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The Problem with Healthcare is 'Disconnection'

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Abstract

The U.S. healthcare system is an ongoing failure: care is increasingly unaffordable, and doctors are harder, sometimes impossible, to find. Over the past half century, the federal government has passed innumerable regulatory "fixes" for healthcare which have not only failed – they have backfired, badly. Washington has expended trillions of taxpayer dollars and succeeded in making medical care *less* accessible.

Systems theory, a novel approach to healthcare, was applied for economic analysis of the healthcare market. It revealed a cure for our sick system.

U.S. healthcare is a centrally controlled, not a free, marketplace. Therefore, it lacks the free-market forces that normally balance supply and demand. In a centrally controlled market like healthcare, buyer and seller are disconnected by the federal government, which acts as the third-party payer and decision-maker. The resulting imbalance of supply and demand, created by disconnection, causes the unaffordability and inaccessibility of care.

A program called Empower Patients is the cure, a permanent, effective solution. It reconnects buyer (patient) with seller (provider) removing the third-party government as decision-maker. When patients are in control of their own money and their own destiny, medical care in the U.S. will become high quality, readily accessible, timely, and affordable.

Keywords: Healthcare; Disconnection; People; Healthcare Market

Abbreviations

NHS: National Health Service; HSA: Health Savings Accounts; ACA: Affordable Care Act.

Introduction

Healthcare is the United States (U.S.) is failing both its people individually and the nation as a whole. Despite more than fifty years of federal fixes costing trillions of dollars, care is both unaffordable and inaccessible. In fact, federal solutions have been fixes-that-failed-even-backfired [1].

Systems theory offers a different approach with its study of interactions among systems parts and focus on discovering the root cause. Only by eradicating the root cause can a dysfunctional system like healthcare be cured, i.e., permanently fixed [2].

Semantic note: Health care as two words refers to medical care: a patient-provider service contract. Healthcare, one word, means the system. To avoid miscommunication, herein we describe health care functionally as medical care.

The Problems of Healthcare

The two fundamental problems are obvious. People experience them every day. These two issues dominate the news: unaffordability and inaccessibility.

Unaffordable: The healthcare system is unaffordable for the U.S. – its upward spending curve was accurately described by former President Obama as "unsustainable." In 2023, the U.S. spent $4.8 trillion, 17.5 percent of GDP, on healthcare. The amount devoted to the U.S. healthcare system was greater than the entire GDP of Japan, the third most productive nation on earth.

In 2021, the U.S. expended $12,914 per capita on healthcare while the United Kingdom's National Health Service (NHS) spent $5,387 [3]. Despite spending more than double the NHS, U.S. medical outcomes were inferior to all high-income nations according to Commonwealth Fund [4].

Medical care is equally unaffordable for individual Americans. In 2023, when the median U.S. household income was $80,610, the average family healthcare costs were $31,065 [5]. Most of this expense was employer-support for health insurance.

Inaccessible: The reason for any healthcare system to exist is to provide the care people need when they need it: timely, quality care. If a patient waits too long for care, illness progresses that could be successfully treated. Even a four-week delay in a cancer diagnosis can increase mortality [6]. Imagine the impact of a four-month delay. That is the average maximum time for a new patient visit in a mid-sized American city [7,8].

Proximate Causes

Unaffordability: Prices are too high, viz., $9,065 per month for anti-arthritis biologic medication, Humira; $2500 for an echocardiogram; more than $100,000 for heart surgery; and half a million dollars for anti-cancer regimens.

One reason for such high prices is system overhead. In a healthcare system strictly regulated (controlled) by federal government, such overhead is called BARRCOME – bureaucracy, administration, rules, regulations, compliance, oversight, mandates, and enforcement [9].

The public does not often consider the cost of federal regulations as part of "healthcare" spending. In fact, that cost represents 31 percent to more than fifty percent of all U.S. healthcare spending [10,11].

After passing a federal law or issuing an executive order, Bureaucrats are hired who populate a new Agency. Lawyers are hired to write Rules that reflect the law's intent. Others are hired to create actionable Regulations (second R). Compliance must be assured requiring new Overseers. Mandates must be Enforced by officers who penalize the non-compliant.

The volume and complexity of federal BARRCOME increase with each new rule and regulation necessitating the hiring of new healthcare bureaucrats or administrators. Between 1970 and 2010, when the supply of doctors expanded by 100 percent, the number of administrators increased by more than 3000 percent! [12]. The BARRCOME created by the Affordable Care Act (ACA) of 2010 added to the expense of overhead as the ACA cost $1.76 trillion [13].

Inaccessibility: Medical care is difficult to access – delayed or simply unavailable – for two reasons: a shortage of clinicians, and a shrinking number of those willing to care for government-insured patients.

Healing sick patients, acting as their fiduciary, has one great benefit that is unique to medical care: the psychic reward. Whether the clinician is nurse, doctor, or therapist, the act of healing another human being fulfills Maslow's highest of human needs, self-actualization. As a nurse once explained, "When my babies (her patients) do well, it feeds my soul."

As third-party payers, ultimately the federal government, take over the practice of medicine, they disrupt the fiduciary relationship between patient and provider, nullifying the psychic reward [14].

Physicians have two complaints about practicing medicine in the current environment and especially when caring for government-insured patients, particularly Medicaid enrollees: the regulatory/administrative burden and the low, fixed-by-government pay schedules [15].

Common Thread: Economic

The common element in healthcare system dysfunction noted above is economic, commercial disruption. It has been labelled market failure. It IS market failure, but not free market failure. Healthcare is not a free market.

