

nal cancer, only palliative hospice care or “death help,” not cures, are attempted.

Don't believe that these treatment preferences were democratically agreed to by the community. The choices Oregonians were given in rigged community meetings and telephone polls on which the rationing plan is based, were about as democratic as concentration camp polls on how to redistribute bread crusts more fairly.

The benefit package expands or contracts according to Oregon's biennial budget allocation. (Benefits will shrink again, because the state is faced with a \$2.2 billion budget shortfall over 1995-97 due to a voter-approved property tax limitation.) Current allocations cut treatments at line 587. Services above that line are allegedly covered, everything below it is not, including, the OTA found, treatment for six of the most frequent diagnoses of Oregon Medicaid hospital inpatients in 1989—including chronic bronchitis, viral pneumonia, asthma, and acute upper respiratory infections. Benefits also shrink with any rise in unanticipated costs like the extra administrative and utilization review costs needed to enforce rationing.

Oregon hopes to enroll most patients in a host of various managed care programs like HMOs, physician care organizations, and primary care providers, in which providers are at full or partial financial risk to cover all treatment costs covered by pre-paid, flat, per patient capitated fees, or flat fees based on actuarial estimated treatment costs. Doctor-gatekeepers receive a monthly fee for each Medicaid patient enrolled, and any savings derived by restricting specialized or hospital care. The OTA says the plan's “greatest payment boon” to clinics, hospitals, and doctors is presumed to come from a reduction in the number of patients unable to pay for their care, since they now will be covered by Medicaid.

That's nonsense. As the OTA admits, some public primary care clinics—rural providers, among others—lose key financial protections if they participate in the plan, and many patients, if they don't. Besides losing money, each time treatment costs exceed a contracted fee, subcontractors of pre-paid plans, like clinics, hospitals, and doctor groups, must continually reduce their rates and gut infrastructure in each negotiated state contract to stay competitive and to keep a percentage of the Medicaid population. Such disincentives, the OTA says, may lead to a lack of Medicaid providers and long waiting lists. So, although many may gain Medicaid services, there is no guarantee that they'll receive them.

GAO studies show that the federal government has refused to stop violations of federal law by HMOs contracted to provide services to Medicare and Medicaid enrollees. But now, Oregon law, which exempts providers from liability when they deny Medicaid beneficiaries medically necessary but uncovered care, including emergency care, openly violates federal statutes that require hospitals to provide basic emergency care to *anyone* in need. The law also denies Medicaid patients their right to legal recourse when denied care.

Brookings leads push for Oregon health plan

by Steve Parsons

Rationing America's Medical Care: The Oregon Plan and Beyond

edited by Martin A. Strosberg, Joshua M. Wiener, Robert Baker, with I. Alan Fein
The Brookings Institution, Washington, D.C.,
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Over the last decade, the Brookings Institution has led the way in making health care rationing an issue for discussion. Henry J. Aaron, Brookings director of economic studies and one of the earliest advocates of rationing, notes with pride how such discussions have not only become “acceptable,” but are on the verge of implementation through such innovations as the Oregon plan. “Eight years ago, when William Schwartz . . . and I wrote *The Painful Prescription: Rationing Hospital Care* (Brookings, 1984), we were, I believe somewhat ahead of our time. . . . Our use of the work *rationing* . . . [was] as though we had shouted an obscenity in church. Fashions change, however, and it is gratifying to see a growing recognition in the United States that sustained long-term reduction in the growth of health care spending will occur only if we are willing to ration.”

Aaron's self-congratulations were delivered one year ago at a Brookings conference entitled “Rationing America's Medical Care: Opening Pandora's Box?” in which the Oregon plan was the center of scholarly presentations. The papers from that conference were compiled into a book entitled *Rationing America's Medical Care: The Oregon Plan and Beyond*, which was unveiled April 13 at a press conference at Brookings headquarters in Washington.

At the press conference, editors Martin Strosberg and Robert Baker of Union College, and Joshua Wiener of Brookings, stressed that the book “balances” the various sides of the rationing debate. All three, as well as the vast majority of the papers in the book, support the Oregon program as the first step in opening the floodgates for rationing in the United States—a goal long sought by such think-tanks as Brookings on the “liberal left” and the RAND Corp. on the “right.”

