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# People, or Rules?

*By Megan McArdle*

I found it very odd to see Paul Krugman complaining that "patients are not consumers" as if "consumer" were some sort of horrible, low-status role that should never taint the sacred realm of health care. In my economics classes, "consumer" was not a value judgement; it was a descriptor. A consumer is someone who consumes, just as a producer is someone who produces and a distributor is someone who distributes. So I was a bit befuddled to see an economist arguing that "The idea that all this can be reduced to money -- that doctors are just "providers" selling services to health care "consumers" -- is, well, sickening. And the prevalence of this kind of language is a sign that something has gone very wrong not just with this discussion, but with our society's values." Patients consume health care resources. Providers provide them. And the system through which labor and resources are allocated in our society remains money--an arrangement that I'm pretty sure that Paul Krugman doesn't want to change.

This semantic moralizing takes away from what I do think is the core argument between the partisans of the "Peoples' Budget" and the advocates of Ryan's Medicare voucher plan: whether ~~consumers~~ patients, or a central committee (IPAB) should be in charge of deciding what to do with limited health care resources. Paul Krugman, unsurprisingly, is against putting consumers in control:

> "Consumer-based" medicine has been a bust everywhere it has been tried. Medicare Advantage was supposed to save money; it ended up costing substantially more than traditional Medicare. America has the most "consumer-driven" health care system in the advanced world. It also has by far the highest costs yet provides a quality of care no better than far cheaper systems in other countries.
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> But the fact that Republicans are demanding that we stake our health on a failed approach is only part of what's wrong. As I said earlier, there's something wrong with the whole notion of patients as "consumers" and health care as simply a financial transaction.
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> Medical care, after all, is an area in which crucial decisions must be made. Yet making such decisions intelligently requires a vast amount of specialized knowledge.
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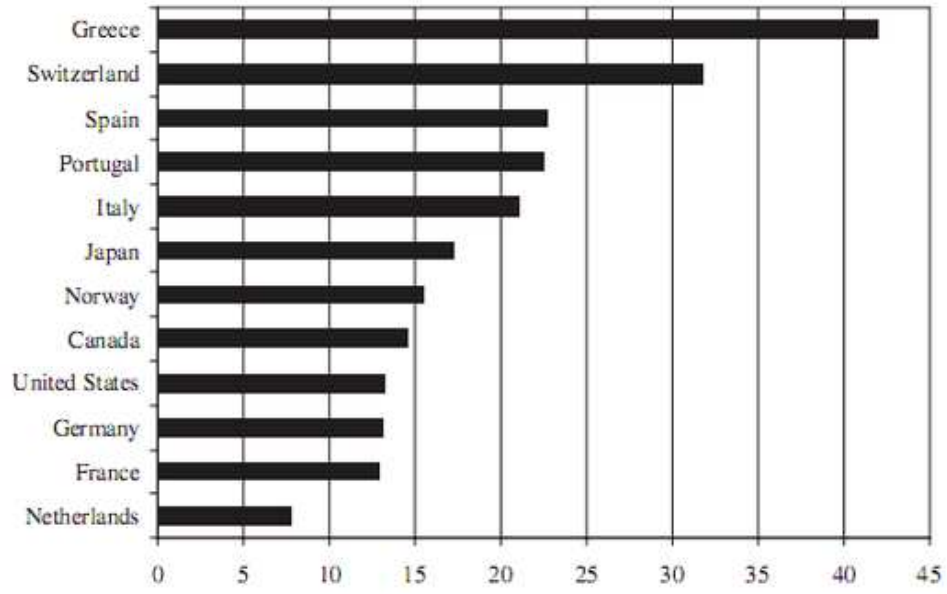
> Furthermore, those decisions often must be made under conditions in which the patient is incapacitated, under severe stress or needs action immediately, with no time for discussion, let alone comparison shopping.

