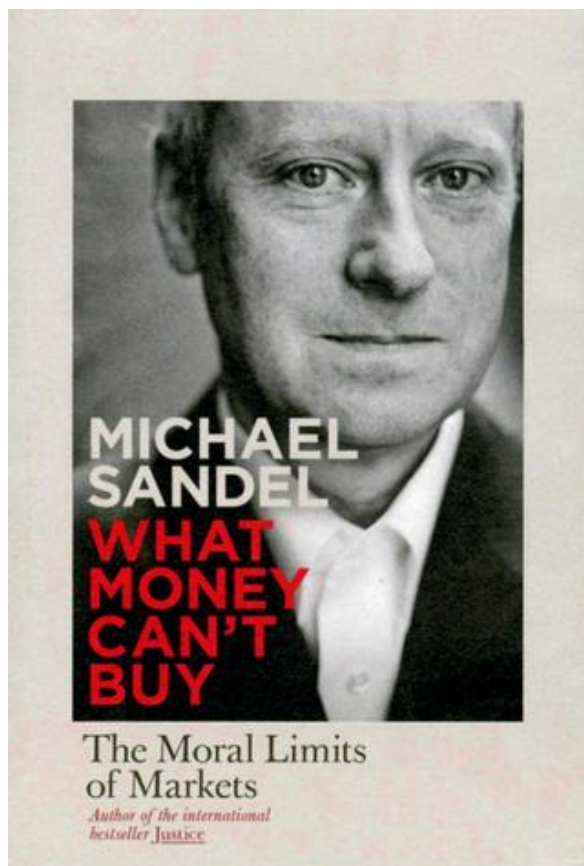


# Markets, Medicine And Moral Hazard—What Works

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Michael Sandel's new book by this title reopens an issue we covered in our book as it deals with health care and makes a much broader argument for the fact that there are lots of areas that are best dealt with outside of the marketplace. In slavery people were for sale, and we don't have slavery any more, but now we can buy the use of a womb, organs are for sale on the black market, athletes are paid to take out an opponent, to say nothing of politicians.

*what money cant buy*

When we switch to marketplace thinking, or as Sandel puts it, go from a marketplace economy to a marketplace society, we have to put a price on everything. There are lots of areas, like with organs and opponents, where such commodification is unethical. Along with Marcia Angell, a past editor of *The New England Journal of Medicine*, we think the commodification of medicine has been a big mistake. In the health care system such a shift was needed by third party payers to get stable prices for what they paid for since there were great differences in how much they were paying around the country; they argued that it needed to be standardized. So the AMA and the hospitals got together and made up a list of all the conceivable services and put a value to them all. This was the beginning of what Marcia Angell laments as the “commodification of health care.” (NYTimes op.ed. 13 Oct 2002) But, as we pointed out above and the research done by Linda Gorman and the Wisconsin Policy Research Institute shows, insurance, not just Medicare, preceded and necessitated the commodification; health care costs have uncontrollably spiraled out of sight ever since.

Prior to this people paid for their own health care; it was a service provided by their doctor for which he or she was paid, and the mostly unstated contract was between the two of them. During the depression hospitals saw a benefit to pre-paid hospitalization plans. Hospitalization usually was not something planned and it was expensive so insurance made sense; and it would today if it worked the same way. But it has expanded to pay

for all health care, both the known and the unknown; chronic conditions and disabilities, as well as unplanned illnesses or emergent accidents.

The problem with this expansion is that many things are under our control, like poorly chosen life styles and lack of exercise, and there is no pressure to change as long as someone else is footing the bill. In a conversation with some aerosol abusing children we warned them about the damage they were doing to their brains. Their response: “We’ll just get a new brain.” In this day of organ transplants a brain is just another commodity; and insurance will pay for it. That’s what is called *moral hazard*, and it, and how to cope with it, are huge topics in health care. For this kind of healthcare marketplace medicine is a very good idea since it applies a very needed economic pressure on the individual to do something to help themselves.

A mix is needed and best supplied by Health Savings Accounts that pay for the non emergencies from a retirement fund. But in order to work properly such accounts need some public support, which is lacking here with our partisan bickering.

Our problem is something like getting rush hour traffic on the freeway to turn around and go the other way. We are stuck in the insurance mode, but it is leading us in the wrong direction. Going to a single payer, the democrat proposal, may slow the spiral but will not stop it. Nor will, as the above suggests, the republican proposal of putting it all in the marketplace. Health care should properly be a service, not a commodity, and it should center on helping the patient make optimal choices in coping with their condition, not just providing a drug to counter the symptoms. Unforeseen illnesses do occur and we should have insurance to cover them as is proper with all other insurances, but insuring the known opens the door wide to the gaming and moral hazard that makes our health care so expensive. The easiest way to combine these elements is with government support of modified Health Savings Accounts.