

For a Fee, Our Health Is At Risk

Medicine: The temptation to provide extra services is fueling inflation and driving millions away from proper care.

By William True

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An estimated 37 million Americans are without any form of health insurance because of rampant inflation in cost. These people, plus millions more who are underinsured, are receiving inadequate or no medical care. This, at a time when we are devoting more than 11% of our gross national product to health care, much more than any other developed nation. We are in trouble.

The main cause of the runaway inflation in health costs is fee-for-service medicine, the method by which we pay most doctors in this country.

Fee-for-service can be compared to what in manufacturing industries is called piece work, meaning payment for each piece produced. In medicine it is the doctor who decides exactly how many “pieces” of his service you need. The temptation is always there to perform tests, procedures, and surgeries that may be of questionable benefit or altogether unnecessary. Patients rarely have the medical knowledge or the willingness to question the treatment prescribed.

Some doctors are able to overcome the inherent conflict of interest in fee-for-service medicine and give care only in the patient’s interest. We can admire these physicians, but they are not in control of the medical system.

The Medicare program has found a direct relationship between a reduction in fees and an increase in surgeries and other forms of care as doctors react to government’s attempts to curb out-of-control physician charges. Other research confirms that unneeded medical treatment is prescribed, including dangerous surgeries with substantial loss of life.

The medical profession defends fee-for-service as efficient and in accord with our highly productive free-market system.

But supply and demand in medical care do not function as in a free market, where an increase in supply is met by a decrease in price. As the supply of doctors increases there is no decrease in prices (fees); rather there is an increase in the quantity of tests, treatment, and surgeries performed as doctors react to keep up their earnings. The supplier (physician) thus creates his own demand, in effect controlling both sides of the equation.

Another major distortion that medical care presents to the free-market concept is the inability of the consumer (patient) to judge the quality of his medical care. Did the surgeon do a first-rate job in removing your gall bladder, and was that the most appropriate treatment in your case? A free market functions only when the consumer is able to judge quality.

An alternative to fee-for-service lies in salaried payment of physicians. That is the prevailing payment system for most other professionals. College professors, judges, engineers and even medical researchers work on that basis.

Let's consider an analogy between the salaried judge and the fee-for-service cardiac surgeon. The surgeon has to consider whether a patient should have heart surgery, or a more conservative medical treatment. A decision in favor of surgery results in a fee of perhaps \$10,000 for the surgeon. The alternative decision results in a referral to a cardiac internist with no fee for the surgeon.

Suppose the previously salaried judge now works on a similar fee-for-service basis, and you are a defendant before him. If he finds you guilty and sends you to prison for 10 years, he gets paid \$10,000 (perhaps his fee is even proportional to the length of your sentence), but if he finds you innocent he is paid nothing.

Isn't the conflict of interest and strain placed on the ethics of both professionals about the same, and far more that we should subject them to?

Nonprofit health maintenance organizations utilize salaried physicians and research has indicated that the quality of care they provide is equal to, or better than, that provided under fee-for-service arrangements. HMO insurance premiums are also significantly less than those of regular indemnity health plans involving fee-for-service physicians. And there ought to be other settings in which physicians can practice medicine without profit pressure.

If 37 million Americans are ever going to have affordable health care, and if the remainder of us are ever going to be protected from unneeded and frequently dangerous medical care, fee-for-service medicine must be abolished.

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