America’s Wrong Turn: U.S. Health Care in the Neoliberal Era

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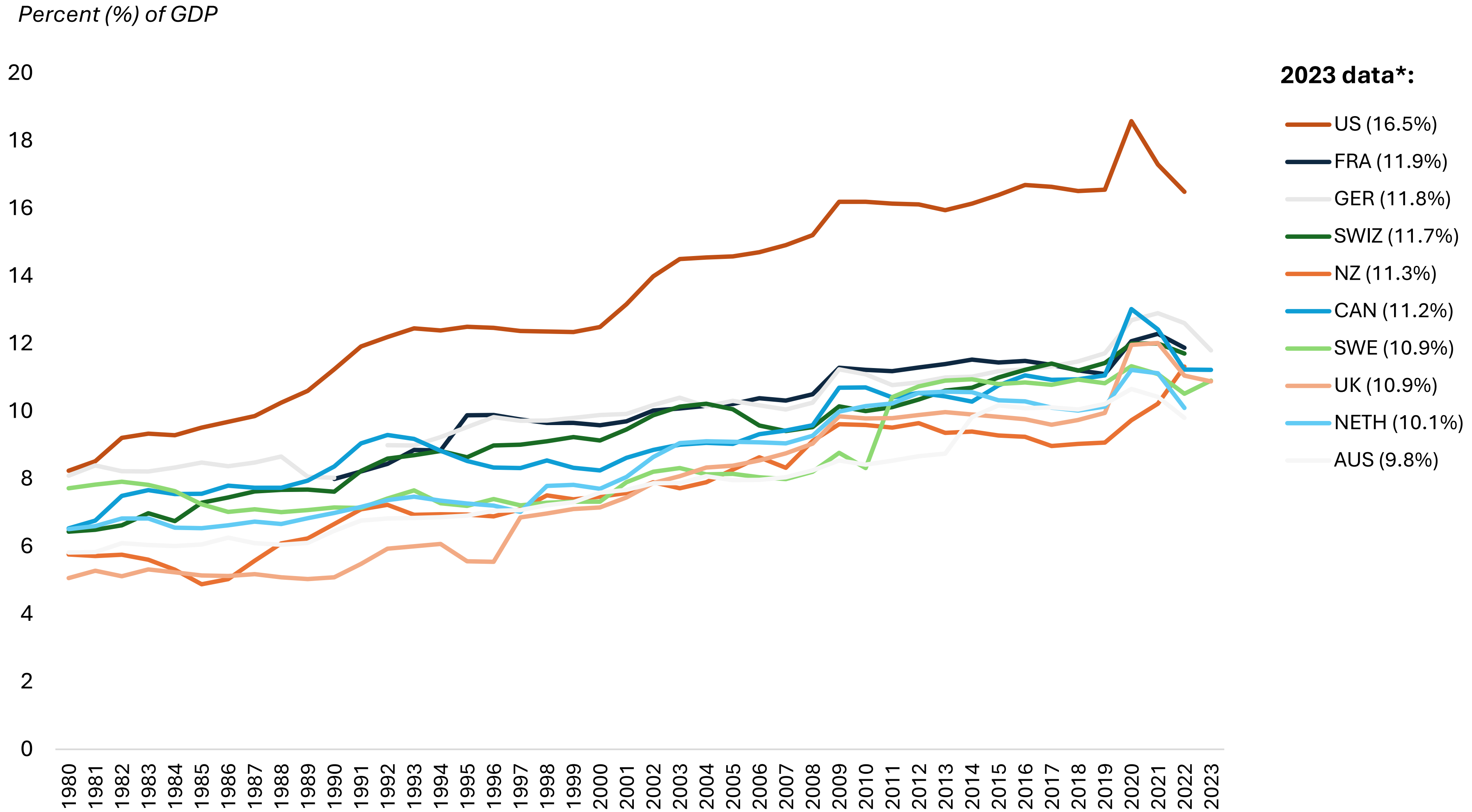
Health Care Spending as a Percentage of GDP, 1980–2023



Notes: GDP = gross domestic product. Current expenditures on health. Based on System of Health Accounts methodology, with some differences between country methodologies.

