

Re: What is the root cause of the rising cost of health care ?

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- *From:* \*Anarcissie\* <[anarcissie@xxxxxxxx](mailto:anarcissie@xxxxxxxx)>
  - *Date:* Sun, 26 Aug 2007 18:37:19 -0700
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On Aug 26, 5:51 pm, "Peter Olcott" <[NoS...@xxxxxxxx](mailto:NoS...@xxxxxxxx)> wrote:

"\*Anarcissie\*" <[anarcis...@xxxxxxxx](mailto:anarcis...@xxxxxxxx)> wrote in message

[news:1188163058.024456.68020@xx](mailto:news:1188163058.024456.68020@xx)

On Aug 26, 9:22 am, Gordon Sande  
<[g.sa...@xxxxxxxx](mailto:g.sa...@xxxxxxxx)> wrote:

On 2007-08-25 22:34:13 -0300, \*Anarcissie\*  
<[anarcis...@xxxxxxxx](mailto:anarcis...@xxxxxxxx)> said:

On Aug 25, 12:34 pm, Gordon Sande  
<[g.sa...@xxxxxxxx](mailto:g.sa...@xxxxxxxx)> wrote:

On 2007-08-25 12:33:48  
-0300, "Peter Olcott"  
<[NoS...@xxxxxxxx](mailto:NoS...@xxxxxxxx)>  
said:

Why is the  
price of  
health care  
rising much  
faster  
than the  
price of  
other goods  
and  
services?  
(See below)

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It is purely a service. Like teachers, personal trainers, etc the cost remains "constant" while the cost of manufactured goods "falls". So the costs of pure services go up while the costs of goods go down. To become more "good"-like health care will need more streaming, specialization, technical aids and other forms of management, just like various other pure services. Think ATM machines instead of bank tellers. Automatic elevators with no operators. Direct dialing rather than telephone operators.

If your theory were correct, then the same amount of labor ought to buy the same amount of medical care even if the nominal price in monetary units changes.

However, it is my impression that the cost of medical care is rising considerably faster than the average wage.

The second order effects are things like quality and scarcity.  
Compare health care and university instruction to public

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education  
and trainers to find some groups are above average, and  
others below  
average, within the pure services.

Don't compare doctors to televisions as that is services  
with goods.  
But do compare doctors to professors as that is services  
with services.

You said the rising cost of medical care was due  
to the service being labor-intensive. Now you are  
bringing in different factors. I guess we are making  
progress. I have already taken care to compare  
medical care (not doctors' fees or wages, which are  
something else) to professors' services, as well as  
those of auto mechanics, plumbers, computer  
programmers, and other skilled workers. As I  
said, it is my belief that medical care costs have  
been rising faster than wages in those fields.

I agree that medical care (and the attentions of  
professors) are "scarce" in the sense that the  
entry to their labor markets are constrained. But  
other things like goods can be constrained, for  
instance, pharmaceuticals under patent. I  
suggest following the constraint in this case,  
which I think is probably artificial.

Within the free enterprise economic system, greatly reduced  
price sensitivity always tends to drastically increase  
prices.

The problem is that the health care consumer does not have a  
dollar for dollar vested interest in the price paid for  
health care goods and services. The typical health care  
consumer pays at most 20 cents on the dollar, The subsidy  
the health insurance provides make the health care consumer  
much less sensitive to price.

I agree that decreased sensitivity to price is likely to  
result in increased prices, but I don't know about  
"drastically". One of the major complaints which is

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making Single-Payer attractive to workers, at least according to what they say, is the combined cost of insurance and co-payments (and the surly attitude of insurance companies). Simple-minded as they may seem to be, many employees are conscious of the fact that insurance which their company pays for on their behalf is ultimately paid for by them.

Another thing to notice in this regard is that medical care is not a free-market system; it is authoritarian. Any old person cannot practice medicine, and those who are empowered to practice often do so under considerable regulation. Likewise, any old insurance company is not empowered to compete for business in medical insurance, nor is there usually a free market choice for employees. (The self-employed—have it a little better, but their choices are still fairly limited.)

Mysteriously, there are few consumers' cooperatives for medical insurance or medical care. I suspect they are forbidden *de facto* if not *de jure* in most American jurisdictions.

So you have a market with very limited freedom whose governance is mostly in the hands of the money-makers. A formula for pretty high prices, I would say.

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