

such appropriations as Congress may provide for the purpose. It is obvious, however, that crimes and misdemeanors under this legislation do not differ essentially from those offenses which it is the province of State and municipal officers of peace and justice to detect and discourage by punishment. It is to be expected, moreover, that as all citizens become more and more accustomed to the restrictions and obligations imposed by the law the temptation to violate its provisions will diminish. Certainly with the passing of the generation familiar with the public and habitual use of intoxicating beverages the demand for this illicit commodity will be abated.

Recognition of the increasing importance of alcohol in industry, science, and the arts, as well as of the legitimate use of alcoholic preparations for other essential purposes, led to the inclusion in the national prohibition act of permissive provisions under which such commodities may be manufactured, distributed, and used, subject to control and regulation. The administration of these provisions of the law has been most difficult. The bureau has sought to interpose no unnecessary obstacle to lawful activities, economic or social, involving the manufacture and use of alcohol and has desired especially to encourage the manufacture of industrial alcohol.

On the other hand, it is through the abuse of permits issued by the bureau under the provisions of the act that many violations of the law, serious and difficult of detection, are consummated or attempted. Despite all safeguards with which the bureau has been able to surround the issuance of these permits, the aggregate volume of alcohol and intoxicating liquors withdrawn from bond indicates by comparison with recognized legitimate requirements that considerable quantities have been diverted to illicit purposes. The development of the bureau's organization and procedure and closer cooperation with the legitimate permittees should result in a modification of the present necessarily restrictive regulations affecting these important American industries without endangering in any way the enforcement of the prohibitive features of the law. It may confidently be expected that the same effective control which was exercised for the purpose of revenue over the manufacture and sale of beverage alcohol for many years before the national prohibition act became law will be brought about for the higher purpose of law enforcement and the moral and economic welfare of the people within a reasonable time.

WAR-RISK INSURANCE.

Much progress was made during the fiscal year in improving the executive, administrative, and clerical organization of the Bureau of War Risk Insurance and the service rendered by it to its great number of beneficiaries. The organization was divided into 10

major administrative units, as follows: Insurance, compensation and insurance claims, marine and seamen, allotment and allowance, medical, legal, finance and administrative, liaison, school teachers' retirement, and personnel. These divisions functioned with continuing improvement.

Within the director's immediate staff a statistical unit was established for the purpose of creating and maintaining administrative control records of every activity of the bureau. These records indicate accurately the bureau's progress from day to day and clearly point out weak spots requiring immediate attention. With the assistance of daily control records it has been possible to coordinate the various activities of the bureau, consolidate many of its functions, and avoid duplication of effort.

Military and naval compensation.

The military and naval compensation cases considered during the year related mainly to disability claims, rather than death claims, as during the previous year. The war-risk insurance act was amended by the act approved December 24, 1919 (Exhibit 85, p. 550), which greatly increased the amount of compensation payable for disability. The amendment necessitated the readjustment of virtually all disability claims.

Under the law, only men who are compensable—that is, whose disability is 10 per cent or greater—are entitled to medical care and treatment. Experience has shown that this works a hardship upon many men who were disabled by reason of their military service but whose disabilities have not been rated as high as 10 per cent. These men are nevertheless in need of medical care not only to relieve their present condition but to prevent their disabilities from becoming aggravated. The attention of the Congress is drawn to this situation.

The bureau has approved a total of 44,546 claims for compensation on account of death resulting from service and 184,405 claims for compensation on account of disabilities incident to service. During the month of June, 1920, payments were made by the bureau in this connection as follows:

42,945 death awards	\$1, 395, 588. 49
184,408 disability awards	8, 152, 361. 70
Accrued awards	5, 675. 96
For medical care	375, 896. 02
And in payment of burial awards	32, 749. 18
Making a total of	9, 962, 271. 35

Military and naval insurance.

Much progress was made during the year in perfecting the organization of the Insurance Division and in placing its work upon

a plane of efficiency equal to that of modern commercial institutions. This result has been attained by systematizing and simplifying procedure and by the use of many labor-saving devices and office appliances. Duplication has been eliminated and the former volume of work has been maintained, and even increased, with a concurrent reduction in personnel of more than 50 per cent.

The amendatory act of December 24, 1919, increased the classes of beneficiaries of war-risk insurance by adding uncles, aunts, nephews, nieces, brothers-in-law, sisters-in-law, and persons who have stood in loco parentis to the insured for a period of one year or more prior to his enlistment or induction into the service.

United States Government life insurance.

The first permanent United States Government life insurance policies, representing conversions of term insurance policies, were issued and delivered on May 1, 1920. During the year 152,979 applications for United States Government life (converted) insurance were approved for an aggregate amount of \$511,821,500 of insurance. A total of 540,458 premium payments (including monthly, quarterly, semiannual, and annual) were received, aggregating \$10,047,463.61. Liberty bonds aggregating \$19,921,100 were held on November 15, 1920, as investments for the United States Government Life Insurance Fund.

The amendment of December 24, 1919, provided that United States Government life (converted) insurance might be paid at maturity in one lump sum or in 36 or more monthly installments, at the option of the insured. This option was not extended to the war-risk term insurance.

