By ANN NEALE, PhD

Naming the Elephant in the Room

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The market! The market is the elephant. For some, the marketplace is the solution to what ails the health system. For others, the market is the source of many, if not most, of health care's ills. Everyone should therefore come to the table to discuss the elephant—to get a better sense of "the virtues and limits of markets."[1] Critical reflection on the role of the market in the health care sector has important ramifications for health care professionals, health care organizations, health policy, and patients and communities. Thus, we should begin by identifying:

- The various levels of concern in situations where market mindsets and strategies are perceived to clash with health care values and objectives
- The sources of moral distress about the health care environment with a view to understanding the appropriate role of "the market" in health care (to get to the deeper structure below market practice)

Market Concerns

Various levels of concern exist where market mindsets and strategies are perceived to clash with health care values and objectives. Some concerns appear to be primarily directed at the aberrant behavior of "rogue" individuals; others are directed at health care organizations' use of market strategies that impede health care objectives. At the system level, considerable dissatisfaction with various features of managed care exists. These concerns may or may not reflect a fundamental fear that a market mindset is driving health care.

Individual Behavior Some complaints appear to be directed at individual behavior—the physician selling health-related products out of the office; the researcher who owns stock in the company funding the experimental protocol; the materials management director who accepts a vendor's invitation to travel abroad to "inspect" an MRI. Criticism of such individual behavior might be simply a caution to avoid conflict of interest or excessive entrepreneurialism. It may not signal deeper concerns about a growing market ethos in the health care sector.

Organizational Behavior Staff, employees, and the public take aim at the behavior of health care organizations, suggesting that market values of efficiency, productivity, and margin drive them more than values of patient care and community well-being. Caregivers contend, for example, that efficiency measures result in a lack of sufficient time or resources to provide adequate care. They complain about overaggressive utilization review and discharge planning. Employees question budget priorities that reduce staff development and benefits. They resent downsizing strategies that leave them short-staffed and demoralized. Communities and patients are troubled by health care organizations that adopt certain market behaviors—expensive advertising campaigns, overly generous incentive compensation, and large severance packages for executives. Physicians chafe at economic profiling and measures that encroach on their professional discretion, such as group purchasing, formulary decisions, and preauthorization requirements. Categorizing these concerns is not easy because many of these same critics do not favor legislative or regulatory solutions to cost and access issues, recommending instead that they be "left to the market."

System Behavior No one seems to be pleased with the current health care system, which is increasingly a form of managed care. In the early 1990s a groundswell of support for health care reform (envisioned as "managed competition") took shape. That effort's momentum subsided for a number of reasons, but prominent among them was the fact that the Clinton plan was perceived as involving too much government. Opponents portrayed the complex proposal as entailing too much government interference and regulation and limitation of the public's choice of providers. Congress, following what appeared to be the

public mood, decided to "leave it to the market." Yet market forces, which pursue efficiency and productivity, have imposed a kind of "private regulation" that Americans have found onerous. We've learned the harsh lesson that market discipline can be every bit as intrusive as government regulation. The Patients' Bill of Rights, which is basically an attempt to counteract the market inclination of capitated health plans to underprovide services, is ironic testimony to a public ambivalence (and perhaps ignorance) about the market. Current experience with managed care can teach many lessons, among them that greater marketization can compound difficulties and also that maintaining the status quo in health care is not possible. Economic discipline and limits are necessary—a very hard sell in light of the American belief that "We can have it all."

Framework for Discussion

Discussion of the appropriate role of the market in health care should entail an analysis of both market theory, particularly as it pertains to the health care sector, and the values and beliefs underpinning the health care profession. Even though neither the pure market nor the ideal health professional exist, understanding the underlying ethos of these paradigms is important. Clarity about the nature of the market and health care is necessary for the effective blending of their values and strategies.

Market Theory

The United States is generally understood to have a market economy in that we depend primarily on market forces to address the three dimensions of the "economic problem":

- What society will produce
- How it will be produced
- To whom society will distribute the benefits of production

Market theory stipulates that these economic decisions should be left to the free play of self-regulating market forces, maintaining that, because everyone follows his or her own self-interest, and because competition keeps individuals from taking advantage of one another, society as a whole will benefit. Wages, which the theory regards as reflecting workers' contributions, are mainly determined by the interplay of the supply of, and demand for, labor.