* Data for CAN, GER, SWE, and the UK from 2023; data for AUS, FRA, NETH, NZ, SWIZ, and the US from 2022.

Data: OECD Health Data, July 2024.

Source: David Blumenthal et al., *Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System — Comparing Performance in 10 Nations* (Commonwealth Fund, Sept. 2024). https://doi.org/10.26099/ta0g-zp66

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THE NEW HEALTH CARE

Medical Mystery: Something Happened to U.S. Health Spending After 1980

The spending began soaring beyond that of other advanced nations, but without the same benefits in life expectancy.

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By Austin Frakt

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The United States devotes a lot more of its economic resources to health care than any other nation, and yet its health care outcomes aren't better for it.

That hasn't always been the case. America was in the realm of other countries in per-capita health spending through about 1980. Then it diverged.

It's the same story with health spending as a fraction of gross domestic product. Likewise, life expectancy. In 1980, the U.S. was right in the middle of the pack of peer nations in life expectancy at birth. But by the mid-2000s, we were at the bottom of the pack.

What happened?

Era/Regime Theory in Modern US Politico-Econ History

- Yale Political Scientist Stephen Skowronek's Regime Theory:
  - Jefferson, Jackson, Lincoln, FDR, Reagan
- Two political eras in modern U.S. history:
  - Franklin Roosevelt/New Deal/Keynesian Era – 1933 to 1980
  - Ronald Reagan/Free Market/Neoliberal Era – 1981 to 2020
- Four types of presidents in each era
  - The initiators: FDR, Ronald Reagan
  - Keep it going: Harry Truman, JFK, LBJ/George H. W. Bush, George W. Bush
  - Bridge-too-far agents: Eisenhower, Nixon, Ford/Clinton, Obama
  - End of the Roaders: Herbert Hoover, Jimmy Carter, and Donald Trump 1
- Though Eras end, some of their legacies hang on
- If January 2021 was the end of an era, where are we now???

1981-2020: In Neoliberal era, how many years of trifecta control? White House/Senate/House

Control Equation	Results in years (n=40)
Democrats control all 3	4 (1993-’94, 2009-’10)
Republicans control all 3	6 1/3 (2001, 2003-’06, 2017-’18)
Divided Government	29 2/3

1933-1980: In New Deal Era, how many years of unified control? White House/Senate/House?

Control Equation	Results in years (n=48)
Democrats control all 3	30 (1933-’46; 1948-’52; 1961-’68; 1977-’80)
Republicans control all 3	2 (1953-’54)
Divided Government	18 (1947-’48; 1953-’60; 1969-’76)

What is/was the Free Market/Neoliberal Era?

- Different names: Reaganomics, supply-side, conservative, free market, libertarian, and neoliberal
- Intellectuals/Idea creators: Milton Friedman, Friedrich Hayek, many others
- Pioneers: Margaret Thatcher ‘79, Deng Xiaoping ‘79, Ronald Reagan ‘81
- Neoliberal Rules of the Road:
    - Principal job of government is to shrink itself anywhere and everywhere
        - Where they can’t be eliminated, government services should be privatized
    - Politicians’ role is to reduce taxes and regulations anywhere and everywhere
    - Tradeoff between Equality vs. Economic Freedom – Freedom must win/Equality loses
    - Sole duty of for-profit corporation is financial return to shareholders (MSV)
    - Unfettered trade and globalization are always good, even when partners cheat
    - Monopoly is not good, and government anti-trust makes things worse, so stay out.
    - Immigration is a societal good
    - Organized labor/unions impede the free market and should be suppressed
    - Recipients of public services must have “skin in the game” and pay a share

What connects neoliberalism to US health trends?

