

Getting the Facts Right

Why Hillary's Health Care Plan Really Failed

By VICENTE NAVARRO

In his article "The Hillarycare Mythology" (*The American Prospect*, October 2007, pp. 12-18), Paul Starr, a senior health policy advisor to President Bill Clinton and a leading figure in Hillary Rodham Clinton's White House task force on health care reform, analyzes the origins, development, and final outcome of the Clinton administration's health care reform--referred to by Republicans as "Hillarycare."

Starr dates the origins of Bill Clinton's commitment to health care reform to the special congressional election held in Pennsylvania in November 1991, when Harris Wofford won against all odds by making reform of the health care sector a major campaign issue. According to Starr, this event triggered a great deal of interest in health care reform; even the American Medical Association (AMA) and the Health Insurance Association of America (HIAA) supported some types of reform such as an employer mandate to provide health benefits coverage. As noted by the editor of *JAMA*, "there was an air of inevitability about health care reform." It was this surge of interest that candidate, and later President, Clinton tried to capitalize on by developing a proposal to provide universal health care coverage for all Americans (meaning all U.S. citizens and residents).

Once elected, Bill Clinton established the 500 member White House task force, led by Mrs. Clinton, to work on the details of a proposal developed within a framework defined by the President. According to Starr, the proposal failed when President Clinton presented it to the U.S. Senate after completion of, rather than before, the budget discussions. The Senate did not support the proposal, because it would require extra revenues (making senators susceptible to Republican charges of fiscal irresponsibility) and particularly because--again, according to Starr--the proposed benefits coverage was too extensive and too large for many senators to swallow. The final message of Starr's article is that it was President Clinton's fault, rather than Hillary's, that the reform proposal failed.

Starr reproduces a widely held interpretation of the failure of the Clinton health care reform that (limiting the analysis to the relationship between the President and Congress) attributes this failure to a calendar error - bad timing--and to the excessive generosity of the proposed health care benefits. I believe there is a need to correct such an interpretation of the events that led to the death of the reform proposal and to challenge the assumptions behind the interpretation. This is important because we might face a similar situation very soon. The majority of the U.S. population is dissatisfied with the funding and organization of the health care sector, and this dissatisfaction has reached unprecedented levels. Once again, all

indicators show that people want change. But we could face another failure unless some major changes take place in the U.S.--changes that, I admit, are unlikely to occur with the current correlation of forces in the country and in the Democratic Party.

Let's start with some corrections to Starr's assumptions. The commitment of the Democratic Party and candidate Bill Clinton to universal health care coverage for all citizens and residents started much earlier than Starr suggests. It began in the presidential primary campaigns of 1988, when Jesse Jackson (for whom I was senior health advisor), running for the Democratic nomination, made a commitment to universal, comprehensive health care benefits coverage a central component of his platform. This proposal was dismissed by the Democratic Party establishment as "too radical," but it had already mobilized large sectors of the party's grassroots (especially labor unions and social movements) to support Jackson, with more than 40% of the delegates at the Democratic Party Convention in Atlanta. This shook the Democratic establishment and stimulated responses from Governor Clinton, Senator Al Gore, and Congressman Richard Gephardt to block this rise of the left in the Democratic Party, which they did by establishing the Democratic Leadership Council, among other interventions. (Gore and Gephardt have changed since then; Bill Clinton hasn't.) (I describe these effects of Jackson's health proposals on the Democratic Party in "The 1988 Presidential Election," in *The Politics of Health Policy: The U.S. Reforms 1980-1998*, Blackwell, 1994, pp. 99-110.) To control this growth of the left, something had to be done. And as liberals always have done when faced with the left, they recycled its progressive proposals, adopting much of their narrative but emptying them of their content. This is what Clinton did in his 1992 campaign. He used the title, narrative, and symbols of Jesse Jackson's campaign, calling his platform "Putting People First" (the title used by Jackson in 1988) and including the call for universal health care benefits. As the perceptive *Financial Times* wrote, "Clinton [has borrowed] extensively from Jesse Jackson 1988. He sounds like a Swedish social democrat." While borrowing the language and the symbols, however, Clinton changed the content dramatically.

