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 price for goods and services are established by supply and demand with little or no government control. However, the Healthcare delivery system in the U.S. is unlike most free markets. The means of providing medical services to patients all across America is certainly a subject of intense political / social debate, as noted by McCkalip (2016), and not an easy task. Arguments for healthcare are centered around the concept of what constitutes the best economic model for delivery of care that achieves improved; access, quality, and affordability for each and every American (McCkalip 2016). The history of the American Insurance model has moved from third-party payer toward a free-market model of care. As noted by, (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 (p.1)." One can certainly argue that the U.S. focus on healthcare is to pay for procedures rather than the value of our healthcare. The goal of this essay is to discuss the uniqueness of the affordable healthcare delivery systems in a free market highlighting three various perspectives, concluding with principles and insights, describing solutions to the accumulated problems and challenges.

Perspective 1: Consumerism

Meaningful consumerism in health care starts with patients requiring them to be active participants throughout the journey, from research through the patient care delivery (Carman et al. 2020). The US healthcare 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 healthcare system with their informed voice, rather than with just their dollars (Carman et al. 2020). Consumerism has certainly improved the U.S. healthcare industry and has bettered patient outcomes. One example is the advent of the Patient Protection and the Affordable Care Acts. Over this last decade in fact, patients have started to gain an increasing opportunity to act more like informed consumers. Allowing patients, the ability to choose their own healthcare 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 increase 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).

Furthermore, as noted by (Qunicy 2019), there is little evidence to suggest that these high-deductible plan designs even work. While the ability to make decisions based on quality information may move the market in a desirable direction, the main reason to provide this information, is because it is just and fair (Carman et al. 2020). To control spending and bring better value to our healthcare system one could argue that Americans need a new vision for what the consumer's role should be.

Perspective 2: Competition

The healthcare industry is comprised of patients, buyers, employers, and providers all who play a role in competition and the direction of healthcare. In fact, the competition in the healthcare market is highly profitable to consumers as it can help to reduce the cost while also improving the quality of patient care. Some would even suggest that because of that innovation and focus on clarity that cost can also encourage and improve innovation and patient outcomes. Certainly, competition compels companies to deliver increasing value for better patient outcomes but is cost always lowered, are outcomes always 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)

Unfortunately, this competition has been enormously successful at producing quality-enhancing innovation but 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 competition 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 (Teisberg et. al. 1994).

Perspective 3: Government regulation

Government controls, and the influential stakeholders, largely disagree on both desired priorities and the impact of various healthcare policies. In fact, an extremely broad range of regulatory bodies and programs can effect various aspects of the healthcare industry. For example, health care regulations can be developed and enforced by all levels of government including; federal, state, local, while also including private organizations. Each with 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 U.S. Federal Government issued two new rules focused on; Price transparency for hospitals along with providing a full listing of items and services available for patients. The goal of these changes is to provide a full transparency across the industry for the consumer to make the best choice for their healthcare. One could certainly argue that these additional changes could help the consumer choose the best direction for their own needs.

The U.S. is certainly not a free market or capitalist system, as various regulations at the state and federal levels, influence the operation of the healthcare market. The government sector spending, Medicaid, and Medicare for example, are similar to or greater than the same measure in most other OECD countries; Germany, Belgium, Austrian, New Zealand, and others (McMaken 2017). According to the World Health Organization, U.S. per capita spending on health care is the fourth highest in the world. As noted by Grimm (2014),

The primary reason for health care regulation is to ensure that the care being provided by health care industries is safe and effective.

Unfortunately, new regulations have made the healthcare system less efficient while also failing to improve the quality, which was opposite of the original goal.

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 2009), the U.S. needs to reduce the role of insurance companies and move to focus programs on, "protecting the poor, cover us against true catastrophe, enforce safety standards, and ensure provider competition" (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).

Is it vital to understand that even the Institute of Medicine estimates that one third of what the U.S. spends is wasted and certainly does not result in better health outcomes. What we are doing now simply does not work as that additional wasted cost stresses that consumers are paying too much. The U.S. consumer and each and every patient should not settle for high, rising premiums and the increasing burden of out-of-pocket costs because there are many other promising approaches available. Consumers should not have to bear the brunt of poorly functioning healthcare markets that don't deliver value.

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