

## Background Paper

# Australia's Experience with Health Reform Are there lessons for Canadians?

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## **Australia's Experience with Health Reform Are there lessons for Canadians?**

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# Australia's Experience with Health Reform: Are there lessons for Canadians?

## Introduction

When considering health or age care, the most important consideration is whether the care is being provided for your benefit or for the benefit of someone who has no real interest in your well being. It is critical to clearly distinguish between not-for-profit care for the patient and for-profit care of shareholders - also called market medicine.

This presentation first addresses some of the fundamental considerations in the spread of market medicine. It examines the key roles which health professionals play in this as well as the implications for patients and citizens. The development and conduct of corporations in the US and Australia are documented to illustrate the analysis.

It then goes on to describe how what is happening in health care is a reflection of ideological processes in the wider community. How we respond to the corporatisation of health care will consequently have implications for society as a whole.

## Background

Canada and Australia both have a system of universal public health insurance. Health delivery is dominated by not-for-profit humanitarian organisations. In the United Kingdom they have a national health system funded and run by government. These countries differ from the United States where the bulk of health care is provided through market mechanisms. The market culture is dominated by for-profit corporations listed on the share market.

Australia differs from Canada in that it has a two tiered system. Everyone is entitled to public care and to public hospital care. There is a second private system for in-hospital care and almost half the population insures for this. This second tier allows Australians a greater choice of private hospitals and treating doctors. An increasing number of these private hospitals are run by market listed for-profit corporations. They see market medicine as the way of the future. Australia also has a National Pharmaceutical system which effectively contains costs.

The drug companies don't like this and have attempted to undermine it.

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mechanisms are the logical mechanism for administering health care. They have set out to reform health care by introducing market forces. They believe that this will generate increased efficiency, lower costs and improve care as well as provide greater choice.

The distinction I wish to make is between care of the shareholder or for-profit medicine, and care of the patient or not-for-profit medicine. This is a critical distinction. The two systems may appear similar, but because they have different starting points, they function within different paradigms. They consequently behave very differently.

Not-for-profit health care is provided by government, or by religious or secular organisations in the community. Their starting point and primary objective is to stretch

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limited resources for the benefit of the patient and the community. The focus is humanitarian. While there is rivalry, the mode of operation is cooperation in the service of individual citizens in need, and the wellbeing of the community.

For-profit care is largely provided by companies that are listed on the share market. Their starting point, primary

responsibility and fiduciary duty is to make profits for their shareholders. To do so they must stretch limited resources to increase margins. They call this efficiency. Their focus is profit and their mode of operation is competition for public and private dollars. This is directed for the benefit of their shareholders at the expense of other corporations so there are losers. If they are not competitive they go under. Their corporate survival is at stake.

There is also the question of morality. Few examine the morality, even the logic, of providing a humanitarian service through a mechanism where the agents involved are strongly driven impersonal entities whose motivational interest is not the well being of the community.

I have deliberately used the words "limited resources". This is because health care costs are high, and in all western countries, including the USA, funding is constrained by a government payer or by insurance systems. Only the very rich can afford to pay directly for costly care.

This essentially means that there is seldom enough money to provide all the care we would like to provide. Profits can only come from money intended for care. Those companies able to take more from care are profitable and succeed. Those less able to do so go under.

As a consequence, those willing to indulge in fraud or compromise care for more profit, succeed and dominate. Duty of care is not a competitive entity when set against the interest of shareholders. All too often it is a loser. The major cost of care is staffing, particularly nurses. Those who need most nursing, suffer the most. Not-for-profit companies that do not move from cooperation to a competitive mode of operation go under.

I do not want to promote any particular system of not-for-profit health care. I am going to examine the implications of for-profit care and I am critical of this.

### **For-profit systems**

The arguments for a market system are simple. They are superficially self evident. Health care it is claimed is a product that can be packaged and traded like any other.

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Because customers can shop around and choose they will select good products at the cheapest prices. The pressures of the market will weed out poor providers.

Good ones will succeed. Only the efficient will survive. The costs of health

care will be kept down and standards up. This has worked everywhere else so will work in health and aged care. Health care is notoriously inefficient and the market will fix this.

The market arguments sound logical once you accept the basic premises but these are flawed. Health care is not a product which can be readily packaged and sold. It is a complex and individualised interpersonal process. Few health care customers are interested in shopping around. They seldom have sufficient knowledge and many are so stressed or incapacitated by their illness that they are not only incapable of shopping around but are readily exploited. In practice, choice impacts on efficiency and so on profits. Choice is often curtailed. The argument that because the market works in some domains it will work in all domains is illogical. In logic this is called a category error - comparing apples with oranges.

Many market advocates are highly motivated and strongly reject the sort of analysis I have made. They claim that there is no conflict between good care and their duty to shareholders. In fact they have a fiduciary responsibility in law to put the financial interests of their stockholders before all else. Care and profits compete directly for the same dollar. I am not challenging the sincerity of these advocates. The problem is that the final decision making power does not lie with them.

The real power lies with the large institutionalised investors and with the financial institutions who fund growth. They know nothing of health

"The real power lies with the large institutionalised investors and with the financial institutions who fund growth."

care and have only one responsibility - to make money for their shareholders. Health care corporations are growth companies and their success comes from acquisitions. They must make enough money to make acquisitions and service their loans. If they fail to do so they are acquired by a competitor. It is a life or death situation.

This is an impersonal system of economic levers designed to maximise profit. It pays little attention to how profits are generated. Managers who do not perform are forced out. Those who succeed rationalise their positions in order to do whatever it takes.

## Contrasting Systems

The cheapest health system is a government run National Health System in which personal convenience is sacrificed for efficiency and cost. The National Health System in the United Kingdom costs less than in any other developed nation, yet the overall health benefits are comparable to other developed nations.

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In market systems, the pressures towards dysfunction necessitate a second tier of economic levers designed to counteract the pressures to over-service. This is called managed care. The pressures to exploit weaknesses in the system

require additional layers of oversight, accreditation and penalisation. Corporate success is dependent on costly and often deceptive marketing. The costs of marketing, administration, competitiveness and incentivisation are considerable. For-profit market systems are consequently by far the most expensive. The multiple layers of competing health corporations, each with its administrative and profit requirements makes this by far the most inefficient system of caring for sick citizens.

Not surprisingly the USA has the most expensive health care system in the world. Per capita health costs are almost double those in Canada and Australia. In spite of this the overall health benefits are among the lowest in the developed world and sixteen percent of the population is uninsured. Health care costs are one of the commonest causes of bankruptcy.

In the remaining developed nations including Canada and Australia there are a variety of intermediary systems with a mix of market for-profit and not-for-profit services. The not-for-profit mission of care is dominant. Costs are intermediary and health outcomes good.

For-profit corporations control their own data claiming business in confidence entitlements. It has been difficult to directly compare costs when allowing for the types of cases treated. For-profit facilities typically treat the wealthy, the healthy and the low risk short stay cases. Those with a moderate or low income, the elderly and those with chronic illness or conditions gravitate towards charitable not-for-profit or government run facilities. They typically are more costly to treat and have a higher mortality (death rate) and morbidity.

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Recent studies have convincingly shown that costs in for-profit systems exceed those in not-for-profit ones. An increasing number of studies examining comparable hospitals indicate that the morbidity and mortality is greater in for-profit hospitals.

