Obamacare: The Neo-liberal Model Comes Home to Roost in the United States - If We Let It

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American Public Health Association
New Orleans, LA
November 17, 2014

Presenter Disclosures
The following personal financial relationships with commercial interests relevant to this presentation existed during the past 12 months:

"No relationships to disclose"

Acknowledgments
Thanks to:
- Rebeca Jasso-Aguilar, Sofia Borges
- Oliver Fein, Steffie Woolhandler, and David Himmelstein of Physicians for a National Health Program
- Robert Wood Johnson Foundation Center for Health Policy, University of New Mexico
• More on this point of view:

• HW, Medicine and Public Health at the End of Empire (Paradigm Publishers, 2011)
  • (including chapters with Rebeca)

• Optimism:
  • Pause to note that capitalism as we have known it has ended.
  • Empire as we have known it has ended.
  • Period of fundamental change is scary and exhilarating.
  • We all need to choose how we can contribute to our alternative future.

A critical and timely book that illuminates the realities and consequences of treating health and health care as commodities. Waitzkin powerfully reveals the global political and economic forces shaping even the most private of patient-provider encounters. He offers an invaluable reminder that alternatives are possible—and can be achieved through collective efforts linking social justice, public health, and medicine.

“A dynamic, young, newly elected president makes health reform one of his highest priorities. His proposal aims to improve access for the uninsured and underinsured. To achieve that goal, he decides to collaborate with the private, for-profit insurance industry. Public hospitals and other public-sector institutions would compete with the private insurance sector for public, tax-generated revenues.
**HISTORY**

César Gaviria

- **César Gaviria Trujillo**
- President of Colombia, 1990-1994
- Health reform enacted by Law 100, 1994
- Reform mandated and partly financed by loans from World Bank
- World Economic Forum: financial elites
- Model for health reform around the world and now in the United States

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**Figure 1** The model of managed competition in the Colombian healthcare system

- FOSYGA: Fondo de Solidaridad y Garantía (Solidarity and Guarantee Fund)
- EPS: Empresa Promotora de Salud (Insurance Company for the Contributory Regime)
- EPS'S: (Insurance Company for the Subsidized Regime)
- IPS: Instituciones Prestadoras de Servicios de Salud (Healthcare Provider)
- ESE: Empresa Social del Estado (Public Health Provider)

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**Figure 2**

- Ministry of Health
- Ministry of Social Protection
- Ministry of Defense
- Ministry of Education
- Ministry of Labor
- Ministry of Agriculture
- Ministry of Food
- Ministry of Industry
- Ministry of Energy
- Ministry of Housing

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**Figure 3**

- Ministry of Health
- Ministry of Social Protection
- Ministry of Defense
- Ministry of Education
- Ministry of Labor
- Ministry of Agriculture
- Ministry of Food
- Ministry of Industry
- Ministry of Energy
- Ministry of Housing
taxes (Figure 1). Healthcare Insurers (Empresas Promotoras de Salud - EPS) were introduced for managing the Contributory Regime, as well as Subsidized Regimen (Empresas Promotoras de Salud Subsidiadas - EPS’).

They were to compete for the enrolment of population and received a capitation payment to cover different benefit packages in each regime (Plan Obligatorio de Salud - POS and Plan Obligatorio de Salud Subsidiado - POS-S) [4]. Currently, the contributory market is characterized by the predominance of private insurers - 86.1% of the affiliation - and the concentration in 5 private insurers that hold 50% of markets [5]. The largest public insurer has been transformed into a mixed company with private capital and 5.8% of membership [5]. Competition for contracts with the insurers was also introduced among public and private healthcare providers (Instituciones Prestadoras de Salud - IPS). Healthcare for the uninsured (vinculados) and service excluded from the POS-S are provided by public hospitals funded by local and regional authorities [6], that represent 31.3% of total healthcare providers [7]. The uninsured have to pay for services and the insured make a co-payment according to their income [8].

The reform of the Colombian healthcare system has been, and still is, presented as a successful experiment in improving access to care [9,10]. However, it has been a long, complicated process, and the results are controversial [11,12]. In spite of the significant increase in public health expenditure from 3% to 6.6% of GDP, over the 1993 to 2007 period [13], around 15.3% to 19.3% of the population remains uninsured [14,15]; and 38.7% are insured under the subsidized regime [15] that covers a range of services (POS-S) greatly inferior to that provided by the contributory one [16,17]. Approximately 17% of health expenditure is devoted to administrative costs [18], of which more than 50% is spent on supporting daily operations (financial, personnel, and information management) and enrollment processes [19].

