



## Time to rethink health care 'reform'

By James A. Peyser

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Politics is a struggle among competing ideas, but it is also a struggle over control of language. Of particular importance is which side can lay claim to the word "reform."

Reform is one of those words that have universal appeal. It connotes change, progress and improvement. It brings to mind fresh beginnings and fresh faces, sweeping away sclerotic, corrupt establishments. Whichever side succeeds in claiming the reform mantle is halfway to victory.

Any reform worthy of the name implies opposition to the existing regime, but there is always more than one way to skin a cat. Typically, there is not one reform pitted against the status quo, but rather several reform ideas competing with one another. Unfortunately, in such cases, the media appear unable to bestow the reform label on more than one of the combatants. Moreover, they usually apply the label to the side that embraces the conventional wisdom, rather than the side with the most innovative approach. Take health care.

In the health care debate the media have decided that the reformers are those who support a larger government role, such as the advocates for a patient's "bill of rights" or "single-payer universal health insurance." Because there can be only one anointed reform position, anyone who disagrees with these proposals or offers alternative solutions is tagged as a defender of the status quo, or worse yet, a pawn of special interests. Wrong.

For years, the status quo in healthcare has been marked by an ever-increasing role for government. Medicare and Medicaid are the two largest health insurers/payers in the country, by far. In total, tax-funded government programs account for over 40 percent of all healthcare spending, up from about 20 percent in 1965. If our experience of the past thirty-five years tells us anything, it is that an all-encompassing government health program will not lead to higher quality or more efficient medical care—two goals of any healthcare reform initiative.

Medicare, which is run entirely out of Washington, provides the clearest picture of what a government-run healthcare system would look like. Medicare tries to contain costs through a comprehensive system of price controls and standardized coverages. Unfortunately, but predictably, the result is a rigid system that encourages innovation in cost-shifting, rather than in service delivery. Moreover, the system's lack of flexibility means that many seniors are not getting the kind of coverage and treatment they need (especially in the area of prescription drugs), and many providers are either under- or over-paid for their services.

In a [White Paper](#) published last month by Pioneer Institute, Dr. Jerome Grossman, one of the Commonwealth's leading healthcare innovators, argues that the most important reform initiative in Massachusetts over the past decade has been the move

toward deregulation and competition. In-patient price controls have been removed and the bureaucratic constraints on hospital mergers, capital investments and service expansion have been effectively lifted. At the same time, managed care organizations have come of age, offering aggressive competition for the more traditional indemnity insurers and fee-for-service medical practices, while proving to be tough negotiators with the state's hospitals. The resulting healthcare system is more efficient and flexible than in the past, and it is better positioned to take advantage of the accelerating changes in information and medical technologies.

This move toward a more dynamic marketplace for healthcare has not been without problems, however. In particular, Dr. Grossman observes that the infrastructure supporting most other commercial markets is not present in healthcare, in part because almost all the players in Massachusetts-both insurers and providers-are non-profits. The non-profit world has historically operated under different rules, with different organizational cultures and performance expectations. Compounding this problem is the absence of reliable or consistent data on cost and quality, which are desperately needed to help providers, consumers, insurers, payers, and investors make informed decisions.

The solution, according to Dr. Grossman, is to expand the scope of the healthcare market by empowering individuals as consumers, with better information and a wider array of portable, variably priced insurance products. At the same time, Dr. Grossman recommends putting in place a consumer protection, safety and accountability infrastructure that is analogous to what exists in certain commercial markets, such as airline travel or securities trading.

Reform proposals designed to enlarge the role of government in the delivery of healthcare will serve to entrench the one-size-fits-all status quo and undermine efficiency and quality. Creating a more dynamic, competitive marketplace in healthcare, on the other hand, is a reform strategy that fits the rapid evolution of modern medical practice and the increasingly diverse needs of today's consumers.

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