees residing within the service areas of both the Northern and Southern California Regions. Coverage for those employees selecting the Health Plan will begin on October 1.

About 80% of the bank's present salaried staff live within Health Plan service areas, which amounts to approximately 40,00 employees total for the two Regions. Although the bank's world headquarters is located in San Francisco, Northern California employees are fairly evenly distributed throughout the Region because of the large number of branch banks.

Separate service agreements between the bank and the two Regions were negotiated concurrently by each Region's Health Plan administration.

Federal legislation soon will require that firms with more than 25 employees offer membership in so-called Health Maintenance Organizations (HMOs) as an option.

## VIII MOVING INTO HEALTH PLAN MANAGEMENT, 1960 TO 1974

- Huth: Now shall we move on to when you became the health plan manager in 1960? Do you want to say how it happened that you made that change from being a health plan representative, which you were for about fifteen years? Were you a representative all that time?
- Jones: Well, there was another step in there, another job. I was the supervisor of health plan representatives.
- Huth: We should talk about that.
- Jones: Well, we thought we could get a little better organization going by restructuring it a little bit. I was at that time the oldest one there, and so I took it upon myself to organize the activities of the reps and so forth.
- Huth: Did you make work assignments, and that kind of thing?
- Jones: Yes. I worked with them on how to approach their various groups, on preparations for their reopenings, and that sort of thing.\*
- Huth: Were there more representatives at that time? When you were health plan manager were there more employees than you told me about before? You told me the names of about four people. Were there more?
- Jones: Oh, as time went on, yes. We kept adding people.
- Huth: So you had a good-sized staff then?

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\*Reopenings--under a dual or multiple choice situation, members in a group are given the opportunity to change from one plan to another on an annual basis. [F.J.]

Jones: Yes.

Huth: Was there another health plan manager before you? Did you replace someone else?

Jones: Yes. There was Jack Baird. After Al Brodie there was Jack Baird, and-- [tries to remember] there was another one in there for a short time, Hal Babbitt. Art Reinhart was the last one just before me. See, when Kaiser closed up his operations back in Detroit, his automobile company [Kaiser-Frazer], several people were moved out here and some of them were assigned to the health plan.

Huth: Was that about 1960?

Jones: Yes. Anyway they put Hal Babbitt in as health plan manager at that time.

Huth: Was that as a result of closing that facility? And he came from Detroit?

Jones: Yes, he came with several people.

Huth: And that's about the time that Dr. [Clifford] Keene came in?

Jones: Yes, Keene came out here too, yes.

Huth: Was Edgar Kaiser responsible for that? Wasn't he the one who was in charge of that plant?

Jones: Yes, right.

Huth: So Hal Babbitt came in as manager?

Jones: Yes. When he retired he went to Mexico. He died down there. Anyway, the last one was Art Reinhart.

Huth: Just before you?

Jones: Yes, before me. See, Fred Tennant was regional manager then. He hired Art Reinhart as health plan manager.

Huth: Was there a particular reason for moving you into that position?

Jones: Right, yes. Kaiser opened up in Hawaii, and Art Reinhart was transferred to Hawaii as regional manager. It was on a temporary basis to see how it worked out, and I was made assistant health plan manager, or acting health plan manager. So this went on a year or so,



Jones: and Reinhart came back. Tennant had promised him if it didn't work out in Honolulu that he'd have his old job back. So Reinhart came back, and I went back to being what I was before. Reinhart was there for a period of time, and he left.

Huth: Where did he go? Did he quit and leave Kaiser? Did he go to another job in the health plan?

Jones: No, he was out of the organization.

Huth: Do you know why he left? Was there a reason?

Jones: Well, there were rumors, but I don't know-- I don't know what the real story is. Mr. [Edgar] Kaiser was heavily involved in decisions, in getting him out of one place, and I guess he and Mr. [Henry] Kaiser, Sr., didn't get along or something. He [Henry, Sr.] asked him to leave Honolulu, and he didn't realize that he was going back to his old job here. Once he found that out-- Anyway, I was then appointed as health plan manager in 1960.

Huth: Did you have any expectations about your job as manager when you first went in? What were you expecting it to be like? Or did you already know all about what it was because you had already been acting manager?

Jones: Oh yes.

#### Staffing, Budgeting, Goals, and Rate Setting

Jones: There were obviously some different things I had to confront. I had to do some reorganization of things that I thought needed to be done, and I developed an excellent crew. We always met our long-range goals.

Huth: How did you set your goals? Did you set them with the crew, or were they handed down?

Jones: Generally, it was the result of the budgeting process. You have all these expenses and you put them all together and you see what your income is. That's how rates are set. You set the rates to meet your expenses and you anticipate. With my crew I had to come up with estimates of what our enrollments were going to be. And that income plus what our rate increase was had to meet our expenses. We always had very optimistic goals and had an excellent crew.



