Chapter Three

Towards a State Health System

Kupat Holim and the Health Insurance Question

In February 1950, the Kanevsky-Kanev Commission (the Kanev Commission)—established to investigate what shape social insurance in the State of Israel should take—completed its work and presented its first report to Minister of Labor Golda Meir (Myerson). Among the commission’s recommendations was the suggestion that the health system be nationalized. Publication of the report was put off by the Ministry of Finance to prevent pressure on the government’s budget, but the content was leaked to the press and sparked hot controversy. The Kanev Report was only made public three months later accompanied by a clarification that it did not reflect official policy, but the event marked the official inauguration of debate on the future of health services in the State of Israel, the place of Kupat Holim in the state, and, above all, whether to mandate a compulsory government health insurance law in the course of social legislation for the newly-established State of Israel.

Leaks to the press from the Kanev Commission’s February 1950 report, and the stormy debate that it created, had already made it clear to Kupat Holim that it must put the issue on its own agenda and reformulate its position regarding the future. The sick fund had to decide how it viewed itself within the future health system after statehood and what its position was vis-à-vis the Kanev Commission’s recommendation for compulsory health insurance law—the same kind of legislation that Kupat Holim itself had championed for almost two decades under the British Mandate, without success.1

Compulsory State Health Insurance—The Concept

The first plan for compulsory health insurance in a governmental framework was inaugurated in Europe towards the close of the nineteenth century. In 1883, Otto von Bismarck, Chancellor of Germany, legislated a compulsory health insurance law and established the first health and pension institute for laborers, based on progressive dues. While Bismarck’s health insurance scheme was designed to further political objectives and gain the support of the laboring classes for his government, the conceptional roots of the system he established were paternalistic—the belief that the poor should place
their personal wellbeing in the hands of their masters, their government, the chancellor of the German Empire.

The concept that a ruler has a duty to care for the health of his subjects, including members of the working class, can be found as far back as the Roman Empire, from the rule of Julius Caesar onward. In the Middle Ages this idea was further entrenched as part of the feudal system, and although it was not anchored in any form of compulsory legislation, this duty was widely accepted by both nobles and vassals as an unwritten law. There are a number of documented cases in which vassals sued their masters for provision of health services as a matter of form, as well as cases of monarchs who demanded that their nobles fulfill this duty to their vassals. Failure to do so resulted in the offender losing face and stature in the eyes of his peers, the nobility. This was the state of affairs until the end of the Middle Ages, but the growth of the city and the weakening of feudal ties led to the transfer of responsibility for the health of inhabitants from the nobility to the community and the nation-state.

The first to provide conceptional justification for intervention of the state in economic and social affairs was Adam Smith (1723–90), a founder of the concept of political economy. Smith stressed that in spheres where unfeathered economics undermine social justice, government controls are necessary to impose social reform. Smith championed government intervention in such cases, although this conflicted with the unregulated economic freedom he championed in a host of other realms. Although his writings on this issue related to rural society, his ideas were co-opted among thinkers in urban industrialized areas of Europe at the dawn of modern society.

The impact of epidemics on European cities in the early nineteenth century due to overcrowding, poverty, and poor sewage disposal and general sanitation and hygiene pushed authorities to intervene in the lives of subjects and bolstered the idea that it was a nation’s duty to control the economic and social system, not out of concern for the welfare of the individual as socialist thinkers argued, but as an essential element in ensuring the sustainability of the state. A series of laws and regulations in Frankfurt (1849) and in the Confederation of Northern German States (1866) regulated the intervention of the regime in the lives of inhabitants, enforcing sanitary regulations that extended to the privacy of the home (requiring cleaning of domiciles to prevent epidemics). In 1976 Germany went so far as to establish a national health office to supervise health issues for the state. The office published programs for vaccinations and supervision of sanitation, and invested absolute legal powers in district managers to intervene in any and all medical and health issues within the state. A similar office was established in England, but its authority and prerogatives to intervene in the lives of the inhabitants was more limited, reflecting differences in British political culture. According to historian H. R. Shryok, the willingness of rank-and-file
Germans to accept the intervention of state machinery in their lives and to obey the laws and regulations that the government formulated, as well as the structure of Bismarck’s state that invested broad powers in the hands of the chancellor, played core roles in the process that culminated in health insurance legislation in Germany under Bismarck. What fueled the expansion of government intervention in social and economic life and gave this trend its legitimacy was Bismarck’s vision for the German polity as well as his desire to undermine support for his rivals, not concern for the welfare of his working class citizens, per se.

Bismarck’s initiative in mandating health insurance under law was a natural progression from the assumption, first raised by Smith, that the nation-state should intervene in the lives of citizens and the legislative measures adopted by the federation of German States at the beginning of the century to impose standards of sanitation to prevent epidemics. Legislation that regulated provision of health services for poor laborers was a valuable socioeconomic tool in the war against poverty and maintenance of health throughout the nation. The forces that led Bismarck to introduce health insurance, pension rights, and worker’s compensation reflected a view that the state possessed the right to intervene; the move also helped Bismarck to win the elections by undermining the opposition. Bismarck was able to kill two birds with one stone: mobilizing the sympathy of the masses and winning the elections. The legislation ensured a regular flow of monies from employers and employees to underwrite health services via sick funds, in lieu of the previous system based on insurance companies and private practitioners, with charity organizations serving as an informal security net for the masses. Laborers were now entitled to receive health services as a legal entitlement. No longer dependent on charity, the health status of the working class improved considerably.

Bismarck’s health insurance, however, was designed to provide health services to a small minority—only salaried workers. Only years later was the outreach of health insurance extended to other sectors of the population, and only then did the focus of legislation shift from financing health services for workers to insuring basic medical services for the entire population. By 1885, health insurance in Germany encompassed four million laborers whose monthly health insurance payments were deducted directly from their salaries, making them eligible for health services, pensions, and worker’s compensation for work accidents.

Following Bismarck’s example, similar legislation was adopted in Austria (1888) and Sweden (1891). By 1912, similar laws had been enacted in all countries in Central and Western Europe. Organization of the service and provision of insurance was carried out by voluntary organizations that operated on a not-for-profit basis and established sick funds. These bodies enjoyed official status and the state supervised their operations and granted
them subsidies and special dispensations to help bolster and spread their operations. Most of the sick funds took the form of non-profit insurance companies; they did not provide medical assistance themselves, nor did they employ physicians on a salary basis, but instead contracted such services from private practitioners who were paid according to the number of patients received. Members of the sick fund were at liberty to choose the doctor of their choice from a list of physicians working under contract with the sick fund.

One should keep in mind that the first sick fund organized under Bismarck’s legislation was met with opposition among the laboring class on political grounds. The laborers viewed Bismarck’s social reforms as a ploy to garner their support. While Bismarck sought to use the insurance to achieve political objectives and defeat his socialist adversaries, the labor movement did not foresee the advantages that the law opened for them from a social perspective.\(^5\)

**Kupat Holim and Compulsory Health Insurance during the Mandate Period**

Members of the Second Aliyah, the founders of Kupat Holim, envious of the social insurance system in Europe and familiar with the social welfare system in Europe and the foundations of its health insurance machinery and its advantages, viewed the German program of health insurance as a goal that they should strive to achieve in Eretz Israel on behalf of Jewish laborers. The expulsion of Turkish Ottoman rule, the conquest of Eretz Israel in World War I, the establishment of a British Mandate over Palestine, and establishment of a civil government prompted the heads of the sick fund to lobby on behalf of similar legislation in Eretz Israel.

The issue of compulsory health insurance within a governmental framework was first raised on the Yishuv’s agenda in 1925, at the initiative of the sick fund. This was not only due to the clear advantages of such a system from both a social and health standpoint, but also, even primarily, due to the economic advantages. Kupat Holim had found itself in economic distress as a result of debts accrued in the course of the world war and due to the fund’s rapid expansion of its operational base in the postwar years to absorb new immigrants, which was further harshly exacerbated by high levels of unemployment among its membership due to economic recession. Consequently, Kupat Holim sought to ensure its existence by organizing regular government backing for its operation that would be forthcoming under a legally-mandated compulsory health insurance system. Such a law would require employers to participate in social insurance for their employees based on a progressive scale linked to the worker’s salary, with all the
proceeds earmarked solely for the sick fund (channeled directly to Kupat Holim, not via the Federation of Labor). At the same time, from an ideological standpoint, legislation would ensure funding for equalizing access to health services for all the Yishuv, and put an end to the current state, where health insurance was beyond the means of the majority of the Jewish community. Improvement in the health of the Yishuv by ensuring medical care for new immigrants and laborers in particular was perceived as a national priority, part and parcel of realization of the Zionist idea, and an important tool in consolidating the Yishuv politically and socially.

Yitzhak Kanevsky-Kanev was the moving force behind the idea of legislating a health insurance law under the auspices of the British Mandate. Kanev—a member of the Second Aliyah and one of the founders of Kupat Holim—was a member of the sick fund’s directorate and occupied a senior managerial position within Kupat Holim. During the British Mandate, he was also a key figure behind social legislation in other domains (worker’s compensation, mother’s insurance and more).

In January 1930, after extended deliberations with the Federation of Labor’s executive (vaad hapoel), the federation approved Kupat Holim’s request to raise the idea of legislation of a compulsory health insurance law with the British High Commissioner, Sir John Chancellor. The British Mandate government, which was not prepared politically or economically for such an initiative, rejected the Kupat Holim proposal hands down, without any discussion. The reason cited by the secretary of the government was fiscal—that the scope of tax collection within the Yishuv was insufficient to support such legislation. Various attempts by Kupat Holim in the course of the 1930s to take the idea of legislation forward and put the issue back on the mandatory authorities’ agenda were rejected unconditionally, both on fiscal and political grounds, since the British were not in the habit of introducing social legislation under the auspices of Britain’s colonial rule anywhere else in the world either.

It should be noted that the position of the Federation of Labor, and particularly Ben-Gurion (who at the time was the head of the federation) was not unequivocally in favor of compulsory health insurance legislation. On the one hand, the federation had to publicly back any initiative for social legislation that would improve the lot of its membership and advance social equality; on the other hand, Kupat Holim was the federation’s primary social institution and a powerful political and organizational tool. Legislation was liable to transform the sick fund into an autonomous body operating under the aegis of the government, weakening or severing the federation’s control of the sick fund, undermining its own clout. Therefore, the federation chose a moderate line, avoiding any political clashes designed to advance the health insurance issue after mandate authorities rejected the idea. The importance of Kupat Holim to the federation, and the federation’s dependence on it, only grew after dues to the federation and sick fund health pre-
miums were combined in 1937 into one lump sum—the *mas achid* or joint dues, merging membership in the Federation of Labor and Kupat Holim. Once the joint dues were channeled through the federation machinery, part of the dues previously collected for sick fund functions was siphoned off to support other federation activities. Had a health insurance law been adopted by the British Mandate government, it would have had a positive impact on both the sick fund and the health of the Yishuv, but it would have undermined both the stature and the finances of the Federation of Labor. Ben-Gurion was cognizant of the utility of the sick fund and its core role for both the federation and the labor movement as a whole, having commented as early as 1922: “Kupat Holim is the one institution that gives the federation power.” Thus, it seems clear that in the years 1948–50, when leaders of the federation discussed the shape of health services in the newly-established State of Israel, compulsory health insurance legislation and the status of Kupat Holim in Israel, federation leaders were all keenly aware of the role of Kupat Holim as a key source of power.

The ramifications of legislating compulsory health insurance that would transfer responsibility for and the center gravity in health matters from Kupat Holim to the state, and that was liable to drain the federation of much of its power, was a key political question for the federation, Kupat Holim, and Ben-Gurion on the eve of the establishment of the Jewish state.

**The Program of the Institute for Social Research—The Planning Commission**

On November 20, 1946, the Federation of Labor’s executive announced that it was founding an Institute for Social Research that would operate “to forward social insurance, labor legislation, and social work under its auspices through research and to serve as an aide to the federation and the social insurance section and mutual assistance of the executive in these branches.” The role of the institute would be to engage in all aspects of debate on and passage of social welfare legislation, and to work towards social legislation similar to that in Great Britain. The state of health services, health insurance, and Kupat Holim were not mentioned at all in the declaration of the institute’s founding objectives, other than that it would be housed in the quarters of the Federation of Labor’s Central Committee (merkaz), and that Kupat Holim’s directorate’s library would be expanded and turned over to the institute. The institute was to be headed by Yitzhak Kanevsky-Kanev, that is, a member of the Kupat Holim directorate and a founder and old war horse in the struggle for social legislation in Eretz Israel.

A secondary reference to Kupat Holim appears in one of the appendixes containing a statistical report that presents a list of the federation’s social
insurance institutions. Other institutions cited in the appendix were: the disability fund, the unemployment fund, and the compensation and pension funds Meitziv (“stability”) and MeiDor LeDor (“from generation to generation”). Kupat Holim was cited as the most senior social insurance body in the Yishuv, together with a detailed description of the scope of the sick fund’s operation and membership.

A week after the decision to establish the institute, it was already announced that Kupat Holim was seeking “an employee for research roles concerning its social services. . . . with suitable training from England.” In correspondence with a colleague, Kanevsky-Kanev sought to detail the kind of researcher he sought. Nothing was said about compulsory health insurance legislation or that the institute planned to discuss the status of Kupat Holim in the Jewish state-in-the-making. In late 1946, the question of statehood and the shape the Jewish state should take was on the agenda, but the level of discussions was still on a distant, almost theoretical, plane: a date had not yet been set, nor was Great Britain thinking of abandoning the mandate government at this point. Thus, the institute began operation aware of the need for social legislation solely from a narrow perspective, mainly as an avenue to better the lot of workers as a federation interest, without regard for national goals in the framework of a future Jewish state and the social welfare system that would have to be established.

During its first year of operation, the institute did not initiate any meetings or deliberations of federation members, nor was any research work assigned to anyone. The institute’s operation was limited to publication of a series of papers entitled “Labor Research,” that focused on social insurance in various countries in the world, including surveys of issues such as disability insurance, labor law, and labor relation courts. In October 1947, a month prior to deliberation at the United Nations regarding the future of the mandate and the historic vote on November 29, 1947, in favor of the partition plan (UN General Assembly Resolution 181) that paved the way for an independent Jewish state, Kanevsky-Kanev published a survey of changes in social insurance in the world, and a report from the Kupat Holim delegation to the International Congress for Social Insurance in Geneva. The status of Kupat Holim in the state-in-the-making and impending turnover of responsibility for health issues to Jewish government auspices was not even mentioned.

The revolution in the focus of deliberations at the Institute for Social Research came only a month later—in November 1947—two weeks before the fateful UN vote, at the first annual convention of the institute. At the opening session, Peretz Naftali, a member of the institute, said that “establishment of the Institute for Social Research adjacent to the federation’s central committee was an act in keeping with the times . . . It is our duty to make plans for the primary foundations of social insurance in the state.” As for the objectives of the institute, Kanevsky-Kanev added that “topical problems
concerning social insurance institutions in Eretz Israel would be studied: Kupat Holim, the unemployment fund. . . . In the social assistance domain, it is vital to clarify the relationship between operation of social assistance of federation institutions and assistive enterprises of the Yishuv.”

