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MotherJones MJ93: The godfather of managed competition

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If managed competition sounds like something designed by an accountant rather than a caregiver, that's because its creator has spent decades using computers to devise systems that have an unfortunate impact on real people.

The standard sobriquet attached to Alain Enthoven is "a Stanford economist." Less often is it mentioned that Enthoven got his start in public policy at the Pentagon in the 1960s as Robert McNamara's chief "Whiz Kid." As head of systems analysis for the Department of Defense, Enthoven worked on everything from nuclear warfare strategies to Vietnam body counts.

In a recent interview with *Mother Jones*, Enthoven said, "I fear that journalists may not know enough about the health-care system," and therefore "don't get it quite right." He said it was "particularly unfortunate" that "people go after you for suspected financial interests rather than [looking at] the quality of the ideas." Enthoven was especially bothered by a *Washington Post* story alleging a financial connection between the Jackson Hole group and insurance companies. "No one asked me," he stated. "I don't get money from insurance companies. I attend the meetings so I can talk to the insurance companies."

Although an investigation by *Mother Jones* did not uncover any direct links between Enthoven and the insurance industry, it did establish that he is a paid consultant to Kaiser Foundation Health Plan, Inc., an HMO that would presumably benefit if and when his vision of managed competition becomes the law of the land. Enthoven refuses to divulge his compensation from this work, stating simply: "We have an agreement, and how much is my business."

Enthoven has also been awarded more than a million dollars in grants from foundations closely connected to the health-care industry for his work at Stanford over the years. He was the lead professor for \$595,300 in grants donated by the Henry J. Kaiser Family Foundation for research in "health management," and he received another \$137,000 from the Robert Wood Johnson Foundation to develop his model for a universal health insurance program. Currently, he is the lead professor on a \$296,825 grant from the John A. Hartford Foundation to support educating physicians in management techniques.

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In addition, Enthoven spent four years as a director and stockholder of PCS, Inc., a "pharmaceutical managed care" company that was taken over by the drug distribution giant McKesson Corporation in 1989. In addition to his \$10,000 annual retainer as a director of PCS, Enthoven held one thousand shares of the company's stock, which he sold to McKesson for approximately \$20,000 on April 16, 1990. (In its latest annual report, McKesson notes, "With PCS, [we are] in a prime position to benefit from the rapid growth of managed-care health plans.")

At a recent forum in Washington, D.C., Enthoven--tall, aloof, and patrician in appearance--rattled off statistics about the growing toll of America's collapsing health-care system. Nowhere in his presentation, however, did he evoke sympathy for the uninsured, the underinsured, people without long-term care, or the need to provide basic human services. Instead, Enthoven coolly suggested that the problem with the U.S. health-care system is that people get too much health care and consume too much medicine.

At Stanford, where he has held the Marriner S. Eccles Professorship of Public and Private Management since 1973, Enthoven helped design a managed-care system to keep the university's health-care costs under control. When a controversy developed on campus over whether to extend benefits to gay and lesbian couples on the same basis as married people, Enthoven reacted with a fourteen-page report to the faculty senate in May 1991 that many interpreted as cold-hearted. In it, he stated, "Any proposal to open coverage to other persons raises serious questions of adverse risk selection--that is, previously uninsured people who are diagnosed with costly medical conditions seeking to obtain coverage through affiliations with a Stanford employee, and driving up the costs and premiums of our insurance . . .

"There are two behavioral responses to be concerned about. First, acting alone, Stanford would become an especially attractive employer for people who do not expect to marry but who do expect to have unmarried domestic partners. And, second, if Stanford acted alone, uninsured people in the area diagnosed with diseases costly to treat could disproportionately contact their unmarried friends at Stanford, and seek coverage through them."

Despite Enthoven's opposition, the plan to cover same-sex couples was eventually adopted.

Enthoven's image as a somewhat cold advocate of efficiency over human needs parallels his earlier role as McNamara's number-cruncher in the Vietnam-era Pentagon. According to Deborah Shapley, author of a recent McNamara biography called *Promise and Power*, Enthoven created a database specially tailored to the needs of his military superiors, who needed to rationalize U.S. involvement in the war in terms of enemy "body counts," however fancifully derived.

In fact, Shapley writes that the phrase "managed competition" actually came from McNamara, who used the concept while he was president of Ford Motor Company to force the various divisions of the automaker to streamline corporate workings. Shapley says that McNamara later used the same phrase to describe his strategy of playing off the armed services against each other. Enthoven, however, dismisses this etymology as "fanciful" and "preposterous," and maintains that he came up with the term for his health-care system himself, in 1986.

Asked whether he expected to be offered a position in the new Clinton health-care system that he helped inspire, Enthoven said, "I am not looking for that. . . . But I can't say I wouldn't accept one if offered . . ."

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Having met Dr. Enthoven personally and heard him talk on the Committee for Economic's current health plan, this article sounds like a cynical hatchet job. Is the guy super-rational and academic? Yes. But implying ulterior motives with scant evidence is unfair. And cold, rational thinking is as integral good intentions for solving complex problems such as healthcare.

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Dr. Enthoven should focus on health care in his interview.

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