

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