This was the first time that question of the shape of the Israeli health system, which would occupy the Federation of Labor, Kupat Holim, and the government of Israel for years to come, was even indirectly mentioned.

In order to take the question forward and prepare a contingency plan and other suggestions regarding social insurance issues that would become relevant as soon as independence was declared, the institute’s management chose a planning committee that was divided into two working groups, one to plan social insurance, and another to plan labor legislation.

The members of the social insurance working groups were Professor M. Benenson, the actuary of the Federation of Labor’s pension institutions; attorney Israel Bar-Shira; Zvi Berenzon, the federation’s legal advisor; Dr. Giora Lubinsky-Lotan, a lawyer and a social security activist; Zvi Luft, director of the federation’s insurance company, Hasneh; Peretz Naftali and Hans Rubin, Mapam Party members; L. Shneider, a civil servant in the British Mandate government’s Ministry of Labor; and B. Ronen, an economist. Kanevsky-Kanev served as committee coordinator and secretary. Except for Kanev, there were no other members of Kupat Holim’s management on the planning committee, although the committee was mandated to deal with Kupat Holim’s fate within the framework of the new polity.

The committee members appointed Kanevsky-Kanev with the mission of bringing a proposal for social insurance after statehood to the planning committee by January 1948 that would also address the question of health services in the State of Israel. Upon completion, the proposal would be brought for preliminary discussion before the committee, which would then formulate recommendations to be submitted to the relevant federatin institutions for final drafting. Thus, in November 1947, concurrent with the UN decision to establish a Jewish state, the social insurance planning committee began its work.

The shape of social insurance in the Yishuv also occupied the Yishuv’s most senior governing body, the national committee, at this crucial juncture. In June 1947 the national committee published a memorandum on public services, including health, education, and social work, for the Jewish people. In the course discussing the memorandum, Dr. Abraham Katznelson-Nissan, chairperson of the national committee’s health committee, underscored that these services were available on an acceptable level but suffered from ongoing fiscal difficulties because the burden of underwriting them fell entirely on the shoulders of the Yishuv, without any British government support whatsoever. Katznelson related only to the current situation—primarily the meager involvement of British Mandate authorities, but did not relate to what was
needed or desirable for the future, once the British had left. Only 3 percent of medical services for Jews were provided by governmental institutions, and responsibility for the remainder fell on the Yishuv. In December 1947, after the outbreak of the first phase of the War of Independence, a revised memorandum by the national committee was published, entitled: “Social Work in the Transition Period.” The memorandum omitted previous references to the mandatory government and social insurance that were no longer relevant, and discussed organization of future social services, including health services established during the course of the war, and afterwards, once the Yishuv became an independent polity. The memorandum was part of a larger general push for the organization of public life on an emergency basis and the preparation of services that could fill the void created by British withdrawal.

Along with the work of the Federation of Labor’s Social Services Planning Committee, the Institute for Social Research published its plan for the transition period in a June 1948 report that called for broad government subsidization of the federation’s social insurance enterprises:

The government will back Kupat Holim’s hospitals and disability fund . . . The government will back the social [welfare] budgets of the workers, and first and foremost, Kupat Holim. . . . The government will ensure via special legislation payment of the Parallel Tax to Kupat Holim for State employees . . . Payment of maternity leave. . . . payment of compensation for work accidents . . . obligation of employers to pay costs of treatment [for work accidents] and health insurance of their employees at times of accidents and so forth.

That is, the Federation of Labor expected that the government of Israel would provide most of the funding for social services, which would be executed by its own established health machinery. In addition to publication of the plan, other institute studies also published in June 1948 made the federation’s intention all the more transparent:

The Federation of Labor set up of late a special research committee to examine problems of Kupat Holim, but the federation and the employers must solve these problems and they should not be allowed to delude themselves that all the problems will be solved by an independent State. It will take a long time until there will be changes in social services. . . . Until then, we must preserve the existing enterprises and provide them with the ability to fulfill their daily functions without interference. . . . As a second function during the transition period, preparation of a rational program for social security in the Jewish state must be seen to. The Institute for Social Research will assist future legislators of the state by gathering the material required for their work. . . . This material and the preliminary programs will serve as a foundation for legislators in the state.
The institute’s personnel assumed that the State of Israel would not be able to undertake the financing of social services on its own in the first years of statehood. Therefore, they viewed it as the national duty of Federation of Labor institutions such as Kupat Holim to provide the services that would be needed in the meantime, while they worked towards formulation of an information system and a comprehensive program for the future. At the proper moment, responsibility would be transferred to the government and plans for a social security system in the State of Israel would be instituted.

In January 1948, on the basis of these assumptions, the Institute for Social Research began to deliberate the issues, to draw up the main points for a social security program for the State of Israel, and to discuss the future of health services and the future relationship between Kupat Holim, the Federation of Labor, and the State of Israel.

A general meeting of the institute’s personnel was convened on January 13 and 27, 1948, at a time when most public attention was focused on bloody events of the inter-communal war launched by Palestinian Arabs to block establishment of a Jewish state, and various political moves were afoot around the world to reverse the march towards independence by the Yishuv set in motion by passage of the partition plan. At the meeting, Kanevsky-Kanev presented the outline for a social security system he had been asked to draw up for the social services planning committee as a basis for their deliberations. Discussion of the principles followed.

Kanev’s recommended the gradual establishment, in two to three stages, of a comprehensive social security system for Israel. In the first stage, lasting four years, a program was envisioned to include the following: “. . . elementary medical assistance for all that would encompass hospitals and clinics; compulsory insurance for employees; amalgamation of all categories of insurance; independently employed persons . . . entitled to voluntary insurance; productivation of neglected youth.” In the second stage, medical assistance would be expanded to include x-ray institutes, specialist laboratories, convalescence and dentistry, preventive medicine, and transfer of social work to local authorities. The third stage of the program would focus on child allowances and housing for the needy.

Kanev’s program placed responsibility for establishment and management of health services on the shoulders of local authorities and called for a compulsory insurance institute for workers to assist in organization of service. Only in the second stage would the state initiate legislation of a compulsory insurance law providing the right to health services and other social services. Services would be given regardless of any co-payment. The medical institutions operating in the Yishuv—Hadassah and Kupat Holim—would continue to operate among the population, while the state would establish, under law, a basket of minimal medical services for all citizens. Local authorities could provide additional medical services either free or for a fee, while
the financial burden for such services would be shared by local authorities and the state.

Kanev suggested the following for the organization and provision of medical services:

Execution will be in the hands of local authorities. Half of the expenditures will be paid by the local authorities and the second half by the state. . . . The Kupat Holim clinics will continue to exist and will be encompass all those enjoying compulsory insurance in the area or a particular neighborhood. Kupat Holim’s network of clinics serves to ensure the rapid realization of compulsory insurance that will come in place of existing voluntary insurance.\(^\text{22}\)

The program recommended that all hospitals, including those established by Kupat Holim, be transferred to local authorities, while the government would share half their expenses. Likewise, it was recommended that a “rational uniform hospitalization program” be drawn up for operating these locally-administered hospitals.\(^\text{23}\)

The social security program was supposed to be a uniform plan administered by one institution based on a standard premium for all that would replace the social security institutions of the Federation of Labor. At the same time, the planning committee added a recommendation that Kupat Holim’s clinic network be maintained in order to provide compulsory health insurance services, alongside the health centers and clinics that would be operated by local authorities. Thus it created a parallel secondary system that was discriminatory to some degree: one for members of the Federation of Labor and one for the non-federation members; one owned by the Federation of Labor, and the other owned by local authorities, both providing the same compulsory health services to insurees.

The first stage of the social security program focused on compulsory health insurance for salaried citizens and members of rural collectives—kibbutz and moshav settlements. To a large extent, the recommendation repeated Kupat Holim’s call to legislate a compulsory health insurance law for salaried employees, championed by the sick fund during the mandate period (1925–30)—a program that was also designed and authored by Kanevsky-Kanev.

Kanevsky-Kanev’s January 1948 proposal not only maintained Kupat Holim’s stature as an independent and separate institution that would serve as a health service provider for implementation of the law; it also made allowances for Kupat Holim to provide additional medical services to its own insurees, members of the Federation of Labor—services that were not covered in the basket of services mandated by law for all citizens.

In Kanev’s eyes, the Ministry of Health’s role would have to be curtailed to supervisory functions and formulation of policy and responsibility for
preventive medicine and hospitalization of the mentally and chronically ill. The operation of all health services, including Tipat Chalav (mother-and-child clinics operated at the time by Hadassah and World Zionist Organization), would be solely in the hands of local authorities.

The social security institute for workers that Kanevsky-Kanev called for would be responsible for establishing clinics for insurees; caring for persons injured in work accidents; operating institutes and laboratories; caring for the disabled, convalescent, and rehabilitation facilities; and overseeing dental care. Most of the medical care would be turned over to Kupat Holim and local authorities. At no stage of the multi-phase plan was the possibility of establishing a network of government hospitals under the aegis of the Ministry of Health to provide hospitalization services to insurees considered.

The Kanev plan—formulated and presented in the midst of a bloody intercommunal war—cited that social security would provide equal services to all Arab citizens who would choose to become part of the Jewish state.

The plan did not detail how the Kupat Holim, the Federation of Labor, and the government should cooperate in financing the sick fund’s health services for the state’s compulsory setup. It did not stipulate how such federation enterprises as the disability insurance and worker’s compensation should be transferred to the state. Nor did it discuss the fate of the joint dues that combined fees for membership in the federation and Kupat Holim into one lump sum.

On January 13, 1948, after members of the planning committee gave the blueprint its stamp of approval, the Kanev plan was brought for discussion before a wider audience in a general meeting. The key discussants were members of the planning committee themselves, joined by Aharon Beker—a member of the management of Hamashbir Hamerkazi—the federation’s wholesale supply network, head of the Haganah’s quartermaster for emergency times and a member of Kupat Holim’s supervisory committee; Menachem Zimon, founder and manager of Mivtachim, the federation’s pension fund company; Walter Proise, head of the federation’s statistics department; Reuven Shenkar, the past treasurer of Kupat Holim, a member of Kupat Holim’s directorate in the 1920s, and a member of the management of Bank Hapoalim in the 1930s; and Zeev Abramovich, a representative of the Akhdut HaAvoda, the Zion-leftist faction (later part of the Mapam Party) in the federation.

Deliberations focused on three issues: first, the lack of certainty about whether the Kanev plan could be realized from an economic standpoint and the tremendous burden it would place on the budget of the newly-established state; second, whether health services for Arab and Jews within the new state should be separate or not (the majority opinion was that one common system should be established to prevent separation along political lines); and third, the suitability of the program to increases in population forecasted and the need to expand services accordingly. The participants
expressed apprehensions that application of the program as presented was too ambitious, too rapid, and beyond the abilities of the state. Most agreed in principle with its form, but their comments focused on practical questions about putting the plan into practice: what would the priorities be, and how would they formulate a modular program that would meet the expectations and the future needs of the state?

The discussions took a different turn when the suggestion that some Federation of Labor social enterprises be transferred to the state was raised. For the first time in their public careers, senior members of the federation who had been among the founders of Kupat Holim were asked to take a stand between the interests of the federation and the interests of the state-in-the-making—between the good of the working public in the Yishuv, and the future needs of the country.

Among the leaders of the opposition to the Kanev plan’s call to transfer some federation social security frameworks to the state was Aharon Beker. Beker argued that abolition of the federation’s social security structures was dangerous and premature, for it was not yet clear whether the State of Israel would be a socialist country. Beker declared that, “at present we are sure of a coalition [but] will have to struggle much [to achieve] a workers’ regime.” According to Beker, transfer of federation institutions into the hands of the state was a dangerous move that put the social security of workers and the principle of mutual assistance upon which membership in the federation rested, in jeopardy. Preserving the federation’s format was more important in his mind than the savings from avoiding redundancy between federation institutions and state institutions. In his opinion, as long as there was no assurance that the State of Israel would be a workers’ state, the federation should preserve its status as a key party in protecting the rights of worker and his security:

And what does it mean to amalgamate all types of social security in order to prevent expenditures on the administration. Today as well there are various sick funds. I want to have mutual assistance with my comrades in the federation. This is one of the pillars of our existence . . . I don’t understand what’s the intention of Kanevsky’s suggestion. There’s not only a matter of averting expenditures here. . . . Loading dues on the shoulders of the laborer is extremely burdensome. We all know that in recent years the federation has struggled with balancing Kupat Holim’s budget, and from time to time we have come to the conclusion that the working public doesn’t have the strength to bear this burden. Here one should take into account significant participation of the state.25

Kanevsky rose to the challenge, responding directly to Beker’s criticism:

Comrade Beker raised the problem of mutual assistance among Federation members. One should keep in mind that mutual assistance is a more primitive
form of assistance than social security. . . . Of course our emotions lean towards our institutions of mutual assistance, but we are duty bound to see things as they are: These institutions do not excel in perfection, and they don’t have the ability to give a pension to the old, the disabled, nor to families. Kupat Holim as well, our great[est] institution of mutual assistance, doesn’t have the ability to give sick leave at a decent level and sufficient hospitalization. . . . and as for the organizational form, one cannot demand that the legislator in the Jewish state will mandate payment to the federation as an obligation and to like institutions of other labor federations. And what about unorganized workers? Will the obligation of insurance not apply to them and their employers will be exempt from this commandment?

In Kanevsky’s view the only suitable and fair solutions was compulsory state social security that would encompass the entire citizenry, without exception.

Despite the strong reservations Beker raised about the Kanev plan, there was no immediate danger to Kupat Holim because under the plan, the sick fund’s clinics were supposed to continue to operate in tandem with a system of local clinics, to be established under the aegis of the new social security structure. In essence, what appalled Beker and his colleagues was the negative effect of separation of the salaried working public—the backbone of the Federation of Labor, and reorganization of the safety net of this major sector of the economy under state auspices in a social security system, legislation that, it was feared, would seriously drain the Federation of Labor of its sources of income and its power.

In January 1948, the question of health care was also raised in the press. In an article in Haaretz, entitled “The Hebrew State and Public Medicine,” the author, Dr. G. Kremmer, argued that it was the duty of the national committee to initiate comprehensive planning of medical services in the future Jewish state. This, he said, should be accomplished within a government framework, accompanied by legislation. The division of health services during the mandate period, he argued, was a result of the national committee’s impotence. As a result, the burden of service was transferred to Hadassah and Kupat Holim. Now that statehood was within reach, this situation should be rectified by establishing a government-run health system. How the relationship between Kupat Holim and the federation (and their ties with the state) should be resolved was not discussed by Kremmer, nor was it raised elsewhere or by others at the time.

