

**Advancing the business creed?
The framing of decisions about public sector managed care**

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BACKGROUND

- Managed care continues to play a major role in cyclic attempts to privatize and to “marketize” public sector health programs worldwide.
- Examining the economic and ideological underpinnings of managed care may prove helpful.

BACKGROUND

- A famous theoretical debate contrasts the economic versus non-economic motivations of economic behavior.
- This debate rarely has impacted work on health services.
- Our research:
 - decision making by executives of for-profit corporations that provide health services for public programs in the United States such as Medicaid
 - views of government officials who work with corporate executives in administering Medicaid and similar public programs

The general theoretical debate about corporate motivations and behavior

- Classical economic theory: financial self-interest as the cornerstone of free markets.
 - Adam Smith (moral philosopher) and his quibbles
 - Poverty, inequality
 - Political power of corporations
 - "invisible hand" - of God?

The general theoretical debate about corporate motivations and behavior

- Elite networks impact public policy decisions partly by their rotation in and out of prominent positions in government.
 - C.W. Mills
 - W. Domhoff
- Rotation implies that executives and government officials may agree rather than disagree on many of the principles that guide their work.

The general theoretical debate about corporate motivations and behavior

- Weber, Protestant ethic
 - financial success in the worldly realm as an indicator of divine election and eventual just rewards in heaven
 - tensions engendered by religious values as a motivator of economic behavior
 - material rewards became a marker of success in one's "calling"

The general theoretical debate about corporate motivations and behavior

- Marx and Engels: religion and ideology
 - Consciousness of entrepreneurs includes ideas about the moral purposes of their behavior.
 - masks and legitimates the underlying material relationships of economic production
 - slides gaps between managers' values and the realities of business
 - To demystify the elements of this legitimating ideology becomes a key component of the Marxian critique.

The general theoretical debate about corporate motivations and behavior

- More recent theoretical approaches
 - "Business creed" (F. Sutton et al.)
 - "Satisficing" behavior (H. Simon)
 - Behavioral economics: ethical/ ideological components of decisions by executives
 - Socially responsible decision making (R. Kanter, C. Herrick)

The general theoretical debate about corporate motivations and behavior

- Economic models and "actual practices" (P. Bourdieu)
- Social construction of markets, e.g., housing
- Rests partly in his earlier theoretical treatment of habitus, practice, field, and forms of capital
- Executives seek to accumulate social capital, which includes symbolic elements like honor, prestige, and attention.

The debate as applied to for-profit corporations that provide health services

- Despite extensive research on managed care, the specific ideas and values that motivate executives within MCOs remain largely a black box.
- In our prior work we theorized that policy decisions of corporate executives often reflect social constructions of reality concerning market processes in health and mental health services.
 - May employ a symbolic language linked to the economic and political interests of organizational stake-holders (P. Berger, P. Berger and T. Luckman; M. Edelman).
 - Such constructions do not necessarily involve profit maximization.

The debate as applied to for-profit corporations that provide health services

Research questions:

- What are the ideas and values about economic issues that motivate corporate and government decisions about Medicaid managed care (MMC)?
- What are the ideas and values about non-economic issues that motivate corporate and government decisions about MMC?
- How do CEOs and government officials perceive their roles and experiences in MMC?

METHODS

- Structured interviews based on pre-tested protocol
- Aimed to gain an understanding of respondents' ideas, values, and experiences.
- Focus: elicited respondents constructions of their decision-making experiences
 - rather than behavioral measures of decision making.

METHODS

- **Recruiting subjects and conducting interviews**
 - Respondents occupied relatively elite positions.
 - Senior investigators solicited and conducted the interviews.
 - **Target population**
 - CEOs of 3 MCOs, all for-profit commercial firms, that obtained state contracts for MMC
 - Government officials who negotiated and monitored contracts
 - **Interviews obtained**
 - All 4 CEOs and all 8 high level state officials = universe of targeted respondents
 - At least two authors collaborated in each interview.
 - On average, each interview took approximately 90 minutes.
 - The Institutional Review Board at the University of New Mexico approved the study.

METHODS

- **Preparing interviewees' responses for analysis**
 - Took notes during the interviews by hand and/or by laptop computer
 - Tape-recorded if respondents agreed (10/12)
 - Verbatim quotes were edited slightly to enhance readability without altering content.
 - Identifying features were changed to protect anonymity.

METHODS

- Analysis
 - Series of iterative readings
 - Systematic line-by-line categorization of data into codes
 - Codes included items such as "market share," "employees," and "rate of profit," "behavioral health," "scope of benefits," and "access."
 - Coding process: Identified themes that recurred in the data or that represented unusual or particular concerns.

