Your Money and Your Life

(Part I of a two-part series)

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The American health care system is currently undergoing a barrage of criticism from every corner; particularly, it has become fair game for dissection on the pages of newspapers all over the country. Last month the *Detroit Free Press* headlined a front page story "Doctors Blamed for Health Costs," with a subhead running beneath it which read: "Study Cites Monopoly Fees; Hospital Bills Triple in a Decade."

Only days before, the FP's sister newspaper, the *News*, citing a report commissioned by the city of Detroit, had isolated the "fat salaries" and inefficiency of workers at Detroit General Hospital as being at least half responsible for that institution's grossly inflated patient care costs (currently running at $226 a day, 50% higher than the already bloated average for private hospitals in the area). In addition, blame for the hospital's chronic deficit ($11.5 million last year), and thus at least part of the responsibility for its current accreditation crisis, were laid coequally at the feet of these same overpaid and inefficient workers and their traditional partners in crime, the patients who accept the hospital's services but neglect to pay their bills.

This is a particularly handsome and timely analysis because it kills all sorts of birds with only one stone and is applicable to almost any of the crises which currently confront us. Firstly, it renders a complex issue accessible in moments simply by reducing it to a question of one easily identified causal factor: bad human beings. Furthermore, it is widely accepted that nothing unites people (the much-abused health care "consumers") more than an identifiable enemy (those other human beings) and here the enemy is made up of three traditionally attractive enemy categories: avaricious doctors, lazy workers and parasites on the body politic.

And even as this analysis, simple and superficial as it appears to be, singles- out for us the they who are our enemy, in its deep and convoluted heart of hearts, it is reminding us once more that, outside of further coercive legal and economic sanctions to curb humanity's innately selfish tendencies, nothing can really be done, for the real enemy is us; the real enemy is lazy, greedy human nature.

The conclusions which flow from this analysis (which, in a further subtlety, poses itself as no analysis at all, but merely "objective reportage") are accordingly simple, even if not exactly what the doctor ordered: if doctors are the prime offenders, what is needed is a system of control over doctors and perhaps even mandatory income limits; if it's the workers, perhaps it's time to do something about those unions which have become so powerful they can win workers "exorbitant pay scales; if it's indigents and "billskippers", then perhaps they ought to be refused service if they can't pay.

With the probable exception, at least for the time being, of the first (the AMA is still the second largest lobby in the country and doctors stand head and shoulders above the other interest groups in the hierarchy of social power) all of the above is the correct answer for the social engineers who will determine the future of health care in Detroit, or anywhere else in America for that matter.

It seems the time has come for the industry to own up to its profligate ways and already the reformers are sorting out their scapegoats for the inevitable shakeout that will follow. But the problems of health care in capitalist America go a bit beyond the contributions of individuals or competing "interest groups."

The current crisis in health care is inextricably bound up with the current crises in municipal financing, in social services, in education, and in housing, and all (as component parts of a general crisis of capitalism) have been precipitated most directly by what the economists are characterizing (now that we're "emerging" from it) as an almost "classical" recession. And it is classical in ways which the economists aren't always eager to brag about on the pages of daily newspapers: For the private sector, it was a classic enhancer of productivity–up a healthy 4.7% the first quarter of '76–as a direct result of massive unemployment, speed-ups and work-intensification programs. Consequently, the Dow Jones Average is now consistently topping 1000, GM's first quarter profits are the second highest in history and the much-heralded recovery is proceeding at such a rate that the Kiplinger's Washington Newsletter is moved to trumpet "A new boom is on its way–are you ready for it?"

Meanwhile, however, everything in the public sector is coming unglued in a most spectacular fashion. New York, losing its AA municipal bond rating, teeters on the brink of financial collapse until it is rescued–at the expense of its autonomy–by a coalition of big banking interests, state functionaries, and slithery labor leaders; Detroit loses its rating and one day later is refused $13 million of a requested $40 million in bond sales by a consortium of seven Michigan banks; cities and states around the country begin instituting austerity programs which include an,11% cutback in Michigan Medicaid benefits, the closing of four public health hospitals in New York and the closing or threatened closing of similar institutions in Chicago, New Orleans, Philadelphia, Washington D.C., California, and–Detroit.

In the midst of this, Gerald Ford– exercising at least a little more rhetorical finesse than his predecessor, who saw us as a nation of spoiled children in need of his and the government's fatherly reprimands–announces proposed cutbacks in federal social spending that will gut the food stamp program as well as the hot lunch programs which provide the children and elderly among this country's 40 million officially poor with the nearest thing to a balanced meal they might ever encounter. The expanded social spending of the arch-liberal Great Society period comes home to roost with a vengeance and social services everywhere must be "cut back."

