

**SPOTLIGHT:** John C. Goodman, president & CEO, National Center for Policy Analysis

*Editor's Note:* Readers are no doubt familiar with John C. Goodman, president and CEO of the National Center for Policy Analysis (NCPA). Often referred to as the "Father of Health Savings Accounts," Goodman also maintains a [health policy blog](#) where pro-free enterprise, private sector solutions to health care problems are routinely examined and debated by top health policy.

In light of the recently proposed health reforms, *Medical Travel Today* decided to catch up with Goodman and find out what he and his colleagues think of the proposed reforms and how they may or may not influence domestic and foreign medical travel.

**Medical Travel Today (MTT):** *Thank you for your time today and your willingness to discuss the future of medical travel.*

**John Goodman (JG):** It's my pleasure. If I may, I'd like to suggest we start this interview by asking the question, "Why would anyone go outside the United States for healthcare?"

**MTT:** *By all means. Proceed.*

**JG:** In the United States, healthcare costs are growing at twice the rate of our income. It's been this way for the past 40 years and there are no signs of abatement.

When any major expenditure grows at twice the rate of the consumer's income, the consumer gets squeezed. In the United States we have no price competition for healthcare. And that's because you tend to have competition on price only when there's no third-party payer. Interestingly, if hospitals and physicians do not compete on price, they don't compete on quality either. So in order for U.S. citizens to get the full benefit of competition, they have to leave the country.

**MTT:** *As you point out, the U.S. system is built around a third-party payer. Given that, is there anything a U.S. provider can do to compete?*

**JG:** I believe there is, but it involves more than a new model. It involves a new mind set in the way we approach care. I believe that in order to keep patients here, we have to have facilities that are willing to post their prices and are willing to compete on price.

The successful facilities internationally are the ones that are willing to quote package prices and make those prices truly transparent to customers.

As deductibles rise and co-pays rise, what we're seeing is that patients and insurance companies, who were once adversaries, now find themselves on the same team — a team that's looking to find the best price and quality options for care.



John C. Goodman  
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What we're going to see is insurers and employers encouraging patients to travel (both within the country and out of the country) for lower-priced, higher-quality care. The resulting savings are going to be shared by the insurers and employers with the patients. That type of model is going to force U.S. facilities to compete in a different way if they are going to stay in business.

**MTT:***Which facilities in the United States are best prepared to deal with this kind of competition?*

**JG:** The ones that are already involved in treating foreign patients.

Right now there are about 50 major U.S. hospitals actively marketing in Latin America to recruit patients. They're already competing in an international marketplace and many are doing it with a package price structure. They are doing the things they need to do to compete effectively on quality and price in a global market.

**MTT:***How do you move from an environment where there's no price competition to one where there is?*

**JG:** Well, first you have to look at what is preventing U.S. healthcare from becoming competitive, the way hospitals in Thailand, India, or Singapore are competing.

The difference is that we have a lot of unwise public policies that suppress normal market forces. As a result, for a typical doctor or hospital there is no such thing as a real price. When Secretary of Health and Human Services Mike Leavitt last year spoke of the need for providers to post prices, what he didn't say is there are no prices, there are only reimbursement rates.

In truth, we're very far away from a real market. What needs to happen are economic, cultural, and legal changes.

First, if providers are going to compete on price and quality, everyone needs to change what he or she is doing. And no one is going to change unless there are economic incentives to do so.

Second, doctors and hospitals need to change how they think about the product of healthcare. Most doctors today don't think of themselves as competing in a marketplace. In the future they will need to. Finally, we need to repeal laws that prevent competition. We really don't need to look much further than surgi-centers, urgent care centers, and walk-in clinics for a working model of how this can be done. Competition can work. All of these products developed outside the third-party system and they work for both the patient and the provider.

**MTT:***Given how slowly things tend to move when it comes to changing healthcare regulations and laws, what's the downside of the status quo?*

**JG:** I think the flow of patients across the border will grow and it will grow fast. All over Latin America there are medical facilities that could be competing for U.S. patients. They are not aggressively marketing and competing for U.S. patients right now but they could.

