

## **Prix-Fixe Rip-Off**

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My husband and I sometimes eat at the Summer Shack, a fish restaurant owned by a chef, Jasper White, whose Falstaffian proportions mimic those of his vast eatery. His delicious a la carte offerings and "bundled" meals -- e.g., all-inclusive clam bakes -- are all reasonably priced, with the exception of the prominently posted "wallet buster" specials. Summer Shack was a gamble, as much for its location -- a commercial section of Cambridge, Mass., abutting a housing project -- as for its size and menu: Real men don't eat fish. But it flourished -- as the Zagat guide, and two new sites, attest.

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Jasper's is a typical U.S. success story: Talented entrepreneur gives customers what they want at a price they're willing to pay. Along the way, he improves society: an upscale residential development newly fronts the place. Do good, do well. Yet were he an entrepreneurial cardiologist with a facility focused on heart-disease victims, he could not replicate this success. Health care's artificial prices, menus and capacity laws all sabotage innovation.

It's not as if such a facility isn't needed: Programs focused on one disease, which integrate the many fragmented providers of care, typically improve health and slash costs. But the present health-care system would prevent Jasper from owning the facility and designing and pricing his services, showering him with negative press along the way.

For one, he would be breaking the law. Physicians who accept government insurance payment generally cannot own their specialty hospitals or diagnostic facilities for fear that ownership will motivate them to overprescribe care. Nor could he freely design his menu or quote prices. Health insurers and government officials dictate prices and the type of care they reimburse, usually for individual episodes such as doctors' visits or hospital days. Innovations that deviate lose out. One hospital program that bundled many different providers for congestive heart failure achieved medical success but financial disaster. Although it attained savings of \$8,000 per person by improving patients' health status so their hospital use plummeted, insurers do not pay for bettering health. They pay for hospital use. The healthier its patients, the more money it lost.

Last, Jasper would likely be ensnared in a P.R. nightmare engineered by competitors. In restaurant terms, eateries with everything-for-everybody menus would complain that he was stealing away their highly profitable fish customers and saddling them with money-losing carnivores. Sympathetic politicians now respond to similar charges by enforcing Certificate of Need laws that curtail specialty orthopedic and heart facilities, despite ample evidence of the better quality health care they provide -- at lower cost.

Along the way, health-care consumers lose out on novel, better, cheaper services that entrepreneurs typically provide. Instead, they're smothered in a blanket of uniformity. Insurance policies are barely differentiated, shaped by benefits mandated by politicians. Most organizations offer employees a "choice" of one plan in the belief that "big" insurers will create "beautiful" health care. Price information is as jealously guarded as the battle plans for Iraq. Consumers even lack the information that could help them distinguish Summer Shack from Red Lobster. Health care "Zagats" falter because health insurers -- rather than consumers themselves -- do the shopping. Their agendas are unlikely to reflect ours.

The absence of information protects incompetence. E.g., contrary to expectations, one evaluation of the risk-adjusted open-heart surgery outcomes of Alexandria, Va., hospitals revealed that when a famous academic hospital was compared with a local hospital its death rates were nearly two times, clots four times, and charges 30% higher. Overall, it ranked dead last of seven.

Antipathy to markets crosses party lines. Republican and Democrats alike abhor physician ownership, stifling the entrepreneurial genius of the health-care equivalents of Jasper. Virtually all legislatures dictate capacity and health insurance benefits and prices, supplanting consumers' judgments with their own. We suppressed health-care markets to "ensure access" for the "needy." Helpful regulations would ensure efficiency and this, in turn, would enable greater access to care -- so the theory went. Instead, corporate profits are endangered by costs that rise at five times the rate of inflation, while millions lack access to health care and talented nurses and doctors lament their choice of profession? Why? Because we suffocated entrepreneurs and handcuffed consumers, who jointly create efficiency elsewhere in our gloriously productive economy.

We can change this with a consumer-driven health care system that rewards productivity by empowering providers and consumers. Providers could price and design services, absent insurer and government micromanagement; consumers could choose from a wide choice of insurance plans, offered by their employers along with excellent information to support their decision-making. The resulting market-driven competition is much more likely to create the efficiencies that

can broaden access to health care.

Government micromanagement isn't needed in consumer-driven health care. We don't stop lawyers from owning legal practices because in a consumer-driven system, clients can easily resist blandishments for additional services. Consumer-driven governments prosecute fraudulent, incompetent insurers and providers and help the needy. In Switzerland's demi-version of this model, citizens must buy insurance, while governments subsidize those who can't afford it. The result? Universal coverage and excellent health care at much lower costs than ours.

The politicians and health policy "experts" who wield unprecedented power over our system don't like consumer-driven health care one bit. They question our ability to purchase health care and doctors' and hospitals' ethics and competence. We would be lost without them, they aver. But somehow, consumers and providers of other complex items -- cars, computers -- succeed without their help. Their costs plummeted while quality shot up. (Anyway, if these guys are such geniuses, how did they get us into this mess?)

Our health-care system demonstrates the effects of suppressing markets in the name of ideology. But do we care about Jasper White's politics? Not a whit. What we want is a system that enables him to create great food at a fair price and us to buy it. Surely, we should expect no less of our health-care system.

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