Introduction: Politics, Misperception, or Apropos?

Mark A. Peterson

Journal of Health Politics, Policy and Law, Volume 24, Number 5, October 1999, pp. 873-886 (Article)

Published by Duke University Press

For additional information about this article
https://muse.jhu.edu/article/15419

Introduction: Politics, Misperception, or Apropos?

Mark A. Peterson
UCLA

"You have a very rare condition," the physician announces to his apprehensive peasant patient in the comic strip "The Wizard of Id." Looking alarmed, the patient inquires, "Oh my. . . . What's so rare about it?" To which the physician wryly responds, "It's covered by your HMO" (Parker and Hart 1999). Perhaps more surprising than the presence of modern medicine in the medieval kingdom of Id is this comic strip's use of managed care as a foil. After all, it is neither a political cartoon on the editorial page nor one of the more overtly political and policy-oriented strips, such as "Doonesbury." Or consider "Laugh Parade" in *Parade Magazine*, usually a forum for family and pet foibles. Two auto mechanics are about to work on a man supine on the garage rack, prepped for surgery. The fellow's wife confirms, "I checked your company's medical plan again, and these guys *are* authorized through your HMO" (Hoest and Reiner 1999). Similarly, last year in movie theaters across the nation, and, as Regina Herzlinger notes in her contribution to this issue, even at 35,000 feet, audiences applauded and cheered when Helen Hunt let loose a ferocious, expletive-laced commentary on HMOs in the film *As Good As It Gets*. Needless to say, the title of this quirky romantic comedy did not convey the Hunt character's view of the contemporary U.S. health care system, but her line about HMOs is likely to leave a more lasting impression than her ultimately optimistic liaison with the eccentric writer played by Jack Nicholson. Something about managed care has obviously penetrated deep into the American social fabric. The derision seen in

Journal of Health Politics, Policy and Law, Vol. 24, No. 5, October 1999.

these cue cards of popular culture reflects the now widely discussed backlash against the so-called managed care revolution of the 1990s.

Getting past the dark humor and worrisome anecdotes, how real and meaningful is this backlash? Have core virtues of our health care system in fact been corrupted by the decline of fee-for-service medicine and the emergence of various forms of managed care arrangements in its place? To be sure, health providers and the public at large have had to adjust to new players, new rules, and new procedures in the delivery of medical care. Disruptions of past routines are always unsettling, however advantageous they may be in fact. And yet are we encountering a system not just in transformation but actual decay? As federal and state policy makers clash with one another in their respective domains over what to do about the perceptions of serious problems generated by managed care, *should* they, in fact, do anything at all? If so, what legislated approaches would be most sensible?

This special issue of the *Journal of Health Politics, Policy and Law* is devoted to assessing the managed care backlash, the most significant health policy issue since Congress pulled the plug on health care reform in September 1994. No single issue of a journal can raise all the right questions or provide all the necessary answers for a subject as complex as this one. However, our intention is to give readers—from citizens among the attentive public and the media correspondents who inform them, to health policy specialists and health providers, to federal and state elected officials—the first comprehensive compilation of essays, written by some of the field's most experienced and insightful experts, that examines what we know about managed care, what we should know about the backlash, and what government ought to do about it—or ought not do. Important original scholarship on the scope, character, and impact of managed care has previously been published in this and other health policy journals. The objective of this special issue is to provide a single volume containing highly informed assessments of the backlash and its policy implications conveyed in a manner accessible to all relevant audiences.

Below the stage is set for the essays that follow. I begin by briefly reviewing evidence that the image of a backlash has become sufficiently pervasive to warrant thoughtful attention by the health policy community. I then highlight the specific questions that motivated assembling this issue of the journal, queries that I offered the authors as a point of departure. Next I offer an overview introduction of our distinguished set of contributors and explain the logic of the issue's organization.

