

Rationing Compassion

A FABLE FOR OUR TIME

BY DEBORAH STONE

"I had begun to feel that we were part of some psychology experiment whose design was to see how quickly we could abandon our humanity."

—DR. LINDA PEENO, an ex-medical director and claims reviewer for HMOs, confessing why she quit, in *U.S. News and World Report*, March 9, 1998.

Back in the twentieth century, the United States of America enjoyed the most extraordinary economic growth, the most incredible scientific advances, and the most successful global empire. Nothing could threaten the mighty nation—nothing, that is, except an enemy within. The nation's health care system grew and grew, until finally the nation's leaders realized that it meant to devour the entire national economy.

After decades of failed reforms proposed by economists, policy analysts, and other social-science wizards, the leaders turned at last to the Grand Psychologist. He alone, they thought, might understand the psyche of the health care monster and know how to tame it. The problem, he explained to the leaders, was people. Human beings have an unlimited, incurable desire to help sufferers. When humans take care of other people—especially vulnerable, frightened, sick people—a strange love overcomes their reason. They develop bottomless sympathies, delusions of kinship, and fierce loyalties to the people they care for. They will do anything to help.

The Grand Psychologist believed he could save the country if he could conduct a bold experiment. He would need to stifle human compassion. But he knew the leaders would be upset by his plan, since they needed to present themselves as compassionate in order to get elected. So he told them instead that he would use simple economic tools called incentives.

First, he asked for authority to change the way healers get paid. He would pit the financial self-interest of healers against their emotional impulses. He would penalize them for excess generosity.

He started with the hospitals, the biggest gobblers of medical dollars. He outfitted Medicare—the biggest supplier of hospital

cash—with a new reimbursement system. Henceforth, every patient was assigned a diagnosis (never mind that most people have more than one thing wrong with them). For each diagnosis, Medicare set a firm limit on how many days of care it would pay for. If hospitals can't stand to see their patients suffer when the Medicare jig is up, the Grand Psychologist said, let *them* eat the costs of their soft-heartedness. Having to think of each patient as a diagnosis with a price tag instead of a person with life, he reasoned, would soon dampen hospitals' compassion.

And sure enough, hospitals reacted by evicting Medicare patients before their Medicare money ran out. They also tried to squeeze higher rates out of other insurers. But very quickly, these other insurers felt suckered—so they, too, adopted tougher controls on what sorts of treatments could be lavished on the sick. Nurses and doctors had no choice but to stop doing as much for sick people. They shuttled sick patients off to somewhere and somebody else—to nursing homes, rehab centers, or relatives—and they called it "discharge planning" to convince themselves they were actually still doing something for the patients.

Riding high on his success making hospitals less hospitable, the Grand Psychologist urged the nation's leaders to use his new "prospective payment" plan everywhere that people take care of the sick—nursing homes, clinics, mental health hospitals, private homes, and even doctors' offices. The leaders obliged.

But the Grand Psychologist soon realized that financially squeezing medical institutions didn't pinch healers hard enough to curb their costly compassion. Everywhere, the healers were breaking rules, committing minor acts of fraud or disobedience in order to get their patients' care covered. They were lying to insurers, fudging patients' records, exaggerating symptoms, upcoding illnesses, stretching the truth to fit reimbursable diagnoses, concealing either too much progress ("insurer has determined that care is no longer necessary") or too little ("hopeless case—care not medically effective"). Sometimes, they just gave care without billing for it. In poverty-stricken neighborhoods and public hospitals, doctors and nurses even knowingly allowed people to use other people's Medicaid cards to get treatment. Home care nurses and aides visited their clients on their own time, after hours, to provide help and comfort that insurers refused to pay for. Primary care doctors, who were supposed to act as gatekeepers to other services, were advocating for their patients instead.

The Grand Psychologist saw these healers as so many addicts to altruism, unable to stop caring and abide by the law. So he ratcheted up the pressure. The government slashed its Medicare budget, ensuring that hospitals, nursing homes, and home care agencies had to slash theirs, too. Meanwhile, he proselytized about unnecessary care, waste, and inefficiency, so the peo-

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Nations, North Atlantic Treaty Organization, IMF, and World Bank. They want to slap tariffs on goods that threaten jobs, and curtail immigration. They represent the re-emergence of a conservative isolationism that was temporarily displaced during the Cold War. Supporters of this position include the small manufacturers represented by the U.S. Business and Industrial Council and members of some industrial unions and the Teamsters.

