The Health Care Pay Day: For Who?

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Over the weeks it had been increasing in chatter but I hoped it would remain just that: political chatter. In the age of corporate politics, some chatter fades away since the managing of public perception has become more important that developing effective legislation and policy. And political chatter serves a valued purpose: the political machines often float a variety of ideas in the media ether to give the impression that politicians are doing a lot of good work. But do not confuse good work with a lot of activity: there is often a lot of action happening that fails to adequately address the concerns of the general public.

But I have digressed: not a good way to begin an essay. I was about to share what political proposal I hoped would remain chatter and not part of the proposed health care legislation. Media reports cited that a Senate Finance Committee proposal would require people to buy health care insurance.[1] I am already cynical about mandates since they are being used, in part, to generate funds to help pay for health care reform: approximately $36 billion projected over ten years.[2] But someone such as myself who does not have health insurance and has no desire to buy it from the existing health care industry would be mandated to buy it. My reasons are clear: health insurance in America is a product among the many health products, such as pharmaceutical drugs, doctor and hospital services, patient care, etc.. And as a consumer who evaluates the value of a potential purchase, I have yet to see an affordable health insurance policy I would choose to spend my money on. A policy I would consider worthy would costs many thousands of dollars per year, an amount I presently could not afford after paying for living expenses (such as housing, food, utilities, clothing) and other functional necessities.

But even if I could afford a policy with adequate coverage, I have strong reservations about purchasing it insurance from the current health insurance industry. This is an industry with a long history (that continues to the present) of raising premiums to increase their profit margin. An industry with a history of denying or stopping coverage to those in dire need -- even those in need of life-saving care recommended by doctors (sometimes multiple doctors). An industry that regularly engages in practices that shift the costs of care from themselves and business (many people have insurance as a job benefit paid by their employer) to workers via high co-payments and large deductibles. And, as Black man, I would be foolish to ignore the continuing racial and ethnic inequalities in the insurance

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[1] Two articles that reported such are: "Senate Bill Fines People Refusing Health Coverage," by Ricardo Alonso-Zaldivar, *The Associated Press*, July 2, 2009; and "On Health Care, The Prognosis Is Compromise: Hill Negotiators Must Reconcile Plans," by Shailagh Murray and Lori Montgomery, *The Washington Post*, July 6, 2009.

[2] Ricardo Alonso-Zaldivar. "Senate bill fines people refusing health coverage," *The Associated Press*, July 2, 2009.

industry and larger health care field. These inequalities result in a lower quality care and higher mortality rates for people of color, even when compared to Whites with comparable conditions and ability to pay for care.[3]

Now I acknowledge I differ from many Americans who would be willing to buy health care with the noted shortcomings if it were simply more affordable. But clearly if the quality of health insurance (and the health care field) were improved mandates would not be necessary: most Americans would willing buy it. But for me, a politically informed consumer, mandates to buy health insurance from such the current industry is troubling. It is like mandating me to buy an used car from a shady salesman who sold me a "lemon." I can imagine health insurance executives giving me the same smile the car salesman would as he says to himself: "another sucker back again to feed my hungry wallet."

Yeah, the politicians are fusing talk of insurance mandates with the usual mumbo-jumbo of "change" and making the health insurance industry better serve the American people. Yet note, such aspirations will be done without instituting any significant mandates on the health care industry. Just a few months ago, President Obama praised a meeting he had with major representatives of the health care industry in which they promised over the next ten years "to cut the rate of growth of national health care spending by 1.5 percentage points each year -- an amount that is equal to over $2 trillion."[4] Obama praised this commitment as a significant cost reduction for Americans. But days after he cited these voluntary non-binding pledges, those same representatives said the president overstated their commitment: that the cost reduction was not an annual commitment but instead a "target" to be reached (or not) by 2019.[5] In fact, one representative said "there was no specific understanding" of when the reduction in spending would be achieved.[6] Despite this apparent reversal by the health care industry, there is no talk of mandating the industry to enact their pledges. But the American public can be mandated to buy health care products (via mandatory health care insurance) from them.

