

HEALTH POLICY REPORT

The Lessons of Success — Revisiting the Medicare Story

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President-elect Barack Obama waits to take the oath of office, and as predictably as sap rises in the New England spring, health care professionals and policymakers are posing the quadrennial questions: Will this be the time? Have Americans finally elected a president who can repair our ailing health care system?

Each presidential election sends analysts searching for lessons that might be gleaned from past — and usually futile — presidential attempts at health care reform. President Bill Clinton's maladroit effort to enact the Health Security Act in 1993 and 1994 offers a wealth of cautions about how not to manage comprehensive health care change, and for these warnings we refer readers to several pieces of excellent work,¹⁻⁴ as well as to President Clinton's own memoir.⁵

In our view, however, contemporary analyses have focused too little attention on the most significant success in U.S. health care reform: the enactment of Medicare and Medicaid in 1965. This was the only time in our country's history when the federal government extended health care coverage to a vast new swath of the American public. Recently released tapes of President Lyndon Johnson's conversations in the Oval Office and other archival materials were not available to historians who wrote the definitive histories of Medicare's passage. The new sources substantially change the story, alter some of the traditional conclusions, and introduce or sharpen striking lessons about how presidents should manage major health care reform.

THE CONVENTIONAL STORY OF MEDICARE AND MEDICAID

The conventional story emphasizes the role of the Congress and particularly of Congressman Wilbur Mills, a shrewd, conservative Arkansas Democrat who chaired the powerful House Ways and Means Committee.⁶⁻¹⁰ Considerably oversimplified, the details run as follows.

Congressional Democrats began seriously advocating health care coverage for the elderly in the late 1950s. In 1962, President John F. Kennedy supported legislation that would have provided hospital coverage for seniors under Social Security (the King-Anderson bill), but the Ways and Means Committee, dominated by conservative Southern Democrats, blocked the bill. After Kennedy's assassination, Johnson picked up the fallen Medicare standard but found Congress, and the redoubtable Mills, just as recalcitrant.

However, Johnson won the 1964 election in a historic landslide victory with 61% of the vote and carried huge liberal Democratic majorities into the House (295 Democrats to 140 Republicans) and Senate (68 to 32). Mills accepted the inevitable, changed from a Medicare opponent to its champion, and in a series of brilliant legislative maneuvers, produced the Medicare and Medicaid programs as we now know them. The Johnson administration's contribution consisted chiefly of loaning Mills the technical assistance of Wilbur Cohen, a highly skilled expert on Social Security, who drafted Medicare and Medicaid according to Mills's specifications.

In this drama, President Johnson appears as a bit player, almost a passive bystander. His main contribution was to advocate health care coverage of the elderly during the 1964 campaign, to win decisively, and to sweep Democrats into Congress on his coattails. In his autobiography,¹¹ Johnson himself reinforces this minimalist view by repeating the now standard story replete with a Texas anecdote. Cohen returned to the White House in March 1965 to ask Johnson's guidance after Mills had instructed Cohen to make major expansions to the administration's King-Anderson legislation. The administration's proposal had been quite modest: it would have used Social Security to cover a limited number of hospital days for elderly Americans. Mills proposed adding physician coverage (which became Part B of Medicare) and also expanding a small state-run welfare program,

known as Kerr–Mills, which covered health care expenses for poor elderly Americans and became Medicaid.

Mills's bold and unexpected "bombshell" (as President Johnson described it) would add an estimated \$400 million to \$500 million to the package's annual costs, and Cohen wanted to know what to do about it. Johnson replied slyly, "I think I'll run and get my brother." A legendary Texas storyteller, the president then elaborated for his puzzled aide:

Well, I remember one time they were giving a test to a fellow who was going to be a switchman on the railroad, giving him an intelligence test, and they said, "What would you do if a train was coming east going sixty miles per hour, and you looked over your shoulder and another one was coming from the west going sixty miles an hour?" . . . And the fellow said, "I'd go get my brother." And they said, "Why would you get your brother?" And he said, "Because he hasn't ever seen a train wreck."^{7,11}

Thus instructed to accept Mills's bold proposal and forget about costs, Cohen dutifully returned to Capitol Hill to give Mills the green light, and the Medicare and Medicaid programs were born. Political scientists drew the conclusion that understanding Medicare, Medicaid, or health care reform means understanding the subtle operations of Congress itself.^{10,12}

