ObamaCare Policy Myths: Warnings from a 1980s HMO Executive

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The administrative state regime of government central planning promoted from the 1930s until today is based on the fatal conceit that Frederick Hayek warned against in *The Road to Serfdom*. That is the belief that well-meaning government officials could achieve many utopian goals, including ideal access to and quality of medical care at a reasonable cost.

Ruling-class elitist arrogance and overreach has been discussed for many years by Thomas Sowell, and recently, famously and insightfully, by Angelo Codevilla in the July/August issue of *American Spectator*. The tyranny that results from ruling-class control of the government is apparent, and their policy is based on pet theories promoted by the healthcare "experts and policy makers" who are the army for the ruling class, selected for commitment to the agenda, and credentialed and rewarded to intimidate opposition and silence dissent.

President Barack Obama, a Harvard lawyer with no experience in medicine or health-related policymaking, is not the first chief executive to pursue a utopian plan for medical reform that is based on assumptions about medical science, human behavior, politics, and economics that are just plain wrong.

After Medicare and Medicaid rolled out with much higher costs and utilization than expected, there was a national concern about costs and access. The health policy experts decided that managed care was the answer. The Nixon administration introduced the Health Maintenance Act of 1973, funding and promoting managed care by a nonprofit entities governed by a community board, with federally defined benefits and premium packages. Federally qualified health maintenance organizations (HMOs) offered a single-level individual or family premium, no limits on preexisting conditions, first-dollar coverage or a very small deductible or copay on visits, and comprehensive coverage that included comprehensive preventive care—riddled, however, with the requirement to obtain care from the HMO physicians, or requirements for approval or preauthorization for care inside and outside the HMO. If this sounds a lot like the mandated, government-designed plans in ObamaCare, it's because it was.

Why I Became a Managed-Care Executive

I was the medical director and then the chief executive officer (CEO) of a federally qualified and financed HMO in Baton Rouge, Louisiana, in 1980 and 1981. I took the job because I believed that HMOs were the future for family practitioners. I believed the policy myths. I just couldn't make them work.

The myths of managed care that were the guide for the Nixon HMO act were:

1. Good medical science would eliminate unnecessary, excessive, or unnecessarily expensive medical services, and control costs;

2. New financial incentives for providers and institutions would incentivize them to use best practices to control costs; and

3. Preventive health programs would impact healthcare outcomes positively and reduce global costs of providing care.

Myths Were Disproved by Reality

Experience soon showed that:

1. Salaried physicians are less motivated than fee-for-service doctors, producing increased costs.

2. People who buy comprehensive first-dollar insurance overutilize.

3. A community premium with no underwriting rules will disproportionally attract clients who are high consumers or are sicker, because a single-premium health insurance package is a tremendous advantage to them, and a disadvantage to lower-risk subscribers.

4. In a single-premium program with no underwriting, the insured will demand expensive tests and treatments even if they are of limited benefit, and it's hard to say no.

5. Reducing costs is important to the insureds—as long as they are other people's costs.

The realities of managed care are obvious, and the HMO I administered was bankrupt when I arrived, convinced I could fix it. Eighteen months after I arrived, it was finally in receivership, and I became an emergency physician—happily.

The HMOs created by the Nixon administration dreamers are no longer in existence, unless they evolved to something more financially sensible. The myths don't work. Some of the managed-care concepts promoted in the 1970s and 1980s are embedded now in commercial health insurance programs. These include restricting coverage to contracted "providers" and hospitals that can share risk.

A revised but very familiar set of health policy myths and unswerving support for government are now the foundation of "comprehensive" health care reform of the ObamaCare project, which embraces the monolithic state collective medical system as the solution.

Myths of "Comprehensive Healthcare Reform"

1. Government is wise, beneficent, and good.

This myth is part anti-capitalist, part statist. However, 60 years of government tax rules and mandates have destroyed free-market insurance and increased health costs while reducing liberty and threatening quality and innovation.

The demands of Medicare and Medicaid exceed the financial resources of the country. Economic good sense is out the window in a mandate-controlled, third-partypayer/ government-dominated system. The perceived free lunch brings a crushing tax and debt burden; increased costs for society; increasing bureaucracy and its companion, mediocrity; and reduced access to medical services. Amy Finkelstein of the Massachusetts Institute of Technology has shown[1] that Medicare and Medicaid independently and significantly increased medical costs by distorting markets and increasing utilization, but also by causing cost shifting.

In addition to expanding government programs, comprehensive reform advocates would destroy competitive insurance and patient-choice options such as Health Savings Accounts.

2. The number of uninsured proves that American medicine has failed.

Being uninsured is a choice, not a disease. For the truly needy, America has charity care and a Social Security Title 16 and Title 2 safety net. Devon Herrick from the National Center for Policy Analysis shows that reform advocates exaggerate number of the uninsured,[2] but even so, most uninsured individuals are healthy and have access to medical care. If the uninsured get sick or injured in the U.S., then America takes care of them. They end up in an indigent or charity program if they can't afford care. They are expected to pay if they can.