This is business as usual in this corporate political age: a deference to corporations at the expense of the general public. (Need I mention the stimulus bailouts for Wall Street with American tax money.) This also reflects what has been lacking in much of the health care reform discussion: a sharp look at the entrepreneurial components of the proposed health care bill. Even in analyzing the above stated voluntary health care cost reductions, few point out what is at the heart of the disagreement between

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[3] Institute of Medicine, *Unequal Treatment: What Healthcare Providers Need to Know about Racial and Ethnic Disparities in Health-care*, March 2002.

[4] President Barack Obama, *Reforming the Health Care System to Reduce Costs*, remarks made on May 11, 2009. Taken from the White House website (www.whitehouse.gov).

[5] Robert Pear, "Health Care Leaders Say Obama Overstated Their Promise to Control Costs." *New York Times*, May 15, 2009.

[6] Ibid, statement by David H. Nexon, senior executive vice president of the Advanced Medical Technology Association.

the president and the industry: $2 trillion in profit over the next 10 years. And note, this $2 trillion amounts to a mere 1.5% annual reduction in health care costs. But the money imprint goes way beyond that.

NO ONE DISPUTES THE NEED FOR REFORM

Very few will disagree with the fact that the present state of health care in America is a major problem. Just to share some facts from an Obama administration report:

> Health care spending in the United States totaled "$2.2 trillion on health care in 2007, or $7,421 per person. This comes to 16.2% of GDP [gross domestic product][7], nearly twice the average of other developed nations."
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> From 1996 to 2006, health care costs doubled. Projections predict these costs will "rise to 25% of GDP in 2025 and 49% in 2082" without a change in approach.
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> "Half of all personal bankruptcies are at least partly the result of medical expenses."
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> "Eight in ten Americans are dissatisfied with the total cost of health care..."[8]

The United States spends the most on health care in the entire world, yet has gaping disparities in care. Of the 46 million uninsured Americans, half of them are poor; yet almost all upper-income Americans have health insurance (94%).[9] Twenty-five percent of Blacks and fifty percent of Latinos do not have a regular doctor.[10] This usually indicates they are uninsured or under-insured: a policy with high co-payments will discourage some from going to a doctor regularly. And with the present economic recession, the numbers of uninsured and under-insured Americans is increasingly daily as people lose their jobs and struggling companies reduce health coverage as a cost-saving measure.

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[7] To give a laymen's definition of "gross domestic product" (GDP), it refers to the market value of all goods and services produced in a country over a period of time, usually over the course of a year. Economists use this as a way to gauge an economy's performance: a higher GDP usually means the economy is doing better, as does increases of GDP from year to year. Sectors of the economy (such as the health care industry, the auto industry, the technology industry, etc.) measure their success within a country's economy in part by examining what percentage of the GDP their industry produces. Often increasing their percentage of the GDP is seen as an industry growing and, vice versa, a decrease in the percentage of GDP is seen as an industry shrinking.

[8] Barack Obama Administration report, *The Costs of Inaction: The Urgent Need for Health Reform*. Posted on www.healthreform.gov (as of July 1, 2009).

[9] Barack Obama Administration report, *Health Disparities: A Case for Closing the Gap*. Posted on www.healthreform.gov (as of July 1, 2009).

[10] Ibid.

But even those who are able to access health care are not guaranteed quality care. The 2008 National Scorecard on U.S. Health System Performance gave the United States a 65 out of 100 when grading for 37 performance categories. On most grading scales, that score is a F or barely a D-minus. The scorecard notes that "costs continue to rise faster than [American's] income."[11] That unnecessary waste (i.e., avoidable hospitalizations, duplicate medical tests) and high administrative costs plague the health care system.[12] That preventable deaths -- "deaths that might have been prevented with timely and effective care" -- continues to be a problem.[13] In a culture that proclaims the motto "you get what you pay for," one would expect the American health care system to be the best on the planet since we do spend the most on health care in the entire world. Instead, America lags behind other industrial countries in terms of quality of care, including some that provide "socialized medicine."

