"The following sources were approached with correspondence measuring approximately 3 inches in thickness:

Small Business Administration
Ford Foundation
Olin Foundation
Avalon Foundation
Commonwealth Fund
Rockefeller Brothers Fund
Maurice and Laura Falk Foundation
W. K. Kellogg Foundation
Field Foundation, Inc.
Donner Foundation
The Rockefeller Fund
Milbank Memorial Fund
The Buhl Foundation
Albert and Mary Lasker Foundation
Howard Heinz Endowment
D'Orazi Investment Co., Sacramento, Calif.
The 65 Security Plan, New York
A university to take on a research project on financing group plans
Various insurance companies
Insurance agencies
Mortgage companies
Banks
Real estate companies

"Even in the case of Nationwide Insurance, they first turned down the loan and subsequently accepted and approved it.

"We hope that this brief report shows the great expenditure of time and energy necessary to get financing. Remember that financiers we approached were dealing with an economically successful group practice with demonstrated earning power and obvious potential.

"In my own few years of business experience, including hospital administration, I have not encountered such a disappointing reaction as our own situation here portrayed."

Another nonprofit community-sponsored medical group practice located in eastern Ohio, which I also know well, had this to say:

"Our experience has been that nonprofit, group practice programs cannot normally borrow from commercial sources.

"We learned then, that commercial banks and insurance companies are not interested in investing in programs like ours. The reason, we were told, is that a group practice clinic building is such a narrowly circumscribed, one-purpose building, that in the event we were to default, and the bank or insurance company had to take over the property it would be exceedingly difficult to find another user. The alleged danger to the commercial lender is enhanced by two additional factors: (1) We are a nonprofit organization. Although at that time (1957–58), the foundation had not yet officially been incorporated, our program was owned and operated on a "trust" basis by the medical group. Nevertheless, we were considered to be working within a nonprofit framework. (The foundation was actually incorporated in October 1958.) Apparently, commercial banks and insurance companies frequently consider nonprofit organizations not to be particularly good risks for investments. (2) We operate in a small town, semirural area. The Harrisville Clinic is in a completely rural area, which, in the eyes of the lenders, made the one-purpose nature of the building even more dangerous from the point of view of investment. This was true even though we showed that the clinic is within reach of 15,000 to 20,000 people living in the country and in towns of 500 to 3,000, within a radius of about 10 miles.

"In 1961 and 1962 we accumulated some reserves in our building fund. It was our understanding at that time that we would probably have to have about one-third in cash of the planned construction and equipment cost of any facility, in order to borrow the rest from a commercial institution. The only realistic source was again the Nationwide Insurance Co., but even here some question existed, because for our $45,000 mortgage for the Harrisville Clinic we were required to have our physicians personally sign the note. The doctors involved were reluctant enough to sign a $45,000 note. One could hardly expect them to sign a note of the size we would be considering in building a central clinic in Bellaire; namely, something in the range of $500,000 to $800,000."

Group practice has a record of great accomplishment in providing comprehensive health services of high quality at a reasonable cost, in part by reducing tremendously the need for expensive hospital days.

Its promise cannot be fulfilled unless the present bottleneck on capital investment is removed. The present proposal is a modest one. It is, if anything, too limited, not too ambitious. Since it costs perhaps $200,000 to start a group health plan, matching grant moneys for nonprofit sponsored comprehensive