It is increasingly clear that the mode of operation differs when the driving force is care of the corporation rather than care of the patient. This is reflected in costs and outcomes.

As you will be aware Mr. Romanow challenged corporations to show that they could provide better and cheaper services and they failed to do so.

I want to compare the way the market has operated in the USA and in Australia.

## The United States of America

The right to compete in the capitalist marketplace is enshrined in the US democratic ideal. Medicine has been market based to a far greater extent than in other countries.

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Medical and other opportunists established market listed corporations in the 1960s, soon after the US Medicare system for the aged was introduced. This provided a safe basic income on which to build empires. For-profit corporations have steadily increased in size and influence over the years. In spite of this not-for-profit hospitals still outnumber

for-profit hospitals in the USA. Economic ideology has given the market increasing legitimacy. This has forced not-for-profit facilities to operate as market entities and adopt competitive marketplace practices. Market thinking dominates the entire system.

In the USA Health Insurance has been provided primarily by employers and to the elderly by government through Medicare. By the 1980's spiraling health insurance costs for employers were impacting on the competitiveness of US products. While politicians debated and disputed, the marketplace imposed its own solutions. Politicians legislated to keep up. A range of marketplace measures were introduced to reduce over-servicing and costs. These included the introduction of payment based on Diagnostic Related Groups (DRGs) and managed care.

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Market thinkers soon identified the doctors who controlled patients and ordered the

expensive tests and treatments as the key to controlling costs. Doctors became the villains and were targeted. Most influential was Joseph Califano, a Chrysler executive who had been a health adviser to Ronald Reagan. To him doctors were the problem and he pointed out that they could be managed by gaining control of their careers and their economic well-being.

What Califano had found was that doctors could be induced to put the welfare of their families and their careers ahead of their duty to patients. While managed care was the initial vehicle used to control costs in this way, for-profit providers of health care adopted

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the same strategies to push up their profits. Lavish incentive payments, kickbacks, and kickback like arrangements with doctors and managers, coupled with career sanctions for those who refused to be team players all became recipes for marketplace success. The companies soon had a

ready set of justifications and rationalisations on offer to soften any pangs of conscience. It worked well. Marketplace success became its own legitimacy. Corporations had the money to make large political donations and employ effective lobbyists. This gave them unprecedented power and the ability to influence policy in their favour.

In a market society successful corporate leaders are admired and credible. They become philanthropists and are showered with public accolades. Richard Eamer chairman and co-founder of the notorious National Medical Enterprises (NME) received many awards whose titles reflect his standing. These include the USC merit award, Research Institute awards, Private Enterprise awards, The USC Award for Business Excellence, Good Scout Award, a number of Humanitarian Awards, a prevention of cruelty to animals award, a Spirit of Life award, an Independence award, a Health Care Industry Distinguished Citizen Award and many others including an honorary doctorate of laws. With such accolades doubts were swept under the carpet. None questioned the legitimacy of what they were doing. NME was the darling of the marketplace. Analysts heaped praise on its management practices.

### **The psychiatric scandals led by National Medical Enterprises (NME)**

The way in which the marketplace thinks and operates is well illustrated by events in the late 1980's where NME was the prime offender. This is because so many internal documents became available. These cases were all eventually settled out of court. What happened can be deduced from the many documents and reports which became available.

Behind the humanitarian public façade, the market led by NME, followed the money, not the patients, and not a mission of care. This is particularly well illustrated by the response to the change from payment by fee for service to payment by Diagnostic Related Group. Hospitals were paid an averaged agreed fee for a hospital admission based on the group to which a disease or type of treatment belonged and not for the care actually provided for each patient. It was no longer possible to exploit the weakness of the Medicare and insurance systems for profit.

Major corporations led by NME shifted the main focus of their operations from general hospitals to specialty hospitals where the DRG system had not been introduced. Large



numbers of psychiatric, substance abuse and rehabilitation hospitals were built and companies set out to fill them. The medical specialists in these areas were not well organised or cohesive.

Marketing became the key to corporate success. It was used to fan community anxiety and create a demand for care even when it was not needed. A variety of pseudo diagnoses became

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fashionable. Anxious citizens were urged to phone hot lines staffed by employees trained only in "phone bonding". They were rewarded on the number of inquirers they persuaded to come for free assessments.

Free assessments were performed by untrained staff rewarded on the basis of their "conversion rates". This was the number of insured patients converted to admissions. Screening services were marketed, but their intention was the admission of citizens and this had more to do with the state of their insurance than their health.

In addition to this bounty hunters were sent into the community and even into Canada to fan anxieties and persuade anxious citizens into hospital. They were paid up to US \$2000 for each head on a bed.

To maximise profits a programmatic system of care was designed for each diagnosis. This, gave the maximum amount of treatment within the time available, much of it valueless. Costs of care were pushed up to US\$1000 per day. This was continued for the full period during which the patient was insured but when their insurance ran out, they were pronounced cured and discharged. On admission patients were, it was alleged, assigned to the most profitable diagnoses.

Disturbed children seldom require hospitalisation and it is usually harmful for them.

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Adults were commonly insured for one month's hospitalisation. Children were covered for six months. Each child was a potential gold mine. Advertisements targeted failures in school performance, and almost every other behaviour that might

cause parental anxiety.

Corporations put their paid counselors into schools and into the juvenile courts. They were rewarded for admissions. School health care fairs and educational seminars were run to generate admissions. Large numbers of children were needlessly admitted to psychiatric hospitals and kept there for long periods of time.

Compliance by psychiatrists was secured by gaining control over their incomes and careers. Admissions were secured by marketing and controlled by corporate administrators. They allocated the patients to the doctors. Doctors were expected to sign for the admissions and for the programmatic treatment given. This meant handing treatment over to the company. Those who complied became wealthy. Those who refused to be team players starved. While treatment was provided by the hospital, doctors continued to charge for what became known as "howdy" rounds and for "wave therapy". They were expected to attend "charting parties" where patients' notes were massaged to justify profits.

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In addition, compliant doctors were given rent free rooms and secretarial assistance. Sometimes they got interest free housing loans and if they performed well they did not repay them. If they referred patients they received kickbacks.

Doctors were given well rewarded, but not onerous, appointments in the hospitals and the hospitals did their marketing, promoting them to colleagues and to the public. Hospitals arranged for them to speak at meetings. Profitability determined promotion at the expense of qualifications and competence.

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Golden handshake agreements became golden handcuffs binding doctors to the corporate mission. When doctors in a region refused to comply companies brought in outsiders and directed the work to them. Only doctors and hospitals that

were already profitable survived. Doctors who did not comply either starved or went elsewhere. Whistle blowers were labeled as disruptive doctors. The peer review process was used to drive them out of the hospitals and destroy their careers.

Internal company records and testimony by company officials, physicians and investigators documented during a subsequent inquiry into the activities of NME by the U.S. House of Representatives provided riveting details of these strategies and practices.

*"What happened here - - - this is what I was asked to do, to sell my MD degree which gives me admitting power to a hospital. Once that's done, the sky is the limit. . . If you. . . look the other way, you'll become enormously wealthy and the treatment is taken over by the non-medical people, absolutely non-medical with no training at all."* (Testimony of physician describing his interview with company official.)