Huth: Did you have anything to do with who your crew was?

Jones: Oh yes, sure.

Huth: You could select the people?

Jones: Yes.

Huth: And you had been there long enough to know who the good people were?

Jones: Well, I'd been around there quite a while.

Huth: I don't have any years other than when you began as health plan manager. Later on, you were vice president of the health plan and health plan manager. The year was 1969, and there were a lot of years in between.

#### Impact of the Tahoe Conference Decisions

Huth: Are there some things that you want to tell me about being the health plan manager in those years from 1960 until you also became the vice president of the health plan in 1969? That was approximately an eight-year time period. Was there some reorganization during this time?

Jones: You mean in my own organization?

Huth: Not necessarily only within the health plan, but also with various parts of the whole program. There were some changes, I think. If nothing stands out, we'll move on to other things.

Jones: No, the only work on organization structure was before that, I think. It was when there was a great deal of negotiating between Mr. Kaiser, Sr., and the Permanente Medical Group, and Dr. Garfield on how this whole thing was going to be structured. This was around the time of the Lake Tahoe Conference.

Huth: Was there work then on how to structure it because Mr. Kaiser and Dr. Garfield both had ideas about how it should be organized?

Jones: And the medical group had their ideas. You see, the medical group felt that they really wanted to run the show, and Mr. Kaiser had other ideas, so after long discussion and negotiation, they came up with a joint effort. And that's when the regional manager's

Jones: position was established and it was on the same par, then, with the executive director of the medical group because it was like the way Karl Steil and Cece Cutting worked in a joint collaboration. Steil and Cutting got together and negotiated how much the doctors got out of the health plan dues.

Huth: How about the growth of the Central Office? Did you have anything to do with the establishment of that?

Jones: No.

Huth: There were significant changes in organization and attempts to make the organization function like a regional team, which is what you were just talking about--the manager of the health plan, and the medical directors, and the hospitals all working together as one team.

And then the Central Office was established. Then the people there had something to say about the growth of the whole program, the health plan itself, and the responsibilities of various people. They got into research and they were researching the members--they're still doing that--the members' relationship to the medical care delivery system. And that was because there were some doctors who were worried about whether they were really meeting the needs for patient care. Did you have any input in any of this? Do you know anything about it?

Jones: No, I can't help you on that. Are you going to interview Scott Fleming and Bob Erickson?

Huth: Do you think Scott Fleming or Bob Erickson could answer some of these questions?

Jones: Well, I would think they would be people that you need to talk to before this thing is all put to bed. Erickson is the chief attorney for the program.

He replaced Scott Fleming. Scott used to be chief counsel, and then Scott went up to Portland as regional manager. He was there for a while, and then came back to the Central Office. But Erickson is the top legal guy there now, and he should be on the oral history list.

Huth: Now to get back to our discussion of changes--they set up two corporations to run the health plan and the hospitals as part of this reorganization, and then they had six separate corporations in the Permanente Service Organizations to provide business and

Huth: administrative services for the health plan, the hospitals, and the medical group. How did this fit into this team concept? Wouldn't there be a tendency to have separate power groups come up within the separate corporations? Can you tell me anything about how this worked?

Jones: No.

Huth: Were you involved in or were you aware of any of the discussions around the Lake Tahoe conference--that had to do with doctors that wanted control over the care of their patients, and the Kaiser management that wanted to make sure there were good management practices?

Jones: That's what I was just talking about.

Huth: Were you aware, as an employee, of the tensions that led to the conference?

Jones: They kept it pretty low-key, as far as what went on on a day-to-day basis.

Huth: There was the Advisory Council that was set up. Did that affect you after the conferences? They had an Advisory Council to advise the doctors and to advise the health plan and to advise the hospitals.

Jones: Nobody was advising me! [laughter]

Huth: Then, in 1967, they set up the Kaiser Permanente Committee, which replaced the Advisory Council, and wasn't one purpose to make the teamwork concept work even better?

Jones: Yes.

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Huth: The Kaiser Permanente Committee discussed and made recommendations about going into Ohio and Colorado in 1969. Was the health plan management aware of the committee: Did it have any significant input into the health plan management that you were aware of? Or was it out there but not causing any problems for you or anything of any great note that needs to be put in here?

Jones: No.