Summary of insurance operations.

The Bureau has written—

4,631,993 war-risk term policies covering insurance to the amount of (including some duplicate applications)-----	\$40,284,892,500.00
The gross premium remittances on war-risk term policies from all sources approximating-----	298,864,307.07
123,300 claims for insurance on account of death are represented by insurance to the amount of-----	1,141,818,133.48
While 3,257 claims for insurance on account of permanent and total disability involve insurance to the amount of--	28,536,540.00
During the month of June, 1920, the total disbursements on insurance claims amounted to-----	7,670,084.56

In spite of the efforts of the bureau to reach all of the more than 4,000,000 discharged soldiers, sailors, and marines to advise them of their insurance rights and privileges under the war-risk insurance

act and the steps necessary to reinstate or convert their original insurance—

The war-risk term insurance in force on June 30, 1920, amounted to-----	\$3,472,624,000
The United States Government life insurance (converted pol- icy) in force on the same date amounted to-----	511,821,500
Making an approximate total liability of-----	3,984,445,500

With the exception of those whose health will not permit reinstatement under the regulations, the total original amount of war-risk term insurance, being approximately \$40,284,892,500 on June 30, 1920, may be regarded as a remote potential liability. It can scarcely be regarded as a probable or prospective liability.

The ex-service men and women are reinstating their insurance at the rate of approximately \$100,000,000 a month. If reinstatements continue at this rate, and should ex-service men and women be allowed the privilege of reinstating during the next five years, there would be, in addition to the present war-risk term insurance of \$3,472,624,000, approximately \$6,000,000,000, making a total of about \$9,472,624,000.

The average policy of United States Government life insurance (converted term insurance) amounts to \$3,345.70. Assuming that reinstatements of term insurance and conversions thereof will continue at the present rate, the amount of permanent United States Government life insurance in force at the expiration of five years would be approximately \$3,643,347,850. This amount represents, in the circumstances stated, the theoretical prospective insurance liability under converted policies five years hence.

Of the \$40,284,892,500 war-risk term insurance written, there is a definite liability due to death and disability claims of \$1,170,354,673.48 to be paid in installments over a period of 240 months, or in the case of total and permanent disability during the lifetime of the insured. The sum of \$298,864,307.07 has been collected in war-risk term insurance premiums. This leaves a net current liability over premium payments of \$871,112,366.41.

In times of peace, premiums for term insurance ordinarily would be sufficient to pay all normal claims; but in the case of war-risk insurance it is to be remembered that many who are retaining their term policies are not normal risks, and also that the war-risk term insurance, as well as United States Government life (converted) insurance, provides for permanent and total disability without additional premiums. Therefore it is unlikely that the term insurance premiums collected will, in fact, be sufficient to cover the actual liabilities.

It is believed that premiums collected on converted policies (the United States Government life insurance) will be sufficient to pay all claims.

Military and naval allotments and family allowances.

Amendments of original awards of allotments and allowances constituted one of the most important problems of this feature of the bureau's work during the year. Adjustments of the claims of enlisted men who had been discharged from the service involved much correspondence, which is now decreasing as the allotment and allowance work approaches an end.

Applications and awards for family allowances for the period Oct. 6, 1917, to June 30, 1920.

Applications received.....	4, 473, 700
Number of awards made for men having dependents.....	2, 090, 893
Number of exemption cases submitted.....	111, 903
	<hr/>
Amount of allotments paid.....	\$288, 704, 689. 73
Amount of allowances paid.....	265, 936, 936. 52
	<hr/>
Total disbursements.....	554, 691, 626. 25

The current work of this division has greatly decreased since the armistice, but it is still of considerable volume.

Payments for the month of June, 1920, amounted to—

Allotments.....	\$1, 027, 166. 29
Allowances.....	1, 334, 491. 43
	<hr/>
Total.....	2, 361, 657. 72

Marine and seamen's insurance.

As insurance provided for American vessels and their cargoes and for masters and crews of American vessels covered war risks only, it was possible to terminate these features of the Bureau's work soon after the signing of the armistice. The rates for both types of insurance were withdrawn on January 4, 1919.

From September 2, 1914, when the Bureau was created, to June 30, 1920, the marine section wrote insurance on American hulls and cargoes aggregating \$2,067,291,993. The net premiums received amounted to \$46,741,508.96 and salvage \$63,734.88. The net profit of these operations, representing the excess of premiums and salvage over expenses and paid and estimated losses was \$17,030,197.11.

The seamen section, from its beginning on June 12, 1917, to June 30, 1920, wrote insurance on the lives of masters, officers, and crews of American vessels aggregating \$322,782,391.82. The amount of net

premiums received was \$843,563.49. The net profit on the policies covering these risks, representing the excess of premiums over expenses and paid and estimated losses, was \$470,700.81.

Medical Division.

