# Managed Care and the Second Great Transformation

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The people are in revolt, but do their leaders know it? Politicians sense the backlash against managed care. They even exploit it for electoral gain. They bat frantically at "motherhood issues" like childbirth and breast cancer, but they seem to be blinded and numbed by the backlash: They have lost sight of universal health insurance—it's no longer even on the public agenda—and they are oblivious to the seismic societal shift that managed care represents.

The response to the backlash is taking two forms, though they are really flip sides of the same coin. First, states have enacted a series of toothless restrictions on managed care organizations, things like mandatory disclosure of fine-print information, report cards based on spurious patient satisfaction surveys, and limits on the use of financial incentives for physicians to deny care. Of the eleven states with physician reimbursement laws on the books in 1998, seven still permit capitation arrangements and eight prohibit only financial inducements to deny "medically necessary care," an escape hatch that guts the prohibition, since insurers can decide what care is necessary. All eleven state laws have one or both of these loopholes (Hellinger 1998).

Second, various states, the industry itself, and Congress are playing with the idea of patient rights, giving patients rights to emergency care, a guaranteed night in the hospital for women giving birth or having mastectomies, rights to hear about treatment options from their doctors, and, most important in the American pantheon of rights, due process rights to appeal care denials and sue plans for malpractice. Usually hailed as a

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"Patients' Bill of Rights," these reforms tap into a grand democratic metaphor that has little relevance in health care. An individual, even one armed with procedural rights, hardly stands a chance against a corporation. Make that person sick, dying, severely disabled, demented—make him merely hard-of-hearing—and the idea of the empowered rights holder fighting a giant organization looms ludicrous. Patients need rights to the positive provision of care—not negative protections against intrusions and restraints like those in the original Bill of Rights.

While all the political energy swirls about these reforms, the politics of universal insurance has been buried in the dust. The managed care backlash is driven by the interests of those who have insurance. It is about maintaining the value of their policies, about protecting their interests as shareholders in the great American insurance market. Ironically, appealing to the defensive interests of the already insured was the industry's tactic against the Clinton reforms. The eponymous ads had Harry and Louise perusing the Clinton plan and complaining that their current insurance offered them more. Little did Harry and Louise care what the plan might offer their less well-insured or uninsured neighbors. And little did Harry and Louise suspect how their "good" plan would morph once their insurer (whoever it was) beat back the threat of government oversight.

One promise of managed care—besides that it was better than whatever government would offer—was that if insurers were permitted to exercise the necessary controls on medical expenditures for the insured, they would free up money to insure more of the uninsured. None of that new coverage materialized. According to the U.S. Bureau of the Census (1998a), 16.1 percent of the population or 43.4 million people lacked any health insurance during 1997, up from 15.6 percent and 41.7 million people the year before. Almost 72 million lacked insurance for at least part of the year (U.S. Bureau of the Census, 1998b). And although managed care did seem to hold down employer premiums for a few years, employers shifted more costs to employees and otherwise tightened employee coverage so that during this period of alleged savings, fewer people were insured through work (GAO 1997).

When these figures on people without insurance are released, the media and the politicians yawn. Gone is the shock, the anger, the resolve to end this national disgrace. The uninsurance rate has become rather like a socioeconomic weather report—good for a few stories, but only a political fool would try to do something about it. Nothing better signifies the displacement of universal access by managed care backlash than

Senator Ted Kennedy's comments on a Republican proposal for a Patient Bill of Rights: "It leaves behind our most vulnerable health care consumers and patients—the people who purchase insurance by themselves without assistance from their employer" (Pear 1999). So distorting is the lens of managed care backlash that even Kennedy, thirty-year champion of universal health insurance, could think the most vulnerable people are those seven or eight million who not only can afford individual policies but can pass inspection as insurable as well.

Why do politicians prefer to address managed care reform rather than the access issue? Let's do some Political Science 101. First, the insured are more likely than the uninsured to be active political constituents—people who vote and call their legislators to complain or ask for help. Second, it doesn't cost a nickel to pass legislation prohibiting managed care plans from doing this or that or to declare high-sounding rights for consumers. Politicians don't have to find money to respond to backlash complaints, which must be a huge relief after decades of failure to find significant revenue sources for expanding insurance. Third, when confronted with a conflict between a strong, concentrated interest (a mammoth industry that makes considerable campaign contributions) and a weak, diffuse interest (patients/voters who are more likely to ask for favors than write a check), legislators or regulators can walk the fence by giving the material victory to the strong and the symbolic victory to the weak. That, no doubt, is the great appeal of the "Bill of Rights" metaphor—there are few more potent symbols in the American political lexicon.

