

# TAKING ISSUE

## Distorting the Mental Health Market

The view that Medicare and Medicaid have expanded the mental health market, as some health economists believe (see the commentary on page 465), is hardly accurate; rather, these programs have grossly distorted the market. By distortion, I mean that federal programs lead to what economists call an inefficient market—one that misallocates resources to the detriment of society. For simplicity, let us consider the overall medical market, of which the mental health market is a part.

Our inefficient medical market develops from myriad, incomprehensible regulations that greatly increase the cost of providing medical services. Regulations are omnipresent, as the federal government now accounts for more than 42 percent of all health care spending, primarily through low-deductible, low-copayment coverage. Such coverage decreases the direct cost to patients, thus increasing the demand for health care. Increased demand and the greater cost of supplying care have translated into tremendous health care inflation and skyrocketing medical expenditures since Medicare was enacted in 1965.

The result is that we pay much more for our medical care than we should. As a consequence, we don't have money for other purposes, such as education or public protection. People who are not eligible for federal entitlements often can't afford medical insurance or medical care itself.

Usually, a price eventually must be paid for an inefficient market, as is now the case in our medical market. Medicare particularly is on the verge of financial collapse. Without reform, a diminishing younger workforce will face untenably harsh taxation. This prospect is especially galling, as Medicare benefits are not based on a means test. Given copayments, deductibles, premiums, lack of out-of-pocket maximums, and nearly universal Medigap insurance, out-of-pocket medical spending by the elderly is proportionally the same as before 1965. Diminishing reimbursement increasingly leads to poor-quality, impersonal care by physicians forced to squeeze in as many patients as possible to survive. Patients' ability to choose providers is tenuous as the government continues to oppose senior citizens' privately contracting for their own care. An antifraud hysteria has also begun: minor Medicare billing errors have led to numerous prosecutions of physicians, with severe fines, forfeiture of assets, and imprisonment.

People who are indigent and mentally ill often are incapable of taking care of themselves. However, designing our medical system around such individuals has destroyed any semblance of an efficient, equitable medical market for the great majority. It would be infinitely better to directly take care of those requiring help through local public hospitals, charity care, and family support while letting a free medical market prosper for the rest of us.—MARK SCHILLER, M.D., M.S., *assistant clinical professor of psychiatry, University of California, San Francisco*

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