The work of the Medical Division has greatly increased during the fiscal year. To keep abreast of the work it has been necessary to augment both the professional and the clerical personnel. At the beginning of the fiscal year there were 35 medical officers and 196 clerical employees, and at the close there were 72 medical officers and 478 employees. At the beginning of the fiscal year there was an arrearage of approximately 39,000 cases awaiting action; on June 30, 1920, the arrearage was only 4,444 cases, less than one average day's work. At the beginning of the fiscal year the average output of cases per diem was approximately 1,000; at the end of the fiscal year it was 5,257.

The Medical Division acted upon 1,088,201 cases during the fiscal year. These figures do not indicate the total number of men whose cases were acted upon, but the number of times that cases received attention. Out of the 3,800 men suffering major amputations during the war, 3,616 have already been supplied with artificial limbs. Of these 1,249 were arms and 2,367 were legs.

The number of patients in hospitals increased from 3,279 on June 30, 1919, to 17,471 at the close of the fiscal year. During that period there were admitted to hospitals 48,983 patients, of whom 34,791 were discharged. Analyzing these figures, it is found that at the beginning of the fiscal year of the patients in hospitals, 864 were general, 1,362 were tuberculous, and 1,053 were neuro-psychiatric. At the close of the fiscal year, 6,411 were general patients, 6,018 were tuberculous, and 5,042 were nervous and mental patients. Of the claims made during the year 66.65 per cent were rated as temporary partial disability, 20.87 per cent as temporary total, 3.72 per cent as permanent partial, and 1.97 per cent as permanent total. Ninety-three and twenty one-hundredths per cent of the total number of cases were rated at 10 per cent of disability or greater; that is, were compensable; and 6.29 per cent at less than 10 per cent of disability; that is, noncompensable. Of the total number of claimants of the bureau, 2,629 have died during the year.

By an understanding with the Federal Board for Vocational Education an interchange of physical examination reports was arranged. This materially assisted the bureau in the speedy adjudication of claims and proved of great benefit to the claimants themselves, in that they were obliged to make only one contract to secure

a medical examination either for the purposes of the Bureau of War Risk Insurance or those of the Federal Board for Vocational Education. Every endeavor was made to provide physical examinations and medical treatment based upon the latest and best medical records, and arrangements were perfected whereby examinations and treatment were provided for claimants with the minimum of annoyance and disturbance of their personal affairs.

The Medical Division has maintained arrangements with the medical departments of the Army and Navy, whereby patients requiring further treatment when discharged from the service are immediately transferred from the Army or Navy hospital to a hospital for patients of the Bureau of War Risk Insurance.

In the fulfillment of its medical responsibilities to its claimants the Bureau of War Risk Insurance has maintained constantly a sympathetic attitude toward the claimant and his dependent relatives and has at all times endeavored to administer its several functions with justice both to the claimant and to the Government.

Personnel.

The bureau has made marked progress during the fiscal year in solving its difficult and extensive personnel problems. The force has been greatly reduced, placed upon a permanent civil-service basis, and mobilized to meet the needs of the bureau.

The maximum number of persons employed at any one time during the fiscal year was 15,480 and the minimum number was 7,862, the latter being the total on June 30, 1920. The output of work, nevertheless, increased. The volume during the last quarter of the fiscal year was very much greater than in any preceding quarter and the bureau was on a more current basis.

The total number of employees of the bureau on November 1, 1920, was 6,833, including the field force and additional medical personnel. The personnel program of the director contemplates a reduction in force to approximately 6,000 by January 1, 1921.

ENEMY OR ALLY OF ENEMY INSURANCE COMPANIES AND OTHER FOREIGN INSURANCE COMPANIES.

Federal supervision and regulation of foreign insurance companies doing business in the United States was continued throughout the year. It was performed through the Bureau of War Risk Insurance under authority of an Executive order issued under the trading with the enemy act. During the year applications of 12 companies to do business in the United States were approved and the necessary licenses issued.

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT AND BONDS.

The department continued the administration of Article IV of the act approved March 8, 1918, generally known as the soldiers' and sailors' civil relief act. Under this law, the Government undertakes to protect payments of premiums in commercial companies on certain policies on the lives of men in the military and naval services to the extent of \$5,000 insurance on any one life. Premiums due life insurance companies in such instances are certified by the Bureau of War Risk Insurance to the Secretary of the Treasury, and, to secure the payment of such premiums, the Secretary issues bonds of the United States registered in the names of the respective insurers. To June 30, 1920, the Bureau of War Risk Insurance approved 7,745 applications for benefits under this law. These approved applications protected \$12,526,956.29 of insurance in private companies and societies on the lives of men in the military and naval services. The amount of premiums guaranteed was \$362,399.50. Some of the premiums were paid by the insured, and to the extent of such aggregate payments it was unnecessary to issue bonds as a guaranty.

To October 31, 1920, \$195,400 of bonds had been issued to guarantee the payment of such premiums, of which \$29,400 had been canceled and \$166,000 were outstanding on that date.

DISTRICT OF COLUMBIA SCHOOL-TEACHERS' RETIREMENT ACT.