So clearly a problem exists. And the current political moment has chosen to address it. But why? Is it to truly address the problems so Americans can have better health care? Or to fulfill a campaign promise while other such promises have been conveniently broken: like continuing the Iraq War, keeping people in Guantanamo Bay without bringing them to trial, hiring lobbyists to key administration positions? Or is there another motive behind the current political shucking and jiving around health care: a $2.2 trillion and climbing annual incentive?

AN ENTREPRENEUR'S DREAM (FOR THE RIGHT INDUSTRY)

The current situation with healthcare is an entrepreneur's dream, if you are in the position to profit from it: like many in the health care industry are. With the drastic reduction in public health care facilities (i.e. public hospitals) and the narrowing of eligibility to qualify for government-sponsored health care, the private health industry clearly dominates the health care market. And given Americans' ailing health (note the rates of heart disease, cancer, obesity, etc.), health care is clearly a need. A fundamental principle of business is to find a need, even if it is a major social problem, and devise a means to address it -- of course, for a profit. And this country has a rich tradition of "free market" and anti-socialist propaganda to keep a need as large as health care in the private market. Even if it would benefit most Americans to move health care into a public non-profit domain, so much of what America now stands on would resist moving an annual $2.2 trillion market under government control.

Even the president's own literature points to the potential market: health care costs are projected to climb to 25% of the gross domestic product by 2025, almost fifty percent by 2082. This makes health care a market of potentially hundreds of trillions of dollars. It also means an increased

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[11] The Commonwealth Fund Commission on a High Performance Health System, *Why Not The Best: National Scorecard on U.S. Health System Performance, 2008*, p. 10. Report published in July 2008.

[12] Ibid, p. 10.

[13] Ibid, p. 10.

dominance of influence by health care companies over the entire country, the world, because if you control even 25% of the U.S. economy you can essentially rule the country and dictate much of what happens in the world.

If the above seems like conspiracy theory puffery, let us examine some more interesting financial facts. One clear sign of interest in the market dynamics of the health care reform debate is the amount of money the health care industry has recently poured into the political arena. Health care was one of the major issues in the 2008 presidential campaign and was likely to be addressed in some way regardless of who became president. But a look at the presidential campaign contributions shows a clear favorite: Barack Obama received about $19.3 million in contributions from the health industry compared to John McCain receiving $7.3 million.[14] (To compare with 2004 presidential numbers, George W. Bush received approximately $10 million from the health industry, John Kerry received $6.9 million.[15]) In light of the foreboding health care reform, Obama's health industry contributions should also be coupled with donations made from: lawyers and law firms, $42.8 million; and financial services professionals (including those working in securities, investment, and banking), $23.7 million.[16] I include these groups because there is no way you can have a market that involves trillions of dollars and not utilize a considerable amount of services from these groups - a fact people in these industries are surely aware of. And these numbers do not include contributions made to members of Congress: the entire House of Representatives and one-third of the Senate who were running for election in 2008. The fact that the Democrats were expected to win both houses (and actually did) on election day was achieved, in part, by millions more in donations from the above stated industries.

The political campaign donations have been augmented by millions more spent by the health care industry for lobbying. According to the Washington Post, more than $126 million was spent in the first quarter of 2009, amounting to more than $1.4 million a day for lobbying.[17] This lobbying force included over "350 former government staff members and retired members of Congress," as "three of every four major health-care firms have at least one former insider on their lobbying payrolls."[18] Given that the Democrats hold the majorities in both houses of Congress, it follows that a higher percentage of this money is going into lobbying Democrats.