Going Into Cleveland, Ohio

- Jones: I do know how we got into Cleveland, Ohio. There was a union medical care plan back there that had been for--I've forgotten--fruit workers or whatever it was. This union negotiated with the employers for so much money, and they started their own [medical care] program. It was patterned after our program. In fact, Dr. Ernie Saward helped them set it up. And as time went on, they didn't have enough money for expansion. They needed a hospital; they needed all kinds of things. So Ernie convinced Dr. Garfield and others that Kaiser ought to take that over. We did. At that time, I went back and helped them with the health plan a little bit--in an advisory capacity. That's how we got into Ohio. It wasn't just somebody saying, "We ought to go there." There was a need for us to go there.
- Huth: Yes. And then they apparently had to convince this Kaiser Permanente Committee that there was a need.
- Jones: Yes, that's right. You've got to have somebody like Ernie, who was a great gung-ho guy, you know. So it takes somebody like that to move people. Just because you're on a committee doesn't mean you accomplish a lot.

## IX OVERVIEW OF THE YEARS WITH THE KAISER MEDICAL CARE PROGRAM

Huth: From 1946 to 1948, the medical group was under Sidney R. Garfield and Associates?

Jones: Yes.

Huth: And then they went into a nonprofit trust, and the medical group partnership was set up. Did changing to the partnership have any effect on the health plan or the health plan leadership?

Jones: No. It's just that Garfield, I think, did a heck of a job of organizing the thing, because they couldn't get them all together, you know, to form this partnership. He finally succeeded, but he said, "Look, I'm not going to be around here forever, you know, so you guys better get in and get your feet wet too."

The Team Concept

Huth: There was a certain amount of autonomy between the hospital administration and the medical groups. They had complete say in various areas, and that was part of what led to the Tahoe Conference. There were some conflicts that took place because of this, and then did they gradually begin to work as what they called a "team," into what was like one great venture, rather than so much separateness?

Jones: Right. They had to develop a trust, as a matter of structure. Like the trust in Karl Steil, who was regional manager, and he had control over the health plan, the hospitals, the clinics, all the finances, and everything. Out of this the medical group got their own business. But you've got to have trust. You've got to trust one



Jones: another to go ahead and do the whole job, and that's what they had to develop. Before that nobody trusted the other guy, you know.

Huth: And so after that they did. Do you know why it worked afterwards?

Jones: Because they got the right people in there; they wanted to make it work, you know.

Huth: Maybe when we talk about people you can tell me more about that.

There were various medical services that were related to this, the nursing services, and the pharmaceutical services, and the laboratory personnel in connection with the hospitals. The laboratories were under the doctors. Was there anything in relation to these services that had an impact at all on the health plan, or was it all in somebody else's hands and no problem for you personally?

Jones: No, if we ever had any individual problems--it could be any kind of an individual problem--we would just go to the area medical director and discuss it with him and point out what we heard, and so forth. And he'd say, "Great, I'll take care of it," you know. But once in a while they'd say, "Where are you getting all those members?" [laughter]

Huth: What was the role of the health plan leadership in the overall program? Did they have some say in what happened? Could they say, "We think things would be better if it were done in another way," or were they working almost 100 percent on the health plan and not so much concerned with overall organization or input into what was going on?

Jones: No, we had things like that come up--where we could see that improvements could be made. See, the health plan got involved in developing new benefits, and this led to work with the physicians' groups because sometimes there were legal requirements that a plan had to provide new benefits along certain lines. So that was our responsibility, and we worked with the medical groups to come up with and design a new service for our members. So we worked with them on it. We'd also work with the economics department to get a cost factor about how much it was going to cost. They would integrate it into the plan.



Role of the Health Plan Manager, Medical Director, and Board of Directors.

Huth: What was the role of leadership for the team that you worked with? The health plan is considered a subgroup of the team. How did it develop, and how accurate is the metaphor of a team, when applied to what you did and the people who worked with you or under you? Was there a team morale, so you were all working, or feeling like you were working, as one unit?

Jones: Yes, the person I reported to was the regional manager. So I knew what my responsibilities were. He and I had an agreement on that, and a lot of my responsibilities had to do with the medical group. And I felt very free, and I was encouraged to meet with Dr. Cutting on problems, on any kind of thing that I needed to develop--new benefits or whatever.

I'll give you a good example. The Retail Clerks' [Union] negotiated for a prepaid drug program at one point in time and asked us to participate in it. And our physicians turned it down because they had had experience during the war where we provided free drugs, and they would come packaged, you know--one package looked like another. The only thing on it was a different number, and the doctors observed that sometimes the patient would open up the pack and look at it and say, "Oh, these are only a bunch of goddamned aspirin," and throw them away, you know. And they might be pills that cost fifty cents apiece in those days. So they were very much against free drugs. They didn't think they had the some therapeutic value as if the fellow paid for them!

Well, anyway, the medical group turned down this opportunity to provide prepaid drugs to this group, so they went someplace else and got it. The carpenters came along well after that and negotiated for prepaid drugs.

You know, I told Karl Steil about this, and he said, "Well, take it up with Cece."

