

# Unlock The Free Market System

The current system is anti-innovation and the cost of creating new medical products is staggering.

First, I want to thank the many of you who wrote in to comment, pro or con, on last month's column. If only we could keep the national discourse as polite and constructive — and free of tea parties.

This month I have been thinking about the role of innovation and NPD in healthcare, and its place in this national debate. I am thinking about the many sides of the issue, because it has implications far beyond lobbyists. It will shape the fundamentals of how new products, and the folks who create them, fit into the healthcare equation. It may enable, or it may kill, the development of the drugs and tools that could save our lives.

Remembering the principles of unintended consequences as we restructure national healthcare, we must be careful not to lose or impair the drive to innovate new healthcare products. I am going out on the limb here to simplify this for my engineering brain.

Until we solve this problem, the percentage of our GNP taken up by healthcare will, in the long term, bankrupt us all.

We must also figure out how to keep this huge money pit in check. Most of the world has faced this problem, and I am confident that if the French can do it, and by all accounts they do it well, so can we.

Thirdly, we must reduce the burden on big business. American corporations are on the front line of international competitive battles, which means they need the playing field leveled, and the healthcare burden is one of the biggest potholes in their field.

Fourth, we must reduce the burden on small businesses. We are the innovators, the risk takers and without us there is no icing on this national cake. Without healthcare reform, my limited resources are being increasingly tied up making higher contributions for lower coverage for my employees.

Finally, I am convinced that we must make healthcare accessible to everyone. I am not one to believe that the wealthiest, most benevolent country in the world's history can afford to turn its back on those who just want to feed their kids.

Now for the fix. As a behavioral scientist, I am convinced that the incentive structure for how healthcare is dispensed is absolutely out of whack, this is our primary problem. Understand that the current system is almost anti-innovation. Insurance entities, including those run by the government, don't want to pay for innovative treatments until they are established. The cost of creating new medical products is staggering. Who is paying for this?

Meanwhile, we all pay for lifestyle maladies like smoking and people who drive without helmets or seatbelts. We all pay for addictive behaviors like alcohol and drug abuse and the health consequences that are the result. We all pay, through our taxes, for those who cannot, and we pay a premium when those in desperate need end up in the worst place — the emergency room.

We pay for unnecessary and inappropriate tests. We make well-meaning physicians call for unnecessary tests so that, if something should go wrong, they can show up in court and say they did everything they could. We also pay for tests that not-so-well-meaning doctors prescribe because

they own and benefit from selling the tests, necessary or not.

We help doctors pay for malpractice insurance resulting from frivolous lawsuits. However, in states where tort reform has taken place — and rates and awards have dropped precipitously — physicians have seen no reduction in insurance rates.

We have a shortage of family care and rural doctors, but many medical schools limit admissions. Meanwhile, more physicians are quitting their practices because they are being squeezed by rising insurance costs, increased paperwork, reduced fees and third parties that dictate how they practice medicine.

We pay trillions in health insurance premiums to insurance companies that don't want to compete, who pay bonuses to rescind a policyholder's coverage and who deny coverage for so-called experimental and potentially lifesaving innovations. Outside of Major League Baseball, health insurance companies are the only business entity to be legally shielded from the Sherman Anti Trust Laws. And we wondered why there is so little competition.

To borrow a phrase from Ross Perot, let me say this "real simple." The incentive structure in our healthcare system is all screwed up. There is no free market in the free market capitalism of the health insurance industry.

In the end, there will no doubt be a reshuffling of the incentives. Competition will lead to more reasonable corporate pay. Tort reform will begin to reduce medical liability insurance costs. Insurance pools will become larger and, with or without the public option, the larger pools will handle the flood of the newly insured. Advanced information technology will begin to eliminate duplication and allow better input into the quality of care while reducing costs.

The only concern left unvoiced in all of this noisy discourse is how to ensure that we continue to innovate. Innovation is driven by the most fundamental principle of capitalism, profit. This is what the free market system does so well, it gives us the motivation to work hard to solve problems and make a profit. This is what has driven innovation in healthcare, as it has in every aspect of our lives. We must be careful in our "cleanup" of the system that we do not, by unintended consequence, destroy the incentive to innovate.

The free market system and the drive for profit have put us on the leading edge of healthcare innovation, and our lead is unparalleled. This must be preserved, regardless of the outcome of the current national debate.

*Mike Rainone is the co-founder of PCDworks, a technology development firm specializing in breakthrough product innovation. Contact him at [mrain1@pcdworks.com](mailto:mrain1@pcdworks.com) or visit [www.pcdworks.com](http://www.pcdworks.com). **PDD***

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My limited resources are tied up making higher contributions for lower coverage.