Furthermore, several studies seem to indicate a decrease in realized access to services [20,21], and point to significant barriers related to characteristics of population, such as insurance enrolment [22-28], income [22,25,26,28], education [22-27,29] and, characteristics of services, such as geographic accessibility and quality of care [26,30]. In 2005, the maternal mortality rate, an indicator that is sensitive to the overall healthcare system, was 130/100.000 in Colombia, compared to 30/100.000 in Costa Rica, while per capita 2004 health expenditure were similar (USD 549 and USD 598, respectively) but a GNP per capita lower in the former (USD 6130 and USD 9220) [31].

**NEOLIBERALISM**

- Since early 1980s
- Argued that:
  - Market exchange maximizes the social good.
  - Human well-being could advance best by enhancing individual entrepreneurial activities within the framework of strong property rights, a free market, and free trade (Harvey 2005).
  - Economic growth is beneficial for everyone, at least in the long term.
- Promoted by international financial institutions (World Bank, International Monetary Fund, Inter-American Development Bank).

**NEOLIBERALISM**

- Neoliberalism also became a social, political, and cultural project:
  - Favored the role of the state as protecting market practices
  - Opposed the state’s roles in central planning and in the provision of public services, including medicine and public health.
  - Favored privatization of public services, with use of public tax revenues for private, for-profit insurance corporations.
NEOLIBERALISM

- Neoliberalism also became a social, political, and cultural project:
  - Favoring drastic cutbacks in public sector services and expenditures: “structural adjustment.”
  - Free market principles displaced those of the classical economic liberals, who favored a relatively but not completely unregulated market, such as Adam Smith and David Ricardo.
  - Hence the term “neoliberal.”

EVALUATIONS OF COLOMBIA’S REFORM

- International financial institutions: overall positive
  - World Bank, Inter-American Development Bank
  - Model for World Bank/IDB proposals in Mexico, Brazil, Chile, etc.

MarketWatch

Colombia’s Universal Health Insurance System
This results of providing health insurance for all in a middle-income country.

by Ursula Giedion and Manuela Villar Uribe

ABSTRACT: By insuring more than 70 percent of its population, Colombia provides a valuable opportunity to gather evidence on a hotly debated health policy issue. Results from three studies evaluating the impact of universal health insurance in Colombia show that it has dramatically increased access to and use of health services, even those that are free for all, and has reduced the incidence of catastrophic health spending. The impact has been more dramatic among those most vulnerable to health shocks: those living in rural areas, the poor, and the self-employed. (Health Affairs 28, no. 3 [2009]: 853–863; 10.1377/hlthaff.28.3.853)
EVALUATIONS OF COLOMBIA’S REFORM

- Acknowledged weaknesses of IDB-Brookings methods
  - “No randomized trial data were available to evaluate the impact of health insurance in Colombia, so the analysts had to rely on retrospective, already available household survey data...”
  - “Only a cross-section analysis ... was available to evaluate the impact of health insurance on financial protection in both the CR and the SR.”
- Could not determine causal impact of health insurance on health outcomes.


EVALUATIONS OF COLOMBIA’S REFORM

- “Achieving universal coverage faces several hurdles, not only because of financial considerations in the economy as a whole, but also because of the existence of safety-net providers that act as substitutes for insurance and provide incentives to ride the system for free.
  - “The resistance of public hospitals to forgoing supply-side subsidies cannot be underestimated, owing to the political visibility of hospitals and the challenges posed by decisions made in the past.”

Source: Inter-American Development Bank. From Few to Many; Ten Years of Health Insurance Expansion in Colombia, 2009.
Colombia has hit some hurdles in its initial attempts at health reform, as it struggles to deal with soaring costs, technical issues, and public participation. Thomas C Tsai reports.

**Second chance for health reform in Colombia**

Colombia expanded coverage for children in October last year as part of its reform in 1993, health care was part of a two-decade long struggle to make health care more accessible to Colombians employed in the formal sector. The expansion of health insurance has been beset by questions of equity as the country closer to this goal. But even a Constitutional Court ruling has raised substantial criticisms for the insurance plan.

• In 2008 alone: approximately 143,000 lawsuits (tutelas) due to denial of treatment by private insurance companies.
• Costs outstripping public funds available.
• Inadequate “citizen consultation” in improving the program.

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**EVALUATIONS OF COLOMBIA’S REFORM**

• Independent assessments much more critical
• Recent studies found major barriers to access:
  • segmented insurance design with insufficient services covered
  • insurers’ managed care and purchasing mechanisms
  • provider networks’ structural and organizational limitations
  • poor living conditions
  • insurers’ and providers’ values based on economic profit permeate all factors.