I went to Dr. Cutting, and I said, "Look, here's the situation. The carpenters have negotiated for a prepaid drug program," and Dr. Cutting said, "They'll turn it down, Frank." I said, "Okay, I just want to say this--that the carpenters are going to have a prepaid drug program, and it isn't going to make any difference to the doctor because the patient is going to have the free drugs anyway. It's a question of who handles the money." He called me back in a half hour and said, "We'll take it."

Jones: See, the fact that they didn't want the patient to have prepaid drugs wasn't going to make any difference in this case because they were going to get it anyway. It was just a question of who provided it. But those are the kind of relationships we had among the team, you know.

Huth: Yes. And how it worked out.

Jones: Yes. The same thing happened when we developed an eyeglass program for prepaid eyeglasses. This was something else that fell on the bargaining table. So I had quite a time convincing our eye clinic that they should get in the business of prepaid eyeglasses. Jerry Stewart was overseeing that department, so Jerry and I had a few little discussions on it. One day I went to Dr. Cutting, and I said, "Look, I'm getting tired of discussing this. We're going to lose this business, you know, because this group is going to have it." He said, "Go ahead then. Work it out." So we worked things out that way.

You know, the problem with the eyeglasses was how big are the frames going to be through prepayment, because some people want big, big frames and so forth, you know, oversize. So we had a hell of a time coming to an agreement on how big an eyeglass diameter we'd allow it to be.

So we got that worked out. I think it was something like fifty centimeters. Whatever it was, it was standard. And if anybody came in and for cosmetic purposes, wanted something different, well, we let them pay the difference. But my point was that they should get what was medically necessary, what the doctor felt was good for them.

Well, one of the other problems that came in was bifocals. If the doctor found out you needed bifocals, that's what you got. Well, a carpenter came in and he needed to nail boards up like this [gestures], you know, and he wanted bifocals on the top, and they said, "No, that's not standard." So after arguing with them about the widened bifocals, that was covered. [laughing]

Huth: Was this eyeglass program only for the carpenters' union, or was it for some other tradesmen, too?

Jones: Well, there were all of the building trades under this prepaid program.

Huth: There were a lot of people?

Jones: Yes, a lot of them. I mean, one group followed the other, you know.

So we developed all of these new benefits, and we'd do it with the executive director of the medical group. And to develop the benefit, we met with the eye men or we met with whatever department was involved in providing that service--to develop a meaningful benefit.

Huth: Did you ever run into any problems with the health plan and with the overall hierarchy of the people who were on the board of directors that was running the whole thing? Or did they need the health plan so much that they didn't suggest any changes?

Jones: Well, at the board of directors' meetings, you know, we would hear about how we were growing, and that we were doing all these things. I mean, the president and the chairman, according to their reports, you know, they've got all these things going and everything's going all right. The board sometimes would come up with some recommendations of minor things they felt were necessary, which would be taken under consideration, but they never got any major changes made in the health plan.

#### Coping With Bigness

Huth: This grew to be what some people have called a superbig bureaucracy. What was it like to be part of this program that started out relatively small when you began work in the beginning and changed over the years? What was it like to be involved with this? Were there some things that were good because of the bigness and that made it better--and some things that were worse?

Jones: Well, there were some things where being big made it better, and the growth was gradual, and the teamwork concept was working well. As we got bigger, there were not a lot of pressures that developed and not a lot of anxieties and so forth. It seemed to go off very smoothly.

#### Leadership's Minimal Impact on the Health Plan

Huth: Now perhaps it is time to talk about some of the Kaiser people.

Jones: Okay.

- Huth: What can you tell me about the role of Eugene Trefethen in Kaiser Permanente's administration? What was his role and did his role change?
- Jones: No. As to Trefethen's responsibilities, I guess these were more of the umbrella type, concerning finances, borrowing money, maybe for construction purposes, this sort of thing. He didn't get involved in the operation of the health plan.
- Huth: What was it like to work under Clifford Keene after he became chief administrative officer over the health plan and the hospitals? What can you tell me about Clifford Keene?
- Jones: Well, he's a very knowledgeable man. I always got along well with him. I didn't see much of him. He dealt primarily with the regional managers, and that's about it.
- Huth: He didn't have much input into the health plan?
- Jones: No.
- Huth: After 1948, Sidney Garfield stayed on as chief administrative officer. What was it like to work under Garfield, and how was he as a boss? Did you consider him as a boss at all?
- Jones: Well, Sid had done his thing, you know, and he was around a lot, so he was involved in things. He was always interested in construction. He had the idea of the round building with the nurses' center--the nurses in the center to better take care of the patients, but he didn't get involved with the health plan much.
- Huth: Do you have any impressions about him, as to what kind of person he was?
- Jones: Oh, he was a great guy. I mean, he was a thrifty son-of-a-gun. He was the guy that held the organization together after World War II when there wasn't much money around.
- Huth: Was that how the Pencil Stub Club was founded?
- Jones: Yes, that's when we turned in the pencils.
- Huth: Do you want to tell me about that, so we have that story about the Pencil Stub Club?



