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No Capitalism Please, We're Health-Care Providers

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Does America have a "grocery system"? An "automobile system?" A "tourism system"? The nation does, of course, have a "health-care system," and the fact that the medical-services sector can't be described as a market — well, it's the prime cause of the "health-care crisis."

Consumers make choices about employment, food, housing, clothing, transportation, investment, and leisure peddled by an uncountable — and ever-changing — number of vendors. Price, convenience, and quality vary. Transparency is standard. Accountability is enforced, at times rapidly and ruthlessly, by both sellers and buyers.

Yet satisfying the nation's health-care needs involves an appalling supply of waste, waiting, bureaucracy and buck-passing.

As economist Charles Phelps put it, the "health care system…remains the most intensively regulated sector of the U.S. economy." Subsidies (Medicare, Medicaid, the VA) are surging — tax revenue now covers nearly half of all healthcare spending in the US. Devon Herrick of the National Center for Policy Analysis described the inevitable result of massive government meddling: "Providers typically do not disclose prices prior to treatment because they do not compete for patients based on price. Payments are usually not made by patients themselves but by third parties -- employers, insurance companies or government. And the amounts paid are not really market-clearing prices; they are 'reimbursement' rates negotiated with bureaucratic institutions and networks. Furthermore, when providers do not compete on price, they usually do not compete on quality either. In fact, in a very real sense, doctors and hospitals are not competing for patients at all — at least not in the way normal businesses compete in markets."

The Medicaid-expansion and individual-mandate provisions of ObamaCare represent additional steps away from direct payments, decentralization and more choices. Writing in The Wall Street Journal, plastic surgeon Lloyd M. Krieger recently observed that the "wave of frantic consolidation in the health industry" in response to ObamaCare means bureaucrats "will be able to impose controls with much greater ease." It's easy to see where this is going: the single-payer system long the goal of leftists.

Yes, the developments are depressing. But Easy Access, Quality Care: The Role for Retail Health Clinics in New York, a new policy analysis, profiles an encouraging about-face in the nation's march toward socialized medicine. Paul Howard, a Manhattan Institute senior fellow, reports that the facilities offer "a limited menu of basic services, including treatment of basic ear, throat, urinary-tract, and skin infections; physicals (for work and school); and immunizations. Basic wellness or screening services (for chronic conditions such as diabetes and high cholesterol) are also routinely available at retail clinics."

Operators set up shop where they're likeliest to find customers. According to a 2009 study, three-quarters of retail clinics are located in pharmacies, 15 percent at grocery stores, and the rest at mass merchandisers. As of last summer, nearly 1,200 were run by 38 firms in almost every state, with three giants — CVS/MinuteClinic, Walgreens/Take Care, and the Little Clinic — comprising 80 percent of the market. The Great Recession has cut the number of outlets a bit, but a consultant Howard interviewed "noted that the present contraction represents nothing more than the consolidation and restructuring of a maturing industry."

Examining a decade's worth of research, Howard discovered that costs are low, customer satisfaction is high, and quality is strong. Concerns about interference with primary-care physicians is unwarranted. Most of the people who seek care at the facilities do not have preexisting relationships with a doctor.

The clinics, Howard summarizes, "use innovations such as evidence-based, computer-indicated treatment protocols and electronic health records to standardize and streamline services; harness the retailer's proficiency at providing rapid service and satisfying customers; and put forward a transparent, competitive pricing model designed to appeal to cost-conscious consumers and insurers."

It's enough to make free-marketeers giddy. But the outlets are capable of much more, if they're freed from red tape. Howard cites absurd, anticompetitive certificate-of-need reviews and burdensome mandates on nurse practitioners as obstacles that hamstring entrepreneurs looking to set up retail clinics.

Consumer-driven medical services, if fused with health savings accounts that insure against catastrophic conditions, would revolutionize the way physicians and hospitals — gulp — "do business." Savings would be substantial. The "crisis" would quickly end.

With governments at all levels facing insolvency, the once-unthinkable looks more and more possible. Serious attempts to enact right-to-work legislation, entitlement reforms, and restraints on out-of-control compensation for public employees are making progress. Polls suggest the measures are increasingly popular.

Healthcare marketization might be the next salutary consequence of our era of austerity.