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**EVALUATIONS OF COLOMBIA’S REFORM**

• Qualitative study in Medellín, based on in-depth interviews:
  • “As our study found, the situation in Colombia is totally different from the theory proffered by supporters of neoliberal reform.”
  • “Even though low-income people are entitled to individual insurance, it does not represent improved access to care, but instead results in much less attention to their health needs.”
  • “Thus, while the theory of neoliberal reform might avow greater access to care for the poorest citizens, this has not been realized in the new social reality of Colombia.”

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EVALUATIONS OF COLOMBIA’S REFORM

Ethnographic study of law to limit legal appeals:
• The last piece of legislation approved in 2011 presents some powerful techniques of language to protect the system’s market structure by controlling the expansion of the right to health care through the judiciary.
• Tropes such as ‘the country’s limited resources’ and ‘protecting the system’s finances to guarantee the rights of the most vulnerable sectors of society’ can be utilized to create a new social contract around a limited right to health care.

“OBAMACARE”: PPACA

• Patient Protection and Affordable Care Act (PPACA).
• Earlier in his career, Obama had supported a single payer, public sector program of universal health care.
• Presidential campaign of 2008:
  • received about three times more contributions from the private for-profit insurance industry than did his Republican Party opponent, John McCain.
“OBAMACARE”: PPACA

- **Mandate:**
  - Everyone is required to have health insurance or pay a penalty.
  - Individual mandate: penalty = $695 for singles; $2,085 for families
  - Employer mandate (50 or more employees): penalty = $2,000/employee

- Liz Fowler
  - Chief Counsel, Senate Finance Committee, 2001, designer of Medicare Part D, benefiting pharmaceutical companies
  - Vice President, WellPoint, director of lobbying activities, mid-2000s
  - Chief Counsel, Senate Finance Committee, 2008, Max Baucus, chair, developed White Paper that became the basis of Obamacare.
  - Deputy Director of the Office of Consumer Information and Oversight at the U.S. Department of Health and Human Services, 2010; oversaw rollout and implementation of Obamacare
  - Director of Global Health Policy (lobbying operations), Johnson & Johnson, 2012.
“OBAMACARE”: PPACA
• PPACA calls for
  • preservation and strengthening of the private insurance industry
  • increased public payments to the industry for the care of uninsured and underinsured people.
• Same overall structure as that proposed by Hilary and Bill Clinton in 1994.

**Millions Will Remain Uninsured (and Millions More Poorly Insured)**

- # of uninsured reduced from 50 million today to ~24 million in 2019.
- Safety net hospital funding through Medicare cut by $36 billion through 2019.
- Community health centers receive extra $1 billion annually.

Note: The uninsured include about 5 million undocumented immigrants. Source: Congressional Budget Office.
For our estimates, we included 2 models: one that assumes no effect on the annual increase in health insurance premium inflation compared with the experience of the last 10 years (8.0%), and one that assumes a modestly favorable impact of the PPACA on reducing the growth rate in the cost of private insurance (7.0%) (Figure 4).

Assuming the PPACA actually slows cost growth, this threshold of insurance premiums exceeding household income is delayed only by 4 years.

The cost curve is barely bending.

DeVoe et al estimated that the cost of insurance premiums would surpass household income by 2025; our new projection inches it out to 2033. On first glance, this change in the projection might be perceived as progress, which is due in part to a recent slowdown in the rate of premium increases from 2003 to 2009. During that same period, however, employee contributions to insurance premiums and out-of-pocket expenses have grown faster than overall premium costs, suggesting that insurers have slowed the rate of growth in premiums by shifting more costs onto patients.

Even though patients no longer face double-digit increases in insurance premiums each year, they now pay higher deductibles and co-payments and receive fewer covered services.

In the 2010 Kaiser Family Foundation and Health Research and Educational Trust employer survey, employees with employer-sponsored health insurance were asked how they paid their health care costs. The results show that employees pay a larger share of their costs than in the past.

**OBAMACARE**: PPACA

- PPACA follows the neoliberal pattern favored by international financial institutions and multinational insurance corporations throughout the world.
- Aims to enhance access by corporations to public sector health and social security/Medicare trust funds.
- An ideology favoring for-profit corporations in the marketplace justifies these reforms through unproven claims about
  - the efficiency of the private sector
  - enhanced quality of care under principles of competition and business management

- Deals with health care as a commodity to be bought and sold in a competitive marketplace
  - rather than as a fundamental human right to be guaranteed by government according to the principle of social solidarity.
A “REAL UTOPIA”? THE SINGLE PAYER PROPOSAL

A single payer program in the United States basically would extend Medicare to the entire population.
- Under Medicare, the government occupies a very small role:
  - Collects payments from workers, employers, and Medicare recipients
  - Distributes funds to health care providers for the services that Medicare patients receive
- No perfect system, therefore “real utopia.”
- Some problems with Medicare but supported by older population, generally works well.