Thus, the first deliberations regarding a social security system for the new Jewish state among Yishuv leaders and in the press began in January 1948. At the time, the discussants had no idea what the war had in store—the number of casualties and the cost in both financial and human terms that Israel’s fight for survival would entail—including six thousand fatalities or 1 percent of the population of the Yishuv. Likewise, policymakers couldn’t imagine the influx of immigrants that Israel would face—not only Holocaust
survivors from Europe lingering in detention camps, but also hundreds of thousands of Jews from Arab countries who left or were expelled—‘transferred’ to Israel under pressure of their hostile governments. Of the seven hundred thousand immigrants that came to Israel between 1948 and 1952, 330,000 were Jewish refugees from North Africa and the Middle East (and a small percentage of immigrants from other parts of Asia, such as India) who came penniless and often in poor health. Moreover, in early 1948, trustee plans were discussed for raising foreign capital to replace the mandate with another form of international supervision as the British prepared to withdraw; it was not yet certain that a sovereign Jewish state could be established in five months’ time. When such ambitious social security plans were being raised, no one grasped the economic pressures the State of Israel would face in its first years of independence. While discussions at the Social Research Institute were well-meaning, they were very naive and rife with overly-optimistic projections that had little bearing on reality.

The Federation of Labor under Statehood

The Social Research Institute only indirectly touched on the primary question at the time: the status and future of the Federation of Labor within the state. As declaration of independence drew near, concern over this quandary among the leadership of the Yishuv’s working public became more and more acute. With the outbreak of the first stage of the war at the end of November 1947, the federation mobilized all its resources to help the national committee deal with the growing scope of hostilities. Solel Boneh, Hamashbir, and Kupat Holim were all mobilized to assist, and did so without hesitation. The federation assisted in practice and in many cases took full responsibility for providing missing services to the army and on the home front. At the same time, it was clear to federation leaders that there was a need to make preparations to meet the new realities that independence would bring, and to seriously discuss the scope and the nature of its own operation under statehood.

In December 1947, two weeks after passage of the partition plan, the dominant ruling Labor Party, Mapai, established an internal committee to discuss the status of the federation within the state. The committee was asked to formulate a proposal on this issue to be presented at Mapai’s next national convention that month. The committee was composed of key federation leaders, including members of the Social Research Institute (Berenzon, Gluberman, Peretz, and Kanevsky-Kanev). The outlooks of the participants pitted three groups against one another. The first group, pragmatists led by Pinchas Lavon, supported the concentration of public services control in the hands of the state, meaning the transfer of many federation institutions to the State
of Israel. Pinchas Lavon argued: “Our orientation must be in the direction of establishing a state whose state machinery is strong, including and encompassing all life domains, without any buffer between the state and its citizens.” At the same time, the “Lavori group” believed that the federation’s status as a core labor organization in the state had to be maintained, and that common ground had to be found that would enable coexistence between the two entities, without undermining their respective power and autonomy. Thus, for instance, Lavon and his colleagues agreed that all military matters should be transferred to the government’s responsibility, but institutions such as Solel Boneh and Kupat Holim that were the wellsprings of the federation’s power, should not be transferred to government auspices.

The second group, the statists or “mamlachtiim”—supporters of Ben-Gurion—viewed the federation as an instrument for advancing the interests of the state, without any separate mission of its own. They championed extending government functions as much as possible, even at the price of undermining the status of the federation, all in the interests of the state. They did not call for the dismantling of the federation, but they assigned it secondary roles. Ben-Gurion expressed this strategy, arguing:

During the British Mandate period, the federation fulfilled state functions out of awareness of its historic mission, and due to the absence of Jewish state machinery. Continuation of these functions after the establishment of the state [of Israel] is a superfluous burden on the federation and a severe blow to the state. . . . The Federation is not a rival or a competitor of the state, rather [it is the state’s] faithful assistance and devoted support.

Yet, Ben-Gurion added:

When I say State, I don’t mean the state machinery in particular. Many services can be maintained in a more effective manner by organizations run by beneficiaries and consumers, such as health services. It would be a serious mistake and a social and public loss if, for instance, the medical service will entirely become a service run by the officialdom-like machinery of the state since the large majority of citizens in the state, and first of all members of the federation, have organized medical assistance on their own steam, on the basis of mutual assistance that has reached a high level. But the state must ensure general health care to all the population of the state, and any person who is not a member in the organization of insurees within Kupat Holim, will receive medical aid directly from State institutions. But the autonomy of the insurees’ organizations in Kupat Holim must be preserved, and the rest of the inhabitants must be encouraged to join these organizations.31

The third group represented the normative position: the Hashomer Hatzair and Kibbutz Hameuchad (kibbutzim established at the outset of 1948
by the radical Marxist left-wing Mapam Party) who viewed the federation as an educational-political tool of the first order, whose role was to preserve the almost unchallenged hegemony of the labor movement as a political, economic, and social monopoly—even after statehood—and who opposed any change in the federation’s government-like functions.32

All three positions were expressed at the conference and other meetings that took place in the months that preceded declaration of independence. These discussions influenced the way various institutions addressed the Kaner plan for health insurance drawn up at the request of the social services planning committee, and its attempts to determine the proper and rightful place of the sick fund within the state.

Political scientist Yair Zalmanovich holds that David Ben-Gurion’s willingness to leave Kupat Holim in the hands of the Federation of Labor was based primarily on narrow political considerations, not state interests:33 on one hand, the desire to weaken the rival and more radical Mapam party (established in January 1947 in the midst of the war by Hashomer Hatzair and Achdut Haavodah); and on the other hand, the need to collaborate with the religious parties in forming a coalition in the provisional government that would be established with declaration of statehood, and to enhance Mapai’s position vis-à-vis Mapam in the first Knesset elections. Leaving Kupat Holim within the Federation of Labor enabled Ben-Gurion to reward the religious front by giving them two perks: first, he gave his religious coalition allies control of the health portfolio; and second, he ensured that the preferential status the religious party’s constituency currently enjoyed would continue—that is, the regular health services that Kupat Holim was providing at reduced rates to the religious parties, particularly members of the socialist-religious Poel Hamizrachi party, without their having to join the Federation of Labor.

Two other scholars, David Horowitz and Moshe Lissak, believe that the reason general agreement among participants in Mapai’s December 1947 convention to leave Kupat Holim in the federation’s hands stemmed to a large extent from apprehensions of possible loss of socialist hegemony within a democratic state and the desire to maintain the federation as a fallback reserve power base should their worst fears be realized. Horowitz and Lissak wrote that the underlying motivation was “the desire of the labor parties to operate social security institutions independent from the state . . . and in this manner they could secure the entire program from action by a hostile anti-labor government that is liable to be established in the future.” 34, 35

One way or another, despite differences of opinion over the role of the federation within the state, all were in agreement, for various reasons, that Kupat Holim should not be surrendered into the hands of the state. On the face of it, Kupat Holim did not seem to be in any danger.

The months of January through May of 1948 were not easy times for the Federation of Labor. They were marked by the spread of hostilities, the pressure of
a lack of resources and the federation’s growing trepidation about its role in the state, the closer the Yishuv came to the moment of truth when the British would withdraw and an interim provisional government would need to be established by the Jews. Many of the drafted personnel, people who had been rank-and-file members of the federation and the sick fund, failed to pay their joint dues, and by March 1948 the federation’s income levels had dropped to an all-time low. The drop in payments had an immediate effect on Kupat Holim’s ability to function, as well as that of other federation institutions that had been harnessed to the war effort.

On March 24, 1948, the federation executive convened to discuss the joint dues, expressing growing concern about the situation. Melech Neishtat (Noi), a member of the federation’s executive noted with anxiety that dues payment had plummeted to 8 percent of the membership:

> Without wanting to spread panic, I must tell you that for several months I have lived with great anxiety for the joint dues. . . . We’re in a state of total impotency. . . . The question arises how Kupat Holim can continue to operate in this situation. We can’t threaten to cease medical assistance, but (SS for) such will generate bitterness and indeed: How can one cease medical assistance to a farm or a cooperative in such times? It’s essential that we devote attention to this situation, and not wait until we end up in a wholesale collapse.³⁶

At the end of the debate the participants resolved unanimously “to turn to the working public with a call to strictly follow regular payment of the joint dues in keeping with [the federation’s] binding decisions, to ensure the operation of the institutions whose existence [hinges] on the dues during these emergency times.”³⁷

Two months later, the Federation of Labor’s executive approved, at special request from Soroka, addition of an emergency surcharge to the joint dues to improve the economic circumstances of the sick fund. In a discussion of Kupat Holim’s financial situation held on May 10, four days prior to the historic declaration of Jewish statehood on May 14, Soroka spoke for the first time of his worries about the future of the sick fund within the state, despite the fact that the Kanev plan called for Kupat Holim to continue to function as an autonomous body: “We are told that we face tremendous changes in the country and the timing is not ripe for examining the fundamental questions of Kupat Holim. While it is possible to postpone clarification of fundamental questions for other times, the question of the existence of Kupat Holim right now (beyamim eleh) is in need of urgent clarification and decision making.”³⁸

Soroka was not the only one bothered by this quandary. In the meeting called to approve the supreme medical committee’s conclusions regarding admittance of workers to federation institutions, Hans Rubin, a member
of the federation’s executive, expressed his concern over the lack of any attempt to reorganize and position the federation accordingly as establishment of statehood drew near, including moves that were designed to skirt the federation’s institutions in organization of new political machinery for the state. Rubin stressed: “We haven’t heard anything about the work of the state employees’ section regarding the question of establishment of the new machinery and ensuring the status of the federation in all this affair.”

The response of Akiva Gluberman (Govrin) that the federation was trying with all its might to maintain its position did not satisfy Rubin or other discussants in the debate. Most expressed their concern regarding the reduction in the stature of the federation that establishment of an independent Jewish polity threatened to bring about. Berl Raptor declared frankly:

I want to tell the [Federation’s] Executive Committee that in my best opinion, in regard to establishment of the state’s machinery, there are two possibilities . . . Either the federation will present itself in its full power with participation of its members in all the departments in Haifa and in Tel Aviv or a devil’s dance will commence of outside parties and Federation parties. I warned that we should begin action as soon as possible, and I don’t think that the People’s Executive has taken any decisions on this matter, and I don’t know who decides and who stipulates and who arranges [things], and in the meantime a machinery with Yishuvist importance is being put in place without the participation of the labor factions.

Yosef Lem was even more candid: “We are also interested that the important posts not be handed over to opponents of the labor movement, and such a danger exists today.” Most of the participants in the meeting called for establishment of a committee that would address the matter, the general mood being that if discussion of the relationship between the federation and the state was postponed, it might be too late.39

At the beginning of May 1948, the federation’s place within the state was a burning issue that did not leave the members of the federation’s executive at all content. They viewed the state machinery being established before their eyes as a threat to their hegemony and their birthright, so to speak. The independent actions of state institutions were viewed as challenges to the federation’s near monopoly in the social security domain. The provisional government established in May 1948 was founded on a coalition of most of the established mainstream Zionist political parties. The social welfare portfolios were given to the smaller parties due to the low value they were assigned within the cabinet. Thus, the Ministry of Welfare was given to the non-Zionist religious party, Agudat Israel; the Ministry of Health was given to the Labor Zionist religious party, Hapoel Hamizrachi; and the Ministry of Labor was given to the far-left Marxist Labor Zionist party, Mapam. While initially most government employees came from
the ranks of the Federation of Labor, within a short time, civil servants in
the government machinery quickly began to divest themselves of their for-
mer ties and allegiances to the federation.

The more independence Israeli government clerks exercised in the
execution of their duties, the less formulation of policy hinged on their
Federation of Labor roots. As government service expanded, this trend
was accompanied by the influx of civil servants who came from other sec-
tors of society with no Labor Zionist background. Furthermore, policy-
making was fueled by tremendous pressures to find immediate solutions
to distress caused by mass immigration; thus, each of the ministries began
to formulate independent welfare programs to meet the exigencies of the
times. The federation not only ceased to be an almost exclusive agent in
the health and welfare field; once a dominant institution, the federation
began to be pushed to the sidelines. Until this point, absorption of immi-
grants was carried out primarily through the auspices of federation’s and
the socialist parties’ institutions, bolstering the membership rolls of the
federation and the political parties within it and enhancing their clout.
When responsibility for absorbing immigrants became the responsibil-
ity of the state, absorption plans were drawn up and new independent non-
federation institutions for dealing with immigration were being estab-
lished, draining the federation of future reserves. The only federation
institution that continued to absorb newcomers was Kupat Holim, due
to the agreement it had established with the Jewish Agency, by which all
immigrants were initially insured by the sick fund during their first few
months in the country.

On May 27 and June 2—prior to the release of the final Kanev plan for
social security and health insurance—the federation executive met offi-
cially and publicly for the first time, to discuss the question of “the federation
within the state.” Leading members of the federation attended two lengthy
meetings. In his opening remarks, Sprinzak, the chairperson of the meet-
ing, cited the heart of the matter:

Here we are now, the federation within the State of Israel. . . . First of all, it is
important for us to establish contact between us and the government that was
established. . . . Contact with our comrades in the government is important to
us. . . . The government is [the] government and our comrades in it constitute
a part of the People’s authority but we and they are interested that their draw-
ing upon the roots from which they have drawn until now won’t stop and they
will be in touch with us in their thoughts about various matters.

Other than such unwritten understandings with the government, Sprinzak
also noted that first steps had been taken to establish a federation lobby
within the government’s machinery to forward federation issues and bolster
the federation’s influence within the government, particularly to ensure that
the federation’s executive would have access to information and influence on decision making:

We had a meeting with four comrades from the government and we arrived as a sort of hope of an arrangement vis-à-vis relations and ties. We reached an agreement that once every two weeks a meeting of the [Federation’s] Coordinating Committee will be held with our comrades in the government. There will be a liaison comrade between us and the various departments of the government (We need a road guide of who’s who, and who’s relevant to this matter and who is otherwise).42, 43

In ensuing discussion, most of the participants focused on preservation of the Federation of Labor’s status and influence within the decision-making hubs of state governance and what had already been done to ensure this. Namirovsky (Namir), who spoke after Sprinzak, said:

The first matter is relations with the government. . . . The question is whether we will learn within a short time (in this I’m not among the optimists) to devise a satisfactory arrangement between us and our comrades in the government from the standpoint of reciprocal contact and influence—it’s a decisive question not only for the future of the federation within the state, but rather also for the future of the state and its government itself.44

The members of the federation’s executive committee knew that they were walking a tightrope between safeguarding the stature of the Federation of Labor and assisting Israel’s young government in wartime. At the same time, one should note that the importance of the place of the federation in the new state was clear to them all. The steps the federation consequently took to establish certain realities in their favor through a semi-covert lobby of like-minded comrades within the government and the civil service was designed to help the federation remain a major player in the sovereign state.