Taken as a whole, this collective assessment of the managed care back-

lash yields three core conclusions. First, across a broad spectrum of disciplines, intellectual predispositions, and scholarly experience, there is near unanimity among these health policy specialists that the backlash is real, understandable, and predictable. Second, most of the authors agree that policy action by government offering some range of consumer protections is desirable, as long as it is carefully designed to avoid interfering excessively with the potential of managed care arrangements to engender fiscal discipline and promote improved quality of care. This position is far from unanimous, however. One will find forceful arguments here that, on the one hand, experience to date suggests that regulation will produce more harm than good, or, on the other hand, that modest efforts to protect consumers in a managed care environment miss the point entirely—the rise of managed care itself needs to be thoroughly countered by alternative approaches. Finally, among those who counsel "take action, but carefully," that is as far as their consensus extends. There is relatively little agreement about which government initiatives are most sensible and how aggressive either state or federal policy makers ought to be in their efforts to soften managed care's hard edge. Readers of this issue, however, will benefit from being able to consider these different and at times contending perspectives side by side.

The Signs of Backlash

The signs of backlash are almost everywhere. Physicians, hardly exemplars of the proletariat, are increasingly turning to collective bargaining and formal union mobilization as a way to counter the inroads of managed care plans into what had been the physicians' private reserve of medical practice, complete with financial independence and clinical autonomy. In the words of one physician, "We don't even feel like physicians anymore, we feel like an assembly line" (Riccardi 1999: B1). Says another, "This is life in hell" (Marquis 1999b: A1). In response, even the American Medical Association has endorsed collective bargaining and is establishing an "affiliated national labor organization to represent employed physicians" in their negotiations with managed care plans (Smoak 1999). Although the percentage of doctors carrying union cards remains fairly small, anyone who has read Paul Starr's (1982) treatise, *The Social Transformation of American Medicine*, would be startled by the emerging trend (see the essay by Richard Scheffler in this issue). Juries in civil cases have also joined the act. In January, one in California issued a $120-million judgment against Aetna U.S. Health Care of Cali-

fornia for delaying or refusing coverage for aspects of treatment recommended for a cancer patient, who later died. As reported in the *Los Angeles Times*, "The record-breaking judgment against the subsidiary of the nation's largest managed-care organization crystallizes public outrage against HMOs" (Marquis 1999a: A3).

We might well expect physicians to object to managed care on a number of grounds, and jury behavior can be quite idiosyncratic. Perhaps more disconcerting is the sustained evidence of backlash from three more systematic indicators: public opinion, political campaigns, and the emergent barometer of the 1990s, the stock market. Last year in *Health Affairs*, Robert Blendon and his colleagues (1998) published a widely cited study that sought to explain the sources of the managed care backlash among the public. Their reading of results from dozens of opinion surveys launched between 1995 and 1997, including their own, provided considerable evidence that popular concerns about the effects of managed care on quality and access to care are both rooted in experience and unlikely to be fleeting. A number of contributions to this issue of *JHPPL*, most notably those by Gail Wilensky and the team of Lawrence Jacobs and Robert Shapiro, highlight the continued depth of the public's reactions (even if the specific policy implications are not always clear).

Politicians have dutifully responded to the perceived fears of the public. In April, honing the partisan leverage for the coming elections, President Bill Clinton led a rally at Philadelphia's Memorial Hall to promote the Democratic version of the patients' bill of rights legislation in Congress. In a coordinated campaign, Democrats in the House and Senate "staged rallies in 32 states and launched a nationwide petition drive to renew public support" (Chen and Trejos 1999). As reported in the *Washington Post*, "The fight over health care reform is likely to play a big role on the presidential campaign trail this year because Democrats believe it is a slam dunk issue for them . . . [and] Republican candidates don't plan to ignore the subject." The industry clearly worries that the issue will stick. Its trade association, the American Association of Health Plans, has sought to diffuse the potential of a political bandwagon by running television advertisements in the two lead-off states in the presidential nominating process, Iowa and New Hampshire (Neal 1999).

Dollars send signals as well as votes. Where once commercial managed care plans were the darlings of Wall Street, cheered for bringing discipline to the health care market and attractive returns to their investors, in recent years they have been in fiscal distress, discovering just how difficult it is to "make money caring for sick people." Weiss Rat-

ing, Inc., reported that most HMOs in 1997 "lost money . . . , accumulating nearly $800 million in losses." Some physician practice management companies, organizational epiphenomena of managed care's restructuring of medical care delivery, have fallen into bankruptcy or collapsed. With profits down among numerous firms in the industry, "investors have fled the stocks" (Abelson 1999).