What was most remarkable about the Brookings presentation was the fact that members of the audience, many from

organizations representing the poorest and most vulnerable strata of the population targeted by the Oregon plan, could muster virtually no opposition to the “compelling reasoning” for the plan, and thus offered little resistance to President Bush’s granting the Medicaid waivers necessary for its enactment (see page 6).

As Baker emphasized, the current system *already* is rationing health care, because hundreds of thousands in Oregon alone have no insurance coverage, while Medicaid covers only those with incomes more than 50% below the poverty line. “It is an incredibly irrational system of ration,” said Baker. “It rations people, not resources.” Since rationality must be the core of rationing, he argues, the beauty of Oregon’s proposal is that it would “ration resources, not people,” with a priority list of approved pairs of conditions and treatments, and the line drawn at a point determined by the availability of funds. “Ration resources, not people” was the theme Baker and Wiener repeated over and over again.

For those who were uneasy with this idea, Baker pointed out that in contrast to countries like Britain which ration services without public debate, the great thing about the Oregon plan is “the publicity principle,” in which decisions on the “rationing of resources” are all debated publicly. Ultimately, the “democratic process” “openly” decides where to draw the line. “You’ve got to accept and trust political processes. It’s a very democratic plan in that way. And what this says is that if you’re going to deny access to a treatment, you’re going to say so, it’s not going to be done behind closed doors.”

The sophistry of murder

The sophistry of Baker’s argument was given away in two rather revealing remarks. At the outset, he invoked Plato as an advocate of rationing, citing Book I of *The Republic* in which the philosopher seemingly destroys the notion of egalitarian distribution of food because it results in too little for athletes and too much for more sedentary poets. As this reporter pointed out to him, this ignores the entire further development of *The Republic*, in which such “common sense” reasoning is superseded by more advanced ideas of society’s role in providing for its citizens.

Baker brazenly defended the right of the privileged and powerful to avoid any rationing scheme. In response to a question on why health care should be rationed for the poor but not for the wealthy, Baker rebuked the questioner: “The British tried . . . and it lasted for all of three years. You cannot prevent the more powerful and the wealthier people in a society from exercising their privileges, and every attempt to do so has failed.”

The fundamental flaw in this debate is acceptance of the U.S. depression. If one accepts “limited resources” within “budgetary constraints” instead of a crash program to make health care available for all, then Brookings’s rationing is indeed more “fair” than what exists now. The problem is, it’ll murder millions of Americans.

Real estate giant in technical default

Just one day after Olympia & York told an April 13 meeting of its bankers in Toronto, Canada that the company was worth \$4.7 billion and that the situation was under control, the real estate giant let the grace period expire on a \$62 million interest payment due March 25, throwing an \$800 million Eurobond issue into technical default. The bond issue is secured by Tower B of Manhattan’s World Financial Center, one of the crown jewels of the O&Y empire.

O&Y has missed several payments lately, including a \$100 million principal payment on a \$355 million mortgage on its One Liberty Plaza property in New York City, and a payment on its \$378 million mortgage on Scotia Plaza in Toronto. It even skipped a \$250,000 mortgage payment on its Olympia Place office building in Orlando, Florida. These defaults give a more accurate picture of O&Y’s financial condition than do the phony statistics they paraded before bankers and the press.

The \$4.7 billion net worth proclaimed by O&Y is as fictitious as the balance sheets of Citicorp and the other money center banks, being based upon the alleged “long-term fair value” of the company’s real estate holdings, under conditions of a strong economic recovery. The banks, who use the same tricks to paper over the holes in their financial statements, aren’t falling for it.

While the company claims its assets are worth \$24 billion against debts of \$19 billion, outside sources have placed the debts as high as \$25-47 billion.

The troubles do not stop with O&Y. EdPer Enterprises, the \$87 billion conglomerate of Canada’s Edward and Peter Bronfman, is rumored to be in serious trouble. EdPer is the majority owner of Trizec, a \$12 billion real estate company of which O&Y’s Reichmann brothers own one-third. O&Y reportedly pledged its interest in Trizec as collateral on a Eurobond issue—possibly the one which just went into default.

“Canada is a strange place,” a European financier told *EIR*. “It’s securities regulations and disclosure requirements for companies are minimal. There are levels of corporate concentration and cross-ownership which exceed even Japan. When a big part of the structure goes, as you have now with Olympia & York, the whole edifice is threatened. This is why the Canadian government immediately rushed to the O&Y case. But this is too big even for the Canadian government to handle.”—*John Hoefle*