THE PRESIDENTIAL ROLE IN MEDICARE AND MEDICAID REVISITED

For anyone knowledgeable about Lyndon Johnson, this version of the story has always seemed incomplete. By all accounts, the 36th president of the United States was a man of prodigious energy and ambition, who compulsively tried to control events, rode his advisors mercilessly, and possessed unprecedented legislative skills.¹³⁻¹⁵ He had been one of the most effective majority leaders in the Senate's history, and he was not shy about using those skills. He famously told a biographer, "There is but one way for a President to deal with the Congress, and this is continuously, incessantly, and without interruption. . . ."¹³

Furthermore, Johnson cared deeply about Medicare. In a typical Oval Office comment about the

Medicare program, Johnson told his vice president, Hubert Humphrey, on March 6, 1965:

Don't ever argue with me. I'll go a hundred million or a billion on health or education. I don't argue about that any more than I argue about Lady Bird [Mrs. Johnson] buying flour. You got to have flour and coffee in your house and education and health. I'll spend the goddamn money. I may cut back some tanks. But not on health.¹⁶

Recently released White House tapes reveal that Johnson was in on Mills's legislative coup right from the start. Within weeks after Kennedy's assassination, the new president began wooing Mills with private White House dinners and repeated phone calls. His message was clear: Medicare was the most important program on Mills's agenda. Johnson would give him wide latitude in shaping its details, and he would make sure that Mills got the credit for passing it. But the congressman had to move the legislation.

In response, White House memos show that as early as January 1964, 14 months before the bombshell, Mills was floating the idea of expanding the administration's Medicare proposal beyond the elderly by also covering poor Americans. Johnson encouraged him. In a typical conversation on June 9, 1964, Johnson told the Ways and Means chairman: "The single most important popular thing is the bill [Medicare] you are working with. . . . I am not trying to go into details."¹⁷

Then in a telephone conversation 2 days later, Johnson got into the details anyway. Characteristically, he first instructed Mills to "find some way to do something about Medicare." Mills then floated the idea of a "three-pronged" bill that would include a Social Security cash benefit (which was then before Congress), a hospital benefit (King–Anderson), and an expansion of Kerr–Mills (to cover health care for the poor). Johnson agreed and then upped the ante, saying, "I'd be for all three of those if you could put that fourth one in it." Johnson was pushing for a bigger, more complete Medicare package, perhaps even physician coverage, while deferring to Mills on the details.¹⁸

Still wary about Mills's commitment, however, Johnson was on the telephone minutes later, calling Senate allies to scheme about passing Medicare as a rider to a Senate bill if Mills backed out.

Mills did back out this time. But Johnson had made it very clear to Mills that the congressman had two choices: he could work with the president and earn the credit for Medicare's passage or he could oppose him and face ceaseless Johnsonian pressure if, as expected, the president was elected to a full term in November 1964. Moreover, Mills knew that if and when he moved Medicare, the president would find the funding, help round up the votes, and pass all the credit back to Mills.

In the end, Johnson got Medicare through the Senate before the election in 1964 but, despite a heroic effort, was unable to get it through the House. In the political maneuvering, Medicare's opponents tried a clever trick to bury the legislation. They offered a Social Security expansion (always popular in an election year) that would raise the Social Security tax to 10%. This was generally thought to be the upper limit on the payroll tax. If they succeeded — and it looked as if they had the votes — opponents would have used up the federal tax capacity and thus blocked a Social Security–based Medicare plan, regardless of what happened in the election. Two surprise votes from Southern Democrats who opposed Medicare blocked the move. When asked why he voted “nay,” George Smathers (D-FL) explained simply, “Lyndon told me to.”

The traditional story rightly underscores the crucial role of the 1964 election in winning Medicare. Not only did it seat a liberal Democratic majority in both houses of Congress, but it unseated three conservative opponents of Medicare on Mills's Ways and Means Committee.⁶ But Mills, for one, did not see the passage of this still controversial expansion of federal health care authority as inevitable. Asked years later whether Kennedy could have accomplished what Johnson did in enacting his legislative program, Mills avowed:

No, he wouldn't have gotten half of it through. . . . No. No, and that's where Johnson doesn't get the credit. He had the greatest ability of any president to get things done.¹⁹

Whether Mills was correct or not, Johnson did at least four things that measurably increased the probability of Medicare's enactment. First, he recruited a talented legislative staff, giving its chief,