The attention that managed care has been receiving, and its significance, is well illustrated by the media coverage. The major newspapers in the Lexis-Nexis Academic Universe data base combined in 1990 to carry fewer than four articles a month that mentioned the term "managed care."[1] During the entire year, only two articles referred to "regulation" in the context of managed care. As shown in Figure 1, the 1993–94 debate over President Clinton's Health Security Act, with its emphasis on managed competition and promotion of managed care plans, stimulated what would become a rising tide of media coverage of managed care. Discussion of regulation—a sign of emerging backlash—also became more prevalent. The most comprehensive policy initiatives for addressing concerns about managed care, encapsulated in proposed "patients' bills of rights," were not mentioned in a serious way at all until the first quarter of 1997. However, by the third quarter of 1998 (July, August, and September), a year and a half later, managed care, the backlash, and regulatory solutions had become full-fledged campaign issues. Major newspapers granted them the most extensive coverage to date. There were 1,006 articles that made reference to managed care (a total of 1,417 used the more common term, *HMO*), 192 noted managed care regulation, and 147 made specific reference to a patients' bill of rights.[2]

After a period of increasing focus on the rise of managed care, a particular form of policy response quickly garnered attention. By 1998, Capitol Hill was rife with debate over major competing initiatives sponsored by congressional Democrats, in conjunction with President Clinton, and Republican majorities in the House and Senate, whose ranks were deeply divided. In state legislatures, some one thousand bills involving some version of managed care regulation had been introduced by mid-1998 (Blendon et al. 1998: 80). Families USA (1998), a leading

1. In 1990, *HMO* was a more familiar term than *managed care*. Among the major newspapers, an average of 3.6 articles a month mentioned managed care, while HMOs were cited in a mean 27.9 articles a month. However, from 1990 to 1999, the trends in quarterly coverage using the two terms were highly correlated (Pearson's r = .974). I chose to use the figures for managed care because the term is more encompassing.

2. For a far more thorough, detailed, and sophisticated analysis of the media coverage given managed care, see Brodie, Brady, and Altman 1998.

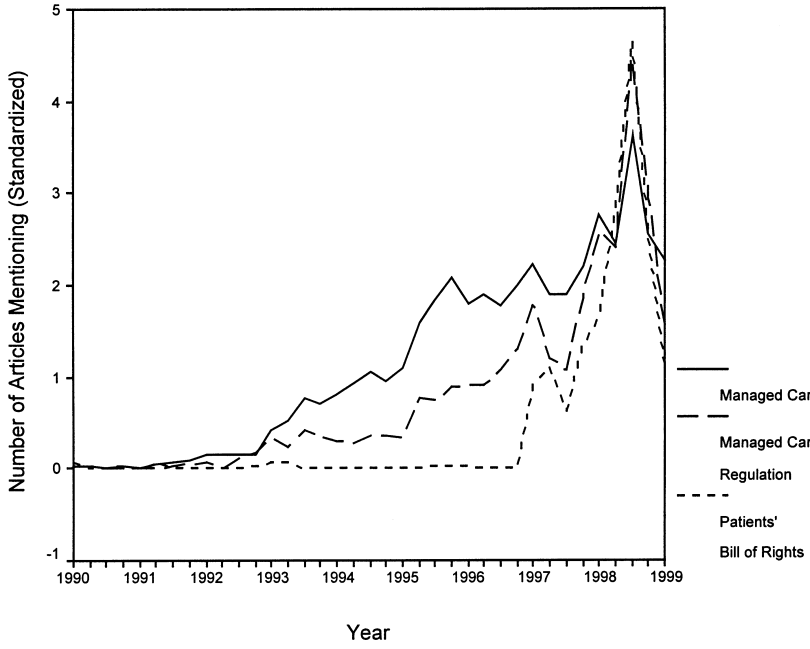

Figure 1 Major Newspaper Coverage of Managed Care, Managed Care Regulation, and Patients' Bill of Rights. *Source:* Lexis-Nexis Academic Universe, General News Topics, "major newspapers" as "source material." *Note:* The number of articles each quarter mentioning "managed care," "managed care regulation," and "Patients' Bill of Rights" have been put on a common scale using standardized values (*z* scores).

voice for managed care regulation among advocacy groups, identified thirteen key consumer protections that it believed states ought to pursue. As of July 1998, only Vermont, which had implemented eleven of the thirteen provisions, had come close to such a comprehensive approach, but sixteen other states had enacted between five and nine. Thirty-three additional states had begun down the path of managed care regulation by passing between one and four of the provisions into law.