The administration of certain provisions of the act approved January 15, 1920, providing retirement for the school-teachers of the District of Columbia, was vested in the Secretary of the Treasury. The law provided for the deduction and withholding from the basic salaries of every teacher in the public schools of the District of an amount sufficient, with interest thereon at 4 per cent per annum, compounded annually, to purchase an annuity under the provisions of the act. It also authorized the investment of the fund arising from such deductions. By Treasury Department Circular No. 190, dated May 25, 1920 (Exhibit 86, p. 557), the Director of the Bureau of War Risk Insurance was authorized to administer, under the direction of the Secretary of the Treasury, the duties conferred upon the Secretary by the retirement act, except those relating to the investment of the fund created thereunder. The commissioner of the public debt was authorized by the circular to perform, under the direction of the Secretary of the Treasury, the duties conferred upon the Secretary with respect to the investment of the fund. These arrangements continued until June 30, 1920, when, in accordance with the terms of the act approved June 5, 1920, the administration of the law was transferred to the Commissioners of the District of Columbia, the

duties with respect to investments being transferred to the Treasurer of the United States. Such transfer and the future investment of the fund were covered in Treasury Department Circular No. 205, dated July 6, 1920 (Exhibit 87, p. 559).

Liberty bonds aggregating \$48,350 on November 15, 1920, were held as investments for the District of Columbia Teachers' Retirement Fund.

HOSPITALIZATION.

The signing of the armistice, with the resulting rapid demobilization of the military forces, threw an extraordinary burden upon the hospital facilities of the United States to provide medical care and treatment for beneficiaries of the Bureau of War Risk Insurance. The United States Public Health Service constituted, with a few minor exceptions, the only civil agency of the Federal Government operating a general medical service. The Secretary of the Treasury consequently designated the service as the principal instrumentality for the performance of the hospitalization work of the Bureau of War Risk Insurance. This arrangement was confirmed by the Congress in the act of March 3, 1919, which authorized additional hospital facilities for the care of the beneficiaries of the Public Health Service and added to these beneficiaries patients of the Bureau of War Risk Insurance; and by the provisions of the sundry civil appropriation act for the fiscal year ending June 30, 1921, making appropriation for the care and treatment of patients of the War Risk Insurance Bureau.

Under the direction of the Secretary of the Treasury, on October 6, 1919, the War Risk Insurance Bureau and the Public Health Service prepared an estimate of the urgent hospital needs and a program to supply adequate hospital facilities to meet these needs. The estimate disclosed that there was an immediate need of 7,700 beds for war-risk insurance patients in addition to the other patients of the Public Health Service. Acting as the medical agency of the War Risk Insurance Bureau, the Public Health Service adopted as temporary expedients the following:

1. The expansion of existing facilities by such alterations, additions, or modifications as were immediately feasible.
2. The acquirement through congressional action of certain base hospitals at Army camps which were capable of utilization.
3. The transfer to the Public Health Service of certain hospitals leased by the War and Navy Departments.
4. The purchase, lease, and remodeling of other institutions.
5. The making of contracts for the treatment of patients in non-governmental hospitals.

From October, 1919, the number of patients requiring hospital care increased with great rapidity, until on June 30, 1920, it reached a total of approximately 20,000, without any prospect apparent of an abatement of increasing demands.

To meet this situation the Public Health Service had to find not only sufficient hospital facilities, already greatly overtaxed in this country prior to the war, and to find, and in many cases train, the professional personnel needed to man these hospitals, but it also had to develop the administrative machinery required to handle this large and growing organization and to make contact with sick and disabled former service men and women for the purpose of securing the medical examinations necessary to ascertain the character of treatment needed, to distribute them to hospitals, and for the other manifold purposes to which this task gave rise. For reasons of administration, the United States was divided by the Public Health Service into 14 districts, in each of which it opened an office and placed a district supervisor. The creation of this extensive machinery to permit the Public Health Service to reach the disabled soldiers and sailors and provide them with the care and treatment of which they stood in need required time. The expansion of the field agencies of the service went on rapidly, and was supplemented in its early stages, particularly in sparsely settled portions of the country, by physicians retained on a fee basis directly by the Bureau of War Risk Insurance. As the organization was developed the services of these physicians were made available to the Public Health Service in an effort to coordinate their activities under the supervision of that service.

Since the inception of this work, approximately 130,000 patients entitled to treatment under the war-risk insurance act have been cared for in hospitals, making a total of nearly 5,000,000 hospital relief days, the unit of computation. Over 500,000 out-patient treatments have been furnished—that is, treatment of cases not requiring confinement in a hospital. About 500,000 medical examinations have been completed. In addition, special services and attentions of various kinds have been afforded. For example, about 22,000 patients have been given dental treatment. At the present time over 2,000 patients are being given occupational therapy and over 3,000 physiotherapy each week. Thousands of patients have been furnished prosthetic appliances of many different kinds.

To carry on this work the Public Health Service has necessarily assembled a large personnel. The medical force (exclusive of designated examiners who act on a fee basis) now numbers approximately 2,700. A dental corps has been organized, comprising about 130 officers. There is in the service a corps of approximately 1,200

female nurses. A reconstruction service has been formed, and there are now in the employment of the service about 400 reconstruction aids. A dietetic service has been provided which includes 125 trained dietitians.

