# The Medicare fraud and the decay of American democracy

**By David Walsh**
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George W. Bush signed the Medicare reform bill amid great fanfare at a ceremony December 8 in Washington D.C. According to the *Los Angeles Times*, “The ceremony was something of a holiday season party for the legislation’s Republican supporters and leading figures in the health care industry.”

The passage of this bill and its signing into law represent a devastating exposure of the state of American “democracy” in 2003.

The new bill, passed by Congress last month, marks a significant step toward privatizing and ultimately dismantling Medicare. It places prescription drug coverage for senior citizens entirely in the hands of private insurance companies and health care plans, forbids the government from negotiating drug prices, blocks the importation of cheaper drugs from Canada, and subsidizes private health plans and insurers to the tune of tens of billions of dollars.

The long-term aim of Bush and the Republicans is to bankrupt Medicare, end all government regulation and control over the drug, insurance and health care industries and create a two-tier health care system: a privately-owned and operated system for the wealthy elite and upper-middle-class, and a bargain-basement system for the rest of the population.

Former Speaker of the House Newt Gingrich admitted in 1995 that the right wing’s intention was to let Medicare “wither on the vine.” The Bush administration, with the support of the AARP (formerly known as the

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American Association of Retired Persons) and the complicity of the Democratic Party, has begun the process of its destruction.

The most striking feature about this far-reaching measure, which will negatively impact tens of millions of people for generations to come, is the absence of any serious public debate, discussion or input. The overwhelming majority of the American population has no idea of what is in the bill. Many members of Congress had only a vague notion of the bill's contents when they voted on it.

*USA Today* noted December 8: "Health care experts and economists are scouring the bill's 680 pages, plus hundreds of pages of addendums, to try to understand the far-reaching changes and how new private-insurance options will work for seniors accustomed to Medicare's uniform benefit structure."

In the words of Thomas Jefferson: "The best defense of democracy is an informed electorate." From this standpoint, the Medicare bill is an object lesson in the putrefaction of democracy in the US.

The Bush administration and the media concealed the reality of the bill from the public. Only when its passage was a foregone conclusion did the media begin to consider its provisions and hint at its impact on poor and working-class elderly people.

Not until Monday, when Bush signed the bill into law, did major media outlets report some of its most regressive provisions—including large financial penalties for retirees who fail to sign up immediately for the "voluntary" drug program, and a ban on so-called "Medigap" insurance policies that millions of seniors presently rely on to cover out-of-pocket drug costs. (Such costs will remain under the new bill, which for most retirees will only cover between 40 percent and 60 percent of prescription drug expenses).

The Medicare bill, crafted by and for the drug, health care and insurance companies, was essentially enacted behind the backs of the American people—who overwhelmingly support the Medicare program and oppose the privatization schemes at the heart of the new measure.

The Democrats, the supposed party of opposition, collaborated in this charade. They were incapable of organizing any significant resistance or exposure of its provisions. A number of leading Senate Democrats came out openly in support of the measure. At the signing ceremony, Bush singled out the support of Democratic senators Max Baucus of Montana and John Breaux of Louisiana. (The latter has received $65,000 in campaign contributions from pharmaceutical firms since the 1996 election cycle.)

In no country in Western Europe, and in precious few in other parts of the world, could such a far-ranging measure have been enacted with so little public discussion and debate. There would have been round-table discussions, television debates, public hearings—in the US, there was no such thing.

The level of corruption, bribery and criminality involved in pushing through this windfall for big business was remarkable, even by American standards. Public Citizen, the non-profit group founded by Ralph Nader, pointed out in a June 2003 report that “the drug industry hired 675 different lobbyists from 138 firms in 2002—nearly seven lobbyists for each US senator, according to federal lobbying disclosure records. The industry spent a record $91.4 million on lobbying activities in 2002, an 11.6 percent increase from 2001.”

The report further noted: “Drug industry lobbying ranks include 26 former members of Congress. All told, 342 lobbyists (51 percent of those employed by the industry) have ‘revolving door’ connections between K Street [the location of corporate and legal lobbying firms] and the federal government.

“The Pharmaceutical Research & Manufacturers of America (PhRMA), which represents more than 100 brand-name prescription drug companies, shelled out $14.3 million last year, a 26 percent increase from 2001 and nearly double what the group spent in 2000. PhRMA hired 112 lobbyists in 2002, 30 more than the year before. ...

“Since Public Citizen began tracking the drug industry’s lobbying activities in 1997, the industry has spent nearly $478 million lobbying the federal government. In that same period, the top 25 pharmaceutical companies and trade groups gave $48.6 million to federal campaigns. Well over $100 million more went to paying for issue ads, hiring academics, funding nonprofits and other activities to promote the industry’s agenda in Washington. All told, the drug industry has spent nearly $650 million on political influence since 1997.”