Whereas Jackson had called for a single-payer program similar to that in Canada, Clinton chose the opposite pole of the political spectrum: managed care competition. Managed care competition basically meant the insurance companies exercised full control over health care providers, with doctors working in group practices called Health Maintenance Organizations (HMOs). As stated by Paul Elwood, a leading member of the White House task force, "*insurers-controlled HMOs, under managed care competition will stimulate a course of change in the health care industry that would have some of the classical aspects of the industrial revolution--conversion to larger units of production, technological innovation, division of labor, substitution of capital for labor, vigorous competition and profitability as the mandatory condition of survival*" ("Health Maintenance Strategy," *Medical Care*, 9 (1971), p. 291). This industrial revolution in medical care would indeed have revolutionized the practice of medicine.

It is important to note that the idea of managed care competition was first proposed as a solution to the irrationality of the U.S. health care sector by Alain Enthoven, personal advisor to U.S. Secretary of Defense Robert McNamara during the Vietnam War. Enthoven was in charge of developing the "body count" as an indicator of military efficiency. After the Vietnam fiasco, Enthoven retired to the Rand Corporation, choosing to focus his intellectual efforts on the reform of U.S. health care. A strong ideologue and market fundamentalist, and completely ignorant of the mechanics of the medical care sector, Enthoven thought the best way to control out-of-control costs in the health sector was to increase competition in the sector, letting health insurance companies compete for consumers--meaning patients--based on the price of services. The problems with such a naïve and

unrealistic scenario are many. First, patients do not determine the cost or price of medical care services. Second, patients have very little choice in the U.S. health care sector: employers choose which plans are available to employees. Third, the market does not exist in the health care sector. Fourth, the insurance industry's financial viability depends on its ability to discriminate against heavy care-users. I could go on and on detailing just how wrong Enthoven's proposals were.

Not surprisingly, managed care was the proposal chosen by the insurance industry and by employers. As Bill Link, Executive Vice President of Prudential and one of the highest-paid CEOs in the country, stated: "*for Prudential, the best scenario for reform--preferably even to the status quo--would be enactment of a managed competition proposal.*" Link envisioned the corporatization of U.S. medicine, breaking the long dominance of health care providers in the medical care sector. As Enthoven wrote in an article co-authored with Richard Kronick, another leader of the White House health care reform, "*what about traditional fee-for-services individual and single specialty group practices? We doubt that they should generally be compatible with economic efficiency. . . . Some would survive in private solo practice without health plan contracts, serving the well-to-do.*" It could not have been put more clearly: managed care competition was corporate assembly-line capitalism for the masses and their health care providers, with free choice and fee-for-service medicine for the elites.

This proposal was actively promoted in the White House task force by the staff of Democratic Representative Cooper and members of the so-called Jackson Hole Group, who even distributed the group's manuals on implementing managed care competition to task force members. They were particularly active in the Governance of the Health System (chaired by Richard Curtis, who had been an official of the HIAA) and Global Budgeting working groups. Outside the task force, managed care competition was actively promoted by the insurance companies. Mr. Weinstein, a disciple of Enthoven and a member of the editorial board of the *New York Times* (a third of the *Times* board members then had connections with insurance companies), wrote nine editorials in support of managed care competition.

Paul Starr sold managed care to candidate Bill Clinton. Of course, Starr and another leader of the White House task force, Walter Zelman, were aware of some drawbacks of this scheme, and they modified it to allow for some form of regulation of the ill-defined market forces--without specifying, however, who would do the regulating. They spoke of Health Alliances that would regulate the rate of growth of premiums and would allow, in theory, for consumer choice of health plans, with large employers operating on their own outside the regulatory process but still within the framework of managed care competition (with budget constraints); health insurers and health care providers could be integrated in the same organization, or Health Plans. While managed care competition was the proposal favored by insurers and large employers, it was not favored by health care providers. Providers had already had enough experience with insurance companies to know that they could be more intrusive, abusive, and nasty than government. And managed care was certainly not the choice of the grassroots of the Democratic Party--labor unions and social movements.