An inspection service has been instituted for general supervision of the field activities of the service, and a number of officers are kept constantly in the field investigating complaints and making reports. This inspection service covers not only the hospitals operated directly by the Public Health Service, but also civilian institutions receiving patients under contract with that service, so that the department may endeavor to see that the care and treatment furnished in such hospitals do not fall below the proper standard. In cooperation with the American Red Cross, which has devoted itself to the work with great zeal, there has been organized an extensive and effective medical social service, ministering to the needs of the discharged disabled soldier and sailor in many ways. The Public Health Service has supplied the Federal Board for Vocational Education with the medical personnel necessary to carry on the medical functions of the board, and, up to a short time ago, supplied the Bureau of War Risk Insurance with similar personnel to constitute the Medical Division of the bureau for the execution of the medical functions of the war-risk insurance act carried on in the bureau.

In order to assist the Public Health Service to meet the tremendous task suddenly placed upon it by the demobilization of the armed forces of the Nation following the cessation of hostilities, the Congress in the sundry civil appropriation act for the present fiscal year authorized the utilization by the Director of the Bureau of War Risk Insurance of such governmental facilities as might be made available, beginning July 1, 1920, in hospitals of the Army and Navy and in the National Homes for Disabled Volunteer Soldiers. In pursuance of this authorization there have been made available about 1,500 beds in hospitals of the Army, about 1,600 beds in hospitals of the Navy, and about 1,000 beds in the soldiers' homes. It is estimated by the Director of the War Risk Insurance Bureau that by January 1, 1921, there will be available in the soldiers' homes approximately 4,000 beds. This includes a hospital of 1,000 beds at Johnson City, Tenn., for tuberculous patients, and another of 1,000 beds at Marion, Ind., for patients suffering from mental and nervous disorders.

The work of making these beds available in the hospitals of the Army and Navy and in the National Homes for Disabled Volunteer Soldiers was intrusted by the Congress to the Bureau of War Risk Insurance, and has been performed by the Medical Division of that bureau in conjunction with the agencies of the Public Health Service, including the district supervisors of that service. The Chief

of the Medical Division of the Bureau of War Risk Insurance is a member of the hospital board of the Public Health Service. Under regulations approved by the Secretary of the Treasury, the Surgeon General of the Public Health Service and the Director of the Bureau of War Risk Insurance, acting conjointly, assemble through their respective organizations the data as to beds made available in hospitals operated by, controlled by, or under contract with the Public Health Service, in Army and Navy hospitals, and in soldiers' homes, and transfer this information at frequent intervals to the offices of the district supervisors of the Public Health Service who are charged with the distribution of patients. In addition to its duties in this connection, the Medical Division of the Bureau of War Risk Insurance transmits to district supervisors requests for medical examinations required in connection with claims for compensation and insurance under the war-risk insurance act, receives and reviews the reports of such examinations, and makes an advisory determination for the Director of the Bureau of War Risk Insurance of the extent of disability found, which is based upon a table of ratings established under the war-risk insurance act for that purpose. Such ratings are transmitted to the Compensation and Insurance Claims Division, and when confirmed or modified by the director of the bureau determine the payment of insurance or the amount of compensation due.

Every effort has been made to coordinate closely the work of the Medical Division of the Bureau of War Risk Insurance and the work of the Public Health Service. It was recently decided by the Secretary that the medical work in the Bureau of War Risk Insurance should be performed through a medical personnel, appointed in that bureau. The reorganization of the Medical Division of the bureau in accordance with this plan is now actively in hand and is nearing completion. In undertaking this task, the force was recruited in large part from the medical personnel assembled and trained by the Public Health Service and assigned to duty in the Bureau of War Risk Insurance. The personnel thus taken over continued the exercise of their functions without interruption or material change.

In carrying out this emergency hospitalization program it has been necessary to utilize many temporary facilities and to adopt many temporary expedients, which will be discontinued as rapidly as they can be replaced by measures of a more desirable and permanent nature. It has been necessary to act expeditiously and to organize on a constantly expanding scale. It is estimated that within the course of another year approximately 30,000 patients will require hospitalization, and to meet this immense increase in the number of patients within a period so short requires the unremitting efforts of every

person engaged in the task. According to the best estimates available, it will cost approximately \$50,000,000 to carry on this hospital program during the coming fiscal year for patients of the Bureau of War Risk Insurance.

HOSPITAL CONSTRUCTION.

The Public Health Service now has in buildings either owned or leased by the service over 12,500 available hospital beds. Under commitments already made it is expected in the course of the next few months that this available bed capacity will be increased to a number in excess of 15,000. In addition there will be added to the permanent bed capacity of the Government 1,000 beds for neuropsychiatric patients in the soldiers' home at Marion, Ind., and 1,000 beds for tuberculous patients in the soldiers' home at Johnson City, Tenn. These two homes have been converted into hospitals exclusively. This will make a total of 17,000 Government beds in the near future. There are also at other soldiers' homes, either now available or shortly to be made available, approximately 2,000 beds; in Army and Navy hospitals there have been reported as available a total of 3,270 beds. The use of beds in hospitals of the Army and Navy has been adopted as a temporary expedient until more satisfactory facilities can be constructed. The use of beds in soldiers' homes should be of a more permanent nature, provided patients in these homes are kept entirely separate and are separately treated from persons who seek these homes for domiciliary purposes.