Market theory divides society into two realms of authority: economic and political. The processes of production and distribution are relegated to the economic realm. In the political realm, government's role is restricted to providing for the national defense, ensuring domestic law and order, and undertaking public works such as education. Public works, because they are unprofitable, are unattractive to private enterprise. The market's guiding principle is *laissez faire* —noninterference by the state in economic matters.* The market's end is wealth accumulation. Production, according to market theory, is held accountable to a single outcome—profitability.

In accounting for exchange only among individuals, market theory lacks the notions of community and social well-being. It claims that market exchange results in the most efficient distribution of goods and services; equitable distribution is not a concern. Indeed, equity is not even a category in market theory. According to market theory, any extra-market intervention to achieve equity by definition comes at the expense of efficiency.

What market theory does not acknowledge in its solution to the economic problem of what to produce, how to produce it, and how to distribute the benefits of production is that each of those dimensions of the problem is value laden. Each has, for instance, a justice dimension. Do we produce goods that meet basic human needs, or luxury goods? How we produce—what criteria the market uses, what job assignments it makes—results in a more or less just division of labor. The distribution question of who shares in the fruits of production is patently a matter of justice. The market, prizing as it does efficiency, profitability, and competition, takes no account of these moral issues, which are entirely outside its purview. The market cannot address these issues because it does not recognize them. This fact should help us realize that the market cannot be genuinely reformed by market tactics.[2] In fact, as economist Charles Clark has noted, the market is a non-solution to the "economic problem," leaving pursuit of the solution to self-interested individuals tempered by competition. Forgotten is the part of Adam Smith's thesis† that insists the competitive market is only capable of converting private vices (e.g., selfishness) into public virtues (e.g., maximum production) because the competitive system works within an appropriate legal, institutional, and social framework.

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Examination of some key assumptions of market theory— that markets balance and clear, that

*Some market enthusiasts, for instance, support proposals to shift Medicare from a government regulated program to a voucher program allowing seniors to purchase a plan of their own choosing from among those offered in the market. Overlooked is the fact that Medicare was passed because the market, not finding it profitable, did not insure the elderly.

†Smith was a moral philosopher who considered "Moral Sentiments," which he revised many times, to be his major work.

price is the only signal that coordinates behavior, and that people know their self-interest and can and do act only in their self-interest—should drive home the fact that markets are more theory than reality. Indeed, the market in its pure form does not exist.

The Mixed Economy

The United States has a mixed economy that relies on extra-market ways of "humanizing" the market. We have a *mixed* system for coordinating production and distribution of virtually all goods and services. In the United States, the market is embedded in an infrastructure of laws, regulations, and extra-market norms, which provide the necessary conditions for the market's effectiveness. Markets depend on societal norms of honesty and trustworthiness, without which they would not work. The U.S. health care market has numerous extra-market dimensions: private organizations such as JCAHO, professional associations and their codes of ethics, and government regulations that curb the opportunism that a pure market ethos would unleash in health care.

To get at what is troubling those who resist the entrepreneurial and market strains of health care, to uncover what is truly at stake in this controversy about the market and market tactics, one needs to examine foundational issues of human behavior and relations. One needs to uncover the dissonance between the world views of the market and the health care profession.

Market Philosophy

Market theory describes human beings as acting only in a rational, calculating mode. The market model rests on the conviction that persons act in their self-interest, that their primary objective is their own material advancement, and that such behavior in the aggregate is a boon to all. Market theory reduces life to a series of markets in which virtually anything can be for sale. In the market all goods and services, including health care, are fungible products that can be bought and sold. Nothing has intrinsic value. All market relations are merely individual transactions in which buyer and seller meet in a "spot market" to exchange what one wants and the other has—for a price determined by market forces. Market theory does not question the vastly different endowments that people bring to the market. For the market, "equity" means fair and free trade of *existing* resources and property rights. Equitable distribution is not a market category; therefore 39.3 million uninsured are not a market shortcoming. No moral sentiment (apologies to Adam Smith) in market exchange and no notion of community and the common good exist in market theory. Its prized value, economic freedom of the individual, is evident in its mantra: "If everyone takes care of herself or himself, everyone will be taken care of."