Concerned that managed care was not backed by the majority of the progressive base of the Democratic Party, Jesse Jackson, Dennis Rivera (then president of Local 1199, the foremost health care workers union), and I went to see Hillary Clinton. We complained about the commitment to managed care competition without due consideration of a single-payer proposal supported by large sectors of the left in the Democratic Party. We emphasized the need to include this proposal among those to be considered by the task force. Mrs. Clinton responded by asking Jackson and the Rainbow Coalition to appoint someone to the task force with that point of view. And

this is how I became a member of the White House task force. I later found out that there was considerable opposition from senior health advisors, including Starr and Zelman, to my becoming part of the task force. According to a memo later made public and published in David Brock's nasty book *The Seduction of Hillary Clinton*, Starr and Zelman disapproved of my appointment "because Navarro is a real left-winger and has extreme distaste for the approach we are pursuing" which was fairly accurate about my feelings, but I must stress that my disdain for managed competition and the intellectuals who supported it did not interfere with my primary objective: to make sure that the views of the single-payer community would be heard in the task force. They were heard, but not heeded. I was ostracized, and I had the feeling I was in the White House as a token--although whether as a token left-winger, token radical, token Hispanic, or token single-payer advocate, I cannot say. But I definitely had the feeling I was a token something.

It was at a later date, when some trade unions and Public Citizen mobilized to get more than 200,000 signatures in support of a single-payer system, that President Clinton instructed the task force to do something about single-payer. From then on the battle centered on including a sentence in the proposed law that would allow states to choose single-payer as an alternative if they so wished. In Canada, after all, single-payer started in one province (Saskatchewan) and later spread to the whole nation. I have to admit that I made that proposal with considerable misgivings, since the insurance companies can also be extremely influential at the state level. For example, Governor Schaeffer (a Democrat) of Maryland had asked insurance companies to interview the various candidates for state insurance commissioner. Still, including this proposal was a step toward giving single-payer a chance in the U.S.

It is interesting that in my debates with Alain Enthoven, he dismissed my proposals with the comment that "*the U.S. Political System is incapable of forcing changes in such powerful constituencies as the insurance industry.*" Such candid admission of the profoundly undemocratic nature of the U.S. political system was refreshing. The splendid opening of the U.S. Constitution, "We the people . . . ," should be amended with a footnote reading "and the insurance companies." Actually, Enthoven's statement came very close to Marx and Engels' *Communist Manifesto*, which defines democracy as a class dictatorship in which the corporate class controls the state. Empirical support in the U.S. for that statement is strong. But the statement is not 100% accurate. I lived under a dictatorship in my youth (in Franco's Spain) and I recognize a dictatorship when I see one. The U.S. is not a dictatorship. People in the U.S. do have a voice. Marx and Engels (and Enthoven) were not completely right: U.S. history shows that people's mobilizations can win the day. But, while not a dictatorship, U.S. democracy is profoundly undermined by the enormous influence of the economic and corporate lobbies, components of the corporate class. I documented this in *Medicine Under Capitalism*, published in the 1970s. And things have become much worse during the ReaganBush Sr./Clinton-Bush Jr. era. The huge limitations of U.S. democracy are evident in the difficulty with which the importance of people's voice gets noticed. And this is why the Clinton proposal failed. He did not include in his plans any effort to mobilize people in support of the reform. Quite to the contrary. He allied himself with the major forces responsible for the sorry state of the U.S. medical care sector--the health insurance industry. The insurance companies ultimately opposed the final proposal because of its regulatory components, added by Starr and Zelman. But, apart from these components, the insurance companies would have continued to manage the health care system.