Lawrence O'Brien, his pick of personnel from throughout the administration. Second, he made Medicare the highest priority in his legislative program, arranging for the Medicare legislation to be designated H.R.1 in the House and S.1 in the Senate. This conveyed the importance that Johnson attached to it. Third, he made it clear to his staff that time was of the essence and that no matter how impressive his recent landslide victory, his power as president was fragile and fleeting. Cohen recalls a crucial meeting at which Johnson dispensed wisdom that stands the test of time:

It was the end of January, probably the beginning of February 1965 when he called all the people who were handling legislation . . . together. . . . And he said . . . , “Now look. I've just been reelected by the overwhelming majority. And I just want to tell you that every day while I'm in office, I'm going to lose votes. I'm going to alienate somebody. . . . We've got to get this legislation fast. You've got to get it during my honeymoon.”²⁰

Fourth, as Cohen makes clear, Johnson applied relentless personal pressure to his staff and to congressional leaders to move his program forward, including Medicare. Far from being detached and uninvolved in Medicare's passage, he received almost daily memos about its progress through the House and Senate. “He was alert to the ebb and flow from day one until the conclusion,” O'Brien later recalled. But he carefully kept his involvement out of sight. “We tried like the devil at all times to avoid public comments claiming credit for legislative progress.”²¹

Johnson and Mills seem to have directly discussed adding coverage of physicians' services, Medicare Part B, to the King–Anderson bill. According to Mills, he told Johnson after the 1964 election that he was afraid that legislation covering only hospital services would deeply disappoint elderly Americans, who were expecting much more. Mills recalled Johnson's reply: “Well, do what you want to do about it, then, and develop it as you want to develop it.” Talking about Part B of Medicare, Mills added, “We planned that, yes. Oh, yes.”^{8,19}

Cohen would later comment that “Johnson always acted . . . like he was still running the

Congress.”²⁰ And indeed, he functioned at times like a super-majority leader, unabashedly instructing the nation’s most senior legislators on how to do their jobs. For example, after Mills maneuvered the newly expanded Medicare package through his committee, he gathered with House leaders to call Johnson with the good news. Johnson was already looking to the next potential trap. He wanted them to move fast:

For God sakes, don’t let dead cats stand on your porch. Mr. Rayburn [Sam Rayburn, former House Speaker and Johnson mentor] used to say: “they stunk and they stunk and they stunk.” When you get one [of your bills] out of your committee, you call that son of a bitch up before they [the opposition] can get their letters written.²²

Days after this call, Johnson cleared another hurdle for Medicare in the Senate, where he knew that the chairman of the critical Finance Committee, Harry Byrd (D-VA), was a firm opponent. Byrd might try to bottle Medicare in his committee. In a legendary ambush, Johnson invited the senator to the White House for a meeting that was described to Byrd as extremely important and sensitive and then ushered him into an unexpected press conference. With television cameras rolling, Johnson asked the surprised legislator whether there was anything preventing the Senate Finance Committee from quickly holding hearings on Medicare. Byrd tried to evade a direct answer, but Johnson persisted before the rolling cameras. Byrd reluctantly stammered that there would be no delay in acting on the bill. He later commented ruefully, “If I had known what you had in mind, I would have dressed more formally.”²¹

Although the ambush is a familiar story, we can now fit it into the larger pattern. What seemed to be essentially an internal legislative process is now revealed as far more interactive, from framing the law to getting it through the complicated congressional process. Success took an extremely deft president constantly operating the legislative machinery. Johnson, who was notorious for his overbearing style, hid his hand and deflected the credit.

Johnson did one more crucial thing over the course of the winter and spring of 1965: he managed the economics of the Medicare and Medic-

aid legislation. This was much easier to do in 1965 before the creation of the Congressional Budget Office, which now provides independent economic reviews of all legislation, and a similar office within the White House, the Office of Management and Budget. But it was still necessary then, as now, to confront arguments that expansions of health care coverage were unaffordable. To do this, Johnson detailed loyal aides, including Cohen and Treasury Department personnel, to work quietly with legislators on designing taxes and benefit packages. When Mills still expressed concern about the costs of adding Part B and Medicaid to the Medicare package in March 1965, Johnson told him not to worry:

I’ll take care of that, I’ll do that. . . . When they asked me, do you want to put in another 400 or 500 million [to cover Mills’s Medicare expansion], . . . what did I say about it? . . . I said we had an old judge in Texas one time . . . we called him Al Caldly . . . old Al Caldly Roberts, and he said, when they talked to him one time that he might’ve abused the Constitution and he said, “What’s the Constitution between friends?” And I say, tell Wilbur that 400 million’s not going to separate us friends when it’s for health. . . .²²

