

## Price competition in health care is a pipe dream

By Jack E. Lohman

There is no such thing as price competition in the health care industry, at least not the way we might perceive it. And should we ever get to that point, few patients who are really sick will seek out the lowest bidder for themselves or their kids. It isn't going to happen.

Just the opposite is likely to occur. In the medical world, high price too often assumes high quality even when the opposite is true, and low price likely points to physicians unable to attract patients, or hospitals unwilling to spend money on proper technology or cleanliness. So the more expensive providers will have the advantage, and prices will increase rather than decrease.

For true competition to exist there must be the free flow of medical data and highly educated patients, both of which is more than we can expect in our society.

Besides, our problem isn't price; it is wasteful bureaucratic spending and the lack of regulations to prevent overtesting and unnecessary hospital admissions by physicians who have a financial investment in the technology or hospital. And it's building more hospitals than are needed, that must now be filled.

Health care providers currently charge what the market will bear, without regard to whether they are providing good care or bad. The public's only insight into health care quality today is the occasional horror stories picked up by the media.

But it doesn't have to be that way. Efforts are underway to develop online patient databases to track physician and hospital performance, and the state could greatly benefit from these. The VA hospital has developed a system called VistA, which is excellent and freely available as open-source software. The state (or a private consortium) could and should expand VistA into a Wisconsin patient database.

The ultimate system will allow a patient to sit in front of a computer and answer a one-time lengthy health questionnaire that would be turned over to the physician for evaluation. But first it would instantaneously search for patients around the country with similar diseases and list the physician treatments and successes, grouped by the most common treatments.

Patient identities would obviously remain secured with a private password, but the cross-compared physiological data would provide valuable assistance to every physician, especially newcomers. Physicians can accept or reject what others have done, based on the patient's particulars, and a cross-compare of prescription and other meds would alert the physician to potential conflicts -- even those that may be causing the patient's current problems.

In the industry this is called "best practices," and it is designed to reduce practice variations (two physicians treating the same disease differently).

Importantly, this approach could lead to competition on the basis of quality, where patients would be able to access online a physician's expertise in treating certain diseases. At first it should only be used as a tool for physicians to guide them on proper treatment regimens and to let other physicians know who best to refer their patients to. In time it should develop into a more patient-friendly system that would disclose physician competence in certain areas, but we'll need several years to work out the bugs before releasing physician profiles to the public.

But isn't that what we need? A method to motivate physicians to be better and to follow best practices and reduce practice variations? And to display hospital infection and prescription error rates for public scrutiny? Better health care will lead to fewer medical malpractice lawsuits and people needlessly in wheelchairs.

All of this really should be part of healthcare reform -- but of course that means getting over the political hurdles prompted by campaign cash from health care and insurance interests. Will political graft ever end?

## Appendix

Consumer-driven health care, through price competition and so-called "transparency," is all a smokescreen to protect the status quo and delay the inevitable. Health savings accounts add to the charade as they drain resources important to the success of health-care-for-all.

In Wisconsin the most prominent health care chain is doing the most advertising. Not because they are the least costly, because they are generally higher in price. (They *are* very good, but they are also more expensive and building more new hospitals than anybody else.)

They advertise to draw patients to their switchboards to generate business for their physicians on staff, because those physicians order tests and fill beds. Hospitals would rather that their beds draw revenue than remain empty, and their investments in technology be profitable than sit idle.

It all has to do with being the biggest and being able to pay the highest CEO salaries, but it has nothing to do with price competition. Advertising costs are ultimately passed on to the patient or the public.

Another "free market" phenomenon, as reported by the [New England Journal of Medicine](#), is that 94% of physicians receive some form of consulting fee or financial favors from drug and device manufacturers, and then are expected to prescribe without favoring one product's capabilities over the other. Thus the very corporations that espouse the free market are doing everything they can to subvert it, all while our politicians turn a blind eye.

Beyond the issue of medical ethics, these industry costs that corrupt the system are also passed on to the patient.

Why? Because they *can*!

## Resources:

<http://content.nejm.org/cgi/content/full/356/17/1742>

See this document online at:

<http://moneyedpoliticians.wordpress.com/2007/11/04/price-competition-in-health-care-is-a-pipe-dream/>

<http://www.worldvista.org/>

<http://www.johnon.com/413/health-vault.html>

[http://www.economist.com/business/displaystory.cfm?story\\_id=9916512](http://www.economist.com/business/displaystory.cfm?story_id=9916512)

[www.ThrowTheRascalsOut.org](http://www.ThrowTheRascalsOut.org) (political advocacy)

[www.BusinessCoalition.net](http://www.BusinessCoalition.net) Business Coalition for Single-Payer Healthcare (a founding member)

[www.MoneyedPoliticians.com/](http://www.MoneyedPoliticians.com/) (Book site: "Politicians - Owned and Operated by Corporate America")

[www.WiCleanElections.org](http://www.WiCleanElections.org) (Describes the benefits of public funding of campaigns)

Blog: <http://MoneyedPoliticians.net>

Email contact at: [jlohman@execpc.com](mailto:jlohman@execpc.com)

## Worth noting:

"With its decades of data, Dartmouth [Medical School] has exposed the incredible waste in the U.S. health-care system. Sizing up the evidence, Wennberg estimates that up to one-third of the over \$2 trillion that we now spend annually on health care is squandered on unnecessary hospitalizations; unneeded and often redundant tests; unproven treatments; over-priced, cutting-edge drugs; devices no better than the less expensive products they replaced; and end-of-life care that brings neither comfort nor cure."

<http://dartmed.dartmouth.edu/spring07/pdf/atlas.pdf>

**Eliminating the 31% of insurance bureaucracy systemic waste drops the real costs to \$1.38 trillion, and cutting Wennberg's 33% waste out of that would drop our total health care costs to \$910 billion, a total 55% savings. Thus over half of our health care costs are wasted and dispensable! Can we get politicians to care?**