Yes, a whole lot of money is being laid out, but the hundreds of millions of dollars are seen as a reasonable expense to protect a multi-trillion dollar market. In corporate politics, nothing is given for free: all favors must be paid back, often in the form of legislation and policy. I hope no one will seriously think these industries expended millions of dollars to improve the health care industry in a

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[14] Open Secrets website by the Center for Responsive Politics : < www.opensecrets.org >.

[15] Ibid.

[16] Ibid.

[17] Dan Eggen and Kimberly Kindy, "Familiar Players in Health Bill Lobbying," *The Washington Post*, July 6, 2009.

[18] Ibid.

way that reduces their profits. To them health care is not a moral issue or a political virtue, it is a very profitable business. Neither are they genuinely concerned about points on the president's and Democratic Party's health care platform such as: eliminating health care disparities, ending insurance discrimination and cost-shifting to consumers, improving the quality of care and patient safety. If so, the industry has been in a position to address these issues for years and has not done so in a significant manner. But for the business man, one point on the Democratic health care platform is very appealing: their call for "health care for all" could expand the health care market to include the presently 46 million uninsured Americans.

Think about it: to expand a $2.2 trillion market by an additional 46 million customers. From a profit perspective, it matters not if a portion of this 46 million will be covered by government subsidies and the rest mandated to purchase care. In fact, by adding that many people to the market, the industry may willing agree to lower some costs, especially if the cost reductions are voluntary -- not mandated by law. They may even spend millions to publicize these cost reductions as a way to deflect attention from the increased profits they will make by the infusion of tens of millions of new customers. Also remember that current health care costs have risen sharply over the past decade, doubling from 1996 to 2006. Has the general population's wages doubled over this same period? Maybe for some CEOs and other upper management positions in corporate America, but for most workers in America wages have remained relatively stagnant when adjusted for inflation. (And any who would dispute this statement surely cannot say real wages for most in America have doubled!) So even a reduction in the current inflated costs means a higher rate of profit for health care companies along with an increased customer base. And I am sure wily statisticians and political talking heads will find ways to masquerade these increased profits as "savings" for the American public.

REMEMBERING ANOTHER MAJOR REFORM

The same was done with another major reform about a decade ago: "welfare reform" as it was called. In the 1990s, few politicians could defend the welfare system since it was wrought with major problems after decades of neglect (sound familiar to health care). Republicans ripped welfare as a system filled with fraud that sustained the lavish lifestyles of "welfare queens" and unwed mothers who chose to receive public entitlements instead of work. And Democrats saw the system as keeping people in a cycle of poverty. Thus, after a series of political wringing *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996* was passed. This law was seen as a compromise that would improve the system by emphasizing moving welfare recipients to work and granting states more flexibility to design welfare programs. The highlights of the law included stricter eligibility standards, work requirements for many program recipients, sanctions for those who did not comply with work requirements, and life-time limits on how long people could receive aid (five years for most).

In retrospect, welfare reform has generally been heralded as a success. Its ten year anniversary gave a number of the law's proponents opportunity to laud the drastic reduction in the number of people on welfare rolls -- something destined to happen merely by instituting a five year limit on receiving

benefits. Some also cite the fact that babies are not starving on the streets, as some critics of the bill warned, as another proof the legislation's effectiveness. These declarations have been accompanied by a media fatigue that was glad to bring closure to a topic that dominated the media for years. Thus, few looked beyond the surface of this deemed success to uncover some of the major shortcomings of welfare reform.

