the age when health care costs rise dramatically, threatening the solvency of Medicare and Medicaid and diminishing the capacity of the federal government to provide other social services. The social and political need to find realistic health security solutions remains very real.

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**HEALTHY COMPETITION: WHAT’S HOLDING BACK HEALTH CARE AND HOW TO FREE IT**


Without reform, the U.S. health care system will hit the proverbial brick wall in the not-too-distant future. Health care costs and insurance premiums are rapidly increasing, making both insured and uninsured consumers worse off. After not wanting to touch health care reform with a 10-foot pole in the immediate post-Clinton era, policymakers are again confronting the fact that change is desperately needed. The direction of that change, however, is anything but settled. Does the solution lie in private markets, greater government involvement, or some combination of the two?

*Healthy Competition* is a timely and important contribution to this debate. The authors argue passionately that markets are the best available vehicle for reforming the health care system. In general, their philosophy is that reform should increase the number of decisions made by patients and decrease the number of decisions made by government officials. This sounds good in principle, but does its application lead to good public policy in health care?

Federal legislation that was enacted in 2003 allows people to save for future medical expenses in tax-favored health savings accounts, if they are covered by high-deductible insurance plans. The hope is that when patients bear more of the costs and responsibilities for their care (at least until insurance kicks in), they will reduce wasteful spending, such as unnecessary trips to the emergency room. The fear is that it will also discourage spending on preventive care and do little to discourage spending on big-ticket items. The jury is still out.

Cannon and Tanner believe that the 2003 legislation does not go far enough, and they argue for the elimination of the insurance requirement for participation in health savings accounts because “it is the right thing to do. Government has no business telling consumers whether they should purchase health insurance.”

Why shouldn’t the government encourage the purchase of catastrophic health insurance? Medical care is different from other goods and services because of the inherent uncertainty about who will need it. Although most people will spend relatively little on medical care, a few will face catastrophic bills. Insurance is a good thing because it provides protection against this risk. Furthermore, too few people purchase health insurance in private markets because of a market failure called adverse selection.

To make patients as well off as possible, health care reform must harness the power of competitive markets. When markets are working well, it is competition that provides sellers with incentives to produce the best mix of products and to sell those products at the lowest possible prices. The reality is, however, that health care markets may not work well without government intervention. At a minimum, the government must take the lead in measuring health care quality and outcomes so that well-informed patients can reward the physicians and hospitals that provide the best value in medical care. The goal is to find the right mix of government support for competitive markets.

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**THIRD WORLD HEALTH: HOSTAGE TO FIRST WORLD WEALTH**


What would the state of your health be if you had to live on less than $1 a day? Théodore MacDonald does not ask this question directly, yet it haunts his book, which documents how 1.9 billion people deal with the issue daily. MacDonald’s well-written account of the plight