Jones: Well, I guess Dr. Garfield used to look at his bills at the end of the month, and one of the large items was lead pencils. And I think he thought some of them might be getting out of the place, so he adopted a rule that--to get a new lead pencil, everybody had to turn in a stub, and it couldn't be over two inches long! [laughter] So recently they founded the Pencil Stub Club. I think it was for people who had been there thirty years or longer. I'm a charter member. [laughter]

Now, he had to negotiate with the nurses, you know, he had to do all of these things. He was a one-man show, until they convinced the physicians they ought to form a partnership.

#### Garfield's One-Dollar Office Visit Fee

Jones: You know, at one time our membership dues used to be sufficient, so when members had medical appointments there was no charge. So when Garfield needed more money to run the program and to cover the budgeting system and so forth--he reported he thought they needed X number of thousands of dollars to operate the following year, and instead of raising the dues, which he didn't want to do, we instigated the dollar per office visit. And on the basis of the number of visits members made each year, the dollar per office visit made up the amount of money he needed to run the show for the following year. The average member, I think, at that time was making four office visits a year, and that amount of money is what he needed to pay his bills. So we didn't have a dues increase; we just put the dollar office visit in, and that was not considered to be a barrier to service. We figured everybody could afford the dollar.

#### Special Friends and Use of the Informal Organization

Huth: Where did you find your friends in the organization? Did you have doctors as friends and friends in other phases of the program, or were most of your friends employed in the health plan?

Jones: Oh no, I had friends all over the place. I got to know all the hospital administrators and all the chiefs of services.

Huth: How about special friends--friends that you saw socially, outside of the work time? Where would they have come from, and did you have any in the organization that became close friends?

Jones: Oh yes, there were people like Jerry and Elaine Stewart, Howard and Regina Haggerty, Karl and Mae Steil, and Fred and Helen Tennant, when he was there. There were also some of the people that aren't with the program any longer, such as Lou Blix. He's passed on.

Huth: Where was he located?

Jones: He was in the health plan.

Huth: Were the Haggertys and Stewarts working in the health plan?

Jones: No, Stewart was the clinic administrator of northern California. There were the Days--Felix and Jane Day.

Huth: Now, Haggerty was where?

Jones: In properties.

Huth: And Felix Day--he was a hospital administrator, from 1960 to 1967.

Jones: Yes. And they moved him to Cleveland.

Huth: Is he there now?

Jones: No, he's retired.

Huth: Did he retire while he was in Cleveland, or did he ever come back?

Jones: No, he didn't come back. There was also Warren Ogden. He has passed away.

Huth: Where was he located?

Jones: He was my director of the health plan--supervisor of the health plan reps. Then there was Fred Carroll. He took Ogden's place.

Ogden was in Colorado--Denver. He was back there as a guest of some labor people who wanted him to talk to some groups. He died of a heart attack in a hotel room.

Huth: There's this formal organization in the health plan, and then there's an informal organization, which is made up of the people that know each other, and the people you go to because you want to



Huth: get something done and because you know them. And you don't necessarily go through channels because you know them well enough and they're good friends. To what extent did this exist for you, and how did it help you to have this informal structure? Were you aware of it yourself--aware of an informal kind of thing that was going on?

Jones: Well, everything I did was kind of informal. You know, if I knew where I could get the answer or who to talk to, that's where I'd go.

Huth: And it worked?

Jones: Oh yes, sure.

#### Observations on Selected Events and This History

Huth: Do you know whether Sidney Garfield was consulted by the doctors who went to San Diego in 1960? They were trying to set up a health plan of their own there that did not include the Kaiser Foundation Health Plan, but was to be set up by a group of Kaiser doctors.

Jones: I don't know too much about that. You can get that from Ray Kay.\*

Huth: I will talk to him about that.

Jones. Ray was the medical director down there then, I think.

Huth: Do you know why Karl Steil happened to come up to northern California?

Jones: Well, Fred Tennant was the original manager in the northern area then, and Fred and the organization discontinued their relationship, Karl Steil was brought up here by Dr. Keene to replace Fred Tennant.

Huth: Do you know why Tennant "discontinued his relationship," as you put it? Do you want to say anything about why or what happened?

Jones: No.

Huth: But you do know something about it?

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\*Raymond M. Kay, M.D., The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1985-1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1987.

Jones: I know something about it, yes.

Huth: As the expansion took place, the health plan went out to Walnut Creek, San Francisco, San Leandro, and Vallejo. Oakland had been the first large facility, and it dominated everything. Were you aware of any push from these outer regions to have more say in what was done? Did they ever come to you about changing the health plan?