Beyond calculations of political self-interest and the natural response of a organization as an organism to strive to survive, the federation’s sense of peril was not only the upshot of the transformation from a voluntary society fueled largely by common values and norms, into citizenry of a polity founded on law (and coercion, as the case may be).45 It was also a response to the influx of so many immigrants who did not share their social philosophy and whose arrival totally changed the normative character of society-at-large. Throughout the mandate period, life in the New Yishuv was for the most part dominated by an altruistic ethos and pioneering spirit (whether in theory only or practice). Laborites felt this ethos had to be inculcated into newcomers if Israel was to survive and not be torn apart by conflicting cultures in a society whose process of self-definition had, by circumstances, been thrown up for grabs, a situation exacerbated by gross inequalities, severe
rationing, lack of decent housing, and other basic human needs. Thus, while the tone of discussion was strident to democratic ears, one should keep in mind that founders of the federation sensed that all they had accomplished since the 1920s in building a Jewish society in Eretz Israel on enlightened values and social solidarity was liable to be washed away by demographic forces if laborites inside and outside government did not quietly collaborate in accordance with their equalitarian values and visions of forging a “New Jew,” or, in the case of the more radical Marxist wing of the labor movement, a socialist workers’ state.

Deliberations conducted by members of the federation executive on the question of the federation’s place within the State of Israel also dealt with Kupat Holim. The federation’s position was very close to the position formulated at Mapai’s December 1947 convention. This is not surprising, particularly since the identity of the participants were largely the same. Here as well, discussants fell into three groups—the ‘Statists’ (mamlachi’im), the pragmatists, and the normativists (i.e., those who sought to maintain the status quo), but there was a significant difference: current deliberations took place after independence had been achieved and a provisional government was already in office. Consequently, discussion was more specific.

Mordechai Namir asked candidly:

What will be the fate and the status of Kupat Holim within the state? Is it necessary, like all the nations that have achieved a high level of hygienic and social [welfare] culture, that elementary health and even not only elementary will be given to the working public, and even not [the working public] only, at state expense? And if so, through existing institutions, that at this time are Federation institutions, will [they] be liquidated in the course of transferring the burden [to the state]. And not only fiscal, but also nitty-gritty care on the shoulders of governmental institutions? One can raise a catalogue of hundreds of such questions.46

On the other hand, Meir Yaari—the leader of Hashomer Hatzair and Mapam—noted that transfer of socialist institutions of the Federation of Labor to the state would be possible only on condition that the entire country be labor socialist, and until then it was the federation’s duty to continue to provide these services. The duty of the federation, according to Yaari, was first and foremost to ensure the establishment of a workers’ state, and only afterward to consider transfer of the federation’s institutions to the state. Similar stands were adopted by Mapam leader Yaakov Hazan; Beba Edelson, leader of the women’s league in the federation; Berl Reptor, and Moshe Aram.

Pinchas Lubianiker (Lavon), a leading member in the federation, agreed with some of these sentiments, but added that he was angry with Ben-Gurion’s government that it had not gone far enough in taking advantage of the federation in the course of the war, and therefore the federation had been thrust
onto the sidelines. Lavon reiterated his position as he had presented it at the Mapai convention, citing that establishment of the state required a change in the federation and its social security institutions, as well: From a system that insured only workers who were members of the Federation of Labor—as had been the case up to now, there was the need to go over to a system that would cover all salaried persons in the country based on progressive dues and participation of employees and the government in underwriting the system. At the same time, Lavon did not champion immediate dismantling of Kupat Holim or any of the other federation social security institutions, and like the other discussants, Lavon also held that the stature of the Federation of Labor had to be ensured before any changes were made.

Protocols of the federation’s executive at the two meetings called to discuss the status of the federation within the state run fifty-seven pages long. Every member expressed an opinion in detail. Yet one idea runs like a thread throughout all: the belief that the primary duty of the federation, before any other mission, was to maintain the Federation of Labor’s clout by practical steps, viewing the federation as a shield of the working class. None called for dismantling institutions or services at this stage or turning them over to the state. There was strong emphasis on the degree to which the government would engage in these functions and the primacy of the federation’s social commitment above all other considerations—to serve as a shield for the working public.

It was against this backdrop and ideological milieu that Kanev’s social security plan for the State of Israel was debuted in the latter half of June 1948.

*The Kanev Plan—Who Will Insure Workers’ Health?*

On June 19—a time of turmoil within days of the Altena episode and on the eve of the Ten Days Campaign—the Mapai party daily *Davar* published Yitzhak Kanevsky-Kanev’s program for social security in the State of Israel. The Kanev plan, formulated in January 1948 and only made public six months later at the height of the War of Independence, failed to attract public attention, which was solely focused on the war effort and dealing with massive numbers of causalities. Nevertheless, the plan sparked serious discussion both within the medical community and among the two rival workers’ parties—Mapai and Mapam.

In July, the Mapam party newspaper *Al Hamishmar* published two articles focusing on the status of the federation within the state, and the question of Kupat Holim in particular. The articles did not deal directly with the Kanev plan, but readers could read between the lines. Both expressed Mapam’s unequivocal position regarding the place of the federation within the state and expressed clear concern that “dismantling of the federation...
at the initiative of Mapai," was afoot, as well as establishment of a coalition government that would not necessarily include all socialist parties or be limited to labor components—steps that in the mind of Mapam would lead to the labor movement losing power within the state, endangering all that had been achieved to date. The articles, penned by Mapam members Ben-Ari and Shapira, addressed Kupat Holim's status directly:

The Federation's economic institutions, even here opinions have become current that they should be transferred partially or entirely as is to the authority of the state. There are those who say: Kupat Holim? Of course it should be transferred to state authority. The State should be responsible for the health of laborers. This is logical and stands to reason, and therefore it's all too easy to dismantle this autonomous institution that we have nurtured and cultivated and to turn it over to the authority of the state. But can the state at this point preserve and elevate it? Will this institution, after it is encompassed among the state's institutions, be able to give the laborer what it gives him today?

Consequently, Mapam held that it was imperative to preserve the federation's status as is at all costs, and Mapam opposed any plan that would undercut its power—first and foremost, to resist any change in the status of Kupat Holim as a key component in the federation's clout.

Similar sentiments opposing any change in Kupat Holim's status were expressed in another lengthy article in Al Hamishar published in August and written by Dr. Y. Halbrecht Sheba’s close colleague and confident, written from a professional-medical perspective. Halbrecht argued that the pros in favor of an independent Kupat Holim outweighed the cons. Nationalization of the system would lower standards considerably to the inferior level that prevailed in government hospitals and ultimately would have a detrimental impact on the health of the citizenry. He held that it was imperative to pass a compulsory health insurance law that would obligate the government to participate in the cost of health services, but legislation should leave health care itself in the hands of existing health care providers such as Kupat Holim and Hadassah. He opposed the Kanev plan's call to transfer all hospitals to local government authorities or to the government of Israel, warning that such a move would undercut the standard of medicine in Israel. He argued that the Ministry of Health had absolutely no experience in hospital administration and that, for the meantime, all existing government hospitals should be transferred into the hands of Kupat Holim, which had experience in this domain. In the interim, the goal for the future should be to establish joint administrative machinery among all health agents in Israel—including Kupat Holim, Hadassah, the local authorities, and the IDF—that would re-assume responsibility for uniform administration of the health system on a national basis. Halbrecht stressed throughout his article that Israel's newly-established government viewed health matters as a low priority, and therefore he urged all
the parties currently engaged in health care not to rush to transfer ownership of their institutions to the government. It may be safely assumed that publication of Halbrecht’s article in *Al Hamishmar* represented the party’s political position on the matter, and like the Ben-Ari’s and Shapira’s articles was designed to ground the Kanev plan and prevent its implementation.

Mapai and the Federation of Labor were also displeased with the prevailing mood and the ideological debate that the Kanev plan had generated, although the plan ensured Kupat Holim’s autonomous status. On July 5, 1948, the federation announced the establishment of a special committee under the auspices of the federation’s executive to examine labor legislation and social security issues. The members of the committee were Berenzon, Gluberman (Govrin), Lubianiker (Lavon), Kanevsky-Kanev (as chairperson), Reptor, Hermon, Cheskin, and Sverdlov. The committee was charged with presenting to the government of Israel the Federation of Labor’s position vis-à-vis social security and labor legislation. In addition, members of the committee were told to examine the Kanev social security scheme from all possible angles and present their appraisal of the plan to the federation’s executive. While things were not spelled out, the objective of the committee was, it seems, among other things, to find a way to maintain the federation’s stature while implementing Kanev’s plans. Labor legislation historian Avraham Doron surmises that the committee was also established due to the apprehensions of Kanev and his colleague that fragmentation and division of social security coverage among a host of different government ministries would result in each domain (health, severance, workers’ compensation, pensions, etc.) operating within the narrow confines of each ministry’s goals and vested interests. Such a state of affairs would not only be detrimental to the plan, it would push the planners (he and his colleagues) to the sidelines without any ability to influence future developments in the social services domain. They hoped that the committee would enable them to influence the government, particularly Mapai members in the cabinet, to adopt a coherent policy on social security planning. In Doron’s view, there were political considerations, as well: “Mapam constituted the primary rival of Mapai within the federation and within the labor movement. Mapai was therefore very sensitive to its rival’s accusations. Moreover, within Mapai itself strong factions had crystallized that supported the autonomous continuity of Kupat Holim and other social security institutions of the federation.”

In addition to establishing the special committee, the Federation of Labor published a call to the government of Israel, demanding that funding be transferred to Kupat Holim in recognition of the services it had provided to mobilized personnel and their families, and that the government initiate legislation that would require employers to participate in payment of 3 percent of the joint dues (to the federation and Kupat Holim). The federation’s pronouncements regarding its financial demands from the government
were accompanied by clarifications that receipt of governmental financial assistance demanded by Kupat Holim was a proviso for any discussion of the Kanev plan. The assistance was earmarked for addressing immediate health needs, while the Kanev plan sought solely to solve long-range problems.

According to Doron, when the Kanev plan was first published in January 1948 it was already out of date with the times and the needs of the State of Israel. The war, mass immigration, and the economic straits the State of Israel found itself in, with all resources stretched to the breaking point, abrogated any possibility that the Kanev plan could be implemented. On the other hand, the aspirations and principles upon which the scheme was founded—to establish a comprehensive compulsory social security system for Israel—remained on the public agenda. The forces behind crystallization of the program were the ideological commitments of its architects, and ideological issues were what caused debate between supporters and opponents. Ideological ardor was strong enough to fuel attempts to overcome objective difficulties. But in addition to ideological leanings, there were also practical considerations. Questions about how much the plan would cost, who would pay for it, and what the economic and social ramifications of the plan would be were discussed at length and became the focus of heated public debate. Doron, however, adds that such practical matters played a much smaller role compared to ideological differences and vested interests. If practical matters had a role, they focused either on demands concerning social security that had been presented to the British Mandate government in the recent past, or social programs being drawn up for the future, at least in general terms. What seems clear is that achievement of statehood and the heavy responsibility it carried led to a weakening of plans for daring and sweeping social changes. Yet one should not ignore the fact that despite the extraordinary and pressing nature of the times, key parties in the political and social establishment considered far-reaching plans for a comprehensive social security system in their evolving society as an important enough issue to justify discussion despite other burning issues.

The Kanev Plan—The Physicians’ Posture

The question of health insurance in the State of Israel—particularly the question of the future status of Kupat Holim, generated much interest among the doctors’ community. At the outset of July 1948, following publication of the Kanev plan, the house organ of the doctors’ professional organization, Michtav Lechaver published an editorial calling upon the physicians to discuss and even conduct a referendum among its membership on this key issue. The author of the editorial wrote that the government had three options: The first was to maintain the status quo. The second was to nationalize the system.
and to turn it over to the Ministry of Health. The third was to find a “middle road of legal arrangements that would prevent irresponsibility on one hand, and would nevertheless leave living room for separate institutions with a level of regulation.”

Among the three possibilities, the doctors forewarned the public of the ramifications should things be left as they were: each sick fund would simply do as it pleased and compete with all other health providers by cutting fees in a manner that in the end analysis would be detrimental to both the doctors and the insurees. As for the option of nationalizing the system and creating a government-operated health insurance program under the aegis of the Ministry of Health, the doctors’ professional organization argued that government ownership of health services would lead to a large, inefficient bureaucratic system rife with red tape. Therefore, the doctors’ organization argued, a middle road was the best course to take, whereby there would be:

- a legal agreement for sick funds. . . . In such an arrangement it will be stipulated: 1. the kind of persons eligible to enjoy the fund’s insurance; 2. the minimal level of dues that each fund will receive; 3. the kind of medical assistance that the fund is committed to provide to its insurees; 4. minimum membership [needed] to maintain a fund; 5. Which public bodies are authorized to maintain a sick fund . . . In this manner the law can prevent the establishment of private sick funds and ensure a certain standard among all the public sick funds. Within this framework, there is room for an institute for insurance from illness for the weak class such as the sick fund of urban or rural counsels and so forth.

The physicians in the doctors’ professional organization did not object to the very idea of health insurance, but it viewed its implementation through the prism of their own vested interests, economic and professional. Insuring the middle and lower class would still leave in the hands of the doctors a broad, lucrative market of well-to-do patients who would turn to private practitioners. For the same reason, the doctors’ professional organization preferred public sick funds operating under law with a defined grouping of services, to private sick funds. Physicians in Israel in the latter half of 1948 were for the most part employed by Kupat Holim, Hadassah, and the IDF. Most of the physicians were salaried, either part-time or full-time. For years their salaries had been set by collective wage agreements negotiated by the doctors’ professional organization. The doctors’ professional organization had also been responsible for professional supervision and for establishment of norms of behavior between doctors and their employing institution; between the doctor and the patient; and between the doctors and their colleagues. It had set forth codes of ethics. And, it had served as an effective shield against any undermining of the professional clout the doctors’ organization wielded as the only representative body of the physicians in the
Establishment of private sick funds or other private medical institutions that would compensate doctors on the basis of services rendered or some kind of personal contract, undermined the exclusive control that the doctors’ professional organization enjoyed, since the body could not realistically expect to gain a footing or standing in negotiations over wages and remuneration within private sick funds, and would not be in any position to block such funds from lowering fees or taking advantage of their doctors in other ways. Nationalization of the system and making it subservient to the Ministry of Health would have undermined their stature as well, since in any clashes with the government there would be little or no room for power projection or application of pressure on government negotiators since in a nationalized system for the overwhelming majority of doctors, there would be no alternative for practicing medicine outside the system. The best alternative from the doctors’ perspective was to maintain public sick funds and health organizations like Hadassah as independent public bodies, and tie their operation to compulsory health insurance (along the lines of the models established in Germany and Holland). Such a law would lead to expansion of the number of insurees in the sick funds, while protecting the professional status of the doctors within the public health system. Thus, the Kanev plan which left Kupat Holim standing (while weakening the independence of non-medical administrators in policymaking, an additional bonus) while transferring authority to local authorities (rather than the more powerful national government level) was the least undesirable option from the perspective of the doctors’ professional organization. Establishment of a national government-run authority that would coordinate all social security systems including Kupat Holim’s was the worst of the choices from the doctors’ perspective that feared any exclusive government intervention in the health field. From their standpoint, a pluralistic health system was preferable, offering maximum competition and more latitude for the doctors to maneuver between compulsory insurees and the private practice market.

