

COMMENTARY

The End of the Social Contract?

John Steen

In the 4th Quarter 2004 issue of this newsletter (pp.6-8), we published a critique of the Fall 2004 report from the Federal Trade Commission entitled *Improving Health Care: A Dose of Competition*. A fuller critique of this document is accessible online at: <http://www.ahpanet.org/images/AHPAcritiqueFTC.pdf>. The executive summary of the FTC report concluded with the following statement: "The Agencies do not have a pre-existing preference for any particular model for the financing and delivery of health care. Such matters are best left to the impersonal workings of the marketplace." (p.11)

In this brief but remarkable statement is contained the federal government's position on healthcare delivery in America, a position that was introduced within the conservative economic agenda during the Reagan years. "Impersonal" here is tantamount to "unthinking," and that rules out all forms of planning and regulation save those aimed at attempting to secure and support marketplace healthcare, were there such a thing. And so with health policy; we are given a policy that is the very negation of all health policies.

Healthcare delivery is not provided in the "impersonal working of the marketplace." It is provided in local communities by community-oriented providers, it should reflect community values and needs, and it should lead to empowering communities through planning. Additionally, it is provided in a highly regulated and controlled environment that is not consistent with a free market. "Free market competition" is inconsistent with:

- Patient demands for care that are not discretionary;
- Purchasers' lack of information about prices and costs;
- The assurance of third-party reimbursement;
- Philanthropic subsidization of services;
- Caregivers' control of services received by patients;
- Community input for more appropriate, acceptable, and accountable services;
- Mission-directed and/or status-building institutional healthcare delivery;
- Legislatively mandated healthcare services;
- Ensuring the safety and efficacy of healthcare services and avoiding malpractice;
- Legislatively mandated health insurance benefits;
- "Social safety net" services like Medicare and Medicaid;
- Measures to serve underserved populations and meet unmet needs;
- Priority for public health;
- Equity in a healthcare system that embodies principles of social justice.

In May 1999, the Board of Directors of AHPA adopted a Mission Statement that had this to say about competition:

"The longstanding commitment of providers to a community mission which built public trust is being eroded by corporate business practices which generate profits, often without any community benefits. The reliance on

market competition for "healthcare reform" is a political and economic experiment which is resulting in dislocations throughout society. The challenge to public policy is to facilitate the development of a responsible marketplace, one in which the sought-after benefits of competition are realized. ...

"To achieve benefit from this process for all residents, it is necessary for legislators to take a more active role in shaping the transformation of the market. Government is obligated to exercise sound stewardship of the public's resources, much of which it controls as the primary payer of services. Healthcare is a social good like safety and education which, in a democratic society, requires intelligent government oversight in order to balance competing needs and priorities."

To see all of our Board-adopted policy statements, go to: <http://www.ahpanet.org/ahpapolicies.html>. And for a cogent discussion of the illogic of reliance on market forces to improve the efficiency of health systems, see "Are Market Forces Strong Enough To Deliver Efficient Health Care Systems? Confidence Is Waning," by Len M. Nichols, Paul B. Ginsburg, Robert A. Berenson, Jon Christianson and Robert E. Hurley, in *Health Affairs*, Vol 23, Issue 2 (March/April 2004), pp. 8-21, accessible at <http://content.healthaffairs.org/cgi/content/abstract/23/2/8>.

In my **Policy Perspective** (3-06), the report on specialty hospitals illustrates how competition plays out in delivery systems, emphasizing once more that **there are no private (profit-making) solutions to public problems**. Yet this is the mantra of the Bush Administration, that government should deed to private investment all functions where there is profit to be made. The excellent publicity that the VHA has gotten for its achievements in solving the quality/cost conundrum must be driving conservatives nuts. May they suffer a fatal case of ideological dissonance. (See my article at http://www.ahpanet.org/Health_policies.html#Universal2.) What I see as one of the worst applications of their marketplace ideology is the shift of healthcare information itself from government to the private sector, a threat to states like New York, Pennsylvania, and California that consider information about healthcare to be a civil right, and to planning and regulatory programs everywhere. In an address to the Healthcare Information and Management Systems Society (HIMSS) on February 13th, David Brailer, National Coordinator for Health Information Technology, Department of Health and Human Services, said, "We have ensured that the federal government will not build, own or operate the infrastructure of America's health information." (<http://www.healthimaging.com/content/view/3839/85/>.)

The current Administration's position on an unregulated marketplace is much more than the denial of a healthcare **system**. It amounts to the denial of a role for government itself, and of the very concept of government on which our founding fathers established this nation. And government functions that are supportive of communities and social values are compromised in order to condemn them as dysfunctional (post-Katrina New Orleans is a case in point), thereby preparing the way for their elimination.

Thomas Hobbes (1588-1679) traveled to other European countries several times during his lifetime to meet with scientists and to study different forms of

government. During his time outside of England, Hobbes became interested in why people allowed themselves to be ruled and what would be the best form of government for England. In 1651, Hobbes wrote his most famous work, entitled *Leviathan*. In it, he argued that people were naturally wicked and could not be trusted to govern. Therefore, Hobbes believed that an absolute monarchy - a government that gave all power to a king or queen - was best. He came to believe that giving power to the individual would create a dangerous situation that would start a "war of every man against every man" and make "the life of man, solitary, poor, nasty, brutish, and short."