*"We've got people out there - - - and we're going to hire another one in marketing that does nothing but beat the bushes and finds the patients and sends them to the hospital."* (Company official in taped meeting.)

In 1994 NME pleaded guilty to criminal offences and paid about \$1 billion in fraud related settlements including US \$135 million to settle with the children who were harmed. It was required to sell off its specialty hospitals.

It fired its three founding directors and claimed to have become a highly ethical company. It changed its name to Tenet Healthcare, claiming this reflected its new integrity. The banks immediately loaned it large sums and it embarked on a massive takeover spree buying America Medical International and then OrNda Healthcare. This made it the second largest general hospital owner in the USA.

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Following this scandal, giant corporations became more circumspect with their documents. Charges were settled with the regulators by negotiation behind closed doors. We do not have such a wealth of internal documents. From the material available, mostly press reports, it is clear that the patterns of market thinking and the sort of behaviour observed in the psychiatric and substance abuse hospitals occurred in the majority of successful market listed corporations.

### **Tenet Healthcare (formerly NME) - a second scandal**

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National Medical Enterprise never accepted that they had done anything wrong. They had followed legitimate business practices. They felt that they had been victims of a media frenzy. Even after they had pleaded guilty to criminal conduct,

paying a US \$379 million fine, they became angry because they were treated as criminals. It was clear that their culture and their business model remained intact.

After they changed their name to Tenet Healthcare in 1994 they were constrained for five years with integrity agreements, ethical agreements and compliance programs which were supervised. Not surprisingly they performed poorly during this period. There were a few minor accusations of fraud but these were resolved by paying fines.

When the oversight expired in 1999 the company became much more aggressive and its fortunes rapidly improved. It had identified a loophole in the Medicare and HMO system. It was possible to get extra outlier (extra) payments for particularly complex procedures. Tenet elected to target complex cardiac, orthopaedic and neurological procedures and charge more for them. Large numbers of cases were funneled through this lucrative

outlier loophole. It is clear they reverted to many of their old management practices including their relationships with doctors. They once again supported and marketed the skills of compliant doctors who were poorly qualified but profitable. It was once again a darling of the stock market making large profits.

Nurses spoke out strongly criticising cost cutting and deskilling. They pointed to deteriorating care in many hospitals. There were some startling examples of hospital and corporate failures in care.

The bubble finally burst in 2002 when an analyst noticed the vast number of outlier payments being billed for and reported this to authorities. At the same time an ethicist notified the FBI that

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doctors at a renowned and profitable Tenet hospital which ran a screening program for cardiac disease were performing cardiac procedures and bypass grafting on patients who did not need them, many with normal hearts. Tenet administration had ignored complaints about this from their own doctors. The FBI raided the hospital and soon a mass of other problems emerged.

The hospital involved in the heart surgery scandal has settled with the FBI for US \$54 million and was required to sell the hospital. Hundreds of patients who had unnecessary procedures are suing for compensation. Other hospitals are being investigated for similar practices. A number of hospitals are being investigated for paying kickbacks to doctors. Tenet's attempts to acquire not-for-profit hospitals have raised hackles and there are legal issues which are under investigation. Citizens groups are suing for price gouging.

At the present time the company is experiencing huge losses. It has sold large number of hospitals, presumably in preparation for a settlement. It is in negotiation with authorities. Estimates of the likely settlement range from US \$1 billion to US \$6 billion.

### **Columbia/HCA**

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Between 1994 and 2002 the scandals and fraud exposures became more frequent. Operation "labscam" netted US \$800 million in fines from the large diagnostic laboratory companies including Dow Corning and

SmithKline Beecham. In home infusion (intravenous) therapy, Caremark, previously a subsidiary of Baxter pharmaceuticals, paid US \$161 million. There were problems in dialysis services. Operation "restore trust" netted the largest and most indigestible of all, Columbia/HCA.

Health Corporation of America (HCA) was established in the 1960s by a surgeon and politician Thomas Frist. One son, Thomas Junior, also a surgeon, became a businessman and took over the running of the company. A second son, William (Bill) who gains his wealth from the company, became a republican and is currently leader of the US congress. He plays a key role in US health policy.

HCA was involved in the psychiatric scandal and reached a settlement in Texas in the early 1990s. Under Thomas Frist Junior, the company expanded to become the largest in the USA. Financial arrangements, such as co-ownerships, were made with doctors giving them an incentive to support the company with their work. An elaborate accounting fraud was set up. Whistle blowers quietly commenced Qui Tam\* action during this period and continued to work with the FBI as undercover agents.

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In 1994 HCA and Columbia merged to form Columbia/HCA. Columbia's Richard Scott became chairman with Frist as his deputy. Columbia was a growth company. Scott, its founder, was primarily a businessman and knew little of health care. He introduced aggressive business practices, rewarding successful managers with large bonuses. He was ruthless with those who did not meet his demand for profit. The company aggressively undermined competitors and doctors who were not part of the company's network.

Scott embarked on a campaign of acquiring not-for-profit hospitals. His aggressive approach undermined the community focus of hospitals and angered citizens across the country. A critical analysis by Robert Kuttner was published in the New England Journal of Medicine in August 1996 and this was followed by a national television "60 minutes" exposure in October of the same year.

During this period the New York Times had performed an analysis of Columbia/HCA's available accounts. They found that the company had been defrauding Medicare by a process of upcoding. They notified the FBI.

In 1997 the scandal burst with a series of FBI raids on hospitals across the country seizing many thousands of documents. The justice department was drowned in a vast paper trail which took up all their resources and impeded their ability to pursue health care fraud in nursing home and other areas. It took years to sort out and the company eventually settled the matter for US \$1.7 billion, selling off some of its empire to do so. It pleaded guilty to paying kickbacks to doctors.

*\*Author's note: "Qui tam" is a provision of the "Federal Civil False Claims Act" that allows private citizens to file a lawsuit in the name of the U.S. Government charging fraud by government contractors and others who receive or use government funds, and share in any money recovered. This law was enacted in order to effectively identify and prosecute government program fraud and recover revenue lost as a result of the fraud.*

Richard Scott became the scapegoat and took all the blame. Even though the press had documented the long history of the fraud in HCA, Thomas Frist Jr. took over the company claiming that he had not agreed with Scott's policies, and that he would reform the company to the ethical caring company which HCA was before it merged with Columbia. The word

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"Columbia" was removed from the name. The company is once again admired in the marketplace where Frist is considered its saviour. He has retired and is widely accepted in the USA as a wise health care father figure.

### **HealthSouth**

The rehabilitation giant HealthSouth was founded by an aggressive self made Richard Scrushy. It listed on the share market in 1986. Scrushy drove his staff ruthlessly, offering large incentives for success and fierce dressing downs for failure. When profit sheets did not meet his expectations he handed them back to his managers insisting that they adjust them. Over the years a US \$4 billion accounting fraud was perpetrated. This was hidden in the multiple takeovers and subsidiary companies which Scrushy formed. HealthSouth absorbed the vast majority of rehabilitation facilities in the USA and there were no competitors. It too entered into shared ownership arrangements with doctors.

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During 2002 the fraud began to unravel and the company called in the bankers who had advised it since 1986 to help it get out of the mess. They tried to hide the fraud by breaking up the company. Suspicious shareholders rejected their efforts and in March 2003 the FBI raided the company offices. Eighteen senior staff have now pleaded guilty and have agreed to cooperate in return for leniency. Scrushy faces 85 charges of fraud and is defending himself aggressively. He blames his staff and claims that he had no idea what they were doing.