Jones: Not about the health plan, no. There was an effort, I think, down in Hayward one time, when the doctors down there wanted to go out on their own and contract with Garfield. I think it was Hayward. But it was a short-lived kind of thing.

Huth: Were you aware that some people thought Oakland was trying to dominate what happened, so it affected the way their service was carried out?

Jones: No. See, with Oakland being the parent organization, there were expansions, like to Walnut Creek. But there were still some services that were available only in Oakland, and the patients there would be transferred back to Oakland for some services. I guess some surgical procedures are an example of the kinds of things that would be done only in Oakland. Right now I'm not sure, but as I recall, San Francisco is where they do all the kidney dialysis.

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Jones: The administration in Walnut Creek came out of Oakland. Dr. Wally Cook and Dr. Fred Pelegrin were in positions in Oakland, and as they'd expand to other places, they'd move physicians out, if they were capable and they wanted to do it.\*

Huth: Do you think that the health plan is as idealistic as it was in the old days? Isn't it true that as the memberships become larger and doctors have to join a health maintenance organization in order to practice medicine, they almost have to be involved with one?

Jones: I think so.

Huth: Do you think it's just as idealistic?

Jones: Right.

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\*Wallace (Wally) Cook, M.D., The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1987.

## Efforts to Improve Member Satisfaction

- Jones: In our organization I think it's getting better all the time. I can see from the kind of training programs that we're doing internally. See, it's one thing to get the member, and the next thing is to keep him. And you've got to provide good service. You've got to be courteous. You've got to do all the things that a member would expect. And our organization has improved 100 percent on that in the past few years, and particularly in northern California.
- Huth: Is there any one place or person that's responsible for member satisfaction in Kaiser, or do you all work at it?
- Jones: Well, we all work at it. We investigate complaints and we have one person responsible for answering letters and so forth. I did that when I was there. Ellen McGrath--[looking at materials] I just noticed her picture in the papers I have here. She answered all of the members' complaints.
- Huth: Is there still a problem of accessibility of the client to the care provider and the team of providers? If there is a problem, does it have to do with size and cost benefit concerns? At one time doctors working at Kaiser were concerned about the accessibility of the care to the patients.
- Jones: Well, I think they improve on that all the time--the ratio of physicians to member. One thing I've noticed is that they've developed--I think they call it "urgent care." It's a step in between emergency care, like in an emergency room, and the physician's office. For example, at Santa Teresa I can go up there tonight and walk in and be seen because they've got a staff of physicians there that care for patients on an urgent basis, and they refer you back for follow-up care.
- Huth: Is it a full-fledged physician?
- Jones: Oh yes. And they refer you back to your own doctor.
- Huth: Are those urgent care provisions in just a few of the hospitals?
- Jones: I don't know. I think they're probably in all of them now. It's another step toward improving service.
- Huth: And that's only in recent years that they've done that?

- Jones: Well, they've tried various types of things to meet that need. See, one of the things that they started was what they called a "drop-in clinic," in Oakland. I recall that. You could walk in anytime without an appointment and see a doctor, and he would evaluate you, you know, see what else had to be done, if anything.
- Huth: Is that still there?
- Jones: I think they've expanded it into a different thing, but anyone can still go in and get that kind of care.
- Huth: I think what they've done with it is same-day appointments. You call up and get an appointment.
- Jones: See, they're trying various things to meet the demand.
- Huth: Do you see the possibility of any problems in the future, disjoining this team network that's been set up?
- Jones: Not so far, no. The organization seems to be doing very well on the top level--meeting these kinds of criteria: continued growth, good service, and trying to provide good quality care at a low cost.
- Huth: Did your opinions about the program change over the years? You seem to be enthusiastic now. Do you think you've been that enthusiastic throughout your whole thirty-year career?
- Jones: Oh yes. Yes, I enjoyed every minute of it.
- Huth: I'm not sure just where a category of employees called medical social workers fits in. I think they're connected with the health plan office, but I'm not sure. These are the people who help patients who have no place to go when they're released from the hospital. The patients have been in the hospital for a length of time, but then they can't go home. They have to find a place for them to go. I thought these special workers were employed by the health plan.
- Jones: I doubt it.
- Huth: You would know about it if they were. Were you aware of this at all?
- Jones: No, I know it was a problem. That's one of the areas that nobody covers--convalescent care. And it's really not an insurable thing. I mean, you know, you can have a person who'll be in a rest home for

Jones: ten years and there's no way of covering that under prepayment. It's a social kind of a problem. But I'm not aware of any department that is assisting with this, but it's a good idea.

Huth: It's there, it's in Kaiser, but I'm trying to find out just where it fits in.

Jones: I don't think it's in the health plan.

Huth: It's probably part of the hospital.

