

Health Alert: The Same Quality at One-Tenth the Cost

Sundays at the Goodman household tend to include the New York Times crossword puzzle, the Dallas Cowboys football game....and (not to be missed)....an e-mail press release from Health Affairs, describing their latest, most interesting and most newsworthy offerings.

Yet by far the most interesting, informative and valuable [article](#) [gated, but with abstract] I've ever read in Health Affairs didn't make it into any press release. Nor did it get covered in any of the mainstream health policy media outlets. It was an article about a country with institutions that produce health care quality as good or better than what we have, at a fraction of the cost! It describes how and why this happens and what institutions keep similar innovations from occurring in the United States.

To view the article follow this link:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1277407

So why the news blackout? Hard to say. As in art, food and sex, perhaps in health policy there's no way to explain the diversity of human interests.

The country is India, where fewer than one in seven people purchase health insurance. Yet two-thirds of Indian households rely on private medical care — a preference that cuts across classes and even extends to rural and paramedic care. Not to put too fine a point on it, but India appears to have the largest free market for medical care found anywhere in the world.

Because Indian patients are paying for health care out-of-pocket, providers necessarily compete on price and quality. Because even middle-class incomes are quite low, Indian hospitals have to keep costs down to make care affordable. Because these hospitals also compete in an international marketplace, the

quality must be very high. The result: open heart surgery that would cost \$100,000 in the U.S. is offered for \$6,000 at Indian hospitals that rival their U.S. counterparts on quality measures.

How do they do it? By using the same continuous quality improvement techniques capitalist entrepreneurs employ in other businesses around the world:

- Keeping services patient-centered by importing routines from the hotel industry.
- Redefining job descriptions to delegate tasks to nurses and physicians' assistants where M.D.-level skills are not required.
- Maximizing the use of capital equipment — through continuous use, say, of scanning devices and efficient operating room turnover.
- Managing the supply chain by finding the lowest-cost items (subject to quality control) in a world market.
- Vertically integrating where appropriate, including one hospital group that manufactures its own stents and diagnostic catheters.
- Investing in information technology and telemedicine.
- Using real-time monitoring of provider behavior to reduce unexplained variations in clinical practice.

Above all, these institutions have discovered that cost reduction and quality improvement often go hand in hand. Minimizing adverse events achieves both objectives. As one executive explained, "we can't afford to have complications."

So, what's keeping the United States from copying the Indian experience? Government. Insurance companies. Pete Stark. Trial lawyers. All the usual suspects.

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