### **Aged Care, Nursing Homes and New Markets - Step-Down Care**

National Medical Enterprises was one of the largest owners of nursing homes in the USA. It spun these off as a separate company, Hillhaven, in the late 1980s. Hillhaven trained staff and formed other companies, including Sun Healthcare and Horizon, which in turn was split between Integrated Health Services (IHS) and HealthSouth. Hillhaven was finally taken over by a company called Vencor. These were all to become problem companies. Aggressive business and expansionist practices came to dominate the aged care marketplace. Those who failed to acquire were acquired themselves.

Two dysfunctional business practices were used to boost profits and support the takeover frenzy which characterised the sector. Vast empires were built on these practices. Those who did not adopt them went under.

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Not-for-profits were forced to compete or sell to for-profits.

The first business strategy was an emphasis on cost cutting. Nursing is by far the largest cost. Nursing care is also the primary service provided. Aggressive market

proponents like Sun Healthcare's Andrew Turner asserted that there was far too much fat in the system. You did not need large numbers of trained nursing staff to care for the elderly. Less costly nurse aids could be trained in 4 to 6 weeks and put to work bathing, cleaning, toileting and feeding the elderly. This myth was adopted across the industry and by politicians anxious to keep costs down. Nursing homes were deskilled and understaffed, often bringing in the dregs of society to care for residents. Glossy brochures and marketing obscured the fact that residents were being warehoused and that standards of care were dreadful.

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Multiple studies since 1994 have shown that care in not-for-profit nursing homes has been superior to that in the for-profit homes owned by the big chains. State oversight and accreditation bodies turned a blind eye. The only effective regulatory mechanism has been the patients' relatives and concerned community groups. They have targeted the worst offenders through the courts. Horrified juries have awarded massive penalties. These have forced several corporations to vacate some states and leave the sector to not-for-profits.

"Turner and others saw the opportunity and became authorities on 'step down' or 'sub-acute' care."

Motivated nurses with a mission of care found the situation intolerable. They walked into better remunerated and easier jobs elsewhere, and did not come back to nursing.

Enrollment in nursing colleges plummeted. This has contributed to a massive nursing shortage. Large numbers of nurses are nearing retirement with few replacements.

The second business strategy was a response to DRG (Diagnostic Related Group) payments. In hospitals any therapy given was paid for under the DRG item so cutting into hospital profits. The incentive was to give less care. In contrast, treatment given in nursing homes was paid per item of service and Medicare paid for most of this. By moving patients into nursing homes as soon after their surgery or their strokes as possible and rehabilitating them there, the hospitals saved money and the nursing homes could

make vast profits by charging for therapy. Medicare in effect paid twice for the treatment given.

Turner and others saw the opportunity and became authorities on "step down" or "sub-acute" care. Thousands of therapists were employed. Lucrative deals were offered to bring trained therapists to the USA. The large income stream developed was used to raise loans for acquisitions.

By 1998 the rapidly spiraling costs to the U.S. Medicare program were prohibitive and the government stepped in to

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change the way step down care was funded. At the same time authorities found the resources to investigate and pursue the companies for fraud. Vencor was accused of a US \$3 billion fraud.

Therapies which had been profitable now became a liability. The demand for therapy vanished. Patients who had previously needed this treatment no longer needed it. Thousands of therapists were laid off.

The corporations were unable to service their loans and no one was buying nursing homes. Within two years the majority of the large nursing home chains were trading in bankruptcy. State and federal governments were faced with the prospect of taking over and running hundreds of bankrupt nursing homes across the USA. They did not have the resources to do so.

Legislators were forced to increase payments and the justice department reached token fraud settlements in order to keep the chains in business. Most have now traded out of bankruptcy.

### **Managed Care - the Health Maintenance Organisations (HMOs)**

HMOs sell health insurance to employers, to government and sometimes to individuals. They get their money by restricting what they pay for care. Some use their own facilities to provide care where they have more control over costs and practices. They enter into contracts with doctors. These reward doctors for providing less care. Doctors who do not conform can be delisted and get no more business from the HMO.

Doctors must request permission from the HMO to provide care. The requests are reviewed by people who are often rewarded for denying care. Dr. Linda Peeno blew the whistle on this when she was rewarded for denying care to a patient who died as a result. HMO's are protected from the legal consequences of their denials by the infamous ERISA legislation. The doctors who follow their prescriptions are not. Politicians have refused to repeal this legislation.



Fees, and thus profits, are determined by aggressive bargaining between HMOs and hospital providers. Bargaining power is all important and this is determined by the number of members covered and by the degree of market control of the HMO and the providing company. Large HMOs negotiate large discounts. Poorer citizens who do not have insurance pay inflated rates. The USA

"Poorer citizens who do not have insurance pay inflated rates. The USA is perhaps the only country where the poor pay more than the rich, and in fact supplement their care."

is perhaps the only country where the poor pay more than the rich, and in fact supplement their care. Many have now banded together to take Tenet Healthcare and HCA to court for "price gouging".

Choice of treatment for members is limited, not only by denial of care, but by the contracts which the HMO has with doctors and hospitals. If they go elsewhere they are likely to be gouged.

Managed care companies also indulged in a takeover frenzy. The ruthless Aetna came to dominate the market. Aetna's aggressive market practices were copied by its

"Choice of treatment for members is limited, not only by denial of care, but by the contracts which the HMO has with doctors and hospitals."

competitors. This conduct so angered the community that during 2000 and 2001 law suits were launched by state attorney generals, doctors and citizens. There was a massive grass roots movement aimed at securing a patient's bill of rights to protect

citizens from those who were supposed to be ensuring they received the care they had paid for. This was fiercely debated and the HMO's spent large sums lobbying against it.

When shareholders became alarmed, Aetna fired its chairman. The states and doctors reached settlements which addressed some of their concerns. The citizens actions were thrown out in the courts and the political movement was drowned out in the 9/11 terrorist strike. The patients' rights legislation finally passed, but lacked teeth. The ERISA (Employee Retirement Income Security Act) laws, which limit patient rights and HMO liabilities with plans provided by certain employers, remain in place.

## **Pharmaceutical Giants**

The antisocial conduct of the giant drug companies in their global operations are widely known and have generated global concern. Less well known is the extensive fraud in which they have been involved in the USA and in Europe.

## Australia

Market medicine came to Australia more through the efforts of politicians and the economists than through the efforts of the investment institutions and the market.

Politicians were persuaded that this was the solution to the problems in health care. Australian citizens, however, had elected to use the public system. The

" Politicians were persuaded that this was the solution to the problems in health care."

numbers covered by optional private insurance were falling rapidly. Australian investors were unwilling to invest and companies were going under.

What happened in Australia illustrates the important role played by the medical profession. They played a key role in what happened.

### **Multinationals Seek New Markets in Australia**

To implement its policies government turned to multinationals. They ignored the adverse publicity surrounding National Medical Enterprises in the USA. In December 1991 they brought this company in to buy out a failing Australian group. A number of citizens were

"In 1997 the giant Columbia/HCA arrived promising to resurrect private hospital care with a \$1 billion investment."

alarmed by the unfolding scandals in the USA and worried that those running the hospitals in Australia had indulged in similar practices. Regulatory bodies and politicians were bombarded with information and documents. The responses of NME executives to inquiries from

authorities were less than frank. Politicians finally gave way and imposed restrictions which forced the company to vacate the country in 1996.

