Market Justice and US Health Care

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In the United States, health care competes for consumers with other items in the marketplace. Individual resources and choices determine the distribution of health care, with little sense of collective obligation or a role for government. Known as *market justice*, this approach derives from principles of individualism, self-interest, personal effort, and voluntary behavior.[1] The contrasting approach, *social justice*, allocates goods and services according to the individual's needs. It stems from principles of shared responsibility and concern for the communal well-being, with government as the vehicle for ensuring equity.[1] Social justice in health care requires universal coverage and ensured access to care, whether through social insurance, private insurance, or some combination.

Market justice runs deeply in health care in the United States. Well into the 20th century, both buyers and sellers participated in a fully functioning market. Patients predominantly used personal funds to purchase health care until the rise of employment-linked health insurance. Allopathic physicians competed openly with other healing arts practitioners before state licensure laws erected barriers to market entry and limited the scope of practice of nonphysician practitioners beginning in the late 19th century. What dominated health care from the late 20th century to the present was not some sudden introduction of market principles and forces but tension among the differing perspectives of key medical care stakeholders on the appropriate role and strength of market forces.

This Commentary traces 4 developments during that period: the rise and fall of health care coverage; the commoditization of medical care; the transformation of the medical profession; and the medicalization of health—discussing these developments in the context of the diverse and conflicting perspectives on market justice of consumers, employers, physicians, hospitals, suppliers, insurers, public officials, and theoreticians.

Rise and Fall of Health Care Coverage: Public Rejection of Market Justice

Health insurance was not widespread in the United States until the second half of the 20th century, although its roots date from 1798.[2] Only 10% of the US population had some health insurance in 1940.[2] By 1950, one half of the population had hospital insurance, leaving some 75 million individuals without such coverage.[3] The number of uninsured decreased to approximately 53 million individuals in 1962-1963.[4] With enactment of Medicare and Medicaid in 1965 and expansion of voluntary employment-based insurance, the number of uninsured decreased to 31 million by 1987.[5] During the mid-1980s, many states opted to expand Medicaid and Congress covered all children from households with incomes below the federal poverty level, later including additional children of low income under the State Children's Health Insurance Program. Subsequently, employment-based coverage declined,[5] increasing the number of uninsured individuals to the present level of 47 million.[6]

This pattern, broad but incomplete employment-based coverage partially compensated for by public insurance, flowed from consistent and adamant demands by the population for a buffer of insurance against the harsh consequences of an unfettered health care market. Labor stimulated the development and expansion of employment-based health insurance.[7] Large employers complied, voluntarily providing coverage to protect against market justice while steadfastly resisting legal mandates to do so, thereby preserving their prerogative to offer, modify, or discontinue plans at will. Small businesses, however, never fully acknowledged responsibility to complete the framework of employment-based coverage, reflecting the practical realities of many small businesses and the entrepreneurial spirit and hostility to government regulation of many small business owners.

Extraordinarily high take-up rates among employees when offered coverage by employers, reaching 70% even in the lowest-wage businesses,[8] testify to the strength of the public's desire for health benefits. Enactment of Medicare similarly signifies the high priority placed on health insurance, older individuals having demanded dedicated social insurance to counter the draconian threat of catastrophic medical expenses. Moreover, millions of individuals vote with their pocketbooks, purchasing insurance directly rather than risk exposure to the health care market.

Other stakeholder interests did not parallel those of the general public. Physicians and hospitals have straddled the gap between market justice and social justice uncomfortably. A social justice system would have provided equity in caring for patients, thus serving physicians' ethical and professional interests. But the benefits of stable, universal coverage lost out to fear of restrictions on medical practice and limitations on income with government involvement. Most

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notably, the American Medical Association fought strenuously against enactment of social insurance through much of the 20th century.[7] Pharmaceutical and medical device manufacturers and other suppliers also might have benefited from universal coverage, but their commercial interests generated fierce antipathy to social regulation.

Insurers are inherently threatened by social insurance, which can obviate the role of commercial insurance as in Canada, or by pure market justice, wherein buyers rely entirely on personal resources. Nevertheless, insurers have thrived in the US mixed market and social justice system. Insurers helped design Medicare as social insurance run by insurance companies, with a benefit structure that created a new insurance market for supplemental plans.[7] Medicaid has proved valuable for various managed care plans, potentially offsetting dwindling employment-linked customers with Medicaid beneficiaries.[9] The industry has even managed to combine market and social justice via so-called consumer-driven high-deductible health plans.

Public officials have repeatedly failed in charting an acceptable course toward social justice despite persistent public demand for health insurance coverage. Medicare gratified the desires of a distinct constituency, but the lack of a defined constituency for universal coverage undermined the efforts of at least 5 US presidents to achieve that goal.

Theoreticians have persistently advocated market justice in health care purchasing. Decrying insurance as creating insatiable and inflationary moral hazard when used to prepay predictable health care purchases, they fervently espouse making consumers cost sensitive. This perspective flies in the face of the public's longstanding insistence on having a health insurance safety net. Further, it ignores evidence that most health care expenditures purchase nondiscretionary services for a fraction of the population, largely individuals with chronic diseases, and thus insurance costs cannot be controlled by demand-side strategies alone.[10]

Commoditization of Medical Care

Commoditization—the conversion of medical care from a highly personal set of services unique to each individual patient/physician relationship into a fungible commercial product available from a variety of vendors has come to dominate health care under our predominantly market justice approach. This transition is marked by deregulation of capital expenditures, conversion of not-for-profits to for-profit corporations, consolidation in the insurance industry, and a highly profitable pharmaceutical industry.