Currently there are wealthy people who willingly travel to the Cooper Clinic in Dallas and to other facilities around the country for what I call a super-duper checkup. It's becoming a very common experience.

However, once a person commits to climbing on a plane for care, he can go anywhere to receive it. He might go to Guatemala City instead of Dallas and obtain the same quality of care for a fraction of the cost. When you start to think competitively about healthcare, you have to consider all the places that a plane might fly to.

The international market place has the potential to become one of the strongest agents of change in the way medicine is practiced in the United States.

I think Medicare does not cover medical care outside the country. If the government had any sense, they'd change that. You could save a lot of money if you encouraged seniors, your largest consumers of

care, to get care abroad.

This is a difficult issue for politicians to talk about. They all have doctors and hospitals as constituents, as well as patients.

I think the question is: what's the right public policy within the United States? What's the right way to encourage a competitive market for healthcare?

One way to do that is to open up the market for, say, Medicare patients. I think Medicare ought to pay walk-in clinics' market rates, not Medicare rates. Seniors aren't as desirable at Medicare rates to walk-ins or to urgent care clinics and surgi-centers, for that matter.

Medicare should be willing to pay the market rates, since those are still lower than what they'll have to pay at traditional facilities. Plus, you'd get more seniors seeking care earlier and that will ultimately keep all costs down.

We also need to change the tax laws to make it as easy as possible for patients to self-insure and manage more of their own healthcare dollars. If you make patients a partner in decisions you'll change their behavior and, in turn, force doctors to compete on price. That's the direction we should be heading.

**MTT:** *What's your opinion of the recent proposals from the White House?*

**JG:** The approach being taken by the Obama administration is the wrong approach. They think they can change the practice of medicine urging providers to produce higher quality, lower cost care from the demand side of the market. Yet they can't point to single example of that happening. Anywhere.

All the examples of lowering healthcare costs and increasing quality come from supply side. It was doctors and entrepreneurs who created those models. We need to find new ways to encourage the supply side of the market to come up with more of those approaches. The current system is so inefficient and wasteful that providers should be able to find innumerable improvements if allowed to do so.

We need more deregulation, not more regulation. We need to make it as easy as possible for hospitals and doctors to repackage and deliver their products in ways that decrease cost and increase quality of care. Right now, their hands are often tied by regulations.

Hospitals in India and Thailand can repackage their products on a moment's notice. If we want to compete, providers have to have that same freedom and flexibility here.

**MTT:** *You've talked about the constraints placed on U.S. facilities growing medical tourism. Are there any political constraints operating in other parts of the world?*

**JT:** One thing I think that holds back medical tourism in other countries is the politically unpalatable result of having first world patients in a foreign country getting a level care that most of its own citizens cannot afford. That can certainly constrain growth.

One place where I don't see that as an issue is Latin America where almost everywhere there's a free healthcare system—but one that is not very good. So they are used to people who can afford better care going outside the free system and buying private care.

In Canada or Britain when a Member of Parliament checks into a first-class private hospital it's scandalous. In Latin America that's considered perfectly normal.

Beyond that, I don't see too many obstacles—certainly none of the magnitude we face here at home—to other countries really competing on a world level.

We just need to make sure we get there, too.

**About John C. Goodman**

John C. Goodman is president and CEO of the [National Center for Policy Analysis](#). Goodman received his Ph.D. in economics from Columbia University, and has taught and done research at Columbia, Stanford University, Dartmouth University, Southern Methodist University, and the University of Dallas.

Goodman regularly appears on television and radio news and talk programs, and authors editorials on economic policy issues. He regularly appears on the Fox News Channel, CNN and CNBC. He's also appeared on the *Lehrer News Hour* (PBS) and was a debater on many of William F. Buckley's *Firing Line* programs. Goodman also regularly contributes columns to *The Wall Street Journal* and other national publications.