I should point out with respect to the hospitals operated directly by the Public Health Service that some are Government buildings on leased grounds transferred to the service by the Army or Navy; some are institutions leased by the Army and Navy and turned over to the Treasury Department by transfer of lease; some are buildings of temporary construction hastily put up by the Army at the beginning of the war; some are private institutions leased by the Public Health Service direct under the act of March 3, 1919; and others are hospitals bought or constructed especially for the service. The leases in some cases will expire after certain fixed periods following the declaration of peace, and are not renewable by their terms. The buildings of many of the hospitals are far from satisfactory for the use to which they are being put, and should be either substantially altered and repaired or abandoned as soon as more satisfactory institutions become available. Some of the leases carry a purchase clause, in pursuance of which the buildings may be bought if of a character desirable for permanent acquisition, provided the Congress sees fit to make the appropriations necessary.

The hospital facilities which the department now has are not so distributed geographically as to meet desirably the needs of the patients of the Bureau of War Risk Insurance. It is obvious that the supply of beds must be sufficient in number, of the requisite character, properly maintained, and so distributed throughout the country as to permit of their use in the various sections of the United States. In meeting the future needs for hospital facilities, the correct policy, in my judgment, is to hospitalize all patients, as far as practicable, in Government hospitals and that beds be provided accordingly. This policy is clearly indicated by the experience of the department with regard to the character of service afforded patients in Government-operated hospitals and hospitals treating patients under contract with the Public Health Service. Should this policy be adopted by the Congress, it will be necessary not only to supply the number of beds necessary to equal the difference between the number of patients now in hospitals and the beds now available in Government-operated hospitals, but it will be necessary, in addition, to increase the figure in order to provide such distribution of beds as will correct the present inconvenient geographical distribution and to provide for growing demands.

It will be readily appreciated that it is injurious to the patients in many instances, as well as expensive to the Government, to have to move them great distances in order to provide the character of care and treatment required in the individual case. Further than this, it will be necessary to increase the number, as rapidly as practicable, by the number of beds required to replace those in leased hospitals of the Public Health Service, the leases of which are not renewable, and in those hospitals which are of an undesirable character and the use of which should, therefore, be discontinued as speedily as possible.

As previously stated, there are at the present time approximately 20,000 patients now undergoing hospital treatment provided by the Treasury Department. After careful consideration of (1) the number of patients of the Bureau of War Risk Insurance and the Public Health Service now in hospitals; (2) the present Government hospital facilities; (3) the imminent necessity of replacing some of the undesirable hospitals; (4) the increase in the number of patients within the past year giving further support to the estimate that 30,000 hospital beds will be needed by the end of the next 12 months; and (5) the geographical distribution of the ex-service population of the country, it is believed that there is immediate and urgent need for 4,800 additional beds for tuberculous patients, 4,500 additional beds for patients suffering from mental and nervous disorders, and 900 additional beds for general medical and surgical patients. In round numbers, 10,000

additional beds are almost immediately required. At an estimated cost of \$3,000 per bed for construction and \$500 per bed for equipment, an appropriation of \$35,000,000 for this purpose would be required at this time.

Should the Congress decide further to utilize buildings already owned by the Government and erected on the grounds of soldiers' homes in different sections of the country, the amount of this appropriation could be reduced accordingly. There are highly desirable grounds surrounding and belonging to soldiers' homes in different sections of the United States upon which hospitals could be erected if these properties were made available for the purpose, thus reducing the expense of purchasing grounds for the erection of hospital buildings. Furthermore, if the Congress should see fit to authorize the extension of the privilege of existing Army and Navy hospitals for the use of War Risk Insurance patients, the total of the appropriation above suggested could be further reduced. The requisition of Army and Navy hospitals for this purpose is inadvisable except as to such as are both new and desirable.

Another matter which should be taken into consideration in connection with the hospital construction program is the possibility which has recently developed by the passage by the New York State Legislature of an act to provide for the construction of a 1,000-bed hospital for neuropsychiatric patients of the Bureau of War Risk Insurance, to be leased to the Government for 10 years at an annual rental of one-tenth of the entire cost, but containing a limitation to the effect that only patients who are citizens of New York State shall be admitted to the hospital. If this act of the New York State Legislature should be amended by removing this limitation and by adding the usual purchase clauses which would admit of the application of rent payments or a percentage thereof toward the purchase of the institution, the program for hospital needs for neuropsychiatric patients could be modified substantially. I should present for the consideration of the Congress the advisability of encouraging other States to construct hospitals at their own cost to be leased upon completion to the Government for the care and treatment of these patients, with the provision that the United States would have the privilege of buying the hospitals and of being credited in the purchase price with sums paid in rentals. In this way the Government could purchase such hospitals as, in the light of experience, might be needed permanently, and could release to the States for their use such hospitals as may prove to be needed only for a period of years.

