

Commercialization of Healthcare Called Bad Economics



The Market Approach to Healthcare Is "Inefficient and Self-Defeating," Journalist Tells Assembly

Arguing that the commercialization of healthcare is as wrong economically as it is morally, journalist **Robert Kuttner, PhD**, told a general session audience that government action will be required if the United States is to move toward coverage for all its citizens.

Kuttner, coeditor of *The American Prospect* and the author of a new book called *Everything for Sale*, said a market approach to healthcare is "inefficient

and self-defeating." Although conservatives say healthcare is a business like any other, "some sectors of the economy have structural reasons that prevent them from following textbook economics—and healthcare is one of them," Kuttner said.

Although "textbook economics" applies to two-thirds of the U.S. economy, he argued, it does not fit healthcare for two reasons:

- The healthcare consumer is not sovereign. For one thing, most consumers lack the medical knowledge necessary to choose among possible providers. For another, most of the actual choosing of health plans is done by employers, not the consumers themselves.

- Healthcare organizations are not rational,

in the sense of seeking always to maximize profits. "In the modern world, we don't let people die in the streets," as Kuttner put it. Modern society forces physicians and hospitals to provide care even to people who cannot pay for it. As a result, the healthcare

consumer has been "de-linked" from healthcare products, invalidating classical economic theory.

Because healthcare consumers cannot discipline healthcare producers—as textbook economics says they should—government must do it for them, Kuttner argued. "A patients' bill of rights would be a good start."

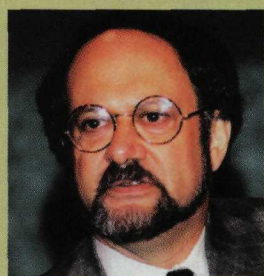
Unfortunately, the current trend in healthcare is away from government discipline. "Even though traditional Medicare is the only system that still lets consumers make real choices," it remains fashionable to denigrate government involvement in healthcare and to praise the market. But commercialization is actually a destructive process, for two reasons:

- It wipes out the cross-subsidies that regulated healthcare used to provide for medical research and education.

- It encourages insurers and providers to limit their services to healthy people.

"The logic behind commercial healthcare tells practitioners to stop treating sick people," Kuttner argued. "It's the same logic as that followed by the hotel where we're staying. The hotel won't take guests who can't pay the price of its rooms. That's okay in the hotel business and other endeavors, but in healthcare it makes no sense."

Kuttner said the United States needs government-insured universal coverage and predicted this would come about, though only through a series of incremental reforms. He criticized both the Health Insurance Portability and Accountability Act (Kennedy-Kassebaum) and the Children's Health Insurance Program as "hollow victories" that further fragment an already fragmented system. It would be better to extend Medicare coverage first to all children, then to adults aged 55 to 65, then to all other adults, he said.



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