In 1997 the giant Columbia/HCA arrived promising to resurrect private hospital care with a \$1 billion investment. Citizens gathered adverse information about the company and showered politicians with documents. The medical profession was unenthusiastic. When the FBI swept through its US hospitals in March 1997 Columbia/HCA retreated.

The next US giant brought in was Sun Healthcare in 1998. A nursing home company, it bought into hospitals.

These were a state responsibility and so federal authorities circumvented having to address objections based on nursing home regulatory requirements.

New South Wales, the state where Sun was to operate, objected to Sun's admission to Australia, but the federal government overruled the objection allowing Sun into Australia. Documents reveal that it intended to enter aged care. The health minister announced plans to revolutionise Australian hospital care by introducing step down care, a Sun specialty.

"It stumbled over a "probity" (integrity) review in the state of Victoria backing out of that state."

Information about Sun's conduct was soon widely available and the federal agency licensing nursing homes was supplied with information about the way it ran homes in the USA. Sun failed to enter the nursing home marketplace. It stumbled over a "probity" (integrity) review in the state of Victoria, backing out of that state. It entered bankruptcy in the USA and then Australia. It sold its Australian holdings.

HealthSouth also purchased a single rehabilitation hospital in the state of Victoria in 1998 but subsequently failed to expand in this country. The Australian operation participated in the international part of the HealthSouth fraud. Victorian authorities have been kept fully informed. They have been tardy in addressing the issue.

There is a long story for each of these multinational corporate intrusions but this summary should suffice.

### **Australian corporations**

During the 1990s practitioner owned radiology and diagnostic services were rapidly consolidated and corporatised in Australia. Pathologists and radiologists became overnight millionaires simply by selling their practices. There are now few if any

independent radiologists and pathologists in Australia.

"To boost the private hospital system and make it attractive for Australian investors the government introduced massive subsidies to private insurers and imposed major penalties on those who fail to take out private insurance when they are young."

To boost the private hospital system and make it attractive for Australian investors the government introduced massive subsidies to private insurers and imposed major penalties on those who fail to take out private insurance when they are young. This has reversed the steep decline in private insurance. A

little less than half Australians now hold private insurance. About 30% of private insurance premiums are paid by all Australian taxpayers through direct subsidies to people purchasing this insurance. The less wealthy pay less tax but some of this tax goes to subsidise health care for the wealthy, a trend to reversing the principle that the wealthy subsidise care for the poor.

Two health care corporations have dominated the private hospital business in Australia. The smaller of the two, Ramsay Healthcare has been controlled by its founder Paul Ramsay. Ramsay undoubtedly started the company with a mission of care and because it was a privately owned company he was able to maintain this. While it has been a very successful business it has acted with some restraint and there have been few complaints. It was recently listed on the share market and new managers are running the company. Ramsay still has a controlling interest but the rhetoric is changing. The company is now behaving more aggressively.

The largest private health care corporation was Mayne Health. It owned half of Australia's private hospitals, as well as radiology, pathology, general practice and other health related divisions. It adopted the diversified, integrated health care model from the USA. The story of Mayne Nickless is the story of corporate medicine in Australia and there are important lessons to learn. I will describe some of it in more detail.

"The story of Mayne Nickless is the story of corporate medicine in Australia and there are important lessons to learn."

### **Mayne Nickless becomes Mayne Health**

Mayne Nickless was established in the late 19<sup>th</sup> century and became a giant multinational trucking company with its finger in many pies. It built its vast wealth on collusive practices that created a monopoly and forced smaller competitors under. These collusive practices were exposed. In 1994 the company pleaded guilty to criminal conduct and was fined. It displayed the same pattern of denial that we saw in National Medical Enterprise in the USA.

*"We have never seen such a case of blatant defiance of the law and such a massive ripping off of companies."*

Chairman of the Australian Trade Practices Commission after Mayne Nickless guilty plea.

The trucking business was now undercut by smaller competitors. It was no longer as profitable. The company now had vast capital resources but nowhere to spend it and little income.

Mayne had purchased a small number of hospitals during the 1980s. Dr. Barry Catchlove, a physician with a health administration background was head of *Health Care of Australia* - Mayne's health care division. He was able to persuade the new manager of the company, Bob Dalziel, of the potential to make vast profits from health care.

" He was able to persuade the new manager of the company, Bob Dalziel, of the potential to make vast profits from health care."

Dalziel was an outgoing likeable salesman. He succeeded in selling the vision of a giant health care empire to the institutional investors and maintained their enthusiasm and support in the face of repeated disappointments over the succeeding years. Mayne diverted its resources into health care and started buying in all sectors. This included the purchase of one of the largest pathology groups in the country.

## Mayne Health and the doctors

Mayne adopted an aggressive business model which specialists in its hospitals did not like. Specialists were well paid in Australia and also had considerable influence in the hospitals. Medical groups had been involved in the debate surrounding US corporations. Most visited the USA for conferences and understood the nature of managed care. US Healthcare became a dirty word and rallying cry.

The federal minister of health, the insurers and Mayne all realised that to create a successful market system they must control the doctors. A concerted effort was made to

"A concerted effort was made to entice, threaten and pressure doctors into entering managed care type contracts which were claimed to be totally different to the US system."

entice, threaten and pressure doctors into entering managed care type contracts which were claimed to be totally different to the US system. The specialists stood firm. They were vilified and received a bad press from corporate owned newspapers. Mayne was disliked even more.

The president of the Australian Medical Association and the minister no longer spoke to each other. They traded defamation actions. In 1998, the minister appointed Catchlove to the top government post in healthcare as chairman of the Health Insurance Commission - despite public concerns about Catchlove's ties to Mayne Nickless, particularly given the company's domination in radiology and pathology companies which received rebates from Medicare.

The situation was ultimately resolved by a scandal involving the minister, Catchlove and radiologists. When an attempt to unfairly shift responsibility to the radiologists was exposed, Catchlove resigned and the minister's career ended.

Catchlove and Dalziel had set up Mayne's new health care model promising to reduce costs and rationalise services, but this did not happen. The company seemed to be paralysed by inertia. It may well be that they realized that that model they were promoting would not work without control of the doctors.

Dalziel's assurances started to fall on deaf ears. Profits plummeted in 1999 and institutional investors led by Citigroup moved to break up the company. They started looking for buyers. In 2000, the profits were worse. Dalziel resigned. The board of Mayne appointed Peter Smedley, a renowned Mr. Fixit, to manage the company.

"Catchlove and Dalziel had set up Mayne's new health care model promising to reduce costs and rationalise services, but this did not happen."

Smedley had built a team of experts while working at Shell petroleum. He had a fearsome reputation for ruthlessness. His skills in aggressive takeovers were legendary.

He had become CEO of a small financial group and totally restructured it, changing the way in which financial services were provided in Australia. He expanded it with daring takeovers and then sold it to a large bank, making shareholders very wealthy. He brought his team to Mayne.