- Growth of for-profit footprint in nearly every part of the U.S. health sector – "maximizing shareholder value" as a central feature
- The not-for-profit sector looks and acts more like the for-profit world
  - Government capital support is huge and hidden; see Colleen Grogan's *Grow and Hide*
- Massive growth in financialization and commercialization in the US health sector – i.e.: private equity's invasion in this century
  - Aka: the commercial determinants of health
- Income/wealth inequities among all workers and medical sector workers
- Privatization of government public health services
  - Medicare Advantage, Medicaid Managed Care
- Deregulation: health system planning, certificates of need, hospital rate setting
- Lax enforcement of anti-trust, anti-monopoly, anti-oligopoly
- "Greed is good" (Gordon Gekko, 1987) infects health care
  - See: Elizabeth Rosenthal's An American Sickness, 2017

Elizabeth Rosenthal’s “Economic Rules of the Dysfunctional US Medical Market”

- More treatment is always better. Default to the most expensive option.
- A lifetime of treatment is preferable to a cure.
- Amenities and marketing matter more than good care.
- As technologies age, prices can rise rather than fall.
- There is no free choice. Patients are stuck. And they are stuck buying American.
- More competitors vying for business doesn’t mean better prices; it drives prices up, not down.
- Economies of scale don’t translate to lower prices. With their market power, big providers can simply demand more.
- No such thing as a fixed price for a procedure or test. The uninsured pay the highest prices.
- There are no billing standards. There’s money to be made in billing for anything and everything.
- Prices will rise to whatever the market will bear.

From: E. Rosenthal. *An American Sickness*. Penguin Press. 2017. p.8.

The Chain of Research on Neoliberalism's Impacts

- Corporate consolidation is a major cause of rising medical prices; why health care isn't Staples or Starbucks? [Leemore Dafny]
- Private equity ownership of patient care facilities lowers quality and raises costs. [Zirui Song]
- Health insurance cost sharing can be deadly. [Amitabh Chandra]
- Life expectancy and infant mortality are correlated with levels of income inequality across high-income countries. [Richard Wilkinson & Kate Pickett]
- Racial inequalities/inequities damage health [Dayna Bowen Matthews]
- MSV motivates commercial pursuit of profits at the expense of life and health. [Nick Freudenberg]
    - Nutritional choices
    - Guns
    - Environmental pollution

Post 2020: Biden's Brief Era

- 2021 was the end of an era of the Neoliberal Era
- Trump 1, like Hoover and Carter, was a transitional figure
  - Trump 2, 4 years later, is different
- Biden Administrations' wholesale rejection of Neoliberalism:
  - Government planning/investment as central strategies
  - Tax increases on wealthy and corporations were welcome
  - Near-record levels of income inequality recognized as harmful
  - Greatest president for unions/organized labor since 1930s
  - Maximizing Shareholder Value discredited (*50th NYT Anniversary*)
  - Private Equity, MSV's epitome, became a national scandal (i.e. Steward)
  - Sea change in anti-monopoly/antitrust – Lena Kahn & Jonathan Kanter
  - Drug price negotiations + major ACA subsidy expansion

Trump 2 Is Something Different

- Trump 2 restores/embraces some Neoliberal precepts:
  - Tax cuts aimed for wealthy and corporations
  - Deregulation
  - Anti-union bias
  - Economic freedom over inequities (anti-DEI)
- On other fronts, Trump 2 goes his own way
  - Full abandonment of immigration and immigration reform
  - Government economic intervention is embraced opportunistically
  - Tariffs as a deliberate policy/political tool
  - Antitrust/monopoly vigilance recedes into deal-making (i.e. Google)
  - Elimination/diminution of long-established agencies (e.g. USAID)
- Skowronek suggests his model may not operate beyond Trump 1
- It takes time and history for a new era to play out

Change in Control of House, Senate and/or White House

1960's	1970's	1980's	1990's	2000's	2010's	2020's
1960	1970	1980	1990	2000	2010	2020
1962	1972	1982	1992	2002	2012	2022
1964	1974	1984	1994	2004	2014	2024
1966	1976	1986	1996	2006	2016	2026
1968	1978	1988	1998	2008	2018	2028

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