CBSNEWS.com reports: “Many of the group’s [PhRMA’s] members also spent millions on lobbying in the first half of this year, including Eli Lilly and Co. ($2.9 million), Bristol-Myers Squibb ($2.6 million), Johnson & Johnson ($2.2 million), Hoffmann-La Roche ($2 million) and Pfizer ($1.8 million).

“Overall, the industry has already spent more than $29 million in lobbying this year, more than any other industry, according to Political Money Line, a nonpartisan Washington Web site. The industry enjoyed about $150 billion in US sales last year."

The pharmaceutical and health products industries have also made generous campaign contributions. The Center for Responsive Politics notes that between 1992 and 2002 these industries tripled their political contributions, from $8 million to $27 million per election cycle. The Republicans received 54 percent of this cash in 1992 and 76 percent in 2002.

George W. Bush received the most money from the pharmaceuticals and health products industry, with more than $466,000 in 1999-2000. The industry donated $10.6 million in "soft money" to Republican candidates during the 2000 election cycle, twice the amount given to the Democrats. Senate Majority Leader Bill Frist, Republican of Tennessee and a doctor, has received $258,000 from pharmaceutical firms.

The Bush administration has close ties to the pharmaceutical industry. Bush's father, the former president, was a director of Eli Lilly, as was Mitch Daniels, the former director of the Office of Management and Budget. Secretary of Defense Donald Rumsfeld headed Searle, now Pharmacia, from 1977 to 1985. During the 2000 election it was revealed that Gail Wilensky, Bush's senior health care adviser, held $10.5 million in shares and stock options in health care companies.

Top officials from drug maker Merck and PhRMA sat on advisory committees shaping the administration's health care policies, including its virulent opposition to regulating prescription medicine prices.

One of the more brazen examples of conflict of interest involves Thomas Scully, the federal official who runs Medicare and "was intimately involved" (*New York Times*, December 3) in drafting the legislation to overhaul the program. During the time he was engaged in this effort, Scully was also "the object of a bidding war among five firms hoping to hire him to advise clients affected by the measure."

The *Times* goes on: "Mr. Scully has made no secret of the fact that he has been looking for jobs outside the government for more than six months—even as he spent hundreds of hours in closed sessions with House and Senate negotiators working out countless details of the legislation, which makes the biggest changes in Medicare since creation of the program in 1965."

The five firms are Alston & Bird, a law firm that represents the National Association for Home Care and pharmaceutical giant Johnson & Johnson, among other clients; Baker, Donelson, Bearman, Caldwell & Berkowitz, a law firm that represents the Disease Management Association of America, which made large gains from the new Medicare law, as well as the American Association for Homecare and the Federation of American Hospitals; Ropes & Gray, a Boston law firm that represents PhRMA, along with major drug makers including Abbott Laboratories, AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Novartis and Pfizer; Welsh, Carson, Anderson & Stowe, a private equity investment firm which has invested in many health care firms; and Texas Pacifica Group, a private investment partnership that helped rescue Oxford Health Plans from financial difficulty while Scully was on Oxford's board.

Scully, who served as a White House budget official in the first Bush administration, defended his actions and said he saw no reason to recuse himself from work on the Medicare legislation.

The Bush administration and the Republican leadership in Congress allegedly resorted to bribery and, when that failed, threats to force recalcitrant Republican House members to support the Medicare "reform." Columnist Robert Novak in the November 27 *Chicago Sun-Times* reported on the experience of Michigan Republican Congressman Nick Smith, an opponent of the Medicare bill, during the last-minute maneuvers surrounding the close House vote on the measure. Smith, Novak wrote, "had never experienced anything like it." Novak continued: "House Speaker Dennis Hastert and Health and Human Services Secretary Tommy Thompson, in the wee hours last Saturday morning, pressed him to vote for the Medicare bill. But Smith refused. Then things got personal.

"Smith, self term-limited, is leaving Congress. His lawyer son Brad is one of five Republicans seeking to replace him from a GOP district in Michigan's southern tier. On the House floor, Nick Smith was told business interests would give his son $100,000 in return for his father's vote. When he still declined, fellow Republican House members told him they would make sure Brad Smith never came to Congress. After Nick Smith voted no and the bill passed, Duke Cunningham of California and other Republicans taunted him that his son was dead meat."

Smith acknowledged the truth of the story, writing in a column November 23, "Bribes and special deals were offered to convince members to vote yes." Subsequently, he retracted the claim about bribes being offered, suggesting only that Republican leaders threatened to oppose his son's candidacy.

The entire repugnant episode surrounding the passage of the Medicare bill underscores the increasingly hollow character of American democracy. The rights, living standards and social conditions of the vast majority of the population are under ferocious attack by a ruling elite that shows no restraint. They cannot be defended within the framework of two right-wing parties that defend the interests of a financial oligarchy. The political lesson of this and similar experiences is the need to build a mass socialist party of the working class.

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