Neoclassical conservatives: The Republican leadership in Congress, the conservative think tanks, and the majority of the congressionally appointed Meltzer Commission embrace wholeheartedly the agenda of neoclassical economics. They support the IMF, WTO, and World Bank as agents of deregulation and privatization, but they are wary of the IMF and World Bank carrying out their historic roles as, respectively, lender of last resort and development agency. They want to curtail the loan activities of the IMF and turn the World Bank into a minor charitable organization that gives grants to the deserving poor.

Neoliberal internationalists: Treasury Secretary Larry Summers, congressional Democrats aligned with the Democratic Leadership Council, World Bank President James Wolfensohn, and the economists from the Brookings Institution and the Institute for International Economics favor modest changes in the international institutions. They want the WTO to become more "transparent." They want the IMF to be more cautious in prescribing high interest rates for countries on the brink of insolvency, and they would like the World Bank to focus more funds on poverty and AIDS. But they reject significant changes in the IMF's and World Bank's neoclassical structural adjustment strategy, and they oppose the inclusion of labor and environmental conditions in trade agreements.

Progressive internationalists: Former World Bank chief economist Joseph Stiglitz, the leadership of the AFL-CIO, and House Minority Leader Richard Gephardt favor reforming rather than withdrawing from the international institutions. They want the IMF and World Bank to abandon their doctrinaire neoclassicism in favor of the older neo-Keynesianism that encourages managed national development. They favor meas-

ures like a Tobin tax on speculative currency transactions or even a new Bretton Woods agreement to regulate exchange rates. They want the WTO to allow individual countries to adopt labor and environmental standards in their trade relations or gradually to incorporate them into agreements and treaties. These standards, they argue, would not penalize poor countries per se, but only countries that actively prevent freedom of association and encourage child and forced labor.

Left-wing abolitionists: Many of the protestors who came to Washington last month favored "nixing" rather than "fixing" the IMF, World Bank, and WTO. Armed with anecdotes about oil pipelines in Chad, they focused on the dark side of these institutions, including the relatively benign World Bank. In a similar vein, some labor leaders favor outright withdrawal from the WTO or want to impose conditions for America's participation that would, in effect, force poorer countries to withdraw. For instance, the United Steelworkers demands the WTO require that when a nation with a higher standard of living trades with a nation with a lower standard of living, the prices of goods reflect those of the former. That's a fancy kind of protectionism.

Of these positions, only the progressive internationalists' adequately reflects what is positive and negative about the IMF, World Bank, and WTO. The right-wing isolationists and the left-wing abolitionists fail to see any positive role that these institutions play, while the neoclassical conservatives and the neoliberal internationalists fail to recognize how destructive they can be. The neoliberals simply dismissed the message of the protestors in Washington. Said Fred Bergsten, the director of the Institute for International Economics, "If you go out and ask those protesters in the streets today what the IMF does, I doubt 1 percent of them would have been able to tell you." As someone who attended the rallies and talked to demonstrators, I can confidently assert that Bergsten was wrong.

But while it is easy to distinguish the different approaches, it is not easy to apply them to a particular case. The next great battle is over whether the United States should grant permanent normal trading

relations (PNTR) to China. Even if the United States were to deny PNTR to the Chinese, China would likely join the WTO anyway, via a two-thirds vote. The administration claims that the United States would then suffer the worst of all possible deals: China would be in the WTO, but by denying most favored nation status to China, American businesses would miss out on the concessions that China made in order to gain entry. Labor critics of China respond that if the United States were to continue granting China most favored nation status on an annual basis, the United States could gain all the benefits of China's entry into the WTO but retain the ability to pressure China unilaterally to democratize.

But the vote in Congress will still be a referendum on whether China should be in the WTO. The disadvantages have been clearly stated by the AFL-CIO and its coalition partners: As a WTO member, the current Chinese government could block attempts to incorporate labor and environmental standards into the WTO's trade rules. But there is also an advantage to Chinese membership: The historic purpose of GATT and the WTO has been to draw the world's economies into a web of commerce from which they would be reluctant to extricate themselves. If China were to join the WTO, it would become entangled in commercial commitments that it might be unwilling to risk by aggression in Asia or by massive internal repression. And the pressure on China would not be coming unilaterally from the United States; therefore, it would not be so easy for the Chinese to dismiss as a remnant of Cold War hostility.

But more important than whether China gets normal trade status this year is the question of who guides U.S. policy in coming years—the neoliberal internationalists presently in charge, the neoclassical conservatives waiting in the wings, or the progressive internationalists. If the neoliberals or conservatives are in charge, it won't matter much whether Congress can vote annually on China's labor and human rights record. If progressives gain a foothold—through pressure from below and Democratic victories in the fall—they will enjoy plenty of leverage on labor and environmental issues regardless of whether China is given permanent normal trade status. ♦

ple would believe their healers were doing something wrong by caring so much. He planted the seeds of distrust between sick people and their healers.

