Perspectives on the Health Care System

Reinhard and Unsystematic Chapter 2

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Course Details

- First writing assignment due April 6.
- Swap third presentation with someone who needs more credit.
- Open spot in presentation on April 8, topic is *Unsystematic*, Chapter 5: The Division of Labor in the Health Care Delivery System.
Efficiency? For whom?

Definitions of Efficiency

- Pareto
- Kaldor-Hicks
- What’s so special about efficiency
- Efficiency $\neq$ desirability

There is absolutely no presumption in economics that greater “efficiency” is ipso facto “better” (Reinhardt).
Some prescriptions for/from economists

- Economists’ distaste for cross-subsidies: dishonest and inefficient taxation. Economists prefer each consumer to face a price that equals the exact cost of the resources consumed.

- But hidden cross-subsidies from the rich to the poor provided health care for the nation’s uninsured indigents for half a century.

- Reinhardt argues that cross-subsidies are the “hidden threads of a civilized social fabric.”

- Organic versus economistic conception of health care institutions
Economic efficiency

Does Supply and Demand Equilibrium Imply Efficiency?

\[ P, C_Q, Q \]

\[ C_Q(Q) \]

\[ P(Q) \]

\[ Q \]
To believe in applying pure economic theory

• Is $P(Q)$ the physician’s sales-possibilities frontier (monopoly model) or the Willingness-To-Pay function of patients, including their ability to pay?

• Does $\text{price} = \text{marginal cost}$ really represent a welfare-maximizing equilibrium or social optimum?

• Does $P(Q)$ really represent, as arguments for economic optimality demand, the marginal social value when $Q$ is health care?
Preferece for the Organic

- Mix of goods and services in health care
  - Pure private consumption goods (face lifts)
  - Pure social goods (trauma care)
- 3/4 of health care expenditures are for treatment of the very ill—does the rational consumer model apply?
- Distributional equity sets health care apart from most other commodities.
Some comments

• Article does not foresee the HMO demand-rationing revolution.

HMO Enrollment
1990 35 M
1998 80 M

• Article could be more explicit on the efforts of economists to force “all of the health care process onto the Procrustean bed of theory.”

• Reinhardt writes,

The public sector, which now pays for about 42 percent of all personal health care in this country, chiefly through the Medicare and Medicaid programs, has disregarded the competitive strategy altogether.

No longer true! Medicaid HMO’s and Medicare plus Choice.
Functionalisists and Conflict Theorists

- Alternative perspectives for explaining positive reality
- Different normative implications
Functionalist Perspective

- Structures survive and evolve to serve a social purpose.
- Some general benefit to society
  - Not every person is a winner every time, e.g., family hierarchy;
  - But overall adaptation of structures to meet needs
- Self-regulation and decentralization as real existing facts.
Conflict Theory (CT)

• Conflict between haves and have-nots
• Structures are created by the haves for their benefit (although in ongoing conflict with the have-nots).
• Distinct from conspiracy theory
  ○ The structures of dominance are self-reinforcing and internally logical (although imperfect). No single central decision-making authority is required.
CT: Three layers of power (Lukes, 1974)

1. Decision-making power
   • Issues are identified, conflict and power are overt

2. Agenda-setting power
   • Limits scope of decision-making (“That’s not on the table.”)
   • “No alternative” limits grievance and conflict

3. Consciousness-developing power
   • Appearance of harmony, lack of awareness of power
   • a.k.a. Hegemony
CT: Political economy in 3 questions

1. Who benefits?
2. Who pays?
3. Who decides?
Functionalism and the Health Care System

Manifest functions

- Keep people health to permit other social functionings
- Promote health behavior and discourage unhealth behavior
- Increase the capacity for health interventions (scientific research)
- Offer comfort and alleviate pain when cure is impossible

Latent functions

- Employment in the health-care sector
- Opportunities for social and economic advancement
- Health institutions as symbol of and for practice of community values
Recall the medical model of illness. By defining what is illness and how it is cured, the health care system:

- Dominance of technical elite (physicians) over masses (patients)
  - Gender-race-class interaction
  - Objectivizes human body and its ailments
  - Boundaries of disease: medicalizing normal function, denying pain
- Dominance of managerial elite (physicians, hospital managers) over workers (nurses, nurses aides, orderlies)
CT and the HCS: secondary considerations

Other functions of the Health Care System

• Social class is defined and reproduced through access to health care.
• Employment-Based Health Insurance reinforces dominance of employers over workers and unemployed
• Social hierarchy in the division of labor (gender, race, and class)
CT and the HCS: some complications

Conflict **within** the dominant class

- Century-long struggle between physicians and corporations
- “Cost-containment problem”
- Physician-patient relationship
Closing remarks

• Reminder: your task is to choose one practice or structure and apply both perspectives to explain it.

• Into the fray
  ○ What was once functional can become dysfunctional.
  ○ What is to be done?