Traditionally, if you're a capitalist country (and these days everybody is), you can't have expanded domestic spending and a burgeoning defense budget at the same time; Gerald Ford knows this (or at least somebody he knows knows this) and he has wisely opted to trim domestic spending, thus "cooling the inflationary fires." In the rosy days of 1965, however, when continued economic expansion seemed here to stay, Lyndon Johnson concluded that we could have our guns and our butter too, and extravagantly escalated the Viet Nam war while simultaneously giving birth to the Great Society and War on Poverty programs of massive federal spending for social "ills."

(In all fairness to Johnson's corpse it should be pointed out that those programs were not particularly his ideas, nor did he undertake them because of his consummate love for the little people; the clamorous upsurge of black rebellion in the mid-sixties made some form of recuperation absolutely essential and flush times made liberal spending the apparently ideal solution.)

Primarily, what Johnson initiated with his spending on both fronts was the beginning of the inflationary spiral which peaked in 1969 as a "minor" recession, abated slightly, then skyrocketed with the energy crisis of '74–75, forcing the major recession which we (you and I) are presently recovering from.

As devastating as that inflation and the efforts to curb it have been, nowhere has its effect been more outrageous, and potentially more destructive, than in the area of social services, and most particularly health care. As Tom Bodenheimer and others point out in *Billions for Band-Aids*, a 1972 publication of the Medical Committee for Human Rights, and in a later, updated essay in the July, '74 *Ramparts*, one of the principal causes of the nearly 300% inflation of hospital costs in the last decade is the entry onto the scene in 1965 of Medicare and Medicaid. Of these War-on Poverty programs intended to bring low-cost health care to the poor and aged, Bodenheimer and friends say:

> "The first year after Medicare and Medicaid started, hospital costs were up 19% and doctor fees 7% (*where two years before they had been up 5.8% and approximately 3.5% respectively*). In the first six years of the programs, medical prices increased by over 40% compared to an increase of 20% in the six years before the programs started…the insurance intermediaries expanded their business by nearly $10 billion a

> year…medical equipment and drug companies increased their sales and profits, nursing home stocks boomed and hospitals added on new beds at a rate three times greater than the population increase" (emphasis added).

While there was plenty of money about, everybody (except the recipients) was profiting, and the third party payers–Blue Cross/Blue Shield, Medicare and Medicaid, and commercial insurers–obligingly absorbed each new raise in costs by passing them along to subscribers–or the federal government. But like every other capitalist boom, this one was brought short by the inevitable bust its inflationary ways couldn't help but generate, and when the crunch came down everybody became suddenly aware that there was something decidedly wrong with the way the health care industry was doing business. In the ensuing governmental scramble to cut back costs the first programs to suffer were, of course, Medicare and Medicaid; and the first people to suffer were, as ever, the poor and aged.

(Alas for liberal theory and all those it sets out to help, far from solving the problem, the injection of huge sums of public money into a profit-based system in fact becomes the problem. The HUD Housing Act of 1968, a program similarly predicated on enormous federal spending, was intended to make home financing available to the poor by guaranteeing the mortgages they would otherwise be unable to get. Immediately upon its passage into law, shrewd real estate dealers began recruiting the poor into buying homes on which they could never hope to maintain the payments. When the mortgages went into default, the poor people were dispossessed and the real estate dealers collected the often inflated mortgage value directly from the benevolent bureaucracy, leaving HUD holding the bag with the house in it. The box score in Detroit was: HUD–17,000 uninhabited and uninhabitable homes at a cost of millions of dollars; Real Estate Dealers–the millions of dollars; poor people–nothing, minus the small savings they lost in purchasing the house in the first place. In addition to the inflation it inevitably brought to housing costs, it is harder today for poor people to get housing in this city than it was before HUD burst on the scene with bags of money and no brains.)

The root of the health care problem in America, of course, is the fact that health is an industry in the first place, and contrary to what Adam Smith may say, the maintenance of good health is compatible neither with industrial society nor with health care as a commodity. (While it is true that most large hospitals, public and private, are formally non-profit, like the large "nonprofit" state universities they are so often entangled with, they require enormous quantities of operating capital and support entire sub-industries of construction, supplies, equipment, etc. which are extremely profitable. The $150 to $200 that you pay for your day in the hospital covers not just the cost of your requirements but also the capital expansion needs of the hospital, the costs of the ever more complex technology, the huge administrative expenses of the third-party payers, [1] the grossly inflated prices of the pharmaceuticals industry [2], and the salaries of administrators and specialists earning anywhere up to $100,000 a year and more.)