Establishment of the Ministry of Health and presentation of the Kanev plan all at the same time, in the middle of the war, pressured the doctors’ professional organization to define its position on the plan and to open communication lines with the newly-formed ministry in order to influence the formulation of policy in the halls of government. In early August, even prior to the expansion of deliberation among the doctors themselves on these issues, fearing that the Kanev plan was liable to be implemented without revision, the doctors’ professional organization presented to the Ministry of Health its position on a number of key issues, including future health policy in the state, the role of the ministry in medical assistance, governmental hospitalization services, and a system of preventive medicine, among other topics.
Dr. Sherman, the chairperson of the Israeli Medical Federation (IMF), suggested that a referendum be conducted among the membership to garner opinions on these issues and present them to the ministry in a major document. On August 4, 1948, Dr. Sherman summarized the position of the doctors' professional organization in a lecture on issues concerning the Ministry of Health’s function and the social security issue. The IMF’s position, as Sherman presented it, was that the Ministry of Health should focus on formulating policy and supervising and inspecting health services, and should not assume an active role in providing health services, nor should it own or operate its own health institutions: “The Ministry of Health should encourage the establishment of institutions, and support their establishment, expansion, and improvement, to coordinate their work, to supervise and guide, but not to manage. The Ministry of Health should leave the administration of institutions in the hands of local authorities or public organizations.”

As for compulsory insurance, Sherman stressed:

We must declare that we can’t agree to Kanevsky’s plan. We must work up another plan. We welcome general compulsory insurance. But from a fiscal standpoint it cannot be carried out and it is necessary to narrow it. After all it is better to remove from the insurance framework those classes of the population who have the financial ability to care for themselves even if they will be outside the ranks of the insured, and to concentrate all efforts to organizing sophisticated medical assistance for those without means.

In its discussion of the Kanev plan, the IMF even went so far as to try to dictate terms to the government of Israel, setting forth under what conditions the doctors’ professional organization would agree to collaborate in implementation of the Kanev plan. The provisos included making the IMF a partner in program management, employment of all doctors within the insurance program, improvement of the working conditions of doctors, improvement in wages, free choice of doctors, the right to engage in private practice for doctors employed in the public system, and limitation of insurees to the middle and lower class only. In Germany and Holland the wealthy actually had the option of joining the public insurance plan, while Israeli doctors sought to bar them from participation, leaving them at the mercy of private practitioners and the whims of the market. While the Israel Medical Federation’s demands stemmed directly from a desire to address a market with a surplus of physicians and to ensure employment to all, as well as rights and privileges that the physicians’ community had worked for years to gain, such as the right of doctors in public institutions to engage in private practice, the organization’s position did not enjoy the support of all doctors, although it did enjoy the support of the majority. Some, however, objected to presenting provisos to the government, and called for
unreserved support for health insurance from a purely moral and ideological standpoint—but their numbers were few.  

The question of nationalization of medicine and health insurance continued to occupy the physicians’ community for months to come. The IMF invited its membership to debate the issue and express their views in writing, and a synopsis of input was published in subsequent issues of Michtav Lechaver. The physicians were divided into supporters and opponents of nationalization. The supporters were further divided into two camps: those who espoused a socialist ideology and viewed nationalization as but another move in the right direction for a workers’ state, and those who viewed nationalization as a practical instrument for expanding employment opportunities for doctors and enhancing their earning power. Sherman was spurred to dash the overly optimistic expectations of the latter, explaining that the number of government jobs for doctors was liable to drop, and that there was no assurance that doctors would, indeed, reap economic benefit from a nationalized system. Sherman underscored that the governmental system would view its mission as improving the lot of the population, not improving the lot of doctors. He warned supporters of nationalization that they should not expect that economic salvation would arise from nationalization. Those who supported nationalization, he warned, were liable to end up digging their own grave.  

He said: “According to the method employed in this [sick] fund, one doctor is needed for every thousand souls. That means that in order to implement insurance for the entire population (let’s assume in the vicinity of eight hundred thousand souls) eight hundred doctors will be needed. What will be the fate of almost two thousand remaining doctors? What will be the fate of new immigrant doctors.”  

Thus, the Kanev plan stood to endanger the doctor community, and their professional organization set forth to protect the physicians’ vested interests by opposing the Kanev plan. Considerations such as the health of the populous and newcomers, social equality, and the public welfare that expansion of health insurance would bring was irrelevant in formulating the official position of the physician community.  

In September 1948, three months after the Kanev plan was published and before the special committee appointed by the Federation of Labor’s executive could reach a verdict or make any recommendations, the Kanev plan had already become a point of conflict among health agents, with each party seeking to pull the system, still in its formative stage, in their own direction, blocking any possibility of reaching an accord or a compromise.  

In October 1948, after no progress had been made on the health insurance issue, the Minister of Finance, Eliezer Kaplan, announced a budgetary supplement to hospitalization facilities, primarily in order to add hospital beds and relieve the burden and the pressure created due to the war and the influx of immigrants. In budgetary deliberations over the supplement,
Kaplan mentioned the issue of social insurance for the state and underscored that the issue would soon be raised for a decision in the cabinet. Following Kaplan’s comments, the Minister of Welfare Y. M. Levine went on to add that his ministry’s legal advisor was processing all the material that had been gathered on the social security question and social security legislation. Nothing was mentioned regarding implementation of the Kanev plan or whether the program being worked up by the Ministry of Welfare was based on the Kanev plan or was being formulated on a different basis, independent of Kanev’s work and recommendations.66

Establishment of the First Kanev Commission

On November 21, Eliezer Kaplan turned to the ministers of welfare, health, and labor, suggesting that an inter-ministerial commission be appointed to draw up a social security scheme for the State of Israel. The commission was headed by Yitzhak Kanevsky-Kanev. Kaplan’s suggestion was to a large extent the upshot of constant pressure from Kanev and his colleagues who sought to enhance their influence by dominating a government committee and preventing decision making from falling into the hands of others. The IMF’s reservations about the original Kanev plan and the opposition of Mapam, along with the Ministries of Welfare and Labor’s independent appraisals on social security, made it clear to Kanevsky-Kanev that if he and his comrades did not act swiftly to reclaim control of the situation, their initiative would be lost. There were similar feelings among members of Mapai who feared that control of such a key social issue would fall into the hands of small parties—that is, their labor rival Mapam, the religious party Agudat Israel, and the non-socialist Progressive Party. This was liable to push Mapai on to the sidelines on a critical issue, just as the first elections for the Knesset approached. The purpose of Kaplan’s initiative, as a member of the Federation of Labor’s lobby in the cabinet and a key member of Mapai, was therefore to give in to Kanevsky-Kanev’s pressure to establish a government investigatory commission. The choice of an inter-ministerial commission was also taken for political reasons—primarily to neutralize Mordechi Bentov, the minister of labor and a member of Mapam who had opposed the Kanev plan from the start. Bentov, for his part, sought to appoint the commission members himself and by determining who would sit on the commission, to ensure Mapam’s position was heavily represented.67 Because the government had not appointed any particular body to handle social security matters, Kaplan was able to take the bull by the horns and convene a special ministers meeting that approved establishment of a commission. What became known as the Kanev Commission was then brought for approval of the cabinet of the provisional government. Thus, primarily for political, not professional, reasons, others were brought into the decision-mak-
ing process of designing the country’s social security system. The minister of commerce and trade—a member of the non-socialist General Zionist Party worked feverishly to get one of his cronies on the commission. Similar efforts were afoot by a melange of movers and shakers: the Minister of Agriculture Aharon Tzissling, also a Mapam member and one of the heads of the Kibbutz Hameuchad Movement, the Manufacturers’ Association, and the IMF, which had expressed concern regarding the Kanev plan immediately after its publication and sought to sit two representatives on the commission. In the end all these sundry appeals were ignored, and a nine-member commission was appointed. Kanev was appointed chairperson, followed by four directors-general of relevant ministries: the Ministry of Labor (Zvi Berenzon); the Ministry of Welfare (Y. Landau); the Ministry of Finance (David Horowitz); and the Ministry of Health (Dr. Avraham Katznelson who was later replaced by Dr. Meir when Katznelson resigned his post as the ministry’s chief administrator.) Since it was questionable whether such high-ranking officials could participate in ongoing meetings of the commission, each commission member appointed a substitute who all served as deputies to Kanevsky—Dr. Theodore Grushka, director of the Immigrant Medical Service, and Ch. Yeffet, Dr. Giora Lotan, and Y. Ronnen, leading government administrators. In other words, four of the Kanev Commission members sat on the original Kanev Committee that drew up the Kanev plan. Furthermore, the makeup of the new inter-ministerial commission ensured that the framework of the original plan would be preserved, although this time Dr. Meir—who in the past had been the medical director of Kupat Holim—was on the commission. Kanev, it should not be forgotten, was chairman of Kupat Holim’s directorate committee. Clearly with this kind of makeup, Kupat Holim’s interests would be protected or at least well represented at every turn. On January 20, 1949, Minister of Finance Kaplan informed Prime Minister David Ben-Gurion of the appointment of the inter-ministerial commission and that the commission had already commenced its work. The objectives of the commission as presented to the government cited the following goals:

a. To examine the problems of social security and existing services in this domain;

b. To carry out the work of planning social security, including all branches;

c. To coordinate suggestions and to hear opinions of the federation [of Labor] and interested institutions;

d. To prepare suggestions that will be brought before the government and the People’s Assembly, to set forth a social security program and to coordinate activities between the government ministries in regard to it;
e. To suggest a financing system and stages for implementing the program;

f. To formulate a full report.\(^{70}\)

In essence, the directions were a broader repeat of the steps behind formulation of the plan developed by the Institute for Social Research, only this time design was being conducted under governmental auspices—something that Kanev hoped would give the commission’s decisions and recommendations far more clout than the federation-organized committee, and lead to their implementation. On the face of it, the members of the commission judged that implementation of social security, including health insurance, were well within sight.

*Politics and Health Insurance—*

*The Struggle Outside the Commission*

The swiftness with which the new commission was appointed and the quickness with which it began its work meant there was no pause in debate over social security issues. In January 1949, approximately eight months after declaration of independence, the first national elections took place in Israel and in March the first democratically-elected government, headed by Ben-Gurion, took office, replacing the provisional government. The government was a coalition government supported by a broad seventy-five member majority of 120 members of the parliament—the Knesset. The coalition included the dominant Mapai party, the religious bloc, and the Progressive Party. Mapam—which had been one of the primary opponents to the Kanev plan for a comprehensive national social security system and the primary force championing preserving the power of the Federation of Labor and keeping Kupat Holim as an independent framework—remained in the opposition. On the face of it, the fact that Mapam was left outside the government would seem to have improved the chances of passage and implementation of sweeping changes that would make social security the responsibility of the state, yet Mapam swiftly rallied and took the offensive to attack Mapai and accuse it of betraying its socialist principles by allying itself with bourgeoisie and religious elements. In the course of their struggle with Mapai, Mapam leaders stressed that the social security plan, particularly health insurance that Mapai sought to introduce, was ill-conceived and unrealistic: They charged that it threatened the status of the Federation of Labor and Kupat Holim and that Mapai sought to fool the public into believing that they would enjoy health insurance while in fact economic realities indicated that there was no chance of implementing the program under prevailing conditions. Despite Mapam’s attacks that indeed undermined Mapai’s attempts
to pass revolutionary legislation that would have brought about changes in the status of the federation and its institutions, the new government stuck to its founding principles and commitment to institute a social security system that would include state-sponsored health insurance.

The differences of opinion over social security included issues of health insurance—debate that focused primarily on the status of Kupat Holim, including attacks on the government from the non-Socialist political center and right. Thus, Yosef Sapir, a member of the General Zionists also argued that the government’s plan sought to hoodwink the public. Nationalization of services and their transfer into state hands would accomplish nothing, he argued. Just the opposite. At a Knesset plenum session in March 1949, Sapir charged that such a move would serve as a guise for the government to channel monies to Federation of Labor social institutions that would increase the federation’s power.71

Debate of social security was not solely the province of the opposition. Even within Mapai there were various opinions on this issue. Ben-Gurion, while he was a champion of statism, was conflicted by mixed feelings. On the one hand, he aspired to introduce a government social security system to weaken the Federation of Labor, primarily by transferring these functions to the government. On the other hand, maintaining Kupat Holim within the federation served other objectives, primarily rewarding the religious parties by providing their constituents with cut-price medical care through the auspices of Kupat Holim while gaining the religious bloc’s support as members of the government in return for portfolios that lacked any real clout (the health portfolio, the welfare portfolio, and so forth). This consideration became all the more weighty after the first national parliamentary elections left Mapam outside the government, forcing Mapai to establish a coalition with the religious parties. Beyond coalition considerations, Ben-Gurion feared that leaving Kupat Holim and other power bases in the hands of the federation would strengthen the federation to such an extent that the Federation of Labor could threaten his position as prime minister and prevent Ben-Gurion from forwarding his social agenda for the government in areas that up until then had been the province of the Federation of Labor.72 The leaders of the federation, who were also members of Mapai, feared just such a trend and sought to prevent a situation where the source of the federation’s power—its social institutions—would be transferred to the government. For their part, federation leaders sought to influence the formulation of the government’s plans in a way that would keep the federation a key player in this domain. A third group of Mapai members were greatly concerned with the economic burden that such an ambitious social security system would entail and expressed reservations as to the state’s ability to carry through. At the other end of the spectrum was the fourth group within Mapai—Kanev and his supporters who were totally convinced and committed ideologically
to the position that social security was the role of the state. They held firm that just as they had demanded—unsuccessfully—that the British Mandate government initiate compulsory health insurance, thus they were now again making the same demands of the State of Israel. As far as Kanev and his colleagues were concerned, issues such as the country’s objective economic strength and ability to operate such a system or the ramifications of such a system on the Federation of Labor could not justify delay of legislation. These were the price of achieving a lofty and long-sought goal. Kanev tried to convince his party colleagues in Mapai of the logic of his position:

Mutual assistance is a more primitive form than that of social security. . . . Of course our emotions go out to our mutual assistance institutions, but we are duty-bound to see things as they are: These institutions are not crowned with perfection, and they haven’t got the ability to give pensions to the elderly, to the disabled, nor to families. Even Kupat Holim, our great[est] institution for mutual assistance, doesn’t have the ability to provide sick leave at a decent rate nor enough hospitalization. . . . And as for the organizational format, one cannot demand that the legislator in a Jewish state order it be compulsory to pay [dues] to Federation institutions and similar institutions of other workers’ federations.73

The Position of the Israeli Medical Federation

The multitude of positions for and against the Kanev plan were not only the subject of debate among elected officials and members of the government, and the political opposition. The IMF’s lack of success in bringing about appointment of representatives of the physicians’ professional organization on the inter-ministerial commission and the fear that a plan would emerge from it that would undermine the position of the doctors prompted the IMF to initiate a series of actions designed to apply public and political pressure as the commission went about its work, in the hopes that such tactics would impact on its findings. During the IMF’s annual convention in July 1949, Dr. Sherman publicly called upon the government of Israel, demanding IMF representatives be allowed to participate in the Kanev Commission’s dealings. At the same time Sherman sent a letter to Kanev stressing the bitterness the doctors felt in light of the failure to make them a party to the commission’s work.74 When his appeal failed to generate a response, Sherman appealed directly to Ben-Gurion and requested his intervention. In his letter to the prime minister, Sherman wrote,

The doctor public is very interested in planning of sick insurance in all its aspects, in that [the doctor public] is one of the implementers of the enterprise and is liable to be hurt by it should [health insurance] not be properly
planned. Thus, it is clear that the doctor public is very interested in the success of the enterprise, and we therefore want to participate in its planning.  