The market was ecstatic and Mayne's share prices trebled in value. Most analysts indicated that Smedley was just the medicine Mayne needed. A few wondered how his business model could be applied to health. Smedley immediately embarked on a takeover spree buying smaller hospital companies and a large pharmaceutical business.

"The doctors found themselves out of the decision loop and when they remonstrated about nursing matters and the adverse impact of management's changes on patients, they were told they could go elsewhere."

He promised more. At the same time he fired managers in all the hospitals and appointed his own team. They had no health experience. He implemented his cost cutting business model centralising management and taking over most hospital functions. He started deskilling and

reducing nurses staff levels, something resisted by the nurses. They simply went elsewhere leaving Mayne to bring in expensive agency nurses.

The doctors found themselves out of the decision loop and when they remonstrated about nursing matters and the adverse impact of management's changes on patients, they were told they could go elsewhere. This is of course exactly what they did - and they took their patients with them.

Analysts and investors seemed to recognise what was happening and started selling shares. Smedley remained blind to this. He was totally surprised when the 2002 figures showed a massive loss in the hospital division. He was promptly pushed aside and soon resigned. An experienced hospital manager was put in. He set about wooing the doctors to bring them back and managed to stem the losses.

Institutional investors once again set about breaking up the company. In 2003 all of Mayne's hospitals were sold to a group of venture capitalists led by a Citigroup subsidiary. The new company, Affinity Healthcare, is not listed on the share market. Nobody knows the level of ownership and control by Citigroup. This is a major consideration because of its track record for scandal and fraud in multiple countries, particularly its central role in recent Wall Street scandals and its complicity in the Enron and Worldcom debacles.

### **The corporatisation of general practice in Australia**

In spite of the failures in this sector in the USA, Australian entrepreneurs identified general practice as a growth area and there was wild enthusiasm as new companies were floated.

General practitioners in Australia are paid by Medicare. Government has eroded their standard of living by refusing to increase remuneration in line with costs of living and by overburdening them with paper work. They are forced to see far too many patients and have difficulty in providing the sort of care they feel is required. There is disillusionment and frustration. As doctors retire early the load increases. They are scattered and less cohesive than the specialists. All this made them a ready target.

The corporations raised money on the share market and then paid inflated prices for doctors' practices promising to redress the problems they had. They purchased many of the practices by paying with inflated shares so tying the doctors incomes to the company - a legal incentive. They moved the doctors into medical centres around pathology and radiology collection points that in most instances were owned by linked companies. There was intense debate and the Australian Medical Association opposed this corporatisation. Many general practitioners did not listen and within a short period 6% of general practice was in corporate hands.

"The corporations raised money on the share market and then paid inflated prices for doctors' practices promising to redress the problems they had."

Doctors were still paid the same amount. The corporate structure added overheads. The majority of companies were soon losing money or else only breaking even. Share prices plummeted. The companies were propped up and kept out of bankruptcy by the service companies.

"Doctors were still paid the same amount. The corporate structure added overheads. "

Other things being equal, doctors normally refer geographically to the adjacent radiologists and pathologist. It is not clear whether this was all corporate stupidity or whether shrewd businessmen had conned gullible investors and doctors into paying for relocating the doctors to centres around their collection points and letting them carry the losses. Only one company is still buying general practices in Australia.

### **Privatisation of public hospitals**

During the early and mid-1990s there was a strong ideological move to contract the care of public patients to private hospitals. This occasioned intense public

"The myth was soon exploded and state governments have had to take back hospitals, bail out companies, and renegotiate contracts."

debate and strong political and public opposition. It went ahead in all states. It was claimed that the private sector was more efficient and could provide the same or better care and make a profit as well. Private companies across the country were contracted to build and run hospitals for the states.

The myth was soon exploded and state governments have had to take back hospitals, bail out companies, and renegotiate contracts. There have been law suits. Mayne has had to seek approval from each state government in order to sell these hospitals. Not-for-profit hospitals also tendered for these contracts and those who won them have struggled. The privatisation of public hospitals seems to be a dead issue.

*"This inexplicable grant is additional to the significant fees paid by the private-sector provided hospital services. The Government is, in effect, paying for the hospital twice and giving it away."*

Australian Financial Review, May 30th, 1996

In contrast, not-for-profit groups have run public hospitals for many years. These were old charity hospitals set up before Medicare and public hospital systems were well established. They were initially funded from charity and from profits made by adjacent private hospitals.

State governments have refurbished or rebuilt these hospitals and funded them in the same way as they funded public hospitals. Not only have these hospitals been run by highly motivated people but they are closely linked to the community. They have some additional resources, and are buffered from the rigidity of government bureaucracy. They share the same essential patient first motivation. This has worked.

### **Colocation of private hospitals**

There was also great enthusiasm to get private hospitals to collocate on public hospital campuses. It was believed that by mutual cooperation both would benefit. Large numbers of contracts were tendered for and won. In practice the difference in ethos and ultimate objectives made these two poor bedfellows and there was little

"In practice the difference in ethos and ultimate objectives made these two poor bedfellows and there was little cooperation."

cooperation. Colocations in wealthy suburbs were profitable. Those in poor ones where most public hospitals were located were not. The contracts were restrictive and cumbersome. There were legal disputes. Most of these private hospitals were never built.

### **Nursing Homes**

Nursing homes are a federal responsibility in Australia. There were problems in an under-funded aged care system. In 1996 the newly elected conservative government made radical changes to aged care, making users pay more and turning it into a market. There was a community backlash and the most offensive changes were abolished. The government responded to criticism by placing reliance on accreditation which it emphatically assured critics would work.



The accreditation process has been repeatedly criticised. During 2004 elderly residents, relatives, nurses and some not-for-profit executives have spoken out strongly about inadequate services, the failure of accreditation and the exploitation of the vulnerable elderly by for-profit groups.

This market was never sufficiently attractive to attract multinationals but a number of independent and market listed Australian companies entered the market.

### **Public Drug Plan Threatened by Corporate Interests**

Australia has had one of the best systems for regulating drug sales and keeping drugs affordable in the world. Drugs are subsidized for all citizens who pay only a co-payment. It is widely admired. Pharmaceutical companies fear that this system will be adopted by other countries. They have targeted the

" The minister of health responded to this by forcing drug company representatives on to the committee dealing with the management of drug benefits."

system and put strong pressure on politicians. The minister of health responded to this by forcing drug company representatives on to the committee dealing with the management of drug benefits. This caused many committee members to resign in protest. The USA also attempted to undermine the system during recent trade negotiations. The opposition and the public have been highly critical. Support for the system is so strong that while it has been dented it has remained largely intact.

## **Issues and Reflections**

### **Failures in Oversight**

When confronted by the failures in the USA, countries introducing market health care systems claim that they are different and that their oversight and accreditation procedures will prevent these things from happening. However market pressures and market structures do not differ in these countries.

"The fact is that the USA has struggled with this problem for 20 years without success. Countries claiming that their processes are different must indicate what they will do differently and they fail to do so."

One of the prime lessons from the US experience is the failure of insurers, government oversight, accreditation, and punishment to contain or prevent the recurrent scandals. These failures

are health and aged care industry-wide. Market pressures and market thinking are so pervasive and so all encompassing that a serious challenge to these large corporations becomes untenable. The fact is that the USA has struggled with this problem for 20 years without success. Countries claiming that their processes are different must indicate what they will do differently and they fail to do so. Many countries adopting these new market

models do not even have the laws and regulations that would allow the public to discover, or be compensated for, fraudulent behaviour.