As well as limiting its "consumption" to those who can pay, the commodification of health care further requires that those who can pay be induced to consume medical goods and services more and more to the limit of their capacity to do so, without regard to genuine need. [2] For doctors who practice surgery, the surgery itself is significantly more lucrative than the other aspects of their professional activity and when times get slack the obvious temptation is to make work where there is none; estimates of the incidence of unnecessary surgery run as high as one operation in five, or more than two million operations a year (Ronda Kotelchuck and Thomas Bodenheimer, "The Care and Feeding of Medi-Business," *Ramparts*, July 1974).

Some gynecologists, for instance, confronted with a declining U.S. birth rate, are now compensating for the loss of income from births by prescribing and performing hysterectomies so freely that one critic, Dr. Sydney Wolfe, has observed that "to some surgeons, any woman over thirty-five is fair game for a hysterectomy."

Because it is a profit-based system predicated not on prevention but on *crisis intervention*, the U.S. medical system has a vested interest in ill health; like any capitalist industry it is not willfully suicidal and it recognizes, however subliminally, that its future is guaranteed only in so far as the continued generation of sickness is guaranteed by the society. Thus, though there may be individuals and groups within the system who publicly espouse both a radical critique of its totality and the necessity for radical change, the system as a whole has nothing to gain and everything to lose from acknowledging its reality: that it spends the overwhelming majority of its time and energy (and ours, since it's our labor-time congealed into cash which supports it) attempting to patch up the mess that

industrial society makes–and perhaps even that it makes itself (see Ivan Illich, *Medical Nemesis*, Pantheon Books 1976).

What it prescribes instead for its patients is exactly what the current spate of critics prescribe for its ills and what the bourgeois economists have always prescribed for the ills of the capitalist system at large: symptom treatment at the onset of crisis. (A major portion of its activity, for instance, is spent fixing up the damage done to workers by working, so that they can get well enough to go back to work!)

Physician, Help Thyself

While the observations of superficial critics like the *Free Press* ignore the root contradictions of the sickness industry, they are accurate to the extent that they identify the cause of the extraordinary degree of the economic problem with what the *White House Council on Wage and Price Stability Report* identifies as certain "institutional peculiarities" of health care in the U.S.; specifically that "American doctors enjoy a noncompetitive status which allows them to diagnose the ailment, prescribe the treatment and set the price, while patients have little choice but to accept the decisions and the bills."

The mystique of the doctor–and thus of the institutions of medical practice–is significant enough that it has allowed for the kinds of abuses that responsible capitalists everywhere frown upon because they bring disrepute to the basic workings of the system (and also, not insignificantly, because they're available only to a select few). As the White House Council *Report* puts it: "The economic rewards for efficiency and cost-reducing innovation that are characteristic of our economic system seem to be lacking."

That, you might say, is putting it mildly. As a result of the abnormal reverence afforded the health industry in this society, it has been allowed to expand to suit its own interests free of most of the competitive and regulatory fetters that at least nominally restrain the excesses of the other sectors. The result has been a self-serving empire that last year accounted for an astounding 8.3% of the gross national product (119 billion dollars), that only incidentally cares for people, and that may ultimately prove to have done more harm than good.

Next issue: The structure of the system, the crisis at Detroit General Hospital, the role of medical schools, and public health care's losing battle with the private interests.

NOTES

1. Kotelchuck and Bodenheimer estimate the health insurance industry skimmed off billions in administration, advertising and profits in 1973, when total health industry gross income was $25 billion less than it was last year. The Michigan headquarters of Blue Cross/Blue Shield is a gleaming new office tower which cost subscribers $32 million.

2. Kotelchuck and Bodenheimer estimate the total profits taken by the health industry in 1973 to be $9 billion on gross income of $94 billion; the drug companies' share of those profits was $600 million.

3. In efforts to expand their markets beyond real demand, the drug industry in 1971 spent the equivalent of $3,000 each for every physician in the country on marketing and advertising alone. Much of the equipment and literature (especially about drugs) used in medical schools is donated "free" by drug companies who recognize the value of establishing brand-identification early in the minds of future doctors. For some drug companies, such expenditures represent as much as 35% of gross income (*Billions for Band-Aids*) and totaled $1.5 billion for the industry in 1973 (Kotelchuck and Bodenheimer).

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