Free Trade and Health Care

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Does NAFTA threaten health care? Mexican and Canadian analysts present persuasive evidence that it does.

Ana Cristina Laurell and Maria Elena Ortega from the School of Social Medicine at Xochimilco Autonomous University cite three reasons why NAFTA is harmful for health care in Mexico:

- First, it will open up profitable economic activities relating to health care to the private sector and weaken the role of the state in safeguarding social needs.
- Second, it will reinforce the Mexican experience with economic liberalization and structural adjustment which have already weakened socialized medicine in Mexico. Per capita spending by Mexico's two publicly funded social security agencies, IMSS and ISSSTE, fell by 44% between 1983 and 1990.[1]
- Third, the medical-industrial complex in the United States is one of the most powerful sectors in the USA with a vested interest in maintaining and expanding its sphere of activity. The U.S. hospital and insurance firms are interested in gaining access to the 20 to 25 million Mexican citizens out of a total population of 86 million who are wealthy enough to pay for private services.

The Medical-Industrial Complex

Huge insurance and hospital corporations wield substantial economic and political power in the USA. The three largest insurance companies (Prudential, Metropolitan and Aetna) managed assets worth US$289 billion in 1990.

The four largest hospital corporations (Humana, Hospital Corporation of America, National Medical Enterprises, American Medical Holdings) control 70% of the 700 private hospitals in the USA with assets worth $17.6 billion while public hospitals in the USA suffer from cronic undercapitalization. In a "side letter" to the official NAFTA text Mexico has promised to allow U.S. insurance companies to wholly own and operate subsidiaries in Mexico.[2]

Laurell and Ortega point to attacks on Canada's public medicare system as evidence that U.S. insurance and hospital corporations want to harmonize the three systems. The Mexican analysts fear that the result will be further polarization in health care with one system for the rich who can afford to buy private insurance and pay private doctor's fees and another, inferior system for the poor who will be dependent on a scaled-down, under-funded pulbic institutions.

Canada's Experience

Since the signing of the Canada-U.S. Free Trade Agreement (FTA) the Canadian health care system has been weakened considerably. Before the FTA was ratified many Canadians argued that it would result in pressures to "harmonize" health care in Canada with U.S. standards as part of the "level playing field" demanded by free traders.

During the 1988 election campaign the Canadian Alliance for Trade and Job Opportunities, representing big business proponents of free trade, took out four-page newspaper advertisements that asked and answered these rhetorical questions:

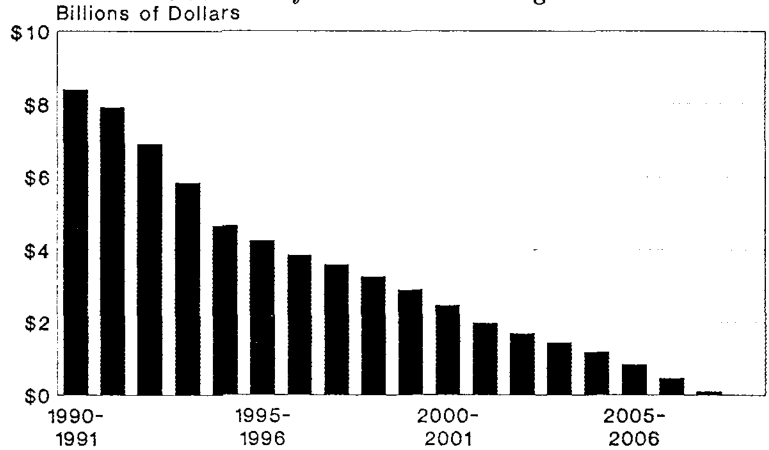
> "Won't the agreement gradually force us to align our policies along the lines of the larger and stronger partner? Won't Canadian business lobby to reduce spending on social and other programs?"
> "Not at all."