This stimulus-response cycle of policy debate at the federal level parallels other episodes of major health policy ferment and thus highlights the significance of the backlash politically. Figure 2 compares newspaper coverage of the managed care period with that of health care reform earlier in the decade. In the figure, the two periods are overlaid on top of one another, with the time dimension measured as the number of quarters of

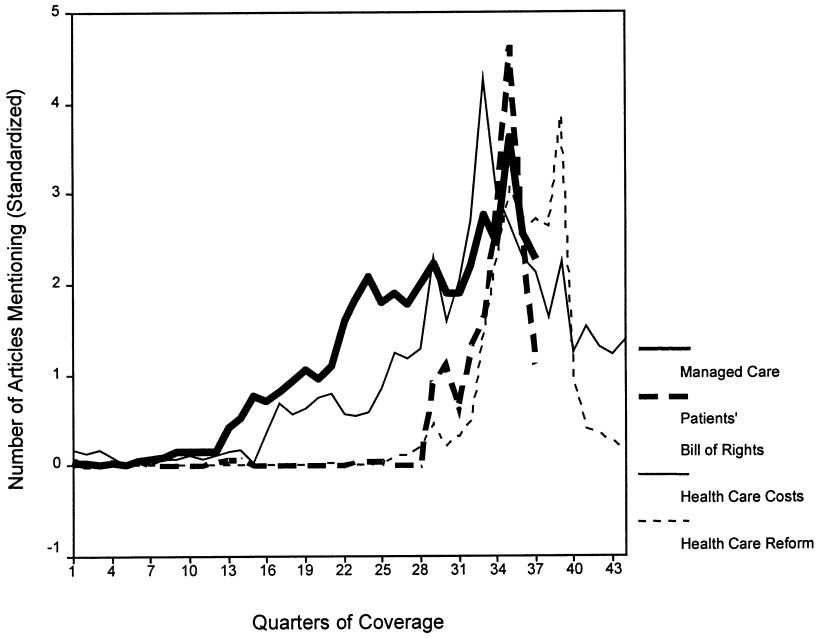

Figure 2 Major Newspaper Coverage of Managed Care (January 1990–March 1999) and Health Care Reform (January 1985–December 1995). *Source:* Lexis-Nexis Academic Universe, General News Topics, "major newspapers" as "source material." *Note:* The number of articles each quarter mentioning "managed care," "Patients' Bill of Rights," "health care costs," and "health care reform" have been put on a common scale using standardized values (*z* scores).

media coverage set to comparable starting points before the intensification of policy debate. The two solid lines show on a standardized scale the number of articles making reference to what might be referred to as the social condition that ultimately invites debate over appropriate public policy remedies in each case. For the current period, that social condition is "managed care" (the bold line); earlier it was "health care costs." The two dashed lines indicate the coverage given to the comprehensive policy initiatives upon which the debates became focused — "patients' bills of rights" in the case of managed care (in bold) and "health care reform" in response to rising costs. Both sets of curves track one another closely. Whatever the merits of the backlash, it had become a major target of political and policy debate. The only difference between the two periods is that health care reform ultimately failed (health care

costs continued to receive a modest amount of coverage, while media attention to reform dropped off the chart). The managed care backlash remains unsettled (articles on regulation in general and patients' bills of rights in particular will undoubtedly rise again as the 2000 presidential and congressional campaigns gear up). The backlash has too much public stature and consistency with conventional patterns of agenda setting to be simply ignored. What we do not yet know is whether all of this political attention will yield a sensible policy response, or, as with health care reform, none at all.

What's to Be Done?