Usual (Free) Market

A free market has two parties, buyer and seller, who are directly connected by a transaction exchanging sellers' goods, services, or both, for buyers' dollars. The buyer chooses a specific seller who sells goods &/or services to the buyer for payment of the seller's advertised price. This produces one of two major free market forces: buyers' need to economize. After all, payment is coming out of buyers' pockets.

Sellers compete so that buyers will choose them over other sellers and spend their money with the preferred seller. This second free market force is inter-seller competition for buyers' dollars, which drives prices down and keeps quality

high, especially timeliness of service.

Healthcare Market

Healthcare is a centrally controlled market.

In a free market, supply and demand are balanced by the two forces mentioned above with hundreds of millions of consumers/buyers and sellers making self-interested choices regarding prices, quality, as well as the decision to purchase (or not), for how much, and from whom.

In a centrally controlled economy, a single entity – the government – dictates both supply and demand. A centrally controlled market like U.S. healthcare is a monopoly (one seller, Washington) and a monopsony (one buyer, the regulated public).

Uniquely, healthcare has three parties, not two: *patients*, called buyers who are consumers but not payers; *providers*, called sellers though they cannot decide what they sell or how much they will be paid; and third parties, who are payers and thus are financial and thereby medical decision-makers.

Federal regulations directly control medical spending and healthcare decisions for 186 million Americans, 56 percent of the population, through Medicaid/CHIP (Children's Health Insurance Program), Medicare, Tricare, and Emergency Medical Transport and Labor Act of 1986 – medical care for the uninsured. The federal government indirectly controls health expenditures and medical care for the remaining 147 million with private coverage because insurance sellers must follow federal insurance rules and regulations.

Effectively, there is only one third-party decision-maker in healthcare: the federal government.

By controlling money flow, Washington severs the transactional connection between buyer or patient and seller or provider. Such "micro-economic disconnection" suppresses free market forces [16].

As medical care buyers (patients) are not payers, they have no need to economize. Spending rises without apparent limit.

Sellers of medical care (providers) do not compete for buyers', i.e., patients', dollars. Hospitals, universities, and large physician groups compete for contracts with health plans and insurance companies that have signed up large groups of patients. Neither individual doctors nor single patients have any say in the contracts that affect them. Providers have no financial incentive to provide timely service to patients. As a result, Americans wait interminably for care and often suffer death-by-queue: dying while waiting in line (a queue) for care [17].

Connection versus Disconnection

Commercial behavior of all parties in any market, free or centrally controlled, are driven by the profit motive. In a well-functioning market, profit motives of buyers and sellers are aligned toward two goals: buyers want the most, best, fastest and cheapest goods and services and sellers want the most compensation, usually money. In healthcare, there is also the psychic reward. When both buyers and sellers achieve their goals, that is the "magic of the free market," a marketplace of aligned incentives.

In a free market, buyers and sellers are transactionally connected. The two free market forces – buyers' need to economize and inter-seller competition – drive behaviors that keep prices and spending down and rewards timely service. If sellers don't deliver those features, they won't receive buyers' money.

Systems thinkers would assert that direct connection of buyer with seller is the best, in fact the only, interaction that can align incentives and achieve the goals of healthcare: ready access and affordability.

In the healthcare market, government central economic control, acting as third-party payer and decision maker, disconnects buyer from seller. They do not interact directly. Because they are "siloed," the two key free market forces are nullified. Incentives are not aligned.

The results in U.S. healthcare are the same as other centrally controlled markets: shortages, low quality, slow service, and unsustainable, dollar inefficient spending. No one can forget pictures of blocks-long wait lines in the former U.S.S.R. for "free": shoes with paper soles, lye soap bars, moldy bread, one roll of sandpaper-like toilet paper per family, and minimal-to-no medical care.

The root cause of unaffordability and inaccessibility in U.S. healthcare is disconnection. By its very nature, a centrally controlled market disconnects buyer from seller.

The Cure for Healthcare

To fix healthcare permanently one must "dissolve" the root cause [18]. As the root cause for healthcare system dysfunction is disconnection, the cure is reconnection: remove the barrier separating buyer from seller, which is the third-party decision-maker, the federal government. This cure is called Empower Patients [19].

Reconnect people with their own money. Transfer employer payments for health insurance from insurance companies to employees and allow them to contribute that money to newly unlimited Health Savings Accounts (HSA). The family can use HSA funds to shop for both medical care and medical insurance. Insurance companies are allowed to sell whatever consumers want rather than selling only federally acceptable insurance and prohibiting so-called "junk insurance" [20].

The combination of patients' controlling their money, freedom to shop for care and insurance, and repeal of federal medical mandates that dictate medical practice will directly reconnect patients (buyers) with doctors (sellers). Such reconnection will restore the fiduciary relationship, recoup the psychic reward, fairly compensate care providers, and greatly reduce unnecessary, wasteful spending on healthcare bureaucracy.

Safety nets should be established for the medically vulnerable by the states, not Washington, as originally intended by the Medicaid law [21]. This makes obsolete all federal BARRCOME supporting Medicaid, which can be repealed saving hundreds of billions of dollars. The ACA becomes equally unnecessary and can also be repealed with similar savings [22].

Reconnecting patients with their money restores financial and medical authority where it belongs – in the hands of We the People. Through reconnection, Empower Patients restores the two key free market forces to healthcare. The end-result will be affordable, timely, quality medical care and the return of individual freedom.

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