Claims of the Health Care Profession

Medicine (and by extension health care) has historically been regarded as a profession par excellence, along with ministry and the law. Professionals in this classical sense have a noble calling. The most intimate details of their fellow humans' lives are entrusted to their care and competence. A profound respect for this awesome responsibility is reflected in the fiduciary ethic that is supposed to characterize these professions.[3] The professional ethos assumes a view of persons as relational and caring and a realm of human life far more significant and intimate than the market can accommodate. What is sought—diminution of illness, restoration of health—pertains to one's very person. Health and health care are aspects of human well-being, important to human flourishing and valued beyond price. The profession has traditionally had the notion of a calling, a quasi-religious commitment. The professional encounter is far more than a commercial exchange. Caregiver-patient relationships are essentially healing encounters, covenantial relationships, demanding the highest professional and ethical commitment. The ethos of health care is not one of self-interest. Indeed, the interests of patients and community are supposed to take priority over even the legitimate interests of their caregivers. The healer should be a relational, altruistic person, characteristics that have no category in market terms. The healer's service is essential to individual and community well-being, a constitutive element of the common good. Health care has both an individual and a community focus reflecting the social nature and interdependence of persons—alien concepts from a market perspective.

The Crux of the Problem

The public may accept that the market is not equipped to equitably distribute DVD players. They are more likely to regard the inability of the market to effect just distribution as a significant shortcoming when it comes to health services because social welfare is measured by fairness as well as efficiency. By definition, a competitive market cannot optimize social welfare. This fact is not lost on the more than 39.3 million uninsured Americans. Even among the insured, access to quality, beneficial health care (e.g., prescription drugs) is highly uneven.

Free market forces cannot result in the just distribution of quality health services. Competitive markets will not necessarily be superior to regulated markets. The opinion that markets are efficient and therefore good, and that government involvement or other extra-market intervention is inefficient and not good is not realistic. This point is important now, when esteem for government and all forms of regulation is on the decline and market solutions are proposed in new arenas such as education, prisons, and social services.[4]

One can maintain, as does Robert Kuttner, that "a capitalist system is a superior form of economic organization, but even in a market economy there are realms of human life where markets are imperfect, inappropriate, or unattainable. Many forms of human behavior cannot be reduced to the market model of man."[5] We have to recognize that the market can do only some things well.

Concern about the market, or as it is sometimes expressed, fear that "business decisions" are driving health care, is a concern that the health care profession is being governed merely by the business criteria of productivity and efficiency, and that managers and even some professionals are acting as if profit is the primary goal. The uneasiness felt about the increasing role of the market in health care is a critique of the view that "good business" adheres only to market criteria and is blind to justice and the common good. This concern is not a criticism of good managers or sound management, including financial management.[6] Rather, it takes issue with the Milton Friedman view that the only social responsibility of business is to produce wealth for the shareholders. Indeed, that view is not the majority view in the business world.

Daniel Yankelovich puts it this way: "Health care is facing a double bottom line—one of conventional market values and the other of 'civil society values.' Health care is seen as a semi-sacred right and not as a traditional good. Reconciling the dissonance between free market practices and the public's values in terms of health care will be difficult."[7]

Financial management in all sectors, but especially health care, is a careful art of achieving economic discipline in a way that promotes human flourishing. Thoughtful discernment around market strategies is necessary so as not to undermine either the integrity of professionals or the ends of health care.

Value Drivers in the New Economy: Intangibles

Financial personnel, charged with achieving economic discipline, are now able to bring some breakthrough concepts and fledgling tools to the management table. The economic theory underlying these new approaches reinforces concern about undue reliance on current management and accounting techniques and suggests a way to accommodate those concerns.

Arthur Andersen is just one of the major accounting firms working to develop more appropriate economic models. They contend that current management and accounting rules are inadequate in the new knowledge-based economy because they overemphasize finances and physical assets and do not take into account intangible assets. Because those inadequate management and accounting rules shape an organization's values, attitudes, beliefs, and performance, they distort organizations' allocation of time and money.

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Arthur Andersen's research and new economic model are explained in a recent book.[8] The fifth chapter, "Businesses are their Assets, All their Assets," begins with this quote from Albert Einstein, "Sometimes what counts can't be counted and what can be counted doesn't count." The authors observe that managers usually know a great deal about their organizations' investments in physical and financial assets but lack information and insight about other sources of values that fall outside the existing financial reporting system. They find the traditional financial reporting framework of balance sheet, income statement, and cash flow statement lacking because it leaves out most of the value created by intangible assets.

