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Making sense of Florida House's free-market healthcare push

HIGHLIGHTS

The premise is that less regulation will mean more competition, lower prices

Experts don't agree on whether that will work for healthcare as it does for other industries

It's a broad initiative to reform healthcare in Florida



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TALLAHASSEE —

Lawmakers this year are looking to free-market economics to shape the future of healthcare in Florida.

Republican leaders in the Florida House are pushing for an array of new laws that would cut regulations and negate insurance hurdles — from letting patients negotiate payment plans directly with their doctors to eliminating a statewide licensing program for hospitals.

“Our work here is to tear down a lot of these contraptions we’ve created that have really barred people from getting the kind of care they need at the cost they should be able to access it at,” Rep. Jose Oliva, R-Miami Lakes, said last November. He’s leading the healthcare reform effort for House members.

Their argument: Competition in the marketplace often leads to lower prices, higher quality and more innovation in other industries. Think about all the options for buying a car or a new smart phone.

But can that approach work in healthcare?

Some economists and political scientists aren’t convinced.

“As a general rule, I’d say it’s kind of a pipe dream that you’re going to make this competitive,” said William Weissert, a political scientist at Florida State University whose work focuses on health policy.

“It’s unlikely that it will ever operate as a completely free market,” said David Newman, executive director of the Health Care Cost Institute, which advocates for price transparency. “The impact is still potentially uncertain until we move ourselves closer to the end point where the market is functioning in all its glory.”

Florida, he said, could be an interesting experiment.

The political backdrop to the push for healthcare reform is a heated Medicaid expansion debate last year that pitted the Florida Senate against House Republicans and Gov. Rick Scott. While senators proposed using federal money to fund health insurance for poor Floridians, House leadership backed a series of ideas they said would lower costs and increase access.

Now, with six weeks left in this year’s regular legislative session, those same proposals are gaining momentum. With the support of leaders like Oliva and House Speaker-designate Richard Corcoran, R-Land O’Lakes, many of the ideas are likely to gain support from the House, and some could pass the Senate. They include:

- Eliminating a state licensing program called certificate of need, which limits the number of hospital beds in a given area.
- Allowing surgical centers to keep patients for a full 24 hours and creating new recovery centers that can care for them for 72 hours after surgery.
- Giving people the option to negotiate and contract directly with a doctor, rather than buying insurance for primary care.
- Letting nurse practitioners and physicians’ assistants prescribe narcotics in addition to other drugs.

- Requiring hospitals and surgical centers to publish the cost of procedures.

Taken together, they would allow more facilities to spring up in some parts of the state, particularly areas with unmet demand and a large number of insured people. They could also change how people pay for some of their healthcare, letting them shop around.

But competition will only go so far, said Weissert. And loosening too many regulations could worsen the quality of care.

“The structure of the market is such that it is not going to be competitive,” he said.

Healthcare markets are hyper-local because very few people are willing to leave their communities for treatment.

To make matters worse, Weissert said, it's expensive and difficult to open a new healthcare facility. In most places, it might not be profitable for competing hospitals or surgery centers to set up shop. Even big cities have limited demand for facilities.

Weissert says reducing the government's role may ultimately make American healthcare more expensive and less effective.

“Taking away the government regulation, are the insurance companies just going to say ‘OK, we're going to pay for everything you send us?’” he said. “We did that in the 1950s. It didn't work.”

Newman of the Health Care Cost Institute advocates free-market economics in health care, but he said, it's entirely possible opening the door to more competition will have little effect.

“In some markets, like Miami and Jacksonville and others it might prove interesting,” he said “but probably at the margins.”

Even greater price transparency, which his institute lobbies for, may not work, Newman said. A more informed consumer may not lead to lower prices. Rather, publishing how much competing hospitals or surgery centers charge for the same service could lead some on the low end to increase rates over time.

“What happens is the range of prices narrows and the average price goes up,” he said.

Still, some experts say there's merit to the House's plans. Marshall Kapp, director of FSU's Center for Innovative Collaboration in Medicine and Law, calls the current healthcare system “a hodgepodge mixture of government control and private industry.”

“It doesn't do a very good job,” he said. “We don't know whether a free-market system would work in healthcare because we haven't truly tried it.”

Kapp advocates for giving consumers more responsibility. That, he said, would give them an incentive to consider cost as they make decisions about their healthcare. That requires people to be smart about what insurance they buy and where they go for procedures to avoid being stuck with a big bill.

“You make the patient a true consumer who's got the ability and incentive to shop around,” he said.

But consumer ignorance is among the reasons Weissert says freeing up the market might not work well. Consumers aren't used to shopping for healthcare like they do for most products.

"The biggest problem you've got to deal with is the fact that the consumer just doesn't know what they're buying," he said. "They're probably buying this product for the first time. They just don't have any market power."

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