Jones: I would think so. See, when the patient's getting ready to be released they should have somebody there to take care of the problem, not give it to the health plan, because the health plan doesn't handle that kind of thing.

Huth: Did you have any input into any particular innovative changes in the system, or new ideas for improvements? I think you told me about how you worked with people to get various things going.

Can you think of anything else that we haven't talked about, especially ways of doing things better?

Jones: No, nothing comes to mind.

Huth: What effect did outside praise or criticism have on the services to the patients? You said that you had someone who was answering letters and responding to people. When some of them were found to be legitimate complaints, was there some input from that to make some changes?

Jones: Oh yes, whenever we found a pattern of complaints in some particular area or some particular department, well, we would work with the management responsible for whatever went on and try to work out a solution.

Huth: You mentioned the pencil stubs, how did the health plan managers work to balance the need to keep costs down and yet provide quality service? Was there any conflict there?

Jones: That's not one of our budget problems.

Huth: Would you have any opinions about the growing use of nurse practitioners and paramedics in Kaiser, whether you've used them personally or what you think of the practice? These seem to be more and more in use.



Jones: Yes, ten years ago there wasn't that much activity in those fields. Properly used, I think they can be very helpful. They're trained to do certain things and to stay within those parameters. And I think there are certain things that they can do that a registered nurse has customarily done. You know, you don't need that qualification to have them do it. But I haven't had too much experience with LVNs [Licensed Vocational Nurses], and that sort of thing.

Huth: It's just an innovation that's come up that seems to be another way to provide services.

We've covered my questions pretty well. Is there anything that you would like to add to what you have said?

Jones: No, I think we've about covered the whole thing.

Huth: Anything that comes to mind? It's been kind of a long time for you to put in all in one session.

Jones. Well, you devoted as much time. [laughter] Besides that, you had to drive here, several hundred miles. [Los Angeles to Atascadero]

Huth: Any wrap-up comments?

Jones: Are you interviewing anybody down in southern California?

Huth: Yes, I'm going to be talking to Dr. Kay, and I have an appointment set up for an interview with Dr. Smillie.\*

Jones: Jack Smillie? Yes, well, he was from northern California.

#### Call Back From Retirement, 1975 and 1976

Jones: Well, after I retired they sent John Custer back to Harvard for a course. I was back there when they started this course in Health Systems Management at Harvard University. I was in the first class back there. Custer took my place, and they sent him back there too.

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\*Raymond M. Kay, M.D., interview, Regional Oral History Office.

John (Jack) G. Smillie, M.D., The History of the Kaiser Permanente Medical Care Program, an oral history interview conducted 1986, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1987.



Jones: So while he was at Harvard, I went back and spent several months in my old job the year after I retired. I did that for about four or five months while he was back there.

Huth: Tell me what you did.

Joens: Well, it was the same old job, health plan manager.

Huth: But it would have been different, wouldn't it?

Jones: No, it was with the same people. I was only gone a few months before I went back.

Then, at that time, Wayne Moon was health plan manager in southern California, and the Ford Motor Company was asking Kaiser people to help them develop a program of their own. They were saying then that the cost for [employee's] medical care was more than the steel that went into the automobiles. So Wayne Moon was asked to work with the Ford people in Detroit to put together a program that they might want to consider. So after he went to Detroit, I went down to southern California, and I was the health plan manager down there.

Huth: What year would that have been?

Jones: Well, the following year, 1976.

Huth: Now, that would have been a different job, in southern California.

Jones: Yes, that was a different job--health plan manager of southern California.

Huth: And all new people.

Jones: Yes. The following year they opened up in Texas.

Huth: Where in Texas? Houston?

Jones: Houston, I guess it was.

So they took the regional manager from Denver and sent him down to Texas to work up the program down there because they weren't sure they were going to go into business with Prudential or not, at that time. So they sent Wayne Moon to Denver to replace the regional manager, and I went back to southern California again.

Huth: And that was for how long?

Jones: About six months.

Huth: So you didn't really retire?

Jones: [laughing] No. I told our president, "Two more years of this and I get my new five-year pen."

Huth: And it would be something like thirty-eight years with Kaiser?

Jones: Yes.

Huth: But you must enjoy it.

Jones: Oh yes, I was helping them out.

Huth: Did your wife go along with you when you went to these places?

Jones: Well, yes, the first year she was down there they got me an apartment down in Marina del Rey, and she was down there part of the time. The second year I found an apartment a little closer to work, and she was down there just a little bit. I'd come home every weekend-- I'd fly home.

Then, after Moon was regional manager at Denver, I stayed down there in southern California until the end of the year. And a fellow by the name of Mike Katcher, who worked with the health plan in northern California--he was the head of our statistical department in Oakland--was appointed health plan manager, and is still health plan manager in southern California. It was a job in statistics and economics. The health plan manager had things to do like working out our rates for different coverages every year, when we'd have a rate increase.

