

Another debacle for US health care

Congress fails to adopt prescription coverage for the elderly

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The US House and Senate recessed for the month of August after failing to agree on a plan to add prescription drug coverage to Medicare, despite the promises by both the Democratic and Republican parties during the 2000 election campaign.

The House adopted a bill backed by the Bush administration and the pharmaceutical industry which offered little assistance to the elderly, but gave vulnerable Republican congressmen a political cover for the November 5 election.

The Senate failed to pass any bill, as four different measures went down to defeat because they could not attract the necessary 60 votes. The super-majority was required under Senate rules because all the prescription drug plans called for more spending than was allowed in last year's budget resolution.

In contrast to the enormous development of medical science and technology, and the vast resources of the big drug and medical equipment manufacturers, American social arrangements for the delivery of medical care to the population are appallingly backward.

Some 42 million people have no health insurance at all, denying them any guaranteed access to medical care except in a hospital emergency room. Another 20 million are covered by Medicaid, which is means-tested, limited to the poorest sections of the working class, and not accepted by many hospitals and doctors. Tens of millions more are underinsured, and face financial disaster in the event of serious illness or injury.

According to statistics made public during the congressional debate, unpaid medical bills account for more than 200,000 personal bankruptcy filings each year, and more than 9 million families spent more than 20 percent of their total income on medical costs.

The elderly are actually the best insured section of the population, because of the federal Medicare program established in 1965, the second largest federal social welfare program, after Social Security. Every person over age 62 is eligible for the program, which covers most hospital care and many other medical services. Most of the elderly also buy private supplementary insurance to pay for services not covered by Medicare.

Medicare has never provided coverage for prescription drugs used outside the hospital, however, and these have come to play a major role in treatment of chronic conditions like heart disease, greatly extending life expectancy. About one third of the 40 million Medicare recipients have no private prescription drug insurance, meaning they must bear the full cost themselves.

The combination of more widespread use and extortionate price-gouging by the big pharmaceutical companies has driven up spending on prescription drugs over the past 20 years. According to government studies, total US spending on prescription drugs tripled from 1990 to 2000, and doubled in just the five years from 1995 to 2000. Prescription

drugs accounted for 9.4 percent of total health care spending in 2000, double their percentage share in 1982.

There is another factor which has raised the profile of the prescription drug issue as far as the Democratic and Republican politicians are concerned: the cost of prescription drugs for retired workers is becoming a considerable burden for major corporations. According to the US Chamber of Commerce, current health care costs for retirees are rising at 18 percent a year. The liabilities of major corporations for future health care costs are rising as much as 34 percent annually, with prescription drug costs accounting for 40 to 60 percent of spending for those retirees eligible for Medicare.

Some of the biggest names in corporate America—General Motors, General Electric, Verizon, Boeing—have huge liabilities connected especially to the rise in prescription drug costs. Ford Motor Company, for example, said in its most recent annual report that it had to subtract \$1.92 billion from pretax income for expected payment of retiree medical costs, a 24 percent increase. Its total commitments for all retiree health care and other nonpension benefits came to \$25.43 billion, three times the company's current stock exchange value. It is this corporate crisis, not the plight of the elderly, that produced the official consensus in Washington that "something must be done" about prescription drug costs.

The course of the legislative struggle over the past three months has demonstrated the cynicism of the Bush administration and the congressional Republicans, and the prostration and impotence of the Democrats.

In his State of the Union address last January, Bush called for adding a prescription drug benefit to Medicare at the cost of \$190 billion over the next 10 years. Given that Medicare recipients are projected to spend \$1.8 trillion on prescription drugs during that period, Bush's plan was barely a fig leaf. It was soon discarded even by the congressional Republicans, who adopted and passed by a near-party-line vote a plan costing \$300 billion.

The Democrats, who control the Senate by a 50-49 margin, countered with a plan costing under \$600 billion over 10 years. These initial markers in the legislative wheeling and dealing thus set the stage for a "compromise" somewhere in the middle, i.e., between one-sixth and one-third of the estimated expense to the elderly. Both parties would leave retired workers paying the vast majority of their prescription drug bills.

As it developed, even this proved to be too much for congressional approval. The budget resolution adopted last year, incorporating the Bush administration's gargantuan \$1.35 trillion tax cut targeted to the wealthy, limited any new Medicare benefit to \$300 billion. The Democrats who supplied the key votes to pass that budget thus made it nearly impossible to adopt a more generous prescription drug plan, since spending beyond the \$300 billion limit requires the approval of 60 out of 100 senators.

All four prescription drug plans presented to the Senate—the Democratic version, the House Republican bill, slightly modified, and two other bills aimed at establishing even more limited benefits for the elderly poor—failed to receive the necessary 60 votes.

