

The Value of Free Markets and Competition in the Delivery of Affordable Healthcare

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Introduction

The United States economy is primarily composed of free market transactions where the prices for goods and services are established by supply and demand, with little or no government control. The health care delivery system in the U.S. is also unlike most free markets. For example, the sector consists of multiple clinical teams, inpatient and outpatient facilities, insurance companies, operating and purchasing teams, health networks and integrated delivery networks. The array of stakeholders inside this industry is vast and the system of how payments and reimbursements equals or transitions to clinical effectiveness and preparedness is vast. The means of providing medical services to patients all across America is undeniably a subject of intense political and social debate, as noted by McCkalip (2016), and not an easy undertaking. Arguments for health care are centered around the concept of what constitutes the best economic model for delivery of care that achieves improved access, quality, affordability, for each and every American (McCkalip 2016). “Patients, physicians, and citizens continue to express concern that the current delivery models are not delivering on promises and may be causing harm” (McCkalip 2016 p.1). One can certainly argue that the U.S. health care focus is to pay for procedures rather than the value of our care. The goal of this essay is to discuss the uniqueness of the affordable health care delivery system in a free market. Highlighting three various perspectives, concluding with principles and insights, towards potential solutions to the accumulated challenges.

Perspective 1: Consumerism

Meaningful consumerism in health care requires patients to be active participants throughout the journey, from research through patient care delivery (Carman et al. 2020). The US health care system does not always present consumers and providers the same information to make informed decisions that in other markets can lead to increased competition. Arming consumers and providers with the same information enables consumers to engage the health care system with their informed voice, rather than with just their dollars (Carman et al. 2020). Consumerism has assuredly improved the U.S. health care industry and has bettered patient outcomes. One example is the advent of the Patient Protection and the Affordable Care Act. Over this last decade, patients have started to gain an increasing opportunity to act more like informed consumers. More transparent information allows patients to choose their own path, determining which providers they want to see. In this model the consumer has more ‘say’ in the types of procedures and services that are performed. These changes have allowed patients to sometimes improve their care while decreasing their costs. However, these changes have also left some consumers with very large deductibles that can put pressure on patients to find the best solutions to hopefully improve outcomes.

Consumerism has reached a tipping point, becoming pervasive enough that the healthcare industry must develop better ways to respond...Providers are going to be getting more and more questions around cost and quality and they really need to have good answers (Massey 2019).

Evidence suggests that these high-deductible plan designs simply do not work. To control spending and bring better value to our system Americans need a new vision for what the consumer's role should be.

Perspective 2: Competition

The health care industry is comprised of multiple stakeholders that each play a role in competition and direction. This competition potentially could be beneficial to consumers by reducing costs while also improving the quality of patient care and improving outcomes leaving many with serious questions. Is the price and overall cost always lowered? Are the outcomes actually improved?

The fundamental driver of this continuous quality improvement and cost reduction is innovation. Without incentives to sustain innovation in health care, short-term cost savings will soon be overwhelmed by the desire to widen access, the growing health needs of an aging population, and the unwillingness of Americans to settle for anything less than the best treatments available. Inevitably, the failure to promote innovation will lead to lower quality or more rationing of care—two equally undesirable results (Teisberg et. al. 1994)

Competition has been enormously successful at producing quality-enhancing innovation but unfortunately has failed to reduce the needed cost (Teisberg et. al. 1994). Prices still remain high and the technology has remained just as expensive if not more so.

Another essential condition of a properly functioning free market is that there is adequate competition among businesses (Brill 2015). This rarely exists in today's consolidated hospital and insurance markets. Consolidation appears to be accelerating as health care looks to achieve greater scale to address a dizzying array of market and government pressures (Wirtz 2015). Prices are often the result of market power with minimal input from consumers. Successful reform must begin with a clear understanding of how the current system creates incentives for unproductive competition and the patient population.

Perspective 3: Government regulation

Government controls and the influential stakeholders largely disagree on both desired priorities and the impact of various health care policies. Indeed, an extremely broad range of regulatory bodies and programs can affect various aspects of the industry. For example, regulations can be developed and enforced by all levels of government including; federal, state, and local, while also including private organizations. Each has their own influence and direction, with no real coordination or communication with one another.

Federal, State, and local regulatory agencies often establish rules and regulations for the health care industry...Some other agencies...require voluntary participation but are still important because they provide rankings or certification of quality and serve as additional oversight, ensuring that health care organizations promote and provide quality care (Grimm 2014).

On November 15, 2019 the final rule on hospital price transparency, issued by the Centers for Medicare & Medicaid Services (CMS), provided a full listing of items and services available for patients and also imposed, "...civil monetary penalties for those that fail to comply, but some proponents of the policy worry these relatively minor fines may be an insufficient enforcement too" (Porter 2019). The goal of these changes is to provide a full transparency across the industry for the consumer to make the best choice for their care. These additional changes could help the consumer choose the best direction for their own needs but there are certainly clear concerns. For example, a primary challenge is that many stakeholders could, "...view the noncompliance penalty as a new business expense rather than an incentive to comply with the transparency requirements" (Porter 2019). The CMS however firmly states,

We believe this amount to be sufficient to prompt hospitals to timely and properly display standard charges in both machine-readable and consumer-friendly formats in accordance with the requirements of this final rule (Porter 2019).

The U.S. is not a free market or capitalist system, as various regulations at the state and federal levels influence the operation of the market. As noted by Grimm (2014), the primary reason for health care regulation is to ensure that the care being provided by healthcare industries is safe and effective.

Conclusion

Health plans, insurance companies, providers, drug and device manufacturers, regulators and policymakers must all work together to lower the underlying cost of healthcare. It cannot be done by only one group performing better or by simply allowing more 'visibility' to the consumer. As noted by Goldhill, the U.S. needs to reduce the role of insurance companies focusing programs on, "protecting the poor, cover us against true catastrophe, enforce safety standards, and ensure provider competition" (Goldhill 2009). The goal should be to, "rely more on ourselves... as the ultimate guarantors of good service (Goldhill 2009). We must work towards driving, "reasonable prices, and sensible trade-offs between health-care spending and spending on all the other good things money can buy" (Goldhill 2009). These changes can help the U.S. to "overcome our addiction to Ponzi-scheme financing, hidden subsidies, manipulated prices, and undisclosed results" (Goldhill 2009).

Changes like these will help the consumer to rely more on their own choices driving to more "reasonable prices, and sensible trade-offs between health-care spending and spending on all the other good things money can buy" (Goldhill 2009). It is vital to understand that even the National Academy of Medicine estimates that one third of what the U.S. spends on healthcare is wasted and surely does not result in better health outcomes. The U.S. consumer should not have to bear the brunt of poorly functioning healthcare markets that do not deliver value, settle for high, rising premiums and the increasing burden of out-of-pocket costs. There are certainly other promising approaches available and we must ALL work together to get there.

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