Cavalier as Johnson may sound here, especially in light of the huge subsequent costs of these programs, his comments signal an unpleasant reality worth pondering: Johnson underestimated the numbers and evaded economic projections to smooth the passage of Medicare and the rest of his Great Society program. An accurate economic forecast might have sunk Medicare. Moreover, Francis Bator, a national security aide to Johnson at the time, recently asserted that during 1965 Johnson also suppressed news of the escalation of the Vietnam War and its attendant costs so that Congress would not question whether the nation could afford the president’s Great Society initiatives.²³

LESSONS OF MEDICARE AND MEDICAID

Lyndon Johnson was president during a very different time. The Congress and the presidency were much simpler institutions. A popular chief execu-

tive, he enjoyed very high standing in the polls and one of the most liberal congressional majorities in the 20th century. All these factors and more argue for caution in generalizing from the Medicare and Medicaid experience to the present.

And yet, Johnson's management of this historic legislation suggests six mostly overlooked lessons that future presidents with an interest in health care reform would be wise to consider seriously.

First, presidents must be committed deeply and personally to health care reform if they are to be successful in enacting major legislation. Even with a strong wind at his back, Johnson had to press relentlessly to obtain passage of Medicare and Medicaid. This required personal energy and the expenditure of great political capital. If a president must pay this high a price at the best of times, the costs during more ordinary political periods will likely be higher still. Only a president with a deep emotional commitment to improving our health care system would start down such a risky and dangerous path.

Second, speed is essential. Johnson knew this in his bones. In contrast, Bill Clinton waited for 9 months to introduce his Health Security Act in 1993, which allowed his opposition to mobilize and defeat him. The savvy health advisor will turn to the president-elect the day after the election and tell him, "Hurry up, we're almost out of time for health reform."

Third, presidents would do well to concentrate on the one job that they and they alone can do: the creation of the political momentum that will enable other leaders and experts to fashion effective legislation. The Johnson experience suggests that presidents who want to enact major new health programs must bring to Washington a clear mandate from the electorate. This requires that they make health care a priority during their candidacy.

Fourth, they must also use that mandate with consummate skill in negotiating some of the most complicated governing machinery in the world. Any president aspiring to reform health care at the federal level must find his or her unique style for accomplishing what Johnson did with the congressional process. If they themselves do not have the skills, they need a crackerjack legislative team that does. Johnson had both.

Fifth (and a corollary of lesson four), presidents

must delegate details and give away credit. They have to choose which principles to insist on, and then their aides and Congress can manage the specifics. The history of Medicare shows Johnson time and again telling Mills that the congressman should write the bill, as long as it contained certain key features. Johnson also saw to it that Mills and other congressional allies received the public applause. Johnson understood that Congress would rewrite whatever the administration gave it, that congressional leaders had to own the legislation to push it through, and that history would credit him for enacting Medicare even if someone else's name was on the bill. Only now, 43 years later, do we learn that Johnson helped to fashion Mills's great coup.

Sixth, the most heretical generalization to emerge from the historical experience may be the following. The expansion of health care to large populations is expensive, and presidents may need to quiet their inner economists. Johnson decided, in effect, to expand coverage now and worry about how to afford it later. Accurate cost estimates might very well have sunk Medicare. In fact, this generalization holds across every administration from Harry Truman to George W. Bush. Major expansions of health care coverage rarely fit the budget and generally drew cautions (and often alarms) from the economic team.²⁴ Of course, under current federal budgetary circumstances, managing the economics of health care reform may be more difficult than ever before.

Health care reform will never be a presidential picnic. Though the preceding lessons usually hold, each political moment is unique, and there will be exceptions to every rule. The more closely one examines historical precedents, even the successes, the more intimidating the task of reforming our modern health care system comes to seem. But the rewards for presidents with the required courage and skill will also be huge. Lyndon Johnson captured them in a memorable speech on July 1, 1965. After he signed the Medicare bill, sitting next to former President Harry Truman, the great champion of national health insurance, Johnson declared:

Many men can make proposals. Many men can draft laws. But few have the piercing and humane eye which can see beyond the words to the people that they touch. . . .

And fewer still have the courage to stake reputation, and position, and the effort of a lifetime upon such cause when there are so few that share it. There just can be no satisfaction, nor any act of leadership, that gives greater satisfaction than this. And perhaps you alone, President Truman, perhaps you alone, can fully know just how grateful I am for this day.

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