FINDINGS

- Chief executive officers
 - *Corporate social responsibility in the business creed*
 - Organizational experience and resources to provide high-quality health services to the Medicaid population, at a reasonable cost to the state.
 - "We believe in managed care."
 - "We took the offensive. We saw a way to apply our organizational mission to improve the health status of people in the program."
 - "Our goals were to bring our expertise to the Medicaid population and to serve as model in high risk case management."

FINDINGS

- Chief executive officers
 - *Corporate social responsibility in the business creed*
 - Organizations' non-financial successes, including employees' job security and well-being
 - "We have about 700 people that work in the health plan. Probably 200-225 have their livelihoods (families, car payments, house payments) tied up in this Medicaid program.... Not that we're making so much money.... We're concerned about our employees."

FINDINGS

Chief executive officers

- Using Medicaid experience to enhance market share and systems for private managed care products
 - MMC would help the corporation obtain a larger proportion of the market for both private and public managed care coverage.
 - "When we got into Medicaid, we didn't have quality co-ordination, customer service, etc. That helped build our company..."
 - "Being in MMC has made us a better organization, although it hasn't contributed significantly to our overall financial performance."

FINDINGS

Chief executive officers

- Predictability of financial performance versus the rate of profit
 - The rate of profit proved less important to CEOs than predictability of financial performance.
 - Investors and investment analysts evaluated a company's performance based on:
 - the rate of profit
 - management's ability to predict profitability over time
 - "We are a privately held, for-profit company. We've never paid a dividend, but Medicaid contributed to our appreciated stock value. We make about a 3% profit margin in Medicaid."
 - "Our motives were altruistic, although we have to make money."

FINDINGS

Chief executive officers

- Predictability of financial performance versus the rate of profit
 - "[The parent corporation of this MCO] has the right to it; it can request a dividend [and it] ... needs performance for a "high buy" recommendation for Wall Street.... Here, our after-tax earnings target [in Medicaid] was 1 percent.... No one is making a big profit in Medicaid...."
 - Falling rate of profit as pay-outs increase under fixed capitation:
 - "The first year, you do well. The reason is that providers haven't figured out how to bill, so a certain amount of bills never get paid. Then they figure out how to bill, so [MMC] becomes less profitable."

FINDINGS

• Chief executive officers

• Visions of state policies and negotiations

- Corporate executives reported mixed experiences in dealing with the state Medicaid bureaucracy.
- On the one hand, the executives credited state administrators with a collaborative approach.
- "The ... administration, in general, was excellent. There was extreme co-operation among the three HMOs and ... [the state] about a myriad of programs."

FINDINGS

• Chief executive officers

• Visions of state policies and negotiations

- On the other hand, CEOs faulted the state administration for unpredictability.
- "There must be a better way to deal with the contractual uncertainty... We're now on our fourth secretary of [the responsible agency]. I think the state is the weak link in the chain but a reality we have to deal with."
- "The [state] administration couldn't get its head together on behavioral health. The application was very costly to re-do. There was a Republican in-flight... It would have been better not to get into political football."
- In this view, the state government's unpredictability derived from politicians more than government officials who ran the program.

FINDINGS

• Officials of state government

• Cost control and the rate of profit

- For state officials, cost control in Medicaid emerged as the paramount expressed motivation
- viewed for-profit MCOs as key elements in their cost control strategy.
- referred to Medicaid as a main "driver" of state expenditures.
- "Medicaid makes up either number one or number two in the budget, versus education."
- "... Under MMC, we can manage the economics of the system. The same thinking also applies to why we privatize prisons."
- Expressed unequivocal confidence that working with private corporations in MMC facilitated cost control for state government, as opposed to prior fee-for-service models of Medicaid.

FINDINGS

• Officials of state government

• Cost control and the rate of profit

Government officials confirmed the views of MCO executives that MMC provided very limited opportunities for profit.

under some circumstances, MCOs lost money by collaborating in MMC.

"A private company in business wants to turn a profit.... The MCOs were not making money initially. Now there's a 1 to 3 percent return on investment ... still lower than their commercial lines."

They also confirmed MCO executives' explanations that MMC facilitated the corporations' efforts in the private-sector, commercial insurance market:

"An economic motivation is to supplement their commercial product, to produce economies of scale, and to keep hospitals open and clinicians on staff."

FINDINGS

• Officials of state government

• Characterizations of MCOs and their executives.