As Medicare was being enacted, the United States also sought to regulate capital expenditures through health planning agencies and certificate-of-need laws. Evidence of the ineffectiveness of that approach[11] helped fuel deregulation; the health planning law was repealed in 1986, and an antiregulatory climate has thrived ever since. Conversion of not-for-profit hospitals to for-profit status began in the 1960s,[12] progressing rapidly through the 1980s and early 1990s,[13] while conversion of nonprofit health maintenance organizations and Blue Cross and Blue Shield plans has proceeded apace since the 1980s.[14] Profound consolidation of the insurance industry has left but a handful of plans controlling the market in most states.[15] The pharmaceutical industry profited greatly from deregulation of direct-to-consumer prescription drug advertising. Hospital and health plan mergers and acquisitions proliferated during more than a decade of lax or ineffectual antitrust enforcement.

Commoditization helped create monumentally powerful vested interests in health care and provided the industry with lucrative rewards.[16,17] Administration and net cost of private health insurance, which includes profit for investor-owned plans, reached $143 billion in 2005,[18] and the industry has experienced extraordinary gains in stock value.[9] Prescription drug spending increased from $12 billion to $200 billion between 1980 and 2005,[18] sustaining mean annual price increases of 11.9% for 25 years.[19] The political power of health insurers was a significant factor in the defeat of the Clinton health plan proposal, and the massive pharmaceutical lobby shaped the Medicare prescription drug legislation to serve that industry's interests.[16]

Transformation of the Medical Profession

Tension over market justice in health care helped transform the medical profession during the last several decades. Perhaps most important, although the United States spawned a biomedical and technological revolution with countless scientific and medical care breakthroughs during last half of the 20th century, the profession cannot claim to provide the world's best medical care.[20,21] Despite numerous dedicated physician researchers developing an evidence base for medicine and struggling to foster acceptance of quality improvement initiatives, organized medicine never set a high priority on these activities, focusing instead on its members' financial interests. Thus the burgeoning quality and patient safety movement arose outside the profession, which now finds itself in a reactive mode facing escalating levels of external scrutiny.

Had medicine lived up to its ethical, moral, and legal obligations as a profession to police itself and protect patients, there should have been no need for health plans, government, and employers to impose quality assurance and patient protection processes through entities such as the National Committee for Quality Assurance or Medicare's Quality Improvement Organizations and their predecessors. Ironically, having opposed social justice out of fear of governmental restrictions on medical practice and limitations on income, organized medicine now rails against similar consequences from commercial plans.

Another transformation of medicine has been its progressive balkanization into myriad factions. Now comprising 130 specialties and subspecialties, medicine is less organized than ever, further compromising its already latent potential power to promote population health as its many factions instead lobby for highly focal, self-serving, competing interests.

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The market justice milieu also has transformed medical schools and academic medical centers into health care financial centers, devoting only a fraction of their overall budgets to education and community service. Medical schools in the United States virtually froze MD enrollments for 25 years,[22] being unwilling to expand under financial pressures and opportunities of market justice. Thus, the domestic physician pipeline was inadequate for financial imperatives of teaching hospitals, fostering an international medical "brain drain" to the United States and attracting osteopathic physicians away from primary care into specialties. International medical and osteopathic trainees now comprise one third of physicians in training, and international physicians alone are some one fourth of US physicians.[23]

Medicalization of Health

Medicalization, the viewing of human conditions as illnesses or disorders, has increased prodigiously over the past few decades, and may be changing in scope or character as medical markets expand.[24] Incorporating ever more aspects of life into the medical domain has stimulated 2 complementary consequences. Heavily promoted by pharmaceutical marketing, medicalization expanded consumption of medically related services, fueling greater expenditures for health care services.[16] Medicalization of health also sustained a low priority for investments in population health and disease prevention. National health expenditures now exceed $2 trillion, but only 3% is used for public health.[18] Thus, the public health system and infrastructure's vast unmet needs were identified[25] even before the anthrax assaults in 2001 and the calamity associated with Hurricane Katrina in 2005 drove home the inadequacy of the nation's preparedness for health crises.

The End of Market Justice

The dominance of market justice as the vehicle for allocating health resources in the United States has been associated with numerous troubling characteristics of its health system. The US population has clearly rejected using pure market justice to apportion health care goods and services, yet has expressed no collective demand that society achieve equity through social justice. The general public has insisted on the buffer of insurance, but has focused on coverage for individuals and their respective families, not the population as a whole. Consequently, health care coverage, although desired by the vast majority of Americans, is incomplete. Now, the key element, employment-based insurance, is disintegrating in both the population that is covered and the benefits provided.

Simultaneously, health care has become a valuable commodity that created enormously influential vested commercial interests with little motive to abandon market justice. Medicine, which might have played a role in promoting social justice, has not done so, and has been transformed by the imperatives of market justice. Fragmented and struggling to come to terms with externally imposed pressures, medicine is losing both its political force and moral compass. The medicalization of health has simultaneously enhanced the investment in health care goods and services while distracting clinicians and policy makers from attention to the needs for health promotion and disease prevention[10] and constraining the capacity to meet the expanding challenges to public health. Market justice may have outlived its role in US health care.

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