

# **CLASS WAR IN HEALTH CARE**

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Class war is clear-cut in health care. Discussion will proceed from examining this phenomenon first in the private health sector and then in Medicare and Medicaid.

But first, the reasons for the class war in health care:

- A. to privatize new fields for investment and profit through extending private insurance to the 80% of Medicare members not currently enrolled in Medicare Advantage, the private insurance wing of Medicare. Expanded private insurance is also to be facilitated in Medicaid. Expanded privatization is especially desirable in a stagnant economy.
- B. to drastically reduce the government safety net and regulatory programs to eliminate alternatives to market outcomes, such as socially established norms for comprehensive medical benefits as in Medicare and Medicaid.
- C. to prevent any government role in the sale or production of privately produced and marketed commodities such as drugs or medical equipment.

## **The Private Health Sector**

The bipartisan acceptance of austerity budgeting did not initiate the attack on accessible health care but rather intensified it. The current attack includes the call to repeal the Affordable Care Act (ACA)—despite that legislation being designed to entrench the insurance, pharmaceutical and other capitalist interests that dominate the health care system.

The purpose of the ACA was to eliminate the possibility of deprivatization and demarketization in significant ways through the creation of a single-payer financed health care system. In addition it was designed to relieve large corporations of the burden of ever increasing insurance premiums from the continuing rise in health care costs that were significantly higher than the overall inflation rate.

An important development in health care in the past decade is the drastic reduction in large firm purchase of group insurance because of the enormous rise in health care premiums.

As another option large employers transitioned to low premium high deductible so called consumer directed health plans. These plans, also sold directly to individuals are known as Health Savings Accounts which are most useful to the healthy wealthy and often offer tax advantages to the insured through these plans.

Together with the growth of permanent contingent workers, the long duration of high unemployment and the low employer financial penalty for terminating health coverage, there are now more than five million fewer workers with group insurance than in the year 2000.

The insurance market, with the aid of the ACA, is thus being restructured to accommodate large corporate withdrawal, through individually purchased insurance policies.

And it is in the individual and small business insurance market that Tea Party politicians have focused their ire on the ACA mandate that all persons not covered by Medicare or Medicaid or group insurance be required to

purchase private insurance. They also regard ACA Insurance Exchanges as expanding government power repressing natural market forces. Parenthetically, the left rejects a mandate to purchase private insurance products but not a universal public program that would enlarge the insurance pool.

The insurance companies support compulsory enrollment that enlarges its market as it also provides for economies of scale, greater predictability of their major cost payments to providers and thus the setting of premiums, and of course more revenue—and profits. This is especially so when a significant number of the mandated uninsured would be young, healthy customers.

If the mandate was withdrawn, this would create great uncertainty that the ban on non-coverage for pre-existing conditions could politically be maintained.

In this instance, Obama is a more desirable political partner for the insurance industry than the market fundamentalists - who want to prevent or eliminate any government impact on market determined outcomes even if advantageous to private insurers, drug manufacturers and technology providers.

However, this is not the case with the Exchanges, which are designed to require disclosure and transparency by insurers. regarding costs and benefits of their respective policies. It would make insurance selection easier for buyers and limit somewhat the insurers pricing power from ongoing market concentration. It could also minimize deceit regarding benefit coverage and out of pocket payments, a traditional practice of insurers.

Likewise, insurers are opposed to any restriction on their premium pricing and the setting of a minimum percentage of premium revenue that must be spent for provider care and not for insurance overhead and profit. Industry opposition exists though these pricing and cost allocation provisions of the ACA are not stringent.

The split between fundamentalist and pragmatic neo liberals, which in the main mark off Republicans from Democrats, mirrors the factional divide within the capitalist class itself. Many liberals incorrectly interpret Obama's self-description and behavior as a consensus builder among these factions solely as spinelessness.

The contentiousness around the Affordable Care Act will probably be resolved by an agreement to maintain the compulsory mandate for enrollment, but weaken even further the regulations limiting increased premium pricing and profit and the administrative and profit share of premium revenue.