Just a month after the free trade election big business went back on its word and onto the offensive. The Canadian Manufacturers Association (CMA) called for a Royal Commission on social spending. The Chairperson of the CMA said "All Canadien governments must test all their policies to deterime whether or not they reinforce or impede competitiveness. If a policy is anti-competitive, dump it."[3] The President of the CMA bluntly asserted "The social programs we've come to depend on . . . we're going to have to abandon. We're going to be shutting down hospitals, like it or lump it."[4]

In its first post-free trade budget delivered in April of 1989 the Conservative government responded to the business lobby by cutting a number of social programs including Unemployment Insurance and Old Age Security. That same budget reduced federal contributions to Established Program Financing (EPF) which transfers funds to the provinces for health care and secondary education. The 1990 and 1991 budgets imposed a total freeze on EPF until the 1994–95 fiscal year. The cumulative effects of these changes amounts to a loss of $97.6 billion worth of federal cash contributions for health and higher education between 1986–87 and 1999–2000.[5]

The accompanying graph shows how all federal cash transfers for health and education will disappear by 2009.

Federal Cash Outlays for Health and Higher Education



Source: *Funding Health and Higher Education: Danger Looking*, A Report by the National Council of Welfare, 1991, p. 20.

Harmonizing with the USA

As a result of the financial squeeze brought on by federal cutbacks, some Canadian hospitals are purchasing computer software from U.S. consulting firms with patient classifications already built in according to cost-cutting criteria. Under these systems nurses are expected to follow standardized action plans that emphasize quick treatment and short stays. For example, nurses are given as litle as six and a half minutes to get an elderly patient out of bed, bathed and ready for breakfast. "I am humiliated in the way I am expected to work," says one care giver. "And I am paid to bring humiliation to the residents."

The services chapter of the Canada-U.S. FTA opened the door to private U.S. firms to take over the management of Canadian hospitals, nursing homes, treatment centres, laboratories and other services. Private laboratories and diagnostic clinics have already sprung up in some provinces and profit-making management firms have been hired to run hospitals in Ontario and Alberta.

The Kaiser Foundation, a large U.S. private health insurer, has targeted Canada as its next "growth market."

Generic Medicines Eliminated

The U.S. Pharmaceutical Manufacturers Association (PMA) represents one of the most powerful sectors within the medical-industrial complex. In 1992 PMA members world-wide sales surpassed US$75 billion. Their profits were more than 50% higher than the median earned by Fortune 500 companies in the USA.

Lobbyists from the PMA were instrumental in persuading the U.S. government to use trade agreements such as NAFTA and unilateral trade sanctions to force other countries to amend their patent laws to give more protection to the transnationals pharmaceutical patents.

Until recently Canada allowed domestic drug manufacturers to produce generic drugs which sold for 20% to 50% less than their brand-name equivalents. It is estimated that Bill C-91 amending Canada's pharmaceutical patent law will cost Canadians more than $500 million a year in higher drug costs. Bill C-91 gives pharmaceutical patent holders 20 years of exclusive monopoly protection as required by NAFTA's chapter on intellectual property rights.

Similarly Mexico used to have a thriving domestic drug industry that produced inexpensive copies of brand-name pharmaceuticals for local consumption. In 1987 the USA withdrew preferential tariff treatment affecting US$220 million worth of Mexican exports of chemical products because Mexico allowed chemical and pharmaceutical companies to produce generic copies of patented products. Then the USA threatened further sanctions, placing Mexico on a "priority watch list . . . because of its lack of adequate patent protection."[6] Mexico was forced to amended its patent law to give transnational drug companies 20 years of exclusive monopoly protection.

While in Canada the extra cost for pharmaceuticals will be an inconvenience and a further burden on provincial drug benefit plans that provide prescription drugs to the elderly and the poor, in Mexico the unavailability of cheaper generic medicines could cost lives.

NOTES

1. Ana Cristina Laurell y Maria Elena Ortega, "El TLC y el sector salud," Mexico City (1991), p. 5.
2. *Inside U.S. Trade* (Aug. 13, 1993), p. 8.
3. Cited in Canadian Labour Congress, *Free Trade Briefing Document* 7 (January 1991), p. 13.
4. Cited in *The London Free Press* (28 December 1991), p. A4.
5. *Funding Health and Higher Education: Danger Looming.* National Council of Welfare, Ottawa (1991), p. 18.
6. United States International Trade Commission, *Review of Trade and Investment Liberalization Measures by Mexico and Prospects for Future United States-Mexico Relations.* Investigation No. 332-282, USITC Publication 2275, Washington (April 1990), p. 6-1.