Evidence confirming the presence of a managed care backlash, however, does not establish that its causes are genuine or that public-sector responses to it are appropriate. The politics and policy of the backlash are far from settled territory. The managed health care industry blames the media for sensationalizing unrepresentative stories of patients who have experienced difficulties with their plans, serving to transform the odd case into the perceived norm (Brodie, Brady, and Altman 1998). Long-time *Washington Post* columnist David Broder (1999) worries that "patient's bill of rights' legislation . . . is being propelled by a flood of emotional anecdotes about individual patients whose lives were jeopardized—or even lost—by the cost-conscious regulations of a managed care company or insurer. The individual stories are so compelling that the social costs are ignored." In the meantime, he suggests, the 43 million citizens without insurance coverage and the continued dismal standing of the United States in infant mortality and life expectancy rankings go all but ignored. Some observers would even argue that despite the recounting of horror stories of rejected coverage for essential medical treatments, the real "scandal" is not so much "managed care['s] . . . rampant denial of treatment," but rather that there are "too many medical treatments rather than too few . . . [because] fear of consumer and legal backlash has scared [health plan medical directors] from denying reimbursement even when they are convinced the treatment is ill advised" (Weinstein 1999). The backlash, from this perspective, is both insubstantial and undesirable.

In addition, to the extent that the backlash is a symptom of a real ailment within the health care system, the proposed cures may be worse than the disease. Never far from the surface in health care debates is the matter of costs. Compared to the explosion in health care expenditures

and near hyperinflation in the cost of medical services from the 1970s through 1980s, the period since managed care began to achieve dominance has been one of remarkable financial stability. Even fairly recent projections of the percentage of GDP that would be committed to health care services by the end of this decade proved excessive, rises in insurance premiums slowed to a crawl, employer spending for health care benefits stopped its rapid escalation and in some cases actually dropped, and medical care inflation even fell below the overall increase in the consumer price index.

Whether managed care actually contributed to this welcome pause in health care cost pressures—and, if so, whether the effects are but a one-time shift—remains open to question. A number of measures of health care costs have begun to display significant increases recently. This spring, even the California Public Employees' Retirement System (CalPERS), long a show-and-tell exemplar of cost constraint with competing managed care plans, approved average HMO premium increases of nearly 10 percent, the highest since 1992 and consistent with general patterns nationwide (Willis 1999). Whether this new round of cost escalation is a temporary aberration or evidence that the cost slowdown of the mid-1990s was itself a temporary deviation from historical trends is hotly contested (Flanigan 1998; Weinstein 1998). The only certainty is that no one wants to pursue a policy agenda that knowingly unleashes a return to rampant health care expenditures.

The public, pundits, and policy makers are understandably left in a quandary by these competing perspectives. My hope is that this predicament can be at least partially resolved by this issue of the journal. I have let this issue be guided by three central questions. First, is the backlash simply a product of *politics*? Does it represent little more than symbolic struggle for advantage among adversaries in a high-stakes political game? The focus could be organized medicine, charged with seeking to cover projections of physician self-interest with a false patina of consumer and patient protection. Or it could be elected officials, primarily Democrats, feeding the public's insecurities in order to create and exploit an issue of minimal substantive merit. Perhaps Republicans are following suit with their own plans out of fear, without much regard to actual circumstances or even sustained public outcry. Second, is the backlash a case of media-inspired *misperception*? Perhaps the backlash is real in the sense that the public perceives serious problems with managed care, but in fact its concerns, and the response of policy makers to those concerns, are built on unrepresentative anecdotes and terrifying narratives high-

lighted by a news media wedded to controversy, not the actual empirical situation best understood by specialists. Third, is the backlash in fact *apropos*? Are there real and significant problems generated by the rise of managed care and the manner in which managed care organizations operate that merit the attention of the public and warrant action by state or federal governments? If so, what policy interventions would be most sensible and appropriate?