Government officials defended MCOs' efforts.

"Criticism was not justified in that for the most part MCOs were providing care."

"The greatest benefit is the accountability, data collection.... Accountability costs money. Every dollar we spend on that is one dollar less to take care of someone. But we have to be sure we're getting what we pay for."

State officials leveled criticism much more on elected legislators than on MCO executives.

"I believe that is unforgivable.... There are people in the legislature who do not know the difference between Medicare and Medicaid... basic ignorance about the program and an unwillingness to learn... Some legislators believe that if MCOs are making any profit at all, that's wrong."

FINDINGS

• Officials of state government

• Characterizations of MCOs and their executives.

State officials also conceptualized their work as promoting capitalist market principles.

"That's what competition adds ... it's capitalism."

CONCLUSIONS

- We found substantial non-economic motivation in corporate decision making.
- Economic considerations emphasized issues other than profit per se.
 - Sense of civic responsibility as a major rationale for participation in MMC.
 - using expertise to improve access and quality of services
 - protecting employees
 - providing support for state government
- Economic considerations did not focus on rate of profit, which was low.
 - Experience in MMC
 - facilitated their efforts in the commercial insurance sector
 - helped in preserving or expanding market share
 - advanced their capabilities in such areas as quality assessment

CONCLUSIONS

- State officials generally confirmed the executives' viewpoints.
 - Expressed confidence in the participation of for-profit MCOs in MMC.
 - Assumed that competition within the capitalist marketplace enhanced the accessibility and quality of services.

CONCLUSIONS

- These constructions of executives' decision making:
 - Complex panorama of motivations, in which profit maximization and financial self-interest comprise only a part.
 - Resembles "satisficing" – executives choose to earn satisfactory but not maximized profits in order to address non-economic goals as well (Simon 1956, 1983).
 - Social construction emphasizes moral virtues and beneficial impacts of market processes (Berger 2002; Marx and Engels [1846] 1970).
 - Ethical purpose in fostering market activities en route to human betterment.

CONCLUSIONS

- Resemble earlier constructions rooted in ethical and/or religious belief systems – for instance,
 - “Protestant ethic and the spirit of capitalism” (Weber [1905] 1958)
 - divine “invisible hand” which reconciles in the marketplace the individual interests of buyers and sellers for the overall benefit of society as a whole (Smith [1776] 1966)
 - the “business creed” (Sutton et al. 1956)
 - claims about corporate social responsibility that motivate some executives (Kanter 1977; Harrick 2009)

CONCLUSIONS

- A creed linking markets and health also manifests “economism,” a belief system based in “confidence of the markets.”
 - With this belief system, decision makers assume that market processes achieve the broadest good across social classes (Bourdieu, 2003, 2005).

CONCLUSIONS

- Limitations
 - The MCOs were regional corporations.
 - Capital base and geographical scope were dwarfed by several multinational insurance corporations (CIGNA, Aetna, United, and so forth).
 - Our CEOs earned salaries, benefits, and stock options in U.S. dollars that totalled around high six to seven figures annually
 - as opposed to eight to nine figures annually for executives of MCOs with global reach.
 - State government officials voiced narrower horizons than those at the national level.

CONCLUSIONS

- **Limitations**
- So our findings may not generalize fully to other regions, let alone other countries.
- However, we see no reason to expect that CEOs and government officials who operate in other states, at the national level in the United States, or in other countries would express substantially different beliefs and perceptions.

CONCLUSIONS

- **Limitations**
- Interviewees may not have depicted their actual views and experiences accurately.
 - Because they deliver health care as opposed to other goods and services, executives of MCOs conceivably may construct their reality in ethical principles more than CEOs in other types of firms.
 - However, we believe that they reported their constructions of reality honestly.
- General studies of economic decision making:
 - Such non-economic motivations may manifest themselves across a broad spectrum of corporate executives.

CONCLUSIONS

- **Summary**
- Patterns contradict some conventional wisdom about profitability and economic self-interest in the motivations of corporate executives.
 - In contrast to the images conveyed by critics and advocates (including ourselves in prior work), executives do not necessarily see themselves as emphasizing profit.
 - They do express confidence in the market mechanisms of capitalism for advancing the public good.
 - Humanitarian ideals and ethical concerns figure prominently in their consciousness.

CONCLUSIONS

• Summary

- Some social theorists and advocates, like ourselves, have seen corporate executives and state bureaucrats as adversaries to needed health reform.
- But perhaps we should examine more closely the complex beliefs and ideologies of the business creed that guides them.