> "This shortcoming affects the flow of information for decision-making by management and a company's stakeholders. Even worse, the balance sheet and income statement unwittingly pit human values against economic value. The income statement categorizes as "expenses" many of the most significant sources of value—people, for example—and overlooks much of the value derived from customer relationships and information."[9]

Arthur Andersen's Value Dynamics framework (see p. 46) is an attempt to identify and classify intangible as well as tangible assets, making it possible for managers to better identify and leverage all the assets essential to success in the new econo-

my. The new economic models that stress the importance of intangibles, among them people, were developed in response to the realization that intangible assets are the primary drivers of value (i.e., wealth) in the new economy. These models are promoted as necessary for business success, not because of any expressed conviction about the intrinsic value of the person, but because they drive value (i.e., wealth). Nevertheless, they are welcome theories and tools in the hands of health care managers who do believe in the importance of people *as* people and who can use them to more adequately integrate the important stewardship function in health care services.

The tension between the market and the professional paradigms in health care is not a battle between health finance personnel who are concerned only about money and caregivers who care only about the health and well-being of people. It is not a statement about the irrelevance of health care costs in the face of more important human realities. I believe that the tension is an unexpressed realization that the philosophical underpinnings of the market and those of health care are incompatible, and that the *uncritical* application of market tactics in the health care sector jeopardizes the very essence and purpose of that important realm of human activity.

The tension is, in one sense, inevitable because health care is carried out within two frameworks: a *moral* framework set by the nature of the person fully understood and an *economic* framework shaped by the market with a different anthropology. The social teaching of the Catholic Church offers, in broad strokes, insight into the resolution of this problem when it insists that the economy and production are for the good of the person and the community—not the other way around. Economist Robert Heilbroner has put it this way: "the market is a good servant, but a terrible master." ■

NOTES

1. Robert Kuttner, *Everything for Sale: The Virtues and Limits of Markets*, The University of Chicago Press, 1998.
2. Kuttner, p. 129. Such is "a social goal beyond the comprehension of markets."
3. David J. Rothman, "Medical Professionalism: Focusing on the Real Issues," *New England Journal of Medicine*, April 27, 2000, pp. 1284-1286. Rothman suggests that, in fact, the profession has not lived up to its professional standards and that professionalism today has to be invented, not restored.
4. Mike Brogioli and Lisa Smith, "Privatization of Social Services: Perspectives from Catholic Charities USA," *Charities USA*, First Quarter 2000. For-profit enterprises are now in the business of determining welfare eligibility.
5. Kuttner, pp. 5-6.
6. Max L. Stackhouse, Dennis P. McCann, Shirley T. Roles, and Preston N. Williams, editors. "Introduction: Foundations and Purposes," *On Moral Business: Classical and Contemporary Resources for Ethics in Economic Life*, William B. Eerdmans, Grand Rapids, MI, 1995, p. 16.
7. Shari Mycek, "Leadership for a Healthy 21st Century," *Healthcare Forum Journal*, July/August 1998, p. 26.
8. Richard E.S. Boulton, Barry D. Liebert, Steve M. Samek, "Cracking the Value Code: How Successful Businesses are Creating Wealth in the New Economy," HarperBusiness, New York, 2000.
9. Boulton, p. 29.

PATIENT ADVOCACY

BY JULIE ANDREWS

Patient advocates are people who must not lose sight of the patient and the family despite the herd of elephants stampeding through the halls of our organizations. We struggle on a daily basis to balance potentially conflicting missions. Despite these distractions, we need to stay focused on the patient and gently remind coworkers why they chose their noble professions. Health care providers are simply honored guests in the lives of patients and their families, and as such they must earn patients' respect.

We advocates act as liaison among patients, staff, and physicians. Our job is to recognize and remove institutional barriers in order to provide high-quality care. Our goal is to help patients and family members push the envelope: to question care decisions, be included in care delivery, and challenge bureaucratic rules.

As we make our daily rounds, we look for people in trouble. We look for unattended elders left in the emergency department by nursing homes, unattended children, repeat admissions, patients with sickle cell anemia, and patients who are dying. We look for those with cultural and language barriers, those with poor prognoses, and those with a history of noncompliance. Most often overlooked are the quiet elders. When I ask a typical quiet elder how he is, he says, "How are you, my dear?" They are silent people who may be in trouble.

We ask everyone to be on the alert for high-risk patients, to be an advocate, and to question the ethics of all our actions. As patient advocates, our goal is to work toward our redundancy. We ask everyone to have the courage of their convictions, such as advocating on behalf of a patient being discharged prematurely. When a patient's rights are

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