The Expert Panel

To address the themes raised by these questions, the *Journal of Health Politics, Policy and Law* assembled a veritable who's who of the health policy world. I had four selection criteria. First, the contributors should be knowledgeable health policy specialists with experience researching issues of relevance to managed care or a history of writing cogently about related themes, not representatives of firms, institutions, or professions with direct stakes in the organization of the health care system (the one exception among the authors being Walter Zelman, the new president and CEO of the California Association of Health Plans, who until recently had been a government official, policy adviser, and university faculty member). Second, they should bring to bear the perspectives and tools of a number of intellectual disciplines. Third, they should reflect a reasonable spectrum of starting assumptions about the function of the market, the role of government, and the place of health care in the social order. Finally, both well-known, seasoned analysts and younger, less prominent health policy specialists should be included. Overall, my intention was to bridge the world of thoughtful economic, political, and social analysis with the concrete needs of the policy-making community. If a governor, state legislator, or member of Congress was grappling with what to do, if anything, about managed care—perhaps because a bill with considerable momentum had just landed on her desk—these would provide a significant subset of health policy specialists nationwide who could help to put those policy choices in proper perspective.

The resulting group of contributors fulfills these criteria extremely well. A quick perusal of the table of contents will reveal that they do not require individual introductions, but it is worth highlighting their attributes as a group. Many hold or have held significant positions in the health policy domain. Seven authors in this issue have served in government policy-making positions, including two former administrators of the Health Care Financing Administration. Nine have participated on gov-

ernment advisory commissions of various kinds at the federal and state levels. Nearly half of the group have leadership experience in settings outside of government—as presidents of health care foundations, in senior university administrative posts, as deans of schools, as chairs of academic departments, or as directors of major research centers and programs. The multidisciplinary character of *JHPPL* is also certainly in evidence here. Fifteen of the authors are trained in economics, fourteen in political science, five in law, three in areas of clinical medicine, three in philosophy, and another eight in sociology, public policy, public health, and other fields. To borrow catchwords from James Morone and Janice Goggin (1995: 560), the perspectives of the contributors fill the continuum between "market romantics," who accentuate the virtues of competition, and "social welfare romantics," who favor solidarity and citizen rights, with a number fitting the orientation of "policy tinkerers," who "dismiss the stormy debate over health markets" and concentrate on the specifics of "policy tools at the disposal of [government] officials."

Organization of the Issue

All of the authors had an opportunity to focus on what they consider to be the central issues engaged by the managed care backlash debate that ought to be prominent in the consideration of policy makers. Each could assess the sources of the backlash, evaluate its implications, or offer explicit policy recommendations, or do all three with varying degrees of emphasis. Although almost all of the essays speak to the question of policy choices either directly or indirectly, and invariably are contingent on notions of what has motivated the backlash, the variation in their thematic emphases lends a fairly natural organization to this special issue.

We open with a section on "contending contexts," a set of three quite different essays that sets the stage for discussing the managed care backlash. The backlash can be seen as fitting with traditional American politics, reflecting the cries of middle-class insecurity in a world made more challenging by global capitalism. More narrowly, it can be treated as a predictable lament, following directly from the failure of health care reform and the discomfort of the changes afoot in its wake. Alternatively, it can be viewed as ironic, a response cultivated by liberal reactions to market forces that actually deliver new institutions that liberals ought to endorse.

A number of contributors then explore "the mechanics of backlash," the various factors that led to its creation and the ways it is manifest in

the reactions of providers and concerns of the public. The causes of backlash can be found in the dynamics of the insurance market, dysfunctional public institutions, the demand of employers to constrain health care costs, the effects of intrusive private microregulation of behavior made necessary by market competition, and quite real challenges to old norms about the role of physicians and their relationships with patients. The public senses the significance of the changes inherent in the managed care revolution, and struggles to make sense of them though caught in contradictory impulses to favor individual responsibility but want protection from corporate forces beyond its control. By now it is clear that the managed care backlash has not been generated through the manipulation of symbols, rhetorical flourish, false premises, or partisan warfare. It is quite real, even fully predictable.

