Competition doesn’t always reduce cost

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by John F. Dini

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Most Texans, especially Texas businesspeople, are in favor of free markets and competition.

In health care, competition doesn’t always mean that the consumer gets a good deal.

When I worked in the San Fernando Valley of Los Angeles in the 1990s, a local hospital installed the first MRI in the area.

Of course, it immediately began advertising itself as the most technologically advanced facility in the city. Competitive pressure led other hospitals to quickly follow suit.

Within 2 years, there were eight MRIs in the valley.

Magnetic Resonance Imaging, although very expensive, was an undeniable boon for patients undergoing spinal surgery.

It allowed surgeons to see where the nerves were located before operating, and reduced the incidence of accidental partial paralysis to almost nothing overnight.

It was a great advance, but it costs millions to install an MRI, and there weren’t enough spine surgeries in the area to justify eight of them.

The hospitals and device manufacturers began promoting an MRI as a recommended procedure for all kinds of pre-surgery diagnosis.

Physicians became concerned that not ordering an MRI prior to operating on a knee or a shoulder might leave them open to malpractice claims.

Soon all the MRI machines were fully utilized, and even more hospitals began installing them.

Tens of millions of dollars were added to the area’s health costs annually, much of it with dubious or marginal benefit.

Competition fuels necessary innovation.

During that same time period, the Canadian Health Care System, where everyone across the nation must get the exact same benefits, installed a half-dozen MRIs for the whole country.

They had a two-year waiting list for spine patients to get their pre-surgical imaging.

But competition also fuels a quest for additional revenues, and those often come at the expense of efficiency.

A health care system that is funded by the general public (whether through taxes or insurance premiums) can't afford to build unnecessary capacity just so three hospital systems can all say, "We have one too!"

San Antonio is past due to get a top quality children's hospital.

Having three of them would hurt the level of care in the community by diverting resources from other, more pressing health care needs.

About the author

John F. Dini is widely recognized as one of the nation's leading experts on small business ownership. He is a consultant and coach to hundreds of business owners, CEOs and Presidents of companies. John is an outlier in coaching business owners, having achieved the rare feat of delivering over 10,000 hours of face-to-face, personal advice to entrepreneurs.

Mr. Dini is the author of *11 Things You Absolutely Need to Know About Selling Your Business*, now in its second edition. He is a serial entrepreneur currently operating his 9th company, and has conducted business in all 50 United States, Canada, South America, Europe and Asia.

John founded and operates the most successful peer group franchise in North America, overseeing 9 monthly meetings of business owners' groups under the auspices of The Alternative Board®. He holds a Bachelor of Science in Accounting from Rutgers University, a Master of Business Administration from Pepperdine University, is a Certified MBA, and holds six additional certifications in exit planning, business brokerage, behavioral analysis, medical practice management, facilitation and coaching.

Mr. Dini writes numerous articles on business topics for newspapers and magazines, in addition to his weekly column on business ownership on this website www.awakeat2oclock.com and his opinion blog at www.awakeat3oclock.com. He speaks frequently to business groups and national associations, and is a 10-year member of Jim Blasingame's "Braintrust" appearing regularly on "The Small Business Advocate" nationally syndicated radio program as an expert in the issues of business ownership.