Click here for Full Issue of EIR Volume 28, Number 15, April 13, 2001

Volcker, initiated his "controlled disintegration" of the nation's economy with a 21% prime interest rate, the country had 5,830 community hospitals, according to the American Hospital Association (AHA). The AHA defines community hospitals as all non-Federal, short-term general hospitals and specialty hospitals whose services are open to the public. At the time, fewer than 10 million people were enrolled in HMOs.

In 1982, there were approximately 4.4 beds per 1,000 population. This was already a drop from 4.6 in 1975, when hospitals were still being built under Hill-Burton (see A. Sager and D. Socolar, "Before It's Too Late: Why Hospital Closings Are A Problem, Not a Solution," 1997). By 1983, the number of hospital beds peaked at 1,018,688 nationwide. Then, the first shakeout hit when the Federal government implemented its Prospective Payment System (PPS) for Medicare in 1983.

Medicare is the Federal health insurance program for 40 million older and disabled Americans. Until 1983, the Medicare program covered all hospital costs involved in treating a Medicare patient. With the PPS, Medicare reimbursed hospitals at a pre-set rate for treatment based on a list of 470 coded illnesses (called Diagnosis Related Groups, or DRGs), thereby penalizing hospitals for giving needed care exceeding the DRG payment. (Years later, this system was modified to consider the severity of an illness.) Overnight, the dramatic drop in Medicare payments led hospitals to drastically slash the length of hospital stays of elderly and disabled patients—often sending sick patients home. This was driven purely by austerity policies—not by medical breakthroughs and technologies, which, later, did allow for shorter hospital stays and a general shift to outpatient surgeries.

In rural regions, where hospitals are often the sole source of patient services available within a 35-mile radius, 700 rural hospitals closed by 1988, according to the National Governors' Association. The "trigger" for these closures, according to the Federal Office of Rural Health Policy, was the Federal government's switch to the Medicare PPS.

Destroying Infrastructure

The impact of the government's PPS and Wall Street's managed care system on U.S. hospitals was dramatic. During 1980-91, 500 community hospitals in the United States closed their doors, according to the AHA. As HMOs increased their "market share" (that is, the number of insured patients in the United States), they racheted down their payment rates to hospitals. Either a hospital accepted an HMO's lower payments—which covered less and less of the actual cost of treatment—or it lost all of its patients in that HMO, which could mean losing 20% of its patient base. Hospitals were doomed either way. While managed care was promoted to "cut health-care costs" and to cut out the "fat" in hospital care, managed care organizations (MCOs) and HMOs looted billions of dollars from the nation's health-care system by denying or delaying payments (for example, MCOs owe California hospitals more than $1 billion in back payments). The Institute of Medicine implicates managed care as a major cause for the fiscal crisis now engulfing public hospi-

Bush Protects Murderous HMOs

State regulatory laws are, for the most part, useless, since many of the managed care plans are provided by employers, and are protected by the ERISA shield—a 1974 Federal law known as the Employee Retirement Income Security Act. Such plans are protected from state health insurance oversight, even when managed care organizations and HMOs inflict injuries, permanent disabilities or even death on thousands of patients by denial or delay in needed treatments. Families had no protection when their children committed suicide after their HMOs refused to pay for inpatient psychiatric treatment.

These genocidal policies—and the managed care organizations behind them—are now being protected by the "compassionate conservative" President George W. Bush. In a March 21 speech in Florida, Bush came out swinging for Wall Street's HMO shareholder values—with promises to scuttle any legislation in Congress that would allow "frivolous" suits against HMOs, by patients permanently harmed or killed by HMOs' wrongful denial or delay of treatment. Such "frivolous" lawsuits have included the case of a woman who died because her HMO refused to authorize her cancer treatment; others, when HMOs denied surgery to tens of thousands of children born with cleft palates, which if not surgically repaired, will result in life-long complications in breathing and eating—because the HMOs claim the reconstructive surgery is "cosmetic."

Now, Bush will collaborate on his HMO "reform" with Sen. Bill Frist (R-Tenn.), whose family ran Columbia/HCA with Richard Rainwater. Frist is considered Columbia/HCA's man in Congress. It is also rumored that Bush will appoint Thomas Scully, who runs the Federation of American Hospitals, the trade group of for-profit hospitals, of which Columbia/HCA is an important member, to run the Health Care Financing Administration (HCFA). HCFA is the influential Federal agency that administers the Medicare and Medicaid programs.—*Linda Everett*

© 2001 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.