Yes, lowering the welfare rolls was one aim of the reform effort, but to move people from welfare to what? Robert Scheer noted in The Nation magazine that: " The truth is we know very little about the fate of those moved off welfare, 70% of whom are children, because there is no systematic monitoring program."[19] It seems illogical that the government would institute no way to assess the effectiveness of a program that expends $16 billion a year. But not having sufficient government statistics to document the outcome of former welfare participants enables them to proclaim success by merely moving them off the welfare rolls. Yet other research shows moving from the welfare rolls has not meant moving toward economic well-being. One report stated:

> [T]hose leaving welfare for employment typically enter jobs paying below poverty-level wages and do not receive employer-provided benefits, such as health insurance and paid sick or vacation leave. In addition, many of these families fail to receive key public income supports—including Medicaid, child care assistance, and Food Stamps—even though their incomes are low enough to meet eligibility requirements.[20]

Often these low-wage jobs give families only a slight increase, if any at all, over what they received in welfare benefits.[21] And some research shows that some poor families became poorer after welfare reform.[22]

In light of these facts, I do not regard welfare reform as a success -- and I have not even mentioned the millions of Americans who are only one lost paycheck away from poverty. Is it successful that a program devised to help those who fall to the lowest levels of poverty fails to remove significant numbers of people from poverty? Is it successful to move someone from welfare to a low-wage job that often has little prospect for career advancement or increased income? Welfare reform could have been used as an opportunity to develop a comprehensive program that cultivates people into contributing members of the workforce. An emphasis could have been placed on the social

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[19] Robert Scheer, "Clinton's Blindness on Welfare Reform," *The Nation* (magazine), August 30, 2006.

[20] Avis Jones-DeWeever, Ph.D., Janice Peterson, Ph.D., and Xue Song, Ph.D., *Before & After Welfare Reform: The Work and Well-Being of Low-Income Single Parent Families*, p. 3. Report by the Institute for Women's Policy Research, 2003.

[21] Ibid.

[22] Ibid.

challenges that push and keep people into poverty, such as: educational needs (including higher education), training needs for higher paying jobs, health challenges (physical and mental), and substance abuse. Welfare reform could have been an opportunity to get masses of people out of poverty (or dare I say, end poverty). Such would have required more than changing the conditions placed on those who use the welfare system. It would have required a broader approach that would impact how a range of corporations operate. Initiatives such as increasing the minimum wage, providing broad access to higher education, to making health care more accessible (by lowering costs) would be essential to achieving such a broader approach. It could have also included developing programs to assist the poor in generating personal savings and starting their own small businesses. Initiatives such as these would much more likely have improved the quality of life for welfare participants, more than merely moving them off the welfare rolls. And society at large would have benefitted from having more people contribute more to the workforce and raise the overall quality of life for Americans.

What happened to welfare reform has lessons relevant to the present health care reform debate. Will the present movement toward a bill genuinely improve the quality of the health care system for all consumers or settle for trophy achievements such as increasing the number of who have health insurance? Will the legislation mandate improvements just on the consumer side (like stricter conditions on welfare participants) or include substantive regulations and mandates on corporations who profit from the health care industry? Or will the legislation sacrifice quality for a quantity-based outcome that can be praised in the media as a victory?

Welfare reform beholds another relevant lesson: that once a major health care bill is passed it is very unlikely that politicians, the health care industry, or the media will be interested in engaging in another legislative effort to correct any shortcomings of the bill for years to come, possibly decades. Even some of the most liberal-minded politicians would not be willing to engage in an effort to correct the continuing shortcomings of welfare reform. In light of this lesson, I would strongly encourage a measured yet determined approach that does not rush crafting the legislation. In all reality, we may only have one shot to get it right for the foreseeable future.

I will not end this essay by promoting my preferred approach to health care -- did someone whisper single-payer? Instead I caution the reader, despite whatever positions you hold, to be sure to include the profit dynamics of health care reform in your thoughts and discussions. I have never been of the opinion that we should ignore the two trillion dollar elephant in the room simply because he is paying other people to talk for him (lobbyists and colluding politicians). And simply bringing attention to the elephant will not ensure that we eliminate his influence from the legislative process, but surely ignoring him will be much more detrimental. Health care is of such importance that it should not be rushed without careful analysis of all the factors in play. And any analysis that ignores the market motives of corporate forces will be gravely incomplete.

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