Starr's explanation of why the reform failed is dramatically insufficient. The failure had little to do with timing, with when and where President Clinton presented the proposal. It had to do with how the Clintons related to the progressive

constituencies, including labor and social movements. No universal, comprehensive coverage will ever be achieved in the U.S. without an active mobilization of the population (especially progressive forces) so as to balance and neutralize the enormous resistance from some of the most important financial lobbies in the nation. Starr's social engineering approach, lacking any understanding of the dynamics of power, explains failure as a consequence of problems of the electoral calendar or the types of benefits offered.

In reality, the Clinton administration ignored the majority of the country's progressive forces from the very beginning of its mandate. President Clinton made his first priority a reduction of the federal deficit (a policy not even included in his program), approved NAFTA (against the opposition of the AFL-CIO, the social movements, and even the majority of the Democratic Party), and committed himself to perpetuation of the for-profit health insurance system--the primary cause of the country's inhumane medical care system. When NAFTA was approved, Clinton signed the death certificate for the health care plan, and for the Democratic majority in Congress. The number of people who voted Republican in 1994 was no larger than in 1990 (the previous non-presidential congressional election year). The big difference was in the Democratic vote. Abstention by working-class voters increased dramatically in 1994 and was the primary reason why Democrats lost their majority in Congress. This is a point that Starr ignores. The Gingrich Revolution of 1994 was an outcome of voter abstention, particularly among the working class, who were fed up with President Clinton. But NAFTA was also the death knell for health care reform. One could see this in the White House task force. NAFTA empowered the right, and weakened and demoralized the left.

A continuing shift to the right (erroneously called the center) has been the Democratic Party's strategy for the past 30 years, abandoning any commitment to the New Deal and the establishment of universal entitlements that make social rights a part of citizenship. David Brock writes in his book *"that Navarro had told Mrs. Clinton that if the President went ahead with a managed care competition plan, it would cost the election to the Democratic Party."* Brock's credibility as a reporter is extremely limited, but on that point he was right. I told Mrs. Clinton that the only way of winning, and of neutralizing the enormous power of the insurance industry and large employers, was for the President and the Democratic Party leadership to make the issue one of the people against the establishment. It was a class war strategy that the Republicans most feared. My good friend David Himmelstein, a founder of Physicians for a National Health Program, told Mrs. Clinton the same thing. And as I judged by her response, she seemed to think we did not understand how politics works in the U.S. The problem is, we understood only too well how power operates.

This, then, is why the Clintons failed. And unfortunately, Hillary Clinton will fail again if she lacks the courage to confront those responsible for the predicament in the nation's health care system. The insurance-controlled system imposes enormous pain on the population. It is not just that 46 million people are now without health insurance, but the system also fails the huge numbers of people who have insufficient coverage and don't discover this until they need it. This cruel system has been supported by large employers because it gives them oppressive control of the labor force. When workers lose their job, they lose not only their income but also health benefits coverage--for themselves and their families. The alliance of two of the most powerful forces in this country--insurance and large employers--is at the root of the problem.

A final observation. Love of country is measured by the extent to which one promotes policies that support the well-being and quality of life of the population and, most particularly, the working and middle classes that make up the vast

majority of the population. Judged by this standard, most super-patriotic, right-wing forces fail miserably on the love-of-country front. People in this nation die due to lack of health care. The estimates vary from 18,000 to 100,000 a year, depending on how you measure preventable deaths. But even based on the most conservative number of 18,000 (from the conservative Institute of Medicine), this is six times the number of people killed on September 11, 2001, by Al Qaeda. And these deaths continue year after year. The deaths on 9/11 are rightly seen as the result of enemy action. But why do the 18,000 deaths each year go unnoticed? Why aren't they seen as the outcome of hostile forces, whose love for their country is clearly nil? Mark Twain said, "*You cannot love people and then go to bed with those who oppressed them.*" Why is it so difficult to understand such a basic truth?

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