As institutions cut personnel to stay within their straitened budgets, caseloads for the remaining staff increased. Nurses and aides were allowed less time with each patient. Managed care companies began paying doctors on a per capita basis, no matter how sick or time-consuming the patients. They said they were adjusting payments to account for the complexity and severity of cases in each doctor's practice, but they used a formula they knew accounted for only a tiny fraction of the differences. They started giving doctors bonuses for denying care. HMOs, whose doctors were captive employees, imposed productivity quotas: See so many patients per hour, or else.

Having little time to spend with each patient, healers were less likely to develop those intractable feelings of affection, compassion, and dedication to which they were unfortunately so prone.

Just to sever the bonds between primary care doctors and patients a little more cleanly, managed care plans required patients who needed hospital care to be treated by full-time hospital staff doctors instead of their primary care doctors. These "hospitalists," as they were called, were sold to the medical profession and the public as specialists in complex and acute cases—better qualified and more efficient than mere generalists. Family doctors were no longer paid for visiting their patients in the hospital, providing the reassurance of a familiar face and the expertise of a long-term relationship. Hospitalists, after all, could treat—or not treat—with detached objectivity. And anyone who complained about the new worship of efficiency was tarred as a lazy slouch or a parasite on the social good.

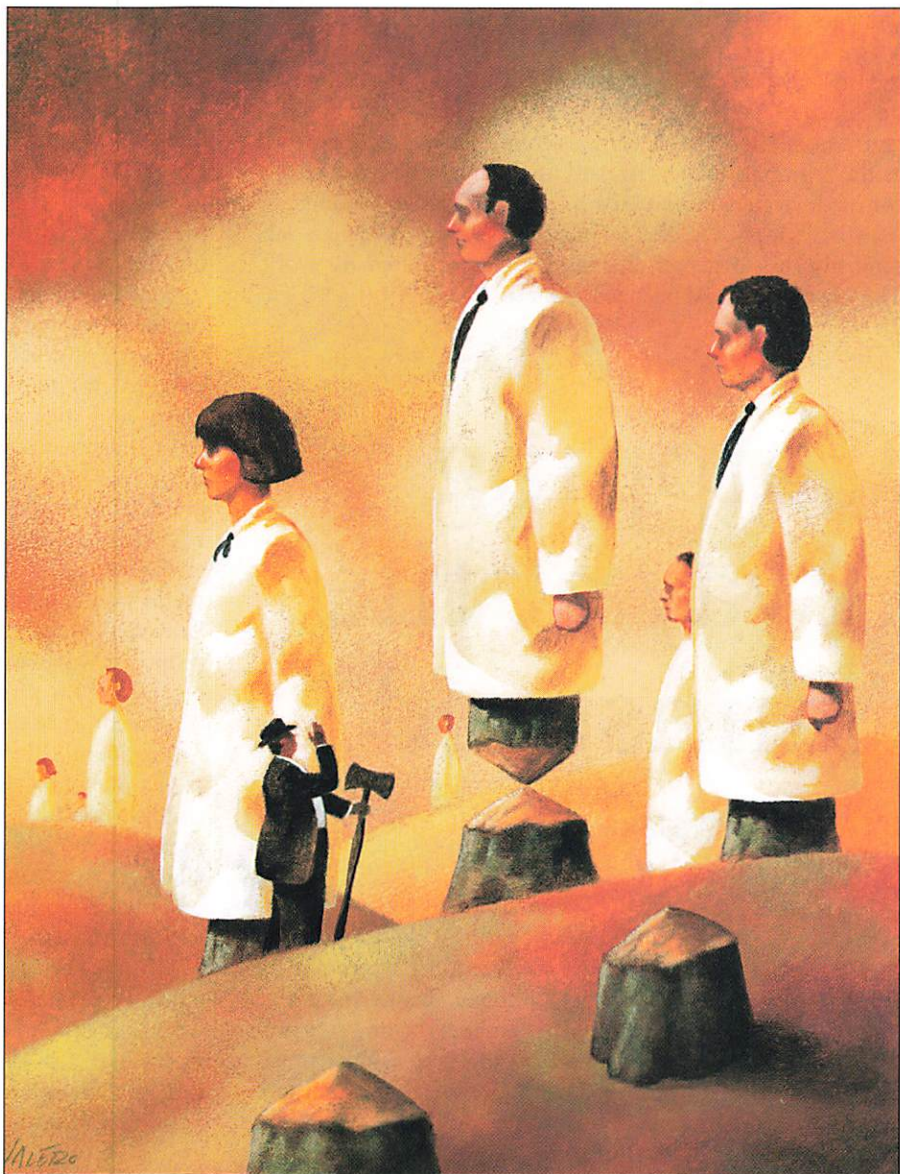
Still, there were complaints. People resented being treated like parts on an assembly line or debits on a financial statement. Their legislators posted daily sob stories on the congressional video monitors. The newsweeklies profiled victims of insurance denial and screamed things like "HMO HELL" across their covers.