Huth: Would that year have been 1978?

Jones: Well, I retired in '74. I guess I went back to Oakland in '75, '76, and '77.

Huth: So it was 1977 when Mike Katcher became health plan manager in southern California.

Recalling the Work of Felix Day and James Vohs

- Huth: You showed me some pictures in the next room on your wall. Did we talk about all of those people?
- Jones: Oh, those were mostly taken in 1974 when I retired.
- Huth: You mentioned Felix Day. Can you tell me anything about working with him? What was he like?
- Jones: Felix and Jane Day were with the organization--with Dr. Garfield, in the early days out in Richmond. Felix and Jane were the all-around people in the office. I think they were the only two employees.
- Huth: So they both worked there?
- Jones: Yes.
- Huth: And what do you mean by "all-around people"?
- Jones: Oh, collecting money or whatever, you know. I'm not sure of all their duties, but it was a small operation.
- Huth: They did everything.
- Jones: They did everything, yes.
- Huth: Did you get to know them at that time?
- Jones: Oh yes. Felix then was hospital administrator overall, for all of the hospitals. What do they call it--the regional hospital administrator. And later Karl Steil sent him to Cleveland, when we opened up in Cleveland. And he left the organization after that.
- Huth: Do you know why he was sent to Cleveland?
- Jones: No, it was just a new area.
- Huth: To help open up that new area?
- Jones: Yes, yes, open up that new area.
- Huth: Have you seen him since?
- Jones: No, he lives out in Vallejo, I think, north of Vallejo.
- Huth: Did he retire soon after he went to Cleveland?

- Jones: No, he was there for a while.
- Huth: What about Mr. Vohs? He's still there, isn't he?
- Jones: Yes, he's the president of the organization. He used to be in the health plan in southern California, and he was regional manager in southern California. And now he has the top job.
- Huth: What was he like to work with? Did you work with him?
- Jones: Oh yes, I knew him very well. He was a graduate of the University of California.
- Huth: In which of the branches?
- Jones: I don't know. But he has shown great leadership ability in the expansion, quality of care, and the whole thing. A good man.
- Huth: Any closing remarks you might wish to make?
- Joens: [laughing] No.
- Huth: We went almost a complete tape further than I thought we would, and that's very good. It's always better to have more than less.
- Jones: I just talk slow. [laughter] [brief tape interruption]

#### Value and Unique Qualities of the Kaiser Medical Care Program

- Huth: Do you have one more overall comment about this medical care program?
- Jones: Well, the thing that intrigued me so much is how this program differs from anything else that had ever gone on before. The traditional method of fee-for-service by physicians has cost the American public tremendous amounts of dollars, versus prepaid service such as Kaiser Permanente provides, which uses the medical dollar to a greater advantage.

When medical care benefit programs are put together that provide unlimited care for the patients who use them, it's just like giving the doctors and hospitals a checkbook and saying, "Fill in the amount you want," because they have complete control over it. Medical care costs have gone up so high now that people are beginning to

Jones: realize that even the federal government, which is the largest purchaser of medical care, now is putting the clamps on what they pay under Medicare. And Blue Cross is now coming around to contracting with hospitals, saying to hospitals, "We'll pay you so much and no more," and they're telling the members, "If you go to these hospitals, this is your coverage. If you go to a nonmember hospital, you have to pay the difference." These are the kinds of abuses that the fee-for-service kinds of things have.

Huth: That makes an excellent closing remark for this interview.

Jones: Under our program people are not hospitalized unnecessarily. They don't put them in on Friday afternoon for tests to be run over the weekend for surgery on Monday morning, you see? This is how hospitals made their money. Now that Blue Cross and other insurance companies and so forth and the federal government are clamping down on these practices, hospitals are screaming their head off. They're losing money and they're reorganizing now. They're doing all sorts of things--like advertising outpatient care, you know, and these sorts of things, to try to meet their monetary goals. They've had a real go at it for years, and now it's catching up with them.

Huth: That's a good look at the future.

Jones: Programs like HMOs are keeping these under control.

Huth: So you don't expect the HMOs to be going out of business very soon?

Jones: No, sir, not with the competition they've got. You know, doctors should be entitled to a good living. They spend a lot of time getting their education and so forth. But whenever you just give them a checkbook and open-end the hospitals, doctors really cause medical care costs to go out of sight. True, new equipment and new methods of treatment have added something to hospital costs, but it's kind of ridiculous. I guess that's it [laughing].

Huth: That's an excellent ending.

Jones: Well, you'll have to clean up the language a little.

Huth: Not much. [laughing]

##

Transcriber: Michele Anderson  
Final Typist: Keiko Sugimoto



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