The 20,000 patients now receiving hospital care may be classified, roughly, as one-third tuberculous, one-third suffering from mental and nervous disorders, and one-third general medical and surgical

cases. An analysis of the character and distribution of the present bed supply shows that the general medical and surgical cases are provided for in a reasonably satisfactory way, and it is believed that such cases, if necessary, can in great part be cared for adequately under contract in civilian institutions, since their ailments do not ordinarily require prolonged hospitalization. On the other hand, the care and treatment of tuberculous and neuropsychiatric cases constitute the more permanent phases of the hospital construction program. It is not possible, upon the basis of present knowledge and experience, to state when the maximum number of neuropsychiatric and tuberculous cases will be reached. The indications are that this may not occur in the near future. It will be affected by possible future legislation, such, for instance, as the pending proposal to extend the privilege to claim compensation payments under the war-risk insurance act beyond the time now fixed in that act. Such an extension would serve to admit a greatly increased number of patients to care and treatment by the Government.

It has been estimated by the Director of the Bureau of War Risk Insurance that the maximum will not be reached for these classes of patients until the years 1927 to 1929. In addition to the immediate construction program involving an appropriation of approximately \$35,000,000, the Government must make provision for the care of these two groups of patients in the years to come. It is my belief that in appropriating funds to care for the patients of these two services it would be wise to frame the authorization in a broad and general way, since this is an undertaking in a new and uncharted field which has, in the few months since its inception, afforded but very limited experience by which the Government may be guided. The legislation should authorize the use of funds for building units or additions of wards to existing State or private institutions, and should contain provision for the conclusion of long leases with such institutions as meet the required standard. The appropriation should, therefore, in my judgment be so framed as to provide additional hospital facilities (1) by purchase, gift, or lease of existing plants or parts of plants; (2) by construction on sites now owned by the Government or on sites acquired by purchase, condemnation, gift, or otherwise; and (3) by remodeling or extension of existing plants and their equipment owned or to be acquired by the United States.

In summarizing the need for the construction of hospitals to meet the requirements of ill and disabled ex soldiers and sailors, to whom the country owes so much, I should point out that, according to the best estimates obtainable, there will probably be need for a total of something like 30,000 permanent beds in the United States. It seems fitting in every sense that the National Government should adequately provide for the needs of these men, and I know of no way in which

this can be done except by the construction of permanent, suitable institutions, particularly for those who suffer from tuberculosis or nervous and mental disorders. The Nation earnestly desires that the medical and hospital needs of her heroic sons be met in a manner that will show America's appreciation of the glorious service they rendered to their country. I am satisfied that this need can not be met unless adequate provision be made in permanent governmental institutions.

The estimates which are being submitted to the Congress contemplate an expenditure of approximately \$35,000,000 for the construction of hospitals to meet the imperative demands of the situation, and in my judgment this sum is by no means excessive to care for this real emergency and immediate obligation of the Federal Government. I earnestly urge that the Congress appropriate the necessary funds for this purpose at the earliest practicable moment.

PUBLIC HEALTH.

In addition to the extensive and important work conducted for the patients of the Bureau of War Risk Insurance, as previously discussed, the Public Health Service continued to perform, with unremitting care throughout the year, its usual functions in the interest of the health of the people. These included the protection of the Nation against the introduction of epidemic diseases from foreign countries and the spread of sickness from State to State, as well as the continuation of scientific studies of medical treatment, diseases, sanitation, etc. The service pursued its customary activities in cooperation with the State and local health authorities of the country.

Precautions against foreign epidemics.

With the resumption of maritime intercourse among the nations of the world following the war, the prevention of the introduction of pestilential diseases into the United States from foreign countries became a problem for serious consideration by the Public Health Service. Devasted and famine conditions in many parts of Europe furnished fruitful soil for the propagation and spread of diseases throughout Europe and their introduction into this country unless strict precautionary measures were taken at ports of departure or entry of vessels engaged in trade with America. Officers of the Public Health Service were detailed during the fiscal year in increased numbers for duty in foreign countries to detect outbreaks of diseases, in order that proper quarantine restrictions might be exercised. The officers stationed in foreign ports are rendering valuable reports. Up to the present time, the service has been eminently successful in preventing the introduction of disease into the United States.

Transfer of State quarantine stations.

It was a fortunate coincidence that, with the increasing menace of disease conditions abroad, the three remaining States under which State quarantine stations were maintained transferred their quarantine facilities to the Public Health Service. During the fiscal year ended June 30, 1920, Congress appropriated funds for the payment for the quarantine stations at New York City, Baltimore, Md., and those in the State of Texas, and the necessary legal steps are now being taken to effect the transfer of these properties from State to Federal jurisdiction. This is a move of much importance in the direction of safeguarding the health of the country. It enables the quarantine procedure now being carried out at other stations to be made applicable at these places. This action now makes possible uniform practice at all the quarantine stations of the United States, with a resultant increase in quarantine efficiency and a decreased burden on maritime commerce.

National leprosarium.