The vote on the last of these bills encapsulated the cynicism of the entire process. A group of Republican senators, after voting to defeat plans for a universal prescription drug benefit on the grounds that they were too costly, then announced they were voting against a bill to provide benefits for those elderly living at or near the poverty line, on the grounds that the benefit was not universal.

Any serious examination of the details of the various bills, whether the Republican or the Democratic plan, demonstrates that neither meets the needs of the elderly. Instead, each plan was carefully calculated to give the appearance of coverage, while ensuring that the elderly continued to pay the bulk of the cost of vitally needed medications.

The House bill, as modified by Senate Republicans, with the support of the Bush administration, would charge a premium of \$24 a month for “standard coverage” for prescription drugs. This coverage would include a deductible of \$250 plus huge co-payments: half the cost of all drugs up to \$3,450 a year, all drug costs from \$3,451 to \$5,300, and 10 percent of all drug costs above \$5,300.

An elderly person with \$5,000 a year in prescription drug costs would have to pay \$3,550 out of pocket, with Medicare providing only \$1,450. This is a large minority of the elderly—some 25 percent will have prescription drug costs over \$4,000 a year, according to an estimate by the Congressional Budget Office.

The plan proposed by the Senate Democrats would be somewhat more generous in terms of benefits, but charge slightly higher premiums, as well as co-payments of \$10 for each generic drug, \$40 for brand-name drugs on a preferred list, and \$60 for nonpreferred brand-name drugs. There would be no deductible, and total drug costs for any Medicare recipient would be capped at \$4,000 a year—still an enormous burden for those retired workers living on their Social Security checks.

The purpose of the complex reimbursement structure in both bills was to minimize the cost of the program, by soaking the typical elderly couple for as much as possible. The bulk of the elderly currently have annual prescription drug costs in the \$1,000 to \$3,000 range, well below the \$4,000 cap in the Democratic bill and the \$5,300 partial cap in the Republican bill.

Media coverage of the congressional debate suggested that the Democrats and Republicans were waging a titanic struggle over principles, with the Republicans relying on market-based solutions, while the Democrats called for a government-funded social program. This exaggerates the small relative difference between the two parties and transforms it into an absolute: in reality, both parties are unrelenting defenders of the capitalist market and medicine based on profit.

Hence the convoluted and ramshackle character of the Democratic bill, and the inability and unwillingness of the Democrats to make any broad popular appeal on the issue. The legislation proposed by the Senate Democrats bore an uncanny resemblance to the health care “reform” plan proposed by the Clinton administration in 1994, which went down to disastrous defeat.

Clinton’s original health care plan, with its thousands of pages of bureaucratese and bizarre and easily caricatured flow charts and diagrams, was the product of an attempt to gain through market mechanisms what they are inherently incapable of providing: genuine access to decent health care for all Americans.

In a society as rich as the United States, universal health care is not a utopia, or an extravagance, but a perfectly practical and even somewhat modest proposal. Significant steps in that direction have been made in less wealthy societies, not only in Western Europe, Canada and Japan, but even in many developing countries. But this requires setting some

restraints on the untrammelled operation of the capitalist market when it comes to health care and health insurance. Nowhere has it been possible to establish universal health care on the basis of a purely profit-driven medical system.

It is a measure of the bankruptcy of contemporary liberalism that it cannot suggest even the slightest inroads into the capitalist market. The Democratic Party has shied away from proposals for even the most obvious and beneficial reforms, such as establishing Canadian-style national health insurance instead of the private insurance system.

It is quite simple to outline the basic principles of a system of universal health care based on socialized medicine—in contrast to the mind-numbing complexity of the various prescription drug bills, and the mountain of paper which working families must wade through if they are fortunate enough to have decent health insurance coverage.

Medical care must be established by law as a basic human right, provided to all at state expense. The first question when you enter a doctor’s office or a hospital should be about your symptoms, not your health insurance. Insurance cards should join other relics in the Smithsonian.

The cost of such a system would be borne by taxation, targeted especially at the wealthy and the giant corporations—including the drug companies and other medical manufacturers that have reaped monopoly profits from the present system.

These costs would be significantly reduced under a universal health care system, first of all because preventive medicine, available to all, would reduce the number and frequency of illnesses which now go untreated until it is too late. There would be additional, and huge, savings from the abolition of most of the paperwork now used to restrict access to health care.

Medical care should become a public service, provided free to all, and the resources of the insurance companies, drug and medical equipment companies, hospital chains and other giant health care corporations should be taken under public ownership and operated as a public trust, under democratic control.

The logic of this approach is undeniable, and conforms to the interests of the working people who are the vast majority of the population. But the establishment of such a system can only come about as the byproduct of a political struggle by the working class against both the two big business parties and the profit system as a whole.



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