Ben-Gurion, who did not want to make a decision on his own, approached Minister of Labor Golda Myerson-Meir for her view. When Myerson (Meir) rejected the doctors’ request, Ben-Gurion adopted her position, and rejected the IMF’s plea to intervene in their favor. Myerson (Meir) was irked by the request which she viewed as a challenge to enlightened government and a throwback to the way politics were conducted prior to statehood, during mandate times: “There are still organizations that apparently cannot free themselves from the habits of Mandatory government customs, and at times forget that we established an independent parliamentary state, and public representatives and not sundry organizations are the ones that lay down the law.”

Sociologist Avraham Doron believes that the doctors’ demand that they be partners in the Kanev Commission’s works was rejected not only because the political leadership rejected their demands, but also due to apprehensions that if the doctors would be added, it would serve as a precedent they would regret, for surely there would be other organizations that would demand the same, in order to sway the commission’s findings.

The Struggle within the Commission

The Kanev Commission began work in the midst of a stormy election, and pressures from external sources and by changes in the political situation within the government. These forces led to fierce political conflicts among the commission’s members that were no less bitter than the conflicts in the political arena. Kanev, who saw the commission as a direct vehicle for reconfirming his original plans for state social security and health insurance, was not prepared to deal with the politicking—internal and external, that accompanied the commission’s work. Nor did the administrative framework within which the commission’s work was carried out contribute to his mission: Eliezer Kaplan’s original initiative—based on an inter-ministerial body, was ‘structured’ to operate under the auspices of a ‘neutral’ body, the prime minister’s office—thus, preventing undue influence by any one of the participating ministries in the deliberations. However, a short time later, following appointment of Golda Myerson (Meir) as Mapai’s minister of labor, the commission’s work was transferred out of the prime minister’s office to the Ministry of Labor. A special division was even created for this purpose—the social security division, designed officially to assist the commission in its work. Yet, Doron believes that despite the fact that Kanev occupied a senior position within the division’s hierarchy, in practice his influence was greatly
undercut by the move, and in fact it was senior bureaucrats in the Ministry of Labor who actually called the shots. The bureaucrats undermined the commission’s efficacy and its future by blocking Kanev’s work, and in his memoirs, Kanev recalled that he was forced to request the intervention of Minister of Finance Kaplan in order to receive the administrative assistance he needed in order to make progress.77

Kanev decided that the first stage of the commission’s deliberations would be based on interviews and hearing testimony and expert opinion of various relevant parties in the social, economic and health domain. The second stage was devoted to discussion among the commission members to reach conclusions and hammer out recommendations that could be presented to the government. As could have been expected, the focus of disagreement centered on health insurance and management of health services—primarily the question of the Kupat Holim-Federation of Labor linkage.

Despite the importance of the issue, the Federation of Labor refrained from sending any representatives to appear before the Kanev Commission to present the federation’s recommendations, primarily because the federation’s executive had yet to meet and discuss this issue—thus, the federation still had no official policy position on the issue despite the key nature of the question for the federation as an organization. Avraham Doron and Chaim Shlomo Halevi who studied the mood within the first Kanev Committee and the various positions presented by those who did give testimony before the Kanev Commission cited that “all the bodies that testified before the Inter-Ministerial Commission openly expressed their opinion that the state needed to take upon itself direct responsibility for the administration of health services.”78

This position clashed with Kanev’s original program that held that Kupat Holim would remain within the framework of the Federation of Labor, while parallel to this serving the government-run social insurance network. Dr. Chaim Sheba said that “There is only one solution to the medical problems in any country—and in Israel in particular—and it is nationalization of medicine.” Dr. Giora Yoseftal, head of the Jewish Agency’s absorption department, testified that “ownership of medical service should be in the hands of the government. Ben-Zion Michaeli, representative of the roof organization of local government councils also supported transferring health services to the hands of the government and opposed the continued existence of sick funds. This was the position of the Israeli Medical Federation as well, but the doctors’ professional organization set forth a number of provisos for its support of nationalization of medicine—that is, ensuring employment for all doctors; improving the working conditions of doctors (a six-hour workday); and allowing doctors to engage in private practice in their homes—practice that would be part of government health services. The primary motive behind the IMF’s position was
the desire to curtail the power of Kupat Holim that dominated the public medicine market in Israel and forbad its doctors to engage in private practice and set rigid work norms for salaried physicians—norms that required doctors to carry an exceptionally heavy case load and work extremely long hours. Dr. Bickels—the representative of the IMF and the chairperson of the Kupat Holim Doctors’ Association—stressed that while Kupat Holim insured 43 percent of the public in Israel, the sick fund employed only 18 percent of the doctors; if the sick fund would be incorporated in state health insurance, it would compel a large portion of the public of insureds to accept Kupat Holim’s employment policies and only worsen unemployment among physicians. Similar arguments had been voiced by the doctors in July 1948 after publication of the Kanev plan drawn up by the Federation of Labor’s Social Research Institute.

The abundance of testimony championing nationalization of medicine left Kanev in the minority on the commission he himself had fought to establish. Most testimony explicitly recommended nationalization of Kupat Holim and its transfer to government hands, while Kanev himself championed a two-tier service system: Kupat Holim on one side and government health insurance on the other. Kanev found himself odd-man-out on all scores. Even his argument that the state did not have the financial ability or the necessary experience to take upon itself ownership of Kupat Holim—a point Moshe Soroka cited time and again, was rejected by the members of the commission. The director-general of the Ministry of Welfare, Moshe Landau, said explicitly that he did not see any difficulty in transferring the sick fund to the state. The position of the commission members and the overwhelming support for nationalization of medicine among his commission members on one hand, and the interests of the Federation of Labor’s social security enterprises and Kanev’s personal sentiments and loyalties to Kupat Holim on the other, placed Kanev on the horns of a dilemma: Whether to begin formulating a state plan for health insurance by nationalizing medicine as dictated by the commission membership, or to remain loyal to the core source of his deep-seated worldview—Kupat Holim and the Federation of Labor. Kanev, who had been one of the founders of Kupat Holim and one of the movers and shakers behind social insurance within the Federation of Labor, was unable to lead a move that would undermine Kupat Holim and its historic ties with the Federation of Labor. The solution was, therefore, to formulate recommendations that could be read more than one way making it possible to preserve the federation-Kupat Holim linkage.

Despite the intensive work of the commission to crystallize a plan as fast as possible, realities on the ground demanded an immediate solution to the harsh conditions that the country found itself facing—first and foremost, shortage of hospitalization facilities that prompted the commission to adopt an interim solution to hospitalization and medical assistance for immigrants.
On May 15, 1949—exactly a year after declaration of statehood—the commission submitted its recommendations to the government. The recommendations were defined as a blueprint for a transition period, designed to address current needs until the commission completed its work. Among the recommendations was “a plan for rapid development of hospitalization, marking locations, type of hospitals, and necessary budgeting . . . The concrete suggestions for rapid development of hospitalization in 1949 encompassed 1,400 additional beds in general hospitals, 1,020 beds for lung patients and 625 for mental patients.”

Implementation was jointly assigned to the Jewish Agency and the government of Israel. Financing would be share by the two parties, according to recommendations set by the commission and based on division of labor agreed upon by the two parties. In practice, the commission’s decisions to expand the general hospitals with financing from the government and the Jewish Agency served primarily the interests of Kupat Holim, which viewed this windfall as an opportunity to expand the number of beds in its hospitals and use the funding as a vehicle for enhancing the sick fund’s standing within the Israeli health system. Moshe Soroka—the administrative director of the sick fund who headed the opposition to nationalization and was very apprehensive about the final recommendations of the Kanev Commission—judged that the larger the Federation of Labor’s hospitalization network became, the harder it would be for the State of Israel to transfer it to government auspices. Soroka surmised that “if [the Kupat Holim hospitalization network] will be too big,” Kupat Holim would be able to save itself and escape the threat of nationalization.

Government and Jewish Agency financing was a genuine boon to government hospitals, as well. The primary beneficiary was the Tel Leivinsky Hospital—owned and operated by the Military Medical Service. The additional bed capacity would enable the facility to meet the needs of the civilian population while increasing the MS’s own fiscal reservoirs.

The Kanev Commission’s Conclusions

On February 5, 1950, the Kanev Commission presented its plans and recommendations to Golda Myerson (Meir). Kaplan requested that the recommendations not be released to the public, fearing the economic ramifications the report would have on the economy. Nevertheless, details of the plan leaked out. Its key recommendations—published in the daily papers even before the Kanev Commission’s findings were brought for approval of the cabinet—became public knowledge. In May 1950, for the first time, Itzhak Kanev and Golda Meir presented an official synopsis of the Kanev Commission’s recommendations to the press, but only in October 1950 was the final
detailed commission report publicized. The first press release was accompanied by a change in the name of the Ministry of Labor and Construction to the Ministry of Labor and Popular Insurance. Doron believed that the name change reflected the decision to hand over custody of social security planning to the Ministry of Labor and its Mapai minister, Golda Meir, in order to prevent other ministries, primarily health and welfare, portfolios that were in the hands of the religious parties, from controlling the fate of such a key area of social services. In the same spirit, when the Ministry of Labor in the provisional government was in the hands of Mapam, the dominant Mapai party had taken similar steps to block the issue being controlled by Mordechi Bentov, the Mapam minister: Eliezer Kaplan, who headed the Federation of Labor’s lobby within the government, had, at the time, insisted that the issue be handled by an inter-ministerial group—a move based on personal-party affiliation (Bentov-Mapam vs. Meir-Mapai) not objective-professional criteria (i.e., that a collaborative effort would be more effective). Haaretz noted that “while the previous Minister of Work and Construction, Mr. Bentov, boycotted the commission in the hopes of adding this planning to his own ministry. Now his objection has been removed.” Following the name change, a special Popular Insurance Division was created, under the directorship of Kanev.

The commission’s report was divided into four parts, two applied and two informative. The two main parts dealt with the concrete plan for social insurance crystallized by all the commission members together; in practice, however, the plan was a repeat, an application of the recommendations that in fact had been drawn up by Kanev together with a small number of like-minded colleagues.

The Commission recommended a program whose goal was stated to be:

... augmenting existing social insurance, its coordination, development and gradual expansion into a comprehensive system of social insurance for the entire populace that would include: medical assistance for all; disease prevention and development of the health of the populous; compulsory social insurance including: sickness insurance [SS sick leave and occupational illnesses compensation]; mothers’ insurance; work accident compensation; disability insurance; elderly, widows and orphans compensation; unemployment insurance; children’s supplements.

The program that integrated social insurance and health insurance was supposed to be introduced in three stages: stage one: hospitalization for all; completion of preventive medicine; dental care for every child; medical care for those without means; pensions for the elderly, widows and orphans; grants for every newborn; grants to families in cases of death; social pensions in transitional periods—until a permanent national insurance will be set; compulsory insurance for farmers and the working public; unemployment insurance, retirement, etc.
insurance for salaried workers; stage two: health insurance for all; disability insurance for all; completion of social work; stage three: children’s grants and completion of hospitalization.

In its details on insurance implementation at each stage, the commission noted that: “under the conditions of the extraordinary times in which the plan is being drawn up—the preliminary phase of creation and building of the state, with the burden of security, mass immigration and absorption and cost-of-living expenditures—the plan shall be realized stage by stage.” The first stage—with its ten clauses—was designed to be implemented within a three year period from the date of adoption and approval by the Knesset and the government. The commission labeled this stage—“from social insurance to social security.”

Details of the scope of insurance and services was set out in full detail of the health services that insurees would receive in the first stage: free hospitalization and preventive medicine; systematic supervision and dental care for children; medical assistance to those lacking means and grants to every newborn. These services were designed to cover the entire population, without discrimination. In addition to these services, it was stipulated that comprehensive health insurance would extend only to salaried workers and members of cooperative entities (kibbutz and moshav settlements). Comprehensive coverage included the following services: “medical assistance via clinics and health centers; specialist assistance; x-ray service and laboratories; medical treatment in the patient’s home; convalescence and rehabilitation after an illness or operation; elementary dental care . . . The insurees and their families will receive hospitalization at the expense of the National Hospitalization Fund.”

In its recommendation regarding organization of the health system so to provide the array of services set forth by the commission, the report added:

The Commission recommends that the government choose one of four possible systems according to which the insurance will be [executed and funded]:
1. the state alone; 2. various associations of insurees and their organizations; 3. a singular institute of insurees, without government participation; 4. a singular institute with both government and insurees participating jointly.

The report went on to discuss the pros and cons of each of the four options. As for health service-providers, it was recommended that all the public hospitals—including Kupat Holim’s—be transferred to government responsibility—leaving only primary and secondary care (family medicine clinics and specialist clinics) in the hands of the sick fund, along with auxiliary service institutes, convalescence homes and rehabilitation facilities.

The commission also recommended that all the public sick funds be merged into one entity, under one roof, in a framework similar to Kupat
Holim’s. Until such amalgamation could be carried out, the commission set forth regulations that designated how the public sick funds should operate in the interim period: Each sick fund must serve a membership of at least ten thousand persons and operate as a not-for-profit organization, under the supervision of the Ministry of Labor. Despite the great detail of the program and the three-year limitation on execution of the first stage, no time schedule was cited for transfer of hospitals to government auspices or merging of the public sick funds. The commission’s decision not to decide on a binding time schedule for implementation of the organizational change it recommended in the health system, reflected the commission’s submission to Federation of Labor and Kupat Holim pressure which sought to block transfer of the sick fund’s hospitals to the government, and Kanev’s desire to curtail as much as possible any detriment to the federation or the sick fund. Thus, in practice, the commission determined a constellation of sick funds in the state that would entrench the status quo for an unlimited period of time which the commission euphemistically labeled ‘a transition period.’ The commission’s refusal to set forth a binding decision only strengthened Kupat Holim and ensured that there would be no sweeping reform in the structure of the health system. Researcher Ch. Sh. Halevi believes that the Kanev Commission’s recommendations and its evasion of setting binding priorities and timetables for structural and organizational reform demanded by policymakers in Israel in 1950, led, in practice, to a pluralistic health system, with all the pros and cons that entails.