Realizing the menace which existed in the presence and migration of persons afflicted with leprosy in various States throughout the country, the Congress, on February 3, 1917, appropriated \$250,000 for the establishment of a national leprosarium to be maintained under the jurisdiction of the Public Health Service and granted authority for the erection of suitable buildings to carry out the purposes of the act.

Since the date of the passage of the law repeated efforts were made to obtain a suitable site for the institution. A number of satisfactory locations were given serious consideration, but local opposition to the establishment of a leprosarium finally resulted in the abandonment of these projects. Within the last few months, however, arrangements have been perfected and necessary legislation enacted by the Legislature of the State of Louisiana, whereby its leper colony located at Carville, in that State, has been turned over to the Public Health Service to be operated as a national leprosarium. Final steps are being taken to consummate this transfer and to open the institution under Federal control.

Heretofore persons afflicted with leprosy frequently have become charges of States of which they were not legal residents. It is manifestly unfair to such communities that they should be charged with the expense and care of these patients and be subjected to the risk of the spread of the disease among their people. With the establishment of this Federal home, however, it is believed much can be done to relieve the States of this unjust burden.

In connection with the treatment of lepers it should be mentioned that as a result of investigations of leprosy the Public Health Service has developed a method for the treatment of the disease which gives extremely encouraging results. Should further observations of this treatment bear out present indications the Federal home for lepers will not only be the means of segregating persons suffering from one of the diseases most dreaded by man, but will also hold out in cases which have not advanced too far a very material hope for recovery.

National health program.

The efficient formulation and effective execution of an adequate national health program is of vital importance to the happiness and progress of the people of the United States. In the previous annual report of the Secretary of the Treasury attention was invited to the necessity of the development of a comprehensive plan to meet the urgent after-the-war health needs. It has been possible to make but little progress in this direction because of the lack of the necessary appropriations. Nevertheless, the Public Health Service already has made a beginning along certain lines and has employed the limited funds placed at its disposal by the Congress to the very best advantage practicable in developing the contemplated program.

For example, an appropriation of \$50,000 to enable the service to cooperate with the States in studies in and demonstrations of rural hygiene has been used to such advantage that, instead of the expenditure by States of an equivalent sum, such expenditures have been five times the amount contributed to the work by the Federal Government; that is to say, \$250,000. That does not include much larger sums for the same purpose expended by municipalities and private corporations which have authorized the issuance of bonds or directly expended sums in the neighborhood of \$800,000. In view of the encouraging results which have followed these very moderate expenditures, it is felt that a substantial increase should be made in these funds which go far toward making rural life more attractive and healthful.

The service has not been able to undertake its work in child hygiene along the extensive lines that are desirable. It has used the money appropriated, however, in intensive studies of the conditions of child hygiene in such a manner as to demonstrate the unusual value to the country of health work in this field. As a result, three States are now establishing departments of child hygiene along lines recommended by the Public Health Service. These investigations have shown so many adverse conditions which are easily preventable affecting the health of children that there can be no question as to the necessity for the Public Health Service continuing the work in a larger way.

In organizing its work on industrial hygiene the service has made intensive studies of many occupations, but what is of larger interest in this field is the fact that it has assumed sponsorship for a national code of industrial hygiene whereby minimum standards for the protection of the health of workers will be established.

It appears quite essential that the Public Health Service should be provided with adequate funds with which to support and conduct investigations. In this connection the Surgeon General calls attention to the fact that one-fifth of all deaths take place in children less than 5 years of age, that pneumonia is annually the cause of one-tenth of all deaths in the United States, that tuberculosis claims 150,000 persons annually, that 7,000,000 or 8,000,000 cases of malaria occur yearly with an estimated economic loss ranging from \$800,000,000 to \$1,000,000,000, and that the recent epidemic of influenza carried off in the space of six weeks some 500,000 lives.

Plague has made its appearance in the United States, and these outbreaks are drawn to the attention of the Congress in the hope that additional appropriations will be granted to the Public Health Service for combating the disease. The service is also in need of additional funds for the purpose of collecting information with respect to the presence of disease in the United States. It is important that a central national agency assemble this very important information currently and distribute it to State and local authorities for the purpose of taking the necessary steps to prevent the scourge of interstate epidemics. The attention of the Congress is further invited to the request of the Surgeon General for adequate appropriation and authority to publish and distribute additional health material for the use of the public.

COAST GUARD.

After distinguished service as a part of the Navy, to which it was temporarily transferred in accordance with law during the war, the Coast Guard has operated under the direction of the Treasury since August 28, 1919, pursuant to Executive order of that date. It is gratifying to record that the department's expectations with respect to the loyal, effective, and courageous performance of war-time duties by this historic service were fully realized. Its integrity, efficiency, and best traditions were sustained in a marked degree, and the record is a creditable one, of which officers and men may well be proud.

The Secretary of the Navy, in his annual report for the fiscal year ended June 30, 1919, had the following to say with regard to the operations of the Coast Guard as a part of the Navy during the war:

* * * Its vessels and personnel made a valuable addition to our forces afloat and its experienced officers and men proved their worth in service with those of the regular Navy and Naval Reserve Force.