In Australia doctors have maintained their independence and patients in hospitals have generally been protected by this. Aged care communities and nursing home residents have been less fortunate. Although authorities deny it, oversight and accreditation do not seem to be working.

The true extent of fraud is not known. Australia's ABC 'Four Corners' program investigated and suggested that Australia's rate of Medicare fraud is much higher than the 1% authorities claim, possibly as high as the US 10%.

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The implication of the program was that the investigating agencies had been politicised, privatised health care is a hot political issue, important in marginal seats. Neither the insurers, the government, nor the opposition, wanted to rock the boat.

### **Corporate Thinking**

The commitment of the people involved to the corporate mission is one of the most startling things observed when the words of health care corporate leaders are examined,

"The commitment of the people involved to the corporate mission is one of the most startling things observed when the words of health care corporate leaders are examined, and when internal documents are studied. They have no doubts."

and when internal documents are studied. They have no doubts. Internal NME documents and reports from meetings reveal the enthusiasm with which totally unethical admission practices were embraced. They show how energetically staff

worked to keep people in hospital against their will. The nature of the culture is revealed in internal documents. A document entitled WECHHEETUM gives instructions for writing notes so that insurers would not challenge requested payments. Another sub-headed "Look for a Shark" describes how to interview prospective employees. It is clear that many doctors also came to see health care in market terms and accepted the justifications offered by the corporations. Others kept their heads down. Only a few complained.

NME's documents reveal how corporations develop patterns of thinking and rationalisations to make their practices legitimate - even desirable. In a submission to government in 1996 Dr. Peeno described the way in which assessors in the HMO for whom she worked adopted plausible sounding explanations and enthusiastically denied care for patients.

In Australia Mayne Nickless did not consider its collusive practices wrong or illegal and responded aggressively when convicted. Catchlove quite clearly believed in what he planned to do. Yet when it came time to do what he had promised he crumbled and could not do it.

In 1996 Australia's new minister of health, a doctor, set out the rationalisations for reforming health care using market principles, in a speech. The speech is simple, logical, persuasive, and convincing. I have no doubt of his conviction. It was this conviction, in the face of evidence and logic, which led him to do things which were unacceptable and caused his downfall.

If we examine all these corporate and political documents and set them against the

"This sort of behaviour is no different to that of religious cults or of ideologies like apartheid and fascism."

accounts of citizens and citizens' groups who have experienced or examined the corporate health system from a different perspective we find an enormous divide. We find two totally different worlds. These worlds share a common time and space. There is no real communication

between them. The world of the marketplace is impervious to the other more real world. They simply do not see what is happening there. This sort of behaviour is no different to that of religious cults or of ideologies like apartheid and fascism. We need to accept that marketplace health care is driven not by a broad understanding but by an ideology. Like other ideologies it is blind to evidence and other points of view.

### **The wider marketplace**

This is not an ideology isolated to health care. It did not develop here. If we look at the scandals which have engulfed Wall Street Financiers over the last 4 years we find exactly the same things happening and the same patterns of behaviour. Australia is no different.

Markets and capitalism underpin the foundations of western society. Something has happened to the way in which the market has come to see itself. Somehow we have allowed the marketplace and those who live in that world to set themselves above society. They have become impervious to the multiple points of view which society encompasses. The television program and the book, both entitled "*The Corporation*" explore some of these issues.

"Something has happened to the way in which the market has come to see itself. Somehow we have allowed the marketplace and those who live in that world to set themselves above society."

As I see it the social processes underlying the problems of health care are the same processes underlying many of the problems in the world over recent years. Because of

health's vulnerability the consequences are more bizarre. Perhaps because of this health and aged care provide a unique window into processes that have far wider relevance. Humans are likely to behave humanly in whatever situations they find themselves.

### **The Nature of Ideology**

My own formative experiences were with the second world war and the holocaust. I grew up in a town which was pro-nazi. This was followed soon after by apartheid. In

"In these human catastrophes simplistic and irrational belief systems had disastrous consequences for others."

these human catastrophes simplistic and irrational belief systems had disastrous consequences for others. For those involved, these belief systems seemed self evident and rational. They had no doubts. My experience with and my interest in these events has led me to approach social

problems by looking at the way the people involved think about the situations they are in - their belief systems - ideology. I think this is a useful way of coming at the problems.

I see similarities between what happened in apartheid and some of the things that have happened in the health care marketplace. Because market thinking is so directly opposed to the ethic of health care, health and aged care are at the centre of the problem created by marketplace belief systems. To those who embrace the beliefs, they seem self-evident and rational. Within the confines of marketplace thinking they are. Within the health care context they are irrational and dangerous. There is consequently a widening split in perception between the corporate providers of health care and the citizens who are at the receiving end. As in apartheid, there can now be little dispute as to which perception is more accurate.

My views are coloured by the importance of ideas, the concepts which we use to understand the world we live in. The one thing which makes us human rather than animal is the way we form and use ideas. The integrity of our system of ideas seems to be essential for our social survival. This is perhaps why behaviourism and related market practices like microeconomic reform fail us so badly. To put it crudely, if we treat people like rats then they will behave like rats. This is well illustrated by the consequence of the use of financial incentives in health care. If we treated people as thinking reflective humans perhaps they would behave this way.

"To put it crudely, if we treat people like rats then they will behave like rats. This is well illustrated by the consequence of the use of financial incentives in health care."

If we think about it each of us has little choice but to strive to build our lives successfully in the life situation in which we find ourselves. We are likely to do so even when this calls for activities which are not functional and disadvantage others. We will adopt ideas

and develop strategies which allow us to do whatever it takes without experiencing too much discomfort.

We need only look at the obvious enthusiasm of Tenet staff, who boasted of their success in enticing often normal children into psychiatric hospitals at a company conference in

"The marketplace myths embraced by these genuinely motivated people allowed them to enthusiastically abuse trust and misuse helpless citizens. At the same time they created a mental filter which rendered the consequences invisible to them."

1991. They gained status and rewards for doing so. Read Dr. Linda Peeno's account of how managed care gate-keepers enthusiastically denied care to patients. Andrew Turner, chairman of Sun Healthcare, emphatically asserted that there was excessive fat in the system; that nursing homes were overstaffed and that nursing could be deskilled and reduced. This

figment of the imagination was embraced by an industry eager for profits and by politicians anxious to cut funding. His own staff idolised him.

The marketplace myths embraced by these genuinely motivated people allowed them to enthusiastically abuse trust and misuse helpless citizens. At the same time they created a mental filter which rendered the consequences invisible to them. I do not want to compare hospitals with holocaust extermination camps but human behaviour is not that dissimilar.

The certainties created by belief systems have enabled the creation of great civilisations but they have also resulted in great inhumanity. By embracing systems of belief we seem to become their servants and will blindly serve their logic wherever it leads and whatever the consequences. Perhaps one of our greatest human challenges is to gain rational control of our ideas and make them our servants.

" I am looking at the way in which the uncritical service to extreme marketplace ideas has blinded us to alternate ways of seeing - a lack of balance, perspective and common sense."

