ties of medicine together in one location using one set of resources and facilities and producing a single patient record.

Another factor about which we are all becoming increasingly concerned is the matter of health care cost. Despite the enormous increase in our country's productivity, the cost of medical care services—and particularly the cost of hospital services—has outstripped any other item in the consumer index and is accounting for an ever-greater percentage of the gross national product. Again, this is a development of which we can be proud. It is the explosion of science in medicine—with new drugs, new machines, the involvement of physics, chemistry, electronic engineers, computer specialists, and other newly developed skills—which has produced the medical miracles of which we are so justly proud. But miracles are expensive. For in addition to these new developments, the modern general hospital which is the site where all these wonders are located has also been affected by the need for ever more personnel to operate the more complex facilities, and the pay scales of hospital employees which were long at the bottom of the heap have now begun to approximate comparable labor costs in other industries. The result has been that this combination of new techniques and new capacities in medicine plus more and higher paid hospital personnel has seen annual increase in per diem hospital costs which, in our part of the country has averaged from 8 to 10 percent, and I believe this to be true in varying degree throughout the country. Furthermore, there is no letup in sight.

This upward spiral of hospital costs has become of concern to those who pay their own hospital bill as well as to every third-party insurer, whether Blue Cross, commercial insurance companies, or local, State, and Federal Governments. This concern with the matter of increasing cost of health services, and particularly hospital costs, is heightened at this time because of the implications as medicare and title XIX go into operation.

Because of this growing preoccupation with hospital costs, a great deal of appropriate concern has been directed to insuring that hospital operations are as efficient as is possible, and at the same time increasingly effective steps are being taken to make sure that communities do not build more hospital beds than they need and that duplication of hospital facilities is avoided. There is developing, and should be encouraged, every opportunity for hospitals to operate cooperatively in such economies as centralized accounting, centralized use of computers, centralized laundries, and laboratories and purchasing.

Despite the appropriateness and obvious effectiveness of these activities in streamlining the hospital operation, the single most important factor having to do with total hospital cost is hospital utilization, and hospital utilization depends in significant measure on the method by which the doctor carries on his practice.

The decision to hospitalize the patient varies in individual instances from being obvious and essential to other situations where it represents a doctor's judgment which can be readily affected by the capabilities available to him for consultation, diagnosis, and treatment on an ambulatory basis. It has been repeatedly demonstrated that when a doctor and patient have readily available to them extensive ambulatory diagnostic and treatment services in a group practice unit, hospital utilization is significantly diminished, with some hospitalizations rendered unnecessary and many hospitalizations being of shorter duration. In the extensve group practice activity represented by the hospital insurance program of Greater New York, hospitalization is at least 20-percent less than comparable hospitalization for a matched population.

At Montefiore Hospital, we have a medical group practice unit which has been in operation for more than 17 years. At this time, we have approximately 50 salaried physicians, full time or part time, providing total medical care in the home, office, and hospital for more than 32,000 people. The inpatient hospital use of the people who are cared for by the group is 20-percent less than would be expected for the same group if it were cared for by other methods of doctors' practice. A 20-percent—or even a 10-percent—cut in hospital days in New York City alone represents tens of millions of dollars in payment for hospital care.

While the annual hospital operating costs which communities could save by cutting down inpatient hospital utilization by 10 to 20 percent is reason enough to push the development of group practice, there are, of course, other positive consequences of such a development. The growth of our population and increasing demand for hospital services will surely require additional construction of hospital beds. The broad institution of group practice clearly makes the number