

Health care policies creating oligopolies course work

[Business](#), [Company](#)



Introduction

In a perfectly competitive market, there are many sellers in the market selling differentiated goods. The consumer has the power to choose from which supplier he will buy the good from. There is also perfect knowledge in the market structure as the consumers have access on information such as the quality of products of each supplier. In the health markets however, there is imperfect competition which can be created by barriers to entry, economies of scale, collusion among sellers and advertising restrictions.

Economies of Scale in The Health Industry.

There are two major health providers in the whole country providing health care in Kidney dialysis. Imperfect competition has been created by the several health care providers consolidating in order to take advantage of the economies of scale. Economies of scale refer to the cost advantages that accrue to a company due to its size. When there are few competitors the customer loses the power of choice. Secondly, the oligopolies tend to provide lower quality services to customers.

The country spends a lot of money through Medicare for the treatment of kidney problems through dialysis yet it records the highest number of mortalities. This is because of the oligopolies in the healthcare business and the lack of efficiency in the provision of services. Companies however have been recording billions in profit.

When the government program began for sponsoring end of stage renal care in 1972, most companies were providing medical services on a non-profit basis. There were companies that provided the treatment for dialysis for

profit but not many and they served to serve the growing demand for renal services. However, the change in the government payment policies has caused companies to now provide medical care on the basis of making profit only. Over 80% of the country's 5, 000 clinics provide treatment on profit basis. In the beginning the government was really keen that the health service providers were efficient however that has changed. The government set the treatment rate of \$138 per session. The Medicare covered three sessions. The hospital would use the excess money on other expenses if they had not exhausted their Medicare allowance.

Once the treatments costs were reduced to \$123 in 1983 per session the profit-making health providers also cut their expenses. The work they used to give to nurses they gave to technicians that were not licensed. The health providers also reduced their staff on dialysis departments. They even shortened treatments. The patients were being charged lower costs but for inefficient services. The government committed another ill by allowing health care providers to bill Medicare for different medications separately. The hospitals were now being reimbursed at a mark-up for their drug costs. The health providers wasted no time at all. They started specializing in giving patients injectable drugs. It is recorded that in the period 1989 and 2005 the doses of Espogen commonly used to treat anemia tripled in that period. These high medicine doses have serious side effects. Studies that were conducted in 2006 showed that those patients who had been administered to high doses of Procrit were highly vulnerable to heart disease and death than those who received lesser doses. Procrit is a drug that is similar to Espogen (Fields, 2010).

These government payment policies furthermore have encouraged the creation of oligopolies in the industry. The high costs for service providers have spurred companies to consolidate in order to enjoy the economies of scale and high purchasing power. DaVita and Fresenius are the biggest health care providers. They each own at least 1, 500 clinics which attend to more than 120, 000 patients in the country. The two companies control two thirds of the country's clinics. The patients are left with hardly any choice when choosing which health provider to go to.

The smaller firms are not able to achieve what the big companies are able to do. The non-profit health providers are also struggling and are not able to provide better health care to their clients. Medicare being the dominant payer, