



The Health Care Blog

Victims of Health Care Reform

By JOHN GOODMAN, PhD

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Who will be hurt the most by the health reform legislation Congress passed last year?

Answer: The most vulnerable segments of society: the poor, the elderly and the disabled. That's right. Virtually everyone in Congress who is left-of-center voted for a law that will significantly decrease access to care for the people they claim to care most about.

Why isn't anyone writing about this?

Answer: Because almost all the people who write about health care know almost nothing about economics.

Basically, there are two ways to reform health care. One way is top down. The other is bottom up. The latter is based on the economic way of thinking. The former rejects that way of thinking. The latter gets the economic incentives right for all the individual actors, leaving the social result largely unpredictable. The former starts with a social goal and tries to impose it from above, leaving individuals with perverse incentives to undermine it. The latter depends for its success on people acting in their self-interest. The former depends for its success on preventing people from acting in their self-interest.

I think I can probably count on the fingers of two hands the number of people in health policy who accept the economic way of thinking. All the rest — 99.9% of the total, including a lot of people with “Ph.D., economist” after their names — reject it in spades.

Almost everybody in health policy thinks you can have a plan designed by people at the top that will work, even though every doctor, every nurse, every hospital administrator and 310 million patients all have an economic self-interest in defeating the plan.

They are so convinced of the collectivist vision of health care they do not even think it's necessary to discuss the incentives of individuals. For example, Harvard health economist David Cutler (who admits to having a hand in the health reform bill) wrote an article the other day entitled, “[The Simple Economics of Health Reform](#),” in which he mentioned the word “patient” not even once. For perspective, this would be like an economist writing about the market for gasoline without even mentioning the people who drive cars, trucks and vans. It

would be like an economic analysis of the housing market that completely ignores the role of homebuyers.

Here are some points [I've made before](#) that completely escape Cutler, but should be included in any economic analysis of health reform:

- Thirty-two million otherwise uninsured people will try to double their consumption of medical care.
- Almost everyone with private insurance and all Medicare enrollees will try to increase their consumption of preventive services — promised without deductible or copayment.
- With no increase in supply, doctors and patients will face a huge rationing problem.
- There will be up to [900,000 additional emergency room visits](#) and the time price of care (rationing by waiting) will jump substantially at every emergency room, every primary care facility and for most specialty services as well.
- If everyone in America succeeds in getting all the recommended preventive care, for example, primary care physicians will have to spend more than [7 hours of every working day](#) delivering services to basically healthy people.
- Patients whose plan pays below-market rates will be pushed to the rear of the waiting lines; this includes our most vulnerable populations — the elderly, the disabled and poor families on Medicaid.
- In the meantime, a large flourishing market for concierge services is likely to emerge — draining resources from the third-party payer system and making the rationing problem worse for all who are left behind.

In general, the left is obsessed with distributional issues. That's why it's so surprising that they passed a law that is going to force middle- and upper-middle-income families to have more insurance than they really want. Once they have it and act on it, they will in the process make access more difficult for the poorest and most vulnerable segments of society.

It's amazing how much you can learn if you really do take advantage of some "simple economics."

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