### **Medicare**

Austerity budgeting and anti- public sector ideology has gone much further than just privileging the private managed care Medicare Advantage program with higher government payments. Medicare is now in danger of complete privatization.

Given much increased prominence now is the recommended transformation of Medicare solely to a payment mechanism for individual purchase of private insurance. This would go far beyond Medicare Advantage as it would no longer guarantee access to comprehensive benefits.

According to the proposal of advocates, the payment to each Medicare participant would be adjusted upwards annually by the percentage change in the overall cost of living. This index has risen at a much lower rate than the annual change in medical costs. The funding therefore would annually buy reduced services.

As there would no longer be standard benefits, access will tend to vary with individual income and savings

Medicare will have been transformed from a defined benefit to a continuously reduced defined contribution plan similar to private sector pensions.

The search for ruling class consensus expands the menu of options and gives more credence to reforms” such as the delay of the age of eligibility by several years. In addition, Obama has already proposed a substantial increase in the Part B (physician) premium and deductible and the Part D (prescription drug) premium. He has also proposed sharp cuts in provider payments and a sharp decline in home health care expenditures. Reduced payments to hospitals will likely result in layoffs of nurses, still shorter length of hospital stays dangerous to health, while reduction in home health care would limit post hospital care.

Policies that could be effective in bringing revenue in line with expenditures are seldom discussed. These policies include raising the payroll tax for Medicare Part A- the largest component of the program- that is now less than 2%. Unlike the social security tax, the Medicare tax base has no ceiling on earned income and thus creates the basis for substantial progressivity.

Other policies could be:

- Use of general tax revenue as an additional funding source.
- Reversal of Privatization : Elimination of the administrative and profit waste of Medicare Advantage.
- Making the Federal government the single purchaser of prescription drugs for Medicare. (The Medicaid program that has a single purchaser in each state pays a much lower price for drugs.

Medicare as a single payer also offers the possibility of collective planning and collaborative hospital usage of machinery and equipment. The problem of overuse of equipment and excess testing which contributes significantly to health costs and medically caused disease can then be tackled in a meaningful way.

### **Medicaid**

The Medicaid program will be subject to intensification of private insurance participation in a program parallel to Medicare Advantage. The program will also suffer draconian cuts with or without the conversion of Medicaid to a Block Grant Program.

Currently Medicaid is an entitlement program with automatic eligibility when an applicant can meet federal and state income and asset requirements with the federal government reimbursing the state governments 50% to 75% of the total cost,

By contrast the proposed block grant would be lump sum funding. Each state will most likely reduce enrollment when the specified amount of funding covers costs only for a specific number of applicants. This may be modified in a few states with a willingness to pay 100% of the cost of otherwise eligible applicants not financed by the Block Grant.

However, with the other funding cutbacks imposed on the state, this could only be done by reducing benefits for all enrollees or paying providers less. The likely consequence of the latter would be shortened contact time by patients with physicians and reduction of hospital length of stay even beyond the limits of a liberal interpretation of safety.

The above doesn't take into account the year 2014 ACA requirement that some 16 million low- income persons currently not eligible, be added to the Medicaid rolls.

There are health care analysts from liberal think tanks who argue that because Republican governors are pushing block grants, that even with approval by the Republican dominated House of Representatives, it would not pass the Senate. What is being missed is the acceptance by the Democrats of a multi trillion-dollar reduction in the federal deficit over the next decade and Medicaid is one of the marked programs.

The Budget Control Commission established by Obama for the first installment of some \$1.4 trillion cut in federal expenditures will report just before Thanksgiving. If Congress does not accept the recommendations in its entirety, an automatic 2% cut in Medicare expenditures will take effect.

Whether this installment of the Commission report will include any basic changes in Medicaid or not, there are others to come. Medicaid and Medicare contraction seem well suited for consensus building and horse-trading among the political agents of the capitalist class.