Following submission of the Kanev Commission’s report, the program was turned over to attorney Zvi Bar-Niv to be phrased in legal terminology as proposed legislation that could be presented to the government, in addition to other social clauses hammered out by the commission.

In essence, the commission’s recommendations were an ‘encore’ with minor revisions to the program for compulsory social insurance and health insurance raised two years earlier by the Kanev Committee. Unlike the first program, however, free services for the entire population was limited to hospitalization. Moreover, health insurance in the first stage was designed solely for salaried employees, farmers and needy persons; general health insurance was supposed to be introduced only after the three-year first stage of the plan was consummated. Like the first plan, all public hospitals were supposed to be transferred to the Ministry of Health, yet actualization of this move was deferred indefinitely due to technical problems within the Ministry in absorbing the facilities within its operations. Doron believes that postponement on technical grounds was merely an excuse to reject the recommendation and keep the hospitals within the framework of Kupat Holim. He notes: The Ministry of Health at this point already owned and operated a large number of hospitals and there was no objective reason for the ministry to claim it was ‘unable’ to absorb other parts of the hospitalization network.
The excuse, again, was a mute surrender to pressure from the federation and Kupat Holim to put off a decision on the matter.  

Examination of the commission’s recommendations as a whole, led one to the conclusion that the deliberate objective of the plan at all stages was to benefit Kupat Holim and preserve its status, while advancing and championing health insurance for all. Kanev sought to have his cake and eat it, too: to build a progressive governmental social security system and to maintain Kupat Holim’s piece of the action without stepping on any toes.

For and Against Health Insurance—Kupat Holim’s Stance

In June 1950 Kupat Holim’s Fifth Convention was convened. Seven years had passed since the Fourth Convention, the last major gathering of the heads of the sick fund having been held in 1943 in the midst of World War II. Thus, the convention was the first held by Kupat Holim after establishment of the State of Israel. For this reason, as well as the proximity of the convention to publication of the Kanev Report on health insurance—the relationship between Kupat Holim within the State of Israel was the key issue on the agenda. The titles of the speeches—noted in a special convention supplement of the Mapai party newspaper Davar—leave little room for speculation as to the focal point of deliberations: “Can We Carry the Burden of Medical Assistance Alone,” “Kupat Holim and the State,” “Ingathering of the Exiles and Health Absorption,” “Kupat Holim—A Health Institution?,” “Independence within Adaptation,” “An Independent Kupat Holim in Our State” and “Kupat Holim—Until Compulsory Insurance.”  

The sentiments of Yaakov Ori—a member of the laborite aristocracy and a founding member of the first moshav—Nahalal, reflects the dominant concerns and the flavor of deliberations:

Our Convention must examine well the details of the problems of Kupat Holim’s existence within the state and discuss seriously coordination of operations between them, on the assumption and with the aspiration that the day will come and the health of the laborer will be placed in the hands of the state alone . . . Kupat Holim and the state together will weigh their opinions and reach a decisive decision and determine the right and proper time for this. Until then, we must strengthen our sick fund, to expand the scope of its activities and deepen its content, under the clear assumption that Kupat Holim is one of the instruments for strengthening the state, and the state is the most effective tool for ingathering the [Jewish] People from its Diasporas and to unite it as a healthy People in its own land.  

Alongside expression of support in the Kanev plan, there was sharp criticism voiced at the Convention against the doctors’ opposition to health
insurance, charging: “private medicine served them as a working field, and a source of profit, and [they] fear so-called socialization of medicine. Their motto—’Part-time Physician, Free Choice of Doctor’—is no more than a cover up of aims to undermine Kupat Holim and its foundations.”

In summing up the three-day convention, the participants jointly called for preservation of Kupat Holim’s independence within the framework of the Federation of Labor. The majority supported Kanev’s recommendation for compulsory health insurance legislation that would be provided to all the country’s citizens through the auspices of an independent Kupat Holim, not a nationalized sick fund. They all called for the government and every employer without exception to participate in underwriting health services. They noted the national and social significance of such a law both for the citizenry and Kupat Holim, and underscored the key role of Kupat Holim in realization of the Zionist dream, while at the same time noting that in the future, responsibility for health services would, indeed, ultimately be transferred to the state. But, until then, particularly due to pressures from immigration and economic problems, the system should be left as is—that is, Kupat Holim would remain an independent entity with a key role in the health domain of the new state. It should not be nationalized; it should not be amalgamated with the other sick funds; and the special linkage between Kupat Holim and the Federation of Labor should not be severed. Time and again in deliberations speakers framed their support as conditional: “until the state will have the ability.” This and similar phraseology was adopted not only by Kupat Holim’s leaders who used the proviso to paint their desire to maintain the sick fund’s stature in a positive light, but also by individuals such as Eliezer Kaplan—head of the pro-federation lobby in the government, who genuinely opposed reform at this juncture for objective professional reasons. Kaplan stressed that the economy could not afford to take responsibility, organizationally or fiscally, for providing health services to all citizens of the magnitude the sick fund provided its membership—whether they were dues-payers who received health services as part of their federation rights, or new immigrants whose health care was covered under the sick fund’s agreement with the Jewish Agency.

The convention therefore adopted the Kanev plan for health insurance in principle . . . but for implementation only in the future, without setting any binding timetable. In short, they could have it both ways: Supporters of the Kanev plan were not forced to pay a price of any sort—organizational or political and in fact, stood to profit from the plan due to the demand that the government and all employers participate in underwriting Kupat Holim’s operation, as the government’s primary service-provider for the present. Nevertheless, in the course of four days of debate, there were two aspects glaringly absent from debate: The first—there were no voices heard at the convention from doctors who opposed the Kanev plan. The second—Kanev himself was
not a key speaker at the opening of the convention, and his response to other speeches in the course of the conventions were not even cited in the Davar supplement devoted to a roundup of the convention. The Fifth Convention of Kupat Holim, in short, addressed one goal only: preserving the current status of Kupat Holim within the state.

For and Against Health Insurance—The Physicians’ Position

The Kanev Commission’s evasion of one-sided recommendations, such as nationalizing the health system, and its choice of a path that enabled Kupat Holim to preserve its integrity, was immediately criticized by the doctors’ professional organization. Within days of receipt of the Kanev Commission’s recommendations by Golda Myerson (Meir)—material that was supposed to be confidential—the IMF launched a counterattack on the Kanev plan in the daily press although the plan had yet to be discussed or approved by the Cabinet. No timetable had been set for preparation and passage of suitable legislation in the Knesset, and the recommendations formulated and submitted to the Minister of Labor had been embargoed and were not supposed to be made public. Despite the broad public campaign conducted by the doctors to torpedo the Kanev plan, the government was not deterred from seriously discussing its far-reaching ideological orientation and organizational recommendations. In the framework of the first publicity that the Minister of Labor gave to the plan, published prominently on the front page of Davar, Myerson (Meir) stressed: “Introduction of compulsory insurance will not shake the foundations of the economy. . . . The government does not plan to nationalize private hospitals.”

The announcement, however, was accompanied by a brief article below the main story that contained the reservations of the Ministry of Finance to the program for social security, and their recommendation that insurance for the aged and unemployed be transferred to the second stage of the Kanev plan and that only health insurance, mothers’ insurance, work accident and disability compensation be introduced in the first stage.

The Physicians’ Opposition to the Kanev Plan

Both discussion of the Kanev plan in the government that began in 1950 including information leaked to the press on the Ministry of Finance’s reservations and its demands that the plan be tailored to the economic abilities of the state, and the principle that had been approved earlier—that Kupat Holim’s independence be preserved—prompted the IMF to launch a swift opposition campaign. In October 1950 the General Zionist Union party
organized a national conference of physicians and pharmacists to discuss the Kanev plan and the impact of health insurance on the country’s doctors and pharmacists. According to media reports, the gathering closed with “a series of resolutions, including protest of the trends towards Mapai’s domination of the doctors and a call for the General Zionist Union’s directorate to discuss the medical insurance issue and to formulate a joint position together with the representatives of the doctors, the dentists and the pharmacists.”

It seems, on the face of it, that collaboration between the IMF and the General Zionist Union emanated not only from shared attitudes towards the Kanev plan and the desire of the General Zionists to provide a platform for opinions that supported their party’s social and political philosophy. They also stemmed from fear among the General Zionists—who operated their own sick fund (today, the Meuchedet Sick Fund)—that if nationalization would be carried through, the smaller funds including their own would be amalgamated under the aegis of the far larger and dominant Kupat Holim. The General Zionists’ sick fund operated primarily on the basis of a reservoir of private practitioners, a design that reflected the party’s liberal non-Socialist organizational ideology. Compulsory health insurance would have been detrimental to their sick fund’s selective membership—members of the young, healthy, economically-established urban middle class it served, and the independent physicians who worked for the fund. The doctors established a strategic partnership with the General Zionists, as the two bodies were similarly invested.

The catalyst of the rise in sensitivity and concern among doctors for their future under statehood at this juncture in time in particular, was not only the Kanev plan; it was also a natural reaction to deliberations in the Knesset of an amendment to the law regulating the work of physicians that had first been raised at the outset of that year, and was discussed extensively in November 1950. Among the proposals raised by Kupat Holim was a suggestion that every new doctor be required to serve on the periphery or in an immigrant camp in order to receive a license to practice medicine from the Ministry of Health. While this suggestion was sparked primarily by the shortage of doctors in these areas, the notion was totally in conflict with the IMF’s worldview that rejected any form of coercion in this matter. The chief champion of this idea was Kupat Holim since the sick fund, in fact, carried the brunt of providing medical services in immigrant camps. This fact, however, could not mitigate the harsh impression the proposal made on the IMF, which already viewed Kupat Holim’s autonomy as a threat to the occupational freedom of the doctors.

Despite the IMF’s public campaign to undermine the Kanev plan, their arguments fell on deaf ears. On October 15, 1950, David Ben-Gurion resigned from the prime ministry due to a coalition crisis that had nothing to do with health matters. Two weeks later a new government was formed—the second in
the history of Israel. Y. Gary, a representative of the unaligned ‘independent’ MKs, joined the government and Chaim Moshe Shapira who in the first government had been Minister of Health and Interior was forced to cede the health portfolio and was left only with Interior. The development and mail portfolios remained unassigned. The health portfolio was defined as an appendage of the Ministry of the Interior, and in practice was administered by Dr. Chaim Sheba who was summoned from the United States to take up the post of director-general of the Ministry of Health in place of Dr. Meir, who had resigned. Pinchas Lavon joined the government as Minister of Agriculture and David Remez as Minister of Education. The key portfolios—the prime ministership, and the Ministries of Defense, Finance, Foreign Affairs, and Labor—remained in the hands of their previous ministers—the hard core inner circle of Mapai leadership: Ben-Gurion, Kaplan, Sharett and Meir, respectively. Against the backdrop of political crisis, and social and economic distress, including the hardships of massive rationing of commodities, unemployment, substandard housing and other sources of unrest, the doctors’ arguments failed to generate interest or empathy, and were pushed aside. With Kupat Holim providing health services to the majority of the population—both veterans and new immigrants, and defense and economic matters dominating the agenda and overshadowing all other issues, it does not seem that the government had any interest in discussing separately or even devoting time at all to the doctors’ position on the Kanev plan, particularly since it was clear that the campaign was a political struggle over economic interests of a limited public that was fairly well off. That is, it was not a social or national issue. Just the opposite. The doctors were forced to wait for a more opportune time to raise their objections to the Kanev plan.

Compulsory Health Insurance and National Health Services

In November 1950, Dr. Chaim Sheba took up the post of director-general of the Ministry of Health. Not only did the senior administrative slot give Sheba a lot of clout; his power was greatly amplified by the fact that there was no Minister of Health above him, thus in practice—he was the most senior administrator and senior policymaker in the health system. This state of affairs put Kupat Holim between a rock and a hard place—at loggerheads with a person who only three years prior had led the revolt against Kupat Holim’s leadership, then gone on to establish a military–civil health services network that challenged Kupat Holim’s hegemony and constituted a serious rival to the sick fund and in any case had no love of Kupat Holim. This threatened to flower into a worst-case scenario of the first order.

In late 1950 Kupat Holim was thrust into a unique position: the sick fund’s membership rolls had been swollen by thousands of new immigrants, doubling the number of sick fund insurees, from 328,000 members in
1948, to 690,000 members in 1950. Two-hundred thousand were new immigrants. Much of this was the result of Dr. Meir’s support when as director-general of the Ministry of Health, Meir had pushed for transfer of most of the health care for new immigrants onto the shoulders Kupat Holim. Division heads within the ministry charged that Meir’s policy had resulted in weakening of the Ministry of Health clout and control and created a situation where the ministry kowtowed to the sick fund, and the tail began to wag the dog. The resignation of Kupat Holim’s man in the ministry left the sick fund bereft of influence and threw Kupat Holim out of the inner circle of government policy policy-formulators and decision makers, although in practice—out in the field, Kupat Holim remained the dominant force in the health domain. As a result of Dr. Meir’s conflicts with senior civil servants in the Ministry of Health over his clear favoritism towards Kupat Holim, Meir resigned—a move that left Kupat Holim beyond the pale, transforming the ministry into what Soroka labeled “a hostile country” as far as Kupat Holim was concerned.

In addition to renewed personality clashes with Sheba on the personal level, Kupat Holim had to grapple with another objective problem. Sheba was an ardent champion of government health insurance through nationalized health services, and had expressed his opinions in favor of this path when he testified before the first Kanev Committee established by the Federation of Labor. Prior to taking up his post as director-general of the Ministry of Health Sheba presented his own scheme for government health insurance to Ben-Gurion, a plan that was significantly different from Kanev’s. The program Sheba drew up was based on the British system. The primary components of the system were: establishment of a government-run health authority; division of the country into service areas; establishment of an ambulatory health service network of clinics, affiliated with local hospitals; coverage of primary medical services by the government plan for primary medical services; and the option for supplementary health insurance for the citizenry through the auspices of unions, political parties or sick funds; under the program envisioned by Sheba, hospitalization services and expensive medical care were to be provided to citizens gratis, at government expense.

Kupat Holim and the Federation of Labor leadership who supported the Kanev plan (which would preserve Kupat Holim’s autonomy and its federation ties) found themselves challenged by Sheba’s proposal that was extremely far-reaching and perilous from their viewpoint—based on full nationalization of health services and their transfer to government auspices. Kupat Holim, according to Sheba’s scheme, could continue to function, but under government—not federation auspices. While Sheba’s scheme also called for transfer of the independent Military Medical Service to the government, as well—not just the civilian sick funds, from the standpoint of federation and Kupat Holim leaders, his visions were a concrete threat.
Sheba’s management style in seeking to realize his own visions for the health care system were similar to the way he had conducted the doctors’ struggle at Beilinson Hospital—an uncompromising battle in which he applied all the clout he possessed without hesitation, a struggle marked by personal clashes with anyone who stood in his way. Sheba had no quandaries in pushing his plan forward, even before it was presented to relevant decision-making social and political bodies in the Knesset and elsewhere. Sheba viewed realization of his program for compulsory health insurance and the establishment of a national health system as an essential move in the course of nation-building with statehood: It was designed to transform the Ministry of Health into a powerful, independent player in the health domain that would not be dependent on other major players in the health field—particularly, not on Kupat Holim.