Above all, responding to the managed care backlash enables politicians to ignore a profound transformation in public philosophy, one that is difficult to address and devastating to acknowledge. "The people," the nation's citizens, are no longer a precious national asset, but voracious predators on the common weal. This is the new economic philosophy, not only of health care, but of all social policy. Medical care, pensions, public assistance, sustenance—all that goes into maintaining human existence is, in the new public accounting, treated as outlay, expenditure, or loss, instead of input, investment, or added value.

Thus, Michael Weinstein, the *New York Times'* ardent defender of managed competition, sees entitlements such as Social Security, Medicare, and nursing homes as unfortunate deductions from (presumably more important) "discretionary" government spending (Weinstein 1999). Eugene Steuerle (1999) of the Urban Institute says the once-idealistic baby-boom generation has turned selfish. They used to "believe that government should serve its citizens well and should promote civil rights,

defend against totalitarianism and provide opportunity, especially to the poor." Now mature and in power, they are demanding generous retirement benefits instead. "The legacy that baby boomers would not bequeath is one in which almost the sole purpose of the federal government would be to care for their own consumption needs in retirement" (ibid.). Somehow, subsistence, not to mention a dignified life beyond biological survival, are now "consumption," consumption is selfish, and people who would claim the resources to exist "for about one-third of their adult lives" (ibid.) are morally tainted.

Perhaps this philosophical transformation of the citizen into a fiscal sinkhole is farthest along in the health care sector. All the fixed-payment methods of reimbursing for health care—capitation rates, DRGs, prospective payment for nursing homes and home health care, and proposed vouchers for Medicare beneficiaries—convert the patient into a "cost center" instead of a "revenue center," as *Barron's* said about nursing home payment reform (Einhorn 1998). To a hospital, a doctor, or a home health agency, a sick person is no longer an opportunity for compassion but an object of dread. What if this person's needs exceed the cap? In pure economic reason, it's cheaper to let people die then to help them live good life—especially if they're never going to hold a job again.

In the title of his classic book, Karl Polanyi (1944) called the coming of market society "The Great Transformation." When labor and land became "the objects of commerce," the consequences for families and communities were wrenching because "labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists." From the late eighteenth century on, communities reacted in self-defense by creating various social protections to replace the self-preserving institutions of premarket society. The modern welfare state is the culmination of this defense against the market's ruthlessness.

We are, I would argue, in the midst of the Second Great Transformation. Now, not merely labor or land are objects of commerce, but life itself has become one as well. Nowhere is this transformation more visible than in the health care field, where *lives*—that is the term, not people or patients—are bought, sold, and acquired by large insurers and health plans. Under systems of risk-adjusted reimbursement, people now enter doctors' offices and other health care institutions with price tags from payers telling what their life is worth to the provider. Fixed payment

systems, be they per capita, per case, per episode, do the same thing. Organizations and individuals whose mission is to help people still need clients in order to survive, but they need each "life" only up to a point. When the cap is spent, it makes sense to jettison the life.

If I am right, then the managed care backlash represents the first stirrings of resistance to the profound uprooting and destruction of the Second Great Transformation. The essential message of all the horror stories told by patients is the anguish of abandonment. The howl of doctors, nurses, and other caregivers is moral revulsion at the callousness they are forced to enact. Backlash is ultimately *not* about patients losing benefits or providers losing revenue. Those are interpretations from within the market paradigm. Backlash is a cold shudder against the market paradigm, which, taken to its logical endpoint as managed care seems to be doing, respects no human bonds, shows no mercy, and has no use for kindness, loyalty, and other moral qualities of community.

It takes political vision to see that such a transformation is what is going on. Political leaders have so far responded to the popular backlash by grabbing on to stock remedies—better information for consumers, formal adjudication procedures, minor regulations. Inspired leadership would mean articulating the nature of this Second Great Transformation and understanding managed care backlash as a revolt against moral and social—not material—loss. It would require explaining how government has sold out the people, quite literally, to the private sector. Since most of our political leaders have participated in and even celebrated the new public philosophy, and since most of them are in hock to the interests of capital, inspired leadership may be more of a dream than we care to contemplate.

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