MARKETS AS AN ALTERNATIVE

If federal government not allowed and states can not reform health care what is alternative---Markets

Market for education, food, transportation, energy why not health care? Better?

Today look at markets in health; not chronological

1. What are the advantages claimed for markets?
   - efficiency---problems of high cost, over utilization, too much specialization can be addressed.
   - flexibility, innovation
   - responsiveness to consumers

2. Can there be an effective market in health care?
   - information advantage problem
   - risk aversion
   - moral hazard

3. How does the market work in health care?
   - skimming the best risks
• skimping on services, substitute lower quality

• undercutting by a little the protected, regulated--makes things worse

• cost shifting hits employers

4. **Can health be managed for efficiency? How do you run an HMO?**

• Hard to manage professionals

• Political appeals

• easier to fool----prevention, exercise facilities

5. **How did employers react to markets?**

• managed care----shift risk to providers

• shift costs to employees---more cost sharing

6. **What system changes have resulted?**

• lower costs

• gate-keeping

• consolidation of hospitals, more group practice

• search for management systems

• more standardization
• devaluation of specialization

7. What are the limits to managed care?

• political appeals---run against HMOs, re-regulate
• employee dissatisfaction
• law suits----providers and employees

8. What kind of incentives do you want for your physician?

• financial---but what kind? prepaid, salary or fee?
• professional?
• bureaucratic?

does it matter? A BLEND NEEDED?

NEED FOR PATIENT ADVOCATE/ADVISER

Readings