Freedom Team of India

This article was published in *Freedom First*, January 2010. This version, published on 16 January 2010 by the Freedom Team of India (FTI) with permission from *Freedom First*, can be disseminated freely with appropriate referencing to FTI.

Come on, liberals: Let's change India!

The proper role of government in health

Sanjeev Sabhlok

A government has three core functions: defence, police and justice. These are vital for ensuring our life and liberty. After these are provided for, we must take on the responsibility, as citizens, to look after our health through appropriate diet, exercise, and risk management – such as by taking health insurance and steps to prevent accidents. There does remain, however, a small (second-order) role for the government in ensuring our health. This month I explore this role and suggest its proper boundaries.

Emergencies and poverty

It is possible that despite our best preventative efforts, we can become involved in a severe traffic accident that makes us unconscious. The free society must ensure that under such circumstances, all of us are able to receive the best treatment without demands being placed on us (when unconscious!) to show our insurance documents. Indeed, the free society cannot turn away even those who have not insured but who land up in critical condition on the doorsteps of a hospital. Other life-threatening events such as natural calamities require a similar emergency response. Indeed, even foreigners injured in accidents should be treated till they recover their senses and can make the necessary payment through their travel insurance.

Then there is the matter of poverty. In my May 2009 article in *Freedom First*[1] I showed that the state should ensure reasonable equality of opportunity. That would include the elimination of poverty. But providing money for food isn't enough. To ask the poor, who can barely purchase enough food, to buy their own medicines will force them to go to the village quack and receive dangerous concoctions, or worse: witch-doctor 'treatments'. They may also sell themselves or their children into bonded labour. No free society can countenance that. Lastly, the government has a role in vaccinating citizens against communicable disease and in providing succor (including healthcare) during natural calamities.

We therefore need a social insurance scheme that would do the following:

a) pay those below the poverty line a small additional sum (as part of the negative income tax payment) to empower them to bear the routine costs of minor healthcare;

b) ensure universal emergency hospitalization, including healthcare in natural calamities; and

c) vaccinate every citizen against dangerous pandemics where such a vaccine is available.

Beyond these interventions, the state clearly has no role in healthcare. Everyone must take out private health insurance, self-insure or depend on charity, for all other health requirements.

[1] Available at: http://tinyurl.com/yzqp2d7

The minefield of healthcare

Provision of healthcare is bedeviled with serious problems that need to be understood, isolated, and overcome. Medical ignorance is frightening: doctors and scientists don't have the correct answer for many serious health problems, and test results suffer from Type I and Type II statistical errors. As a result, doctors can differ dramatically on their diagnosis. Even where they agree on a diagnosis, their approach to treatment can vary significantly. To compound this confusion is the multi-faced problem of asymmetrical and incomplete information. People don't disclose the necessary information to health and insurance professionals from ignorance, inability: or worse – they sometimes tell lies.

To this game of blind-man's buff that is known as healthcare we should add normal human error and bad decision-making. In the end, while doctors manage to cure most patients (or rather, the body cures itself in most cases), in some cases they actually exacerbate health problems. This happens through misdiagnosis – which allows simple things to grow into dangerous proportions – or by passing on dangerous germs to their patients, or by operating on the wrong organ or even on the wrong patient! Finally, there is human greed. Health practitioners (like all 'normal' humans) have strong incentives to squeeze out profits from others. They may do so by asking patients to purchase irrelevant medical tests and treatments.

If to this mix of utter confusion we add a government bureaucracy, we are certain to get huge cost blowouts and corruption – a Frankenstein that will eat up its creator. Indeed, that is typical of most Western country health systems today. The entire West is now creaking under the weight of its badly designed health systems. Never empower a bureaucracy, and remain focused on the precise outcome at all times: that is the key message.

Delivering universal emergency hospitalisation

The design of universal emergency hospitalization must take into account these insidious incentives and undercurrents of human nature. The right way to ensure this objective is to give this task to the private sector, calibrate its incentives to ensure that it delivers the desired outcomes; and monitor it independently, punishing it for non-delivery and rewarding it for exceeding the requirements.

In my book, *Breaking Free of Nehru* (Anthem Press, 2008, http://bfn.sabhlokcity.com) I suggested an effective model that I will also outline here. As a first step, India's geographical area should be carved into reasonably sized regions. A contract for the provision of universal emergency hospitalization should then be put out for tender. Emergency coverage during routine floods, minor earthquakes and ordinary cyclones should form part of the contract (vaccination coverage can be added but it is better to do so through a different contract). Private health consortiums capable of providing the prescribed services *to everyone who needs such treatment in the region* should then be requested to quote a flat (i.e., per capita) price. This per capita price would effectively become the social insurance premium, to be collected through the tax system.

In making their bid, these consortiums would need to consider the local costs of living, local disease patterns, predictable natural calamities, the difficulty of appointing doctors to remote areas, etc. The lowest (or fittest) bid must be awarded the long term (say 30-year) contract. The agreed amounts would be paid annually, indexed to the population size and inflation, and subject not only to agreed outcomes but to a productivity improvement factor.

A long-term contract will allow the successful bidder/s to establish low-cost, innovative hospital networks or to otherwise negotiate with service-providers to ensure the delivery of the contracted services. Making a per-head payment (i.e. not a reimbursement payment) will avoid wasteful debates about actual expenses, and eliminate unnecessary transaction costs and mindless bureaucracy.

Independent private bodies (more than one, each specializing in a different area of health specialisation) should then be funded to assess, monitor, and certify the delivery of the prescribed services. Financial penalties must be imposed on hospitalisation providers for non-compliance with delivery standards.

The administration of the system will, of course, need to be done well. For instance, migration flows (including part-year migrations) will need to be monitored, since these impact on the payments. After the system is fully operationalised, the current government machinery of hospitals and primary health centres can be shut down, and its assets auctioned off.

Freedom Team of India

The Freedom Team (http://freedomteam.in/, or FTI) has now completed six months of its formation as a legal entity. It is, however, well short of its target of leaders. Finding genuine *citizens* in India continues to be a major challenge. I seek your active involvement in helping the team find good leaders. The Team has now opened a bank account. Please donate liberally to FTI if you are not yet in a position to become a leader yourself. Let's work towards a successful 2010 for FTI and for India.

Contact Sanjeev at sabhlok AT yahoo DOT com