Hobbes finds three basic causes of the conflict in this state of nature: *competition, diffidence, and glory*. By contrast, "the passions that incline men to peace are fear of death, desire of such things as are necessary to commodious living, and a hope by their industry to obtain them." Man forms peaceful societies by entering into a *social contract*. The only escape from danger is by entering into contracts with each other — mutually beneficial agreements to surrender our individual interests in order to achieve the advantages of security that only a social existence can provide.

Hobbes provides us with a useful insight into better understanding the promotion of unfettered competition when he quotes Cicero who approved the Roman practice in criminal cases of asking, "*cui bono*: that is to say, what profit, honour, or other contentment the accused obtained or expected by the fact. For amongst presumptions, there is none that so evidently declareth the author as doth the benefit of the action."

For a half-century, we had traditional indemnity insurance that supported our use of healthcare, a threat the industry labeled a "moral hazard." From the supply side, the industry introduced "managed competition" to reduce service utilization. The newest trend reduces utilization from the demand side by making it unaffordable to the consumer. Known as "consumer-directed healthcare" (or "consumer-driven healthcare"), it is being promoted as the new market-based solution to cost inflation. Consumer-directed care refers to health plans in which employees have personal health accounts from which they pay medical expenses directly. It threatens important societal values -- in particular, the goal of establishing relationships between patients and clinical professionals based on trust. See, "Which Way For Competition? None of the Above," by Robert A. Berenson, *Health Affairs*, Vol. 24, Issue 6 (Nov/Dec 2005), 1536-1542. Online at: <http://content.healthaffairs.org/cgi/content/abstract/24/6/1536>.

The Administration is spinning its health savings accounts as introducing competition into the pricing of healthcare, the idea being that once patients are forced to pay more costs out-of-pocket, they will begin to comparison shop and request quality data, eventually driving down the cost of healthcare. But the information consumers need to most effectively manage these accounts is how much their out-of-pocket costs will be for a particular service and not how much, for example, a hospital charges for a particular service. Here we have an artifact of insurance marketing, not an indicator of health system cost, and it's an artifact designed to promote a race-to-the-bottom in health insurance coverage while getting consumers to think they are saving money. As with almost all of the Administration's health policy initiatives, it is hard to tell how much they are driven by incompetence, and how much by meanness. Calling this *Bushcare* is *Bushit*.

The justification for having any government at all is to have a way of satisfying needs that cannot be satisfied adequately by individuals. The leaders we elect, and the people they employ, are the stewards whose responsibility it is to meet our needs. What we have here is the perversion of that contract, where our burdens are magnified and returned to us at the very time when we are least able to handle them.

"Markets are designed to facilitate the free exchange of goods and services among willing participants, but are not capable, on their own, of taking care of collective needs. Nor are they competent to ensure social justice. These 'public goods' can only be provided by a political process." (*The Bubble of American Supremacy*, George Soros, 2003).

Let us not miss the greatest insult in this love of market competition. When we promote competition at the expense of all other motivation, we depreciate the interest we have in compassion, thereby depreciating our own humanity. That our collective humanity is already depreciated is evident in daily news reports. On Valentine's Day, *The Washington Post* reported on the Administration's proposed budget:

Bush Budget Would Cut Popular Health Programs

By Ceci Connolly
Washington Post Staff Writer
Tuesday, February 14, 2006; A03

President Bush has requested billions more to prepare for potential disasters such as a biological attack or an influenza epidemic, but his proposed budget for next year would zero out popular health projects that supporters say target more mundane, but more certain, killers.

If enacted, the 2007 budget would eliminate federal programs that support inner-city Indian health clinics, defibrillators in rural areas, an educational campaign about Alzheimer's disease, centers for traumatic brain injuries, and a nationwide registry for Lou Gehrig's disease. It would cut close to \$1 billion in health care grants to states and would kill the entire budget of the Christopher and Dana Reeve Paralysis Resource Center.

In a \$2.8 trillion budget, the amounts involved may seem minuscule, but proponents argue that the health care projects Bush has singled out are the "ultimate homeland security," as Vinay Nadkarni put it. The spokesman for the American Heart Association said he cannot fathom why the administration has recommended eliminating a \$1.5 million program that provides defibrillators to rural communities and trains local personnel on how to use the machines to restart hearts that go into cardiac arrest....

After failing last year, the White House is again attempting to eliminate \$99 million in preventive health services grants begun under President Ronald Reagan. In recent years, Texas used the money for a cardiovascular program, Mississippi bought child safety seats

for poor mothers, Colorado discovered an *E. coli* outbreak, and New York identified the first cases of West Nile virus, said George E. Hardy Jr., executive director of the Association of State and Territorial Health Officials.

"It's a small dollar amount -- \$100 million is nothing in the federal budget -- but they are critical to a state's ability to meet unmet needs," he said. In virtually every case, states have data showing the projects saved lives and money.

"The public health component of a governor's budget is discretionary," said Kim Elliott, deputy director of the Trust for America's Health, a nonpartisan advocacy group that lobbies for investment in disease prevention. "It is always the public health dollars that get squeezed."