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How Health Care Innovation Works

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John Goodman of The National Center for Policy Analysis makes an important point about innovation in health care:

> Wherever there is third-party payment, the goal of innovation is to produce more products that qualify for reimbursement, even if the effects on patient outcomes are only marginal. Wherever there is no third-party reimbursement, innovators are focused on ways to lower costs and raise quality.

For a long time, there has been a serious case to be made that the problem with health care in the U.S. is not too little insurance, but too much. Because so many people—including employers and, in some cases, health care providers—view health insurance as a form of medical prepayment rather than as a hedge against significant financial risk, we've developed a health care system in which innovations are designed primarily to satisfy payers. But the problem is that, in all but a few cases, the payers are not the patients. Yet as Goodman points out, in those few cases in which the patients pay for themselves—walk-in clinics, cosmetic surgeries, Wal-Mart's drug pricing—we've seen exactly the sort of quality-and-cost-focused innovation that liberal health reform advocates are constantly trying to impose from above. As I've said before, America's health policy debates occur primarily between centralizers and decentralizers. Somewhat unfortunately, I think, the centralizers are winning most of the big public policy battles. But in their own small worlds, the decentralizers are the ones showing results.