

Health care is flawed

By J. THORNTON KIRBY

Guest columnist

Our health care system is fundamentally flawed, and judging from my visit to Washington last week, everyone on Capitol Hill knows it. It's universally understood that health care reform is long overdue, but that's the extent of consensus on the matter. Generally speaking, Democrats in Congress favor more government regulation of the health care system, while Republicans favor market-based reform. Even these terms are rich with ambiguity, and we will hear much more about them as Congress debates health care reform over the summer.

One concept that will receive much attention is the notion that when hospitals and other health care providers compete for business, patients win. It's even fashionable in some circles to suggest that our nation's health care system would fix itself if we would simply move government out of the way and let market forces prevail. I've worked in and around hospitals for nearly two decades, and I'm skeptical that free market forces would produce the kind of health care system Americans expect.

The primary reason I don't think market forces would "fix" America's health care system is that most Americans believe they have a right to health care when they need it. I conclude this because that's how most Americans act. If you disagree, I invite you to volunteer at your local emergency room on Saturday night and offer to be the one who tells folks without money or insurance that they will not receive care. I suspect you will hear that all taxpayers have a right to care, or that your neighbors have nowhere else to turn, or that the hospital will be hearing from their attorney on Monday morning. And I don't blame your neighbors for their reaction; after all, their federal government has trained them that all Americans have the right to a medical screening and stabilizing treatment in the event of a medical emergency. Members of Congress adopted this law in the 1980s because their constituents demanded it. And that's a critical point we would do well to remember.

Another reason I'm skeptical about market-based reform is that I hear frequent complaints about health care providers who adopt business practices common in the larger marketplace. For example, physicians who charge more when demand for their services increases are criticized for "taking advantage" of their patients. If that's true, then all retailers are taking advantage of their customers when demand increases and justifies higher prices. But isn't that what supply and demand are all about?

Here's another example. Hospitals routinely discount their charges to insurers who promise to deliver a large number of patients in a given year. The more patients covered by an insurer, the deeper the discount. This is exactly what Wal-Mart does when it purchases hammers, or compact discs, or ballpoint pens. When Wal-Mart places an order for 1 million hammers, it negotiates a much better price than a local hardware store that orders 50 hammers at a time. None of Wal-Mart's customers object to that behavior - in fact, that's precisely why they shop at Wal-Mart.

But when hospitals give large insurers a better discount than they give a private individual who purchases one unit of health care (one surgery, one C-section delivery, etc.), some people criticize the hospital for discriminatory pricing. Sounds to me like these critics believe hospitals should not act like other businesses. Why? Perhaps because they believe gall bladder surgery is more essential than a new hammer, and therefore hospital prices should be controlled so every person who needs gall bladder surgery can afford to purchase it.

The final reason I'm skeptical about market-based reform is that hospitals and physicians are already competing for patients. They are constantly building new hospitals, new physician offices, new imaging centers and new outpatient surgery centers.

But here's something you may not have noticed: the new facilities are almost always in neighborhoods where people have private insurance coverage or Medicare benefits. Why? Because our health care system already fosters competition. America's health care providers are paid much better when they care for privately insured patients than when they care for the poor or destitute. And they behave accordingly, competing fiercely for insured patients.

In my experience, South Carolina's hospitals are steadfast in their commitment to care for all patients regardless of their ability to pay. But that doesn't mean they go out of their way to attract uninsured patients. Why should they? Unless the hospital can offset its losses on uninsured patients by attracting privately insured patients, the hospital will fail (or, more likely, lose its ability to modernize). While it's tempting to think competition in health care is a good thing, that's only true when competitors take the bad with the good. If competitors fight over paying patients and leave the uninsured to the local hospital, the result is a hospital that becomes more and more obsolete with every passing day. Without a positive margin,

there's nothing to invest in new technology.

My conclusion? Free market competition in health care would drive fundamental reforms, but the end product would be a system in which well-heeled patients had access to virtually any specialist, service or technology. But since most Americans are not well-heeled, they would be unable to afford the level of care our nation has come to expect. And since they vote, I believe their representatives in Congress will quickly learn that market reforms in health care are the wrong prescription.

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