

Pursuing cost containment in a pluralistic payer environment: from the aftermath of Clinton's failure at health care reform to the Balanced Budget Act of 1997

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Abstract: Following a decade in which Medicare operated as the leading 'change agent' within the US health care system, the private sector rose to the fore in the mid 1990s. The failure of President Clinton's attempt at comprehensive, public sector-led reform left managed care as *the* solution for cost control. And for a period it worked, largely because managed care organizations were able to both squeeze payments to selective networks of medical providers and significantly reduce inpatient hospital stays. There was a lot of 'fat' in the nation's convoluted health care system that could be (and was) eliminated through competitive negotiations between medical providers and insurers, employers, or managed care organizations. One of our primary arguments in this article is that managed care operated partly as a systematic suppression of price discrimination or differential pricing (often referred to as 'cost shifting'), as managed care organizations *qua* purchasing agents prevented hospitals and physicians from summarily raising prices to private payers to meet their financial requirements. Over time, however, managed care fell victim to inflated expectations, its own initial success, and larger fiscal forces. During this same period, Republicans and Democrats struggled to reach a consensus over the future direction of Medicare. Their disagreements contributed to the impasse over budget policy in 1995 and the infamous partial federal government shut-down. After President Clinton's reelection in 1996, partisan disagreements over Medicare dissipated. And, in 1997, Congress and the president passed the Balanced Budget Act of 1997, which emerged as a massive piece of patchwork legislation that sought to balance the federal budget, rein in Medicare spending, and increase the number of the programme's beneficiaries in private health plans.

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