



# FREE MARKET

## MEDICAL ASSOCIATION

Hyatt Regency | Dallas, TX  
April 11 – 13, 2019



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# Theory & History Agree:

Government Intervention in Health Care

Reduces Quality and Increases Cost

Robert P. Murphy

“Who’s this guy?”



TEXAS TECH UNIVERSITY  
Free Market Institute™



AND ROBERT P. MURPHY, PH.D

# What's (Allegedly) Wrong With the Invisible Hand in Health Care?

- Famous Arrow article in AER (1963)
- Major, unpredictable expenses
- Asymmetry of information

*Arrow shows challenges facing free market...What about GOVERNMENT failure?*



Nobel laureate Kenneth Arrow

# We Don't Have a “Free Market” in Health Care!

- ➔ Pregnancy cost
- ➔ Simple blood test?!
- ➔ Imagine a car “market” like this.



# Health Insurance Isn't Like Other Insurance



Your auto insurance is for collisions, not for oil changes.

Nobody says, “I can’t drive right now because I’m in between jobs.”

If you do get in a wreck, you can get the check for the damage—you don’t have to replace the vehicle.



# What Went Wrong? (slide 1 of 5)

- ➔ 1910 Flexner Report called for higher med. school standards
- ➔ From 1900-1930, licensing caused 30 medical schools to close
- ➔ Same period, 175 physicians per 100,000 down to 125.
- ➔ Milton Friedman's Cadillac analogy.

# What Went Wrong? (slide 2 of 5)

- ➔ Price and Wage Controls of World War II, then tax code.
- ➔ However, this explains high expenditures but not “outrageous” prices.
- ➔ (ObamaCare’s surtax on “Cadillac plans” not something conservatives/libertarians should cheer.)



## What Went Wrong? (slide 3 of 5)

- ➔ After thalidomide, 1962 FDA adopts efficacy criterion (in addition to safety).
- ➔ FDA commits sins of omission *and* commission (e.g. Vioxx).
- ➔ Absurdities: “Elliot Knessler” dumps OJ, polices Rogaine and aspirin ads.



## What Went Wrong? (slide 4 of 5)

- ➔ In 1986 Reagan signs EMTALA (Emergency Medical Treatment and Active Labor Act) into law.
- ➔ Relies on pre-existing Medicare/Medicaid funding as leverage.
- ➔ Up to \$50,000 fines for each violation.
- ➔ Why Mitt Romney argued that “RomneyCare” was conservative policy.



## What Went Wrong? (slide 5 of 5)

- ➔ Affordable Care Act's internal logic requires its major components: universal coverage alone wouldn't work.
- ➔ Insurers don't want unprofitable customers; make sure best cancer doctors out of network.
- ➔ Income-based subsidies shrink the work force.
- ➔ ACA "reduced deficit" partly through higher taxes when employers pay \$\$ rather than benefits.



# Free Market Can Work



**Why concierge medicine  
may hold a missing piece  
of the Value-Based Care puzzle**

# Even More “Radical” Prescriptions

- ➔ Abolish FDA, or at least make it voluntary.  
(Best Pills, Worst Pills)
- ➔ Abolish state medical licensure. Private certification.
- ➔ Allow a market for kidneys!



# Questions?