The statistics with which he opens are dubious: Medicare Advantage is more expensive because it provides more benefits, and the US isn't even close to being the leader in consumer-driven medicine, if by that you mean cost-sharing and purchasing decisions; in the rich world, that would almost certainly be Switzerland, where ~~consumers~~ patients not only pay heavily out of pocket, but purchase their own insurance, as both Kaiser and Cato will tell you.

**Figure 4**
**Percentage of Total Health Spending Out of Pocket**




Source: OECD, "OECD Health Data 2007: Statistics and Indicators for 30 Countries."

But though Krugman may be wrong about how consumer-driven our system is, he's not wrong that this is a core conflict. Nor do I think he's wrong that patients will frequently decide wrong. Where Krugman and I differ is that I don't think that centralized rule making is going to do such a super job either, for two reasons.

The first is that providers and patients are going to fight cuts with every fiber of their being, and they will find it easier to fight on individual procedures than on increasing the size of the health care voucher; the former is not very expensive for any given procedure, while the latter is a large, obvious whack in the pocketbook for taxpayers. Think of how easy it has been for oxygen providers to keep their Medicare reimbursements--and how hard it was to pass a new health care entitlement.

But the second is that while consumers may be stupid, rules are often stupid too. Evidence-based medicine is certainly a good idea, but we are nowhere near being able to generate solid rules that a) cover all major possibilities and b) provide the highest chance of survival for the money. People are incredibly complicated. This makes outcomes hard to measure--and solid guidelines hard to develop. Drugs are the most intensively tested health care treatments we have, with the sort of rigorously controlled, double-blind studies that you need to get significant results. But we don't do nearly as much testing as we should: too little head-to-head testing of various products, and far too little testing that could distinguish sub-populations which benefit most from a given drug. It's common to blame pharmaceutical companies' financial incentives, and that's part of it, which is why I support having the

government do more head-to-head testing. But that's far from the only limitation. The biggest limitation is often finding enough patients with a given disease to produce statistically significant results. The more satisfied patients are with their current treatments, the harder it is to test whether those treatments are effective.

But even if we had the kind of data we'd need to develop a comprehensive set of rules, the problem remains: rules are stupid. You need to leave room for individual discretion. And individual discretion on the part of doctors and hospitals is a loophole you could drive a truck through.

Nor do I think the possibility of reducing costs through individual discretion is quite as impossible as Krugman makes things sound. Sure, a lot of decisions are life-or-death last minute things. But a lot of them aren't. They're questions like, "Do we send grandma to a nursing home, or try to keep her in the spare bedroom with the help of a home health-care aide?" Or "I've got stage four breast cancer with bone metastes; should I really mortgage the house to try another round of chemo?"

It's all very well to say that people shouldn't have to make those decisions on the basis of money. But that's all the government is going to do. Sure, there are some procedures that people just shouldn't have (like a lot of back surgery). But a lot of this is value judgements: hip replacements for elderly patients, expensive chemotherapy that may extend life by a few months, more convenient dosing schedules or better side-effect profiles for brand name drugs. Unless we simply rely on across-the-board reimbursement cuts--which would be moronic on every level--the government is mostly not going to be deciding which treatments are effective; it's going to be deciding which treatments are cost-effective. We haven't taken doctors out of the business of selling health care to patients; we've just added a middleman.

Now, maybe you think that the government is smarter than the consumers it's speaking for. But how does the government know what you value most: an extra three months of life when you have cancer, or an extra five years of walking after age 89, or an extra $4,000 right now?

I think that people who favor a central board probably put more faith in technocrats than I do, but also, that they are horrified by the specificity of the choices. They're comfortable making decisions about who lives or who dies when the people in those decisions are just decimal points in an aggregate statistic. But they find it horrifying that anyone--particularly the patient--should have to make that decision about a specific person.

But to me, they're not really that different. All those decimal points are people too. And it's just as heart-rending when they suffer or die.