Please do not see this as an attack on markets or on trade. We should not forget that the wealth and well being of all civilisations are built on markets and on trade. I am not attacking

either. I am looking at the way in which the uncritical service to extreme marketplace ideas has blinded us to alternate ways of seeing - a lack of balance, perspective and common sense. As a consequence the market has become dysfunctional for citizens and society.

## Democracy and Capitalism

Before coming back to health care I want to look briefly at this market ideology. In Australia we call it economic rationalism or perhaps more accurately, when it is applied as a universal truth, economic irrationalism.

All ideologies are based on some basic assumptions and beliefs that are considered to be self evident truths. The ideology then follows as a logical argument that is difficult to refute. The basic assumptions are strenuously defended. Critics are howled down. What then are the self evident truths which give this system of beliefs legitimacy?

These are not difficult to find when you look in from the outside. The market, and the majority of Americans proclaim it ardently - reaffirming its legitimacy as an unchallengeable good in a world in which the USA's role is challenged as never before.

Marketplace ideology is justified by the fundamental principles of democracy. The USA is its greatest advocate and holds itself up as an example. We should not doubt their belief in their democracy. Yet many outside critics argue that democracy is not something actually practised in that country.

It does not take much exploration to find that there are powerful and very wealthy forces aiming to influence voters and divert their understandings. The wealthy corporate sector dominates the US system and exerts an influence way beyond its voting power. The democratic illusion is so strong that much of the community does not recognise this.

" We need to look more closely at the way democracy is understood. Could it be that separate belief systems; capitalism, markets, and democracy, have become fused into a single belief system."

What then is wrong with democracy as the basis for a view of the world? We need to look more closely at the way democracy is understood. Could it be that separate belief systems; capitalism, markets, and democracy, have become fused into a single belief system. As a consequence democracy has been skewed and is now perceived in market terms.

Democracy then becomes defined in popular perceptions in market terms as about rights, opportunities and personal advancement in a competitive environment. With personal advancement as an unchallenged primary objective, assertiveness and effectiveness in accomplishing objectives are more highly valued than the appropriateness and social consequences of the things asserted. This market based definition is increasingly adopted by the world and is spread by marketplace globalisation.

Missing from this idea of democracy are a number of fundamental concepts that are equally important in the development of our western society and of democracy.

Neglected are responsibility for society and for others, integrity, trust and trustworthiness. If we as a society fail to embrace responsibility and integrity as key democratic concepts then those who are successful and able to exert influence will not feel any responsibility for the rest of society or for those less fortunate than themselves.

Perhaps as a world community we could take democracy back from the market and redefine its meanings in terms which emphasise our

responsibility for the rights and welfare of others as opposed to our own.

"Perhaps as a world community we could take democracy back from the market and redefine its meanings. . . "

### **Back to Health Care. Where next?**

At that point let me return to health care - not by asking what can be done for health and aged care - but by asking what health and aged care can do for society. The suggestion is that the problems lie with society rather than with health and aged care. It needs our help.

Health and aged care embrace a broad range of activities and it is a generalisation to embrace them all in the same mold. In essence though, both are about services to people who are in trouble and who are vulnerable - people who need our help. Health and aging go to our physical and mental well being, to the heart of what we are and who we are. The way we respond to the misfortune of others defines the sort of society we are.

Earlier I alluded to the morality of exploiting the vulnerability of the sick and aging for the economic benefit of distant shareholders, often in another country. The rights of

"The Samaritan tradition which underpins our responsibility for others goes back 2000 years. Capitalist markets in health and aging go back only about 40 years and they have not worn well."

individuals and corporations to create opportunities and exploit them may be enshrined in our views of capitalist democracy, but their application to health is extremism.

The Samaritan tradition which underpins our responsibility for others goes back 2000 years. Capitalist

markets in health and aging go back only about 40 years and they have not worn well.

While the things people do and the way money is spent may look similar in all systems, the way providers of health care behave and the way citizens respond is far more dependent on the concepts within which they define health and aged care.

If we come back to ideas about democracy we find that health care embraces all of those values which are absent from the capitalist defined model of democracy. Responsibility for others, responsibility for society, integrity, trust and trustworthiness are at the heart of professional ethics and of society's expectations from health and aged care. It provides a focus around which we as caring and responsible humans can enter into an ongoing

discourse in which we reassert and re-establish the centrality of these values in democracy. When this happens we might also insist that the market takes heed of this as a valid alternative reality and constrains its activities accordingly.

"Divisions between professionalism and the public must be healed because we share common values and common objectives. We should be able to trust one another."

I do not want to advocate any particular system of organising and running the health and aged care system. What I do think is important is that citizens should take back health care from the market and perhaps from government who have not performed well. Divisions between professionalism and the public must be healed because we share

"Regardless of how or by whom these services are provided and organised it would be important that the services be fully transparent and that members of the community be involved at every level."

common values and common objectives. We should be able to trust one another.

I am not suggesting that individuals with economic expertise and market experience be excluded from

the debate or from involvement in health care. They have a contribution to make and in dealing with the marketplace, health care will need to take account of this parallel market reality. It cannot deny it. If we are to roll back economic extremist views and restrain the excesses of the marketplace then we want them to embrace our community values as a parallel system in the marketplace - one which they are expected to take account of in their marketplace activities.

What I am suggesting is that health and aged care are critical social issues, not only for the welfare of the sick and aged, but for the welfare of society and of democracy. Ideologists will see health as a challenge to their belief systems and will seek to subordinate it to market principles. It is also where the ideology is most vulnerable. It is here where we should draw a line in the sand and then drive society back to a sensible equilibrium.

It is clear that the share market is not a suitable medium for providing services like health and aged care. It should remain peripheral.

It is clear that the share market is not a suitable medium for providing services like health and aged care. It should remain peripheral. If this view of the problems is valid then the way forward would be for the community to take back health and the other vulnerable services. Regardless of how or by whom these services are provided and organised it would be important that the services be fully transparent and that members of the community be involved at every level. They should participate in organisation and oversight. Australian sociologist and writer, Eva Cox, describes the trust and sense of



community resulting from meaningful interaction as social capital. She calls a society communally involved in key societal functions a civil society.

Family, friends and community are the people who are concerned. Those who provide the service need to know of their involvement and feel their support. Not only is this strongly motivating, but it exercises our community values. There is no place for the sort of *commercial in confidence* agreements that characterise corporate contracts in the provision of humanitarian services. Citizens are entitled to full disclosure of matters which concern them. I like to think that an increase in community values will flow over into the marketplace, and that it in turn will come to behave in a more responsible way.

Canada has already taken an important step along this road. Canadian Colleen Fuller has already challenged the legitimacy of market ideology in health with her 1998 book "Caring For Profit". She has urged Canadians to follow a different path.

Canada's John Ralston Saul writes elegantly about the need for both common sense and balance in our discourse. By greater involvement in humanitarian services, citizens might embrace community values, and give new emphasis to them.

" The Romanow Commission too places its emphasis for reinvigorating health care on values. . . Other countries are looking to Canadians to lead the way forward."

This would go a long way to restoring common sense and balance in social discourse.

The Romanow Commission too places its emphasis for reinvigorating health care on values. It is a trail blazer. Romanow has firmly asserted the centrality of community values in health care. Every Canadian should get behind Romanow and insist that the direction he has set is followed and that corporate self-interest does not derail that. Other countries are looking to Canadians to lead the way forward.

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