But the Grand Psychologist had other strategies to discredit healers and turn professional altruists into deviants. He declared that doctors hadn't sufficiently proven the effectiveness of their treatments, then accused them of practicing by habit, tradition, conventional wisdom, sympathy—everything but science. He espoused "evidence-based medicine," as if it were something new and most of what the healing pro-

fessions had been doing before his dictatorship was witchcraft. He pumped ever more funds into randomized clinical trials to expose placebo effects. (Never mind that the placebo effect might represent the healer's true power, the power to give patients hope and enable them to heal themselves.) He aimed to deny reimbursement for any care that hadn't been scientifically proven in a large-scale randomized study. By challenging the scientific basis of medicine, the Grand Psychologist undermined people's trust in medical care and justified insurers' refusal to pay for it.

Alas, people continued to seek treatment for their suffering, and healers refused to give up on their patients. They continued to offer unproven therapies and comfort measures with no medical impact. The Grand Psychologist had no choice. He had to make compassion a crime.

He mounted a campaign against fraud and abuse, sending government auditors into hospitals, nursing homes, and home care agencies to scrutinize their records. The auditors found some genuine fraud—indeed, plenty of it. But predictably they also found zillions of clerical errors, incomplete forms, and other technical irregularities, for which the institutions were slapped with humongous fines and punitive



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damages. Inevitably, too, the auditors found zillions of cases where applying insurance rules called for professional judgment. They used the authority of the federal government to declare healers' pro-patient decisions wrong—and fraudulent. At last, those overly compassionate healers were exposed as the criminals they were. And finally this little reign of terror made healers think twice about helping their patients.

After a long day, the Grand Psychologist tidied his lab, sank into his armchair, lit his pipe, and admired his work. The experiment had been a complete success. ♦

Chipping Away at the Uninsured

BY ALEXANDRA STARR

With Bill Bradley out of the presidential race, Vice President Gore's proposal to expand the Children's Health Insurance Program (CHIP) remains the one comprehensive proposal on the table in the presidential election to address the plight of the 44 million Americans who lack health insurance. But CHIP is far from an ideal foundation for expanding coverage. The program has gotten off to a slow start, and it suffers from some critical weaknesses that may haunt its future.

Under CHIP, the federal government subsidizes health insurance for kids whose families cannot afford private insurance but earn too much to qualify for Medicaid. When lawmakers established the program in 1997, they were addressing a pressing problem. The number of children without health insurance has crept steadily upward in recent years. Employers of low-wage workers have increasingly balked at paying for

comprehensive family coverage, and declining welfare rolls have left more families without insurance. According to a study by Families USA, approximately 675,000 former welfare recipients had lost Medicaid as of 1997, and 62 percent of them were children. Today, a little over 11 million kids lack health insurance, and 24 percent of them are eligible for CHIP in addition to the 38 percent who qualify for Medicaid, according to data from the Kaiser Commission on Medicaid and the Uninsured.

Vice President Gore would expand CHIP's reach by raising the program's income eligibility cap and allowing families who were still above that cap to buy into the program. To entice states to insure more children, Gore would use a carrot-and-stick approach, awarding bonuses to states that meet enrollment targets and punishing states that fall behind, by picking up a smaller proportion of their costs for the program. Gore would also allow parents to enroll in CHIP along with their children, although states could set a lower income eligibility cap for parents than for kids. According to estimates by Kenneth E. Thorpe, a health economist at Emory University and former Clinton administration official, Gore's proposals would extend health insurance to 12.1 million people, raising the proportion of Americans with coverage from 84 percent to 88 percent.

President Clinton's proposal resembles the vice president's blueprint. Under his plan, once states have insured children in families with incomes up to twice the federally measured poverty level, they could also enroll parents in CHIP. States that opt for this route would have to cover parents in families with incomes up to the poverty level within five years.

It's not hard to see why CHIP has a lot of cachet in the administration. The program's target population is not only working-class Americans who need a break, but kids. CHIP is popular also with governors because it's a block grant rather than an entitlement; that is, states receive a set amount of funds from the federal government and have



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