Irrespective of his personal rivalries with his former employers and personal ambitions to amass power, Sheba viewed such a unified system as becoming of an enlightened and independent state that logically should replace what he perceived as a fragmented pre-state system, just as Ben-Gurion viewed dismantling of the Palmach as a necessary measure after statehood.

In any case, Sheba found himself at odds not only with Kupat Holim and the federation, but also with the private sector of the medical community that feared Sheba’s designs for nationalization, and the heads of the Military Medical Service he himself had founded, who had no desire to be dismantled or amalgamated into a civilian system. Sheba rejected all attempts by Kupat Holim and the Federation of Labor to reach a live-and-let-live compromise in the institution of a national health system. Sheba immediately rejected requests by heads of the Federation of Labor that he slow down and postpone any discussion or implementation of sweeping change for a more propitious time, after the current crisis over compulsory education that threatened the coalition government could be settled and after economic pressures on state resources, including severe rationing, would be eased. Sheba, however, had no patience to wait. He wrote: “Not only the Prime Minister, but also the executive people Pinchas Lavon and Mordechai Namir, told me: Be patient—Within two years we’ll get there; first we’ll finish education and afterwards we’ll go for health and make a government service. . . . But even Ben-Gurion was not whole-hearted that state-[sponsored] health service is an essential matter.”

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**The Default—Health Insurance or Social Security?**

On February 14, 1951, Ben-Gurion again resigned from the prime ministry for the second time, bringing down the government and leading to new parliamentary elections. The source of the crisis was rivalry over the shape
of the country’s educational system: The religious parties opposed both establishment of a ‘religious track’ along side the secular progressive track of the Federation of Labor-run workers’ stream of the educational system, and efforts within the government to amend compulsory education legislation by establishing a unified state-run public education system and reverse further trend towards fragmentation in the first years of the state, tensions greatly exacerbated by a government Commission of Inquiry, the Frumkin Commission, that found Mapai leaders guilty of pursuing a brutal ‘melting pot’ policy that suppressed religious expression.

A custodial or caretaker government ruled the country until July 1951 elections of the second Knesset were held. As a transition government, the six month period between the fall of the government and July elections created a ‘window of opportunity’ for reform, free of coalition pressures and threats to non-confidence to bring down the government. On the other hand, the government’s behavior reflected attempts to garner maximum support of the electorate through popular decisions and quick legislation. Reflecting the impact of election fever, in March 1951 the government unanimously declared that it intended to rapidly legislate a social security law, including health insurance based on the Kanev plan. Chaim Sheba’s proposal for compulsory health insurance within a national health service was not even raised for discussion. Parallel to government activity, the Federation of Labor’s executive also convened to discuss ways to forward legislation that had been delayed by nine months. Baruch Linn, chairperson of the Mutual Assistance and Social Security Department of the Federation of Labor, and Yitzhak Kanev were the chief discussants at the meeting. The two jointly called for the Federation of Labor to mobilize its forces behind immediate realization of the Kanev plan, but with a major revision: Health services should not be organized under the auspices of local authorities—as set forth in the original plan, but rather solely through the auspices of Kupat Holim “as an institution recognized by the government, to implement the insurance in cases of illness among workers.”

Shortly after the government’s election-motivated declaration, the cabinet appointed a committee headed by jurist Zvi Berenzon, director-general of the Ministry of Labor, to formulate a proposal to the government for legislation prior to July elections. Yitzhak Kanev—who had resigned six months earlier from his post at the Ministry of Labor in protest over postponement of legislation—was added to the committee in an advisory capacity. The government’s behavior, clearly motivated by electoral considerations, sparked criticism in the political arena and in the media and charges that legislation was being fueled by the desire to attract votes, while the country was in no position to implement such a program, even if it was voted into law. Avraham Doron believes that the government of Israel had no plans to pass such legislation and the declarations and appointment of a committee were
solely an election ploy in the campaign. Yet, the government’s actions engendered the IMF to renew its own campaign. The doctors’ professional organization turned to Pinchas Rosen, the Minister of Justice and a member of the Progressive Party, requesting that Rosen intervene in preparations for legislation and prevent any decisions that would undermine the interests of the doctor community. Rosen responded favorably—even with fervor, to the IMF’s appeal.

The Progressive Party viewed itself as the voice for the middle class. Protecting the rights of physicians as free professionals was perceived as a fitting even integral component of the party’s social platform. Thus, it was natural that the doctors turned to the progressives’ cabinet member to act on their behalf, although in the past the General Zionists had been the ones who aided the doctors in their battle against the Kanev plan. The General Zionists were now out of power, an opposition party, therefore, the progressives could be far more effective in championing the IMF’s cause, while the progressives considered the doctors a valuable constituency worth wooing in the upcoming election. Similar to the doctors, the progressives did not oppose compulsory health insurance legislation in principle; they only had reservations about the way it should be implemented under the Kanev plan, and had clarified this in public, stressing: “The Progressive Party is committed to state social security for every citizen. . . . The first step in realization of this program must be merging the sick funds in the hands of various public organizations into a governmental institution that will ensure the health of every citizen in the Yishuv.”

In principle, their proposals were very similar to Sheba’s proposal for health insurance via a government health service. As for their plan, they added that it would “ensure non-dependence of doctors and the right of patients to choose physicians.” In the course of coalition negotiations, the party had taken a clear stand, committing itself that “within social security, the standing of private doctors will be maintained.” Thus, Pinchas Rosen had the full support of his party to intervene in the work of the Kanev Commission appointed by the government to hammer out the wording of a social security system bill for passage in the Knesset.

During the months of March–June 1951, Pinchas Rosen worked vigorously to tie the hands of the commission. He opposed the appointment of Zvi Berenzon as coordinator of the committee on a technicality, claiming that the committee was supposed to be a committee of ministers and not a committee of ministry representatives. He submitted a series of reservations designed to sow dissent among members of the commission on the health insurance issue—particularly in regard to the status of the doctors within the framework of the law, and initiated a host of other tactics designed to undermine the commission’s work. His primary demands were: anchoring the status of physicians as a free profession under law; ensuring the right of
patients to choose their doctors; and the standing of private practitioners within the proposed health system. Despite his forceful intervention, the commission rejected the reservations presented by the Minister of Justice and remained dedicated to the original Kanev plan: Compulsory health insurance through Kupat Holim for salaried employees and farmers only.

In June 1951, the government conducted its first deliberations on the proposed bill for social security and compulsory health insurance. Despite first impressions that the government would approve the proposal as is and then proceed to work towards passage of the bill into law, surprisingly the proposed legislation ran into opposition in the course of deliberations in the cabinet among Mapai’s own ministers. Most of the opposition focused on clauses that dealt with compulsory health insurance.

The opposition was led by Pinchas Lavon, the minister of agriculture. Ironically, up until his appointment as a government minister, Lavon had been an ardent supporter of the Kanev plan, and represented the pragmatic wing within the labor movement regarding the status of the Federation of Labor within the State of Israel. Now Lavon called for erasing any and all references to compulsory health insurance within the bill, leaving only the part dealing with direct social security coverage. This was a total departure from Lavon’s previous position over the course of the preceding two years, expressed at Mapai’s convention and on other occasions within the Federation of Labor’s executive. If in the past, Lavon had supported health insurance as envisioned in the Kanev plan, now he made a total reversal of his position. Lavon did not explain why he had reversed his position, yet one may assume that at the decisive moment, Lavon feared that the move was liable to be detrimental to the future status of Kupat Holim and even lead to nationalization of the sick fund. He was probably also influenced by the positions taken by party colleagues in the federation leadership and the pro-federation lobby within the government who voiced fears of the danger to the federation, and Kupat Holim in particular, inherent in the Kanev plan. Similar apprehensions were also expressed by other members of Mapai, outside the cabinet. Ben-Gurion, by contrast, did not take a clear stand on the issue. The prime minister vacillated between support for aborting the move for legislation entirely, and approving it in the Cabinet, but without health insurance. The only supporter of the proposed legislation as written was Golda Meir who viewed retraction of the health insurance clauses a blow to the spirit and the essence of the law. Avraham Doron believes that the decisive move that led to expunging compulsory health insurance from the social security package in the proposed bill was the work of the minister of justice, Pinchas Rosen. While previously Rosen’s reservations had failed to have an impact on members of the commission drawing up the bill, when the proposed bill came up for discussion in the cabinet, Rosen’s opposition carried decisive weight:
Rosen’s convictions that the proposed bill would be particularly detrimental to the doctor community was consistent and unbending: he offered a compromise that would allow him to support approval of the bill, the proviso that the health insurance clause be dropped. According to Rosen, the suggested wording of the legislation left provision of health services in the hands of Kupat Holim intact, a situation that would be greatly detrimental to the doctor public and was liable to generate serious unemployment among its members. Only by providing health services through the auspices of a governmental social security institution . . . or as Dr. Sheba suggested, through the auspices of a national health service as in Great Britain, was acceptable in Rosen’s mind. This proposal, however, was out of the question for supporters of the Federation of Labor and Kupat Holim among the Mapai cabinet ministers since such a design spelled nationalization of Kupat Holim.

On May 13, the government of Israel approved the proposed social security bill, without comprehensive health insurance. Five members of the cabinet voted in favor and two against. A last ditch effort by Golda Meir to abort the decision to exclude health insurance, on procedural grounds failed. Attempts by the heads of the Ministry of Labor, Kanev, Berenzon, and Lotan, to backtrack and discuss the health insurance clause was also rejected by the cabinet. Appeals to the Minister of Justice to drop his opposition to compulsory health insurance were similarly rejected by Rosen. Rosen merely reiterated the arguments he had raised in the months preceding discussion in the Cabinet, all the more forcefully.

On June 19, the government of Israel presented a proposed bill for social insurance to the Knesset without compulsory health insurance. Explanations to the Knesset as to why health insurance had been omitted from the bill cited economic and administrative reasons, but without any further detail. Three years of deliberations, planning, committees, and commissions, political discussions and internal conflicts, and expectations of a new era in the health domain, went down the drain and were shelved indefinitely. In a summary of the health insurance law affair in Al Hamishmar, Baruch Linn wrote: “The government has given in on sickness insurance and balked in the face of pressure of the bourgeoisie and doctor circles thronging after them, it has surrendered, deciding the place of public medicine among us.”

Baruch Linn refrained from quoting the articles that had appeared in Al Hamishmar two years prior that attacked the Kanev plan and charged that it was liable to bring about nationalization of Kupat Holim. Linn’s accusations were rather ironic: The Progressive Party’s opposition that brought down government-sponsored health insurance in an attempt to protect what Linn labeled “bourgeoisie and doctor circles,” in fact, served Mapam’s own position and objectives; after all, Mapam championed leaving social insurance as a whole, and first and foremost health insurance,
in the hands of Kupat Holim and the Federation of Labor, in order to preserve the power of the labor movement within the state, and this was preserved by the progressives’ opposition.

Doron is of the opinion that the government’s retreat from a government-sponsored health insurance program was the upshot of mistaken impressions. According to his findings, based on interviews with Kanev and Lotan, members of the commission, Pinchas Rosen’s opposition that led to dropping health insurance was the result of an unfortunate misunderstanding: Rosen, according to Lotan, “thought that Kupat Holim would not be willing to ensure full employment to all the doctors willing to work within the health insurance framework,” although in Lotan’s opinion, “there was full agreement of this on the part of Kupat Holim.” Doron feels that had Rosen known this, he would not have opposed the program, and the entire social insurance program, including health insurance would have been executed by the government. Lotan even stressed that in his opinion (quoted by Doron) the government had put the issue of social security—including health insurance, on the public agenda to gain points—without any intention of carrying through on it. The political crisis of 1951 that re-raised the issue of health insurance and led to a minor battle over the issue in the cabinet, took on a life of its own, so to speak: While it ended with health insurance being dropped, painting the progressives as the guilty party, nevertheless, in retrospect the ploy set in motion deliberations whose dynamics led to approval of the social clauses of the proposed bill as a compromise, and ultimately enactment of national insurance in 1954 without any prior intention to do so at this time.

In July 1951, Israel’s second general elections were held. Ben-Gurion’s Mapai Party received only a small majority of the votes and chose to form a coalition government, a coalition that left the progressives outside the government. Thus, the Progressive Minister of Justice Pinchas Rosen was replaced by Mapai M. K. Dov Yosef, who also held the trade and industry portfolio. Dr. Yosef Burg, head of the religious Mizrachi Movement was appointed Minister of Health. Despite the changes in the political arena, including changes in the affiliation of key ministers, the government stood firm on the wording of the social legislation that had been under consideration by the Knesset. The proposed law remained focused solely on establishing a social security framework, without any attempts to amend the bill to include health. Two years later, following a third reading, the National Insurance Law was passed and took effect in early 1954.

Health insurance was re-debated only in 1955 in the framework of guidelines for the seventh coalition government established by Ben-Gurion. Yet, here as well health insurance failed to gain approval, due mainly to the opposition of the federation lobby in the Knesset and in the government.
**Health Insurance for the Maabarot (Immigrant Transit Camps)**

In October 1951, Dr. Chaim Sheba resigned from his post as director-general of the Ministry of Health in protest over discrimination against health service employees of the ministry in wages and job slots, in contrast with Kupat Holim employees. Another reason behind his resignation was disappointment with the government’s retreat from a compulsory health insurance law and the inability of the government in general, and Ben-Gurion in particular, to bring about a radical change in the health system—particularly in regard to the status of the Ministry of Health which remained a prisoner of Kupat Holim. Although under pressure from Ben-Gurion, Sheba retracted his resignation, this did not change the glum mood prevailing within the ministry. Towards the end of the same year, the IDF and its medical service announced it was closing out its role in providing medical services in the maabarot (transit camps for immigrants), and the Immigrant Health Service curtailed its own operation. The Ministry of Health prepared to take over full responsibility for supervising health services in the maabarot.123

Sheba requested on behalf of the Ministry of Health that the military maintain its current presence level in the maabarot for a longer period, but his request was rejected. The Ministry of Health feared that the arduous conditions in the maabarot where thousands of immigrants dwelled under woefully sub-standard housing and health conditions was a peril that could have catastrophic ramifications. Thus, Sheba had no time to “mourn” the death of his dream of compulsory health insurance. The ministry had to gird its loins for a tremendous effort to organize and provide medical services for immigrants—void of the political backing or supportive legislation it objectively needed to do so, and at a time when, in practice, health services (and health policy on the ground) were controlled by Kupat Holim—Sheba’s historic rival. Due to the objection of Minister of Labor Golda Meir, attempts by the Ministry of Health to expel Kupat Holim from the maabarot was a failure. Consequently, the maabarot were transformed into a new battlefront for control of the health system in the State of Israel.