A “REAL UTOPIA”? THE SINGLE PAYER PROPOSAL

- Payment structure is “socialized” into one system for everybody
- Delivery system remains pluralistic: private practices, public and private hospitals, community health centers etc.
- Not “socialized medicine” in sense of socialized infrastructure or practice
A "REAL UTOPIA"?
THE SINGLE PAYER PROPOSAL

• Single payer national health program
• Physicians for a National Health Program and allied groups (http://www.pnhp.org/)
  • 18,000 members
• "Medicare for All" (HR 676; S 915)
• Supported by HealthCare-NOW! nurses’ organizations, many unions, members of Congress (76 co-sponsors in House of Representatives, etc., etc.)

A “REAL UTOPIA”?
THE SINGLE PAYER PROPOSAL

Universal access by drastically reducing administrative waste
*(25% of health care expenditures)*
• No copayments, deductibles, or other expenses at the point of service
• The average family and the average business would spend the same or less than they previously spent on medical expenses.
• National polls consistently have shown that a majority or plurality (depending on the poll) of people in the United States have favored the single payer approach.
Covering Everyone and Saving Money through Medicare for All

<table>
<thead>
<tr>
<th>Additional costs</th>
<th>$ B</th>
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<tbody>
<tr>
<td>Covering the uninsured and poorly-insured</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Elimination of cost-sharing and co-pays</td>
<td>-6.1%</td>
</tr>
</tbody>
</table>

| Total Costs                                           | +11.5%| 241  |

<table>
<thead>
<tr>
<th>Savings</th>
<th></th>
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<tbody>
<tr>
<td>Reduced insurance administrative costs</td>
<td>-5.3%</td>
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<tr>
<td>Reduced hospital administrative costs</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Reduced physician office costs</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Bulk purchasing of drugs &amp; equipment</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Primary care emphasis &amp; reduce fraud</td>
<td>-2.2%</td>
</tr>
</tbody>
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| Total Savings                                         | -15.8%| -313 |
| Net Savings                                           | -4.3%  | -72  |

Source: Health Care for All Californians Plan, Lewin Group, January 2005

A "REAL UTOPIA"?
THE SINGLE PAYER PROPOSAL

• Issues to address in theorizing and activism concerning a national health program (NHP):
  • Changing social class position of physicians and other health professionals
    • E.g., doctors as employees
    • Loss of control over the means of production and conditions of practice
    • "Aristocracy of labor": mystified position as highly paid workers
    • Samir Amin: "generalized proletarianization,"
    • Occupy movement: 99%/1%.
    • How will this changing class structure impact transition to an NHP?

• Issues to address in theorizing and activism concerning a national health program (NHP):
  • Oligopolistic character of current for-profit delivery system
    • Will services be provided still by a predominantly for-profit delivery systems, funded through public insurance?
    • (one of the ways Medicare supports corporatized medicine despite its single payer characteristic)
    • What will happen to employees of insurance companies (retrain for providing services?), as well as the companies themselves (e.g., other insurance lines more profitable anyway?).
A “REAL UTOPIA”? 
THE SINGLE PAYER PROPOSAL

• Issues to address in theorizing and activism concerning a national health program (NHP):
  • National health insurance (NHI) - Conyers bill
  • Single payer = socialization of payment structure, leaving intact private ownership and profit at the level of infrastructure (i.e., private ownership of the means of production)
  • International model: Canada
  • VERSUS
  • National health system (NHS) - Dellsms bill
  • Socialization of infrastructure (public ownership of the means of production)
  • International model: Sweden

• What has impeded progress in the U.S.?
  • False consciousness/ media
  • Repression
  • Corporate financing of political process
  • Lack of a labor party or even social democratic party
  • Not claiming our own agency to affect the process:
    • Obamacare: The Neo-liberal Model Comes Home to Roost in the United States – If We Let It
THE NEO-LIBERAL MODEL COMES HOME TO ROOST IN THE UNITED STATES – IF WE LET IT

• Winston Churchill: “The United States invariably does the right thing, after having exhausted every other alternative.”

• Samir Amin: “A rapidly growing proportion of workers are no more than sellers of their labor power to capital, whether directly when they are company employees or indirectly when they are reduced to the status of subcontractors - a reality that should not be obscured by the apparent autonomy conferred on them by their legal status.”