In the next section, devoted to "judging the midrange policy implications," sixteen essays examine a host of issues pertinent to evaluating the opportunities for modest public policy efforts to improve a health care system in which the endurance of managed care is a given. Most of these authors conclude that managed care arrangements can contribute positively to the health care system, although perhaps with some important assistance from government. Their objective is to identify fixes that address legitimate concerns and improve the way managed care operates without, as Randy Bovbjerg and Robert Miller suggest, "throw[ing] out the baby with the backlash." Beyond that bromide, however, there is no consensus. One may accept the market and managed care, but in one case choose the path of greater government intervention in the market to protect patient interests and, in the other, favor less direct policy instruments to help guide market competition in desirable directions. The different perspectives have to be judged in comparison with one another, careful attention being given to their motivating assumptions and empirical interpretations. This section begins with a more serious warning: a policy muddle is sure to follow from a political debate and policy discourse that for the most part ignores the ambiguity of the language associated with managed care, including the meaning of the term itself.

The final set of four essays, gathered under the theme "A Counterrevolution?" do not share the premises of the contributions that have come before. These authors do not accept managed care as a predicate of the American health care system in the ensuing years. Their analytical perspectives and argumentative tacks are quite different from one another, but they all conclude that the managed care revolution, the backlash it has created, and incremental policy adjustments in response are not

likely to be the end of the story. Nor *should* they be, at least three of the authors conclude. Their challenge is the greatest expressed in this issue to both managed care plans and policy makers in search of modest reforms.

This special issue on the managed care backlash also includes three reviews of recently published books that tackle questions central to the debate about managed care and its role in the American health care system. In combination with the preceding articles, these reviews and the books they discuss round out a comprehensive analytical overview of what may well be the most important health policy issues currently on the agendas of the federal and state governments.

References

Abelson, Reed. 1999. For Managed Care, Free-Market Shock. *New York Times*, 3 January, WK 4.

Blendon, Robert J., Mollyann Brodie, John M. Benson, Drew E. Altman, Larry Levitt, Tina Hoff, and Larry Hugick. 1998. Understanding the Managed Care Backlash. *Health Affairs* 17(4):80–94.

Broder, David S. 1999. Health Care: The Cold Truth. *Washington Post*, 7 April, A21.

Brodie, Mollyann, Lee Ann Brady, and Drew E. Altman. 1998. Media Coverage of Managed Care: Is There a Negative Bias? *Health Affairs* 17(1):9–25.

Chen, Edwin, and Nancy Trejos. 1999. Clinton Pushes Patients' Bill of Rights. *Los Angeles Times*, 10 April, A24.

Families USA Foundation. Hit and Miss: State Managed Care Laws. 1999. Publication No. 98-104. Washington, DC: Families USA Foundation: July.

Flanigan, James. 1998. For All the 'Patients' Rights' Politics, Medical Costs Are Flaring Up Again. *Los Angeles Times*, 22 November, pp. C1, C6.

Hoest, Bunny, and John Reiner. 1999. Laugh Parade. *Parade Magazine*, 6 June.

Marquis, Julie. 1999a. Jury's Huge Award in HMO Case Renews Debate on Patients' Rights. *Los Angeles Times*, 22 January, A3, A25.

———. 1999b. Doctors Who Lose Patience. *Los Angeles Times*, 3 March, A1, A16.

Morone, James A., and Janice M. Goggin. 1995. Introduction—Health Policies in Europe: Welfare States in a Market Era. *Journal of Health Politics, Policy and Law* 20(3):557–569.

Neal, Terry M. 1999. Health Care Reform Hits the Campaign Trail. *Washington Post*, 6 April, A7.

Parker, Brant, and Johnny Hart. 1999. The Wizard of Id. *Los Angeles Times*, 27 April, E6.

Riccardi, Nicholas. 1999. Will Union Give Relief to Doctors? *Los Angeles Times*, 12 April, B1, B3.

Smoak, Randolph D. 1999. American Medical Association press release. <http://www.amaassn.org/meetings/public/annual99/990623.htm>. 23 June.

Starr, Paul. 1982. *The Social Transformation of American Medicine*. New York: Basic Books.

Weinstein, Michael M. 1998. Rising Health Premiums Don't Mean Medical Inflation Is Back. *New York Times*, 31 December, C2.

———. 1999. Managed Care's Other Problem: It's Not What You Think. *New York Times*, 28 February, WK1, WK4.

Willis, Doug. 1999. HMO Premiums Rising an Average of 9.7% in California agreement. *Baltimore Sun*, 20 May, 3C.