The head of financial services at the Cleveland Clinic ruined the president's drama about a lady with leukemia during the debate on ObamaCare by explaining that she was being cared for. She qualified for Cleveland Clinic's generous annual $100 million charity care, but she also qualified for Medicaid coverage because she was a working citizen with a disabling and severe medical condition. The system is not broken, and the safety net works. A lady with no financial resources received care from a premier medical institution.

3. Uncompensated care is ruining any chance of fiscal integrity of the health care system.

The U.S. now spends $2.2 trillion annually on health services. Caring for uninsured persons creates an uncompensated billing loss of less than $100 billion or 5 percent—not a crisis. Hadley et al. explain[3] in *Health Affairs* that the uninsured are not a sick group, and their health outcomes are not cause for alarm. The lost income amount is much more than the actual marginal cost of providing the uncompensated services. The uninsured that become seriously ill or injured are provided charity care or are added to the insured under Medicaid. Uncompensated care does not jeapordize the integrity of the system.

4. We need to stop wasting money on emergency departments.

The total cost for emergency care in the United States is less than 5 percent of the total of $2.2 trillion total that the U.S. pays every year for health-related services. There are 120 million visits to emergency departments, by insured and uninsured patients combined, billed for $120 billion. Most of this is paid for with insurance or cash. This is hardly a crisis. Emergency departments are convenient, always open, and offer access to high-tech[4] resources. Universal insurance will not reduce ED use for many reasons: ED visits will be covered, and access to office-based care may be reduced. Robert Samuelson insightfully discusses these issues in the *Washington Post*.[5]

5. Reformers will use computers and make everybody's health record available in a government databank, resulting in better care for all.

In fact, computers are expensive, take providers away from the patient, magnify mistakes, and don't reduce costs.[6] Computers don't take care of patients; systems crash; data decays and is not securely private. Computer problems that cause errors have not yet been solved.[7]

6. Comparative effectiveness panels and guidelines writers will save money and improve care.

The guideline and practice control projects will provide a way to ration or deny unapproved care for economic or medical reasons, but evidence does not show better care.[8] The "Leap Frog" project to impose guidelines for improved care in 1,000 of the 5,000 hospitals in the U.S. was reported as a disappointment with no real success by Leslie Kernisan in *JAMA*.[9] The Kernisan paper raises questions about the practicality or effect of guidelines and best practices, and reported a marginal effect that could be attributable to the phenomenon called the Hawthorne Effect—people achieve more when they know they are in a study.

7. Lack of insurance is a killer.

The President and others wave the bloody shirt of a 2009 study claiming that a lack of health insurance causes 45,000 deaths in the U.S. per year. Goodman[10] and Tate[11] both exposed the study as irresponsible, flawed propaganda from Physicians for a National Health Program, a crusade for socialized medicine that relies on the advocacy "research" of Woolhandler and Himmelstein, unreliable and self-declared fanatic advocates of socialized medicine. In contrast, Asch et al.[12] and Levy and Meltzer[13] found no real benefit from health insurance on health outcomes.

8. New preventive care projects will save money and lives.

Preventive health myths flourish in spite of the evidence. Cohen et al.,[14] in a comprehensive medical journal review report, and Fumento[15] assert that preventive care projects are ineffective and expensive for the benefits derived, and there are downside risks to screening healthy populations.

9. The American health care system isn't safe. Government needs to intervene and punish and penalize hospitals, nurses, and physicians.

The only comprehensive U.S. hospital care patient safety studies over four decades show a rate of negligent patient injury less than 0.25 percent.[16,17] That rate of negligent injury is unavoidable in a complex human endeavor where the enemy is the patients' underlying health and disease process. Denigrating medical professionals and hospitals promotes the savior role of nine-to-five government mandarins with clipboards, furrowed brows, and red pencils. As I describe in my review of the patient safety research, even the lead researcher of the Harvard group that published the Utah and Colorado data criticized the zealous patient safety crusade of the Institute of Medicine in the *New England Journal of Medicine* in April 2000.[18] Government experts as guarantors of safety and quality of patient care may be the biggest myth of all, but essential to putting physicians and institutions on the defensive and pushing for government control as the savior.

We are in the last stretch of the hijacking of American medicine, with the intention of creating a command-and-control system by a mean rank of self-assured tyrants, monitoring and intruding into every nook and cranny of life. Control of "health care" will open the door to the state to prescribe living choices and lifestyles, because those affect health. Those in charge will meddle and mandate to affirm their power, sense of superiority, and good intentions.

Eric Hoffer, longshoreman philosopher, said, "The intellectuals and the young, booted and spurred, feel themselves born to ride us."

Ronald Reagan warned that a federalized medical system would be the key to making America a socialist state. He said, "Freedom is never more than one generation away from extinction."

Soon, remorseless, arrogant, socialist, dome-headed apparatchiks will be tallying and monitoring Americans' lives in their journals, recording new orders and mandates, chronicling oppressions and terminations. Harshness and rationing will characterize their regime.

Liberty will be a whisper, free markets a faint and fading image.

Twenty-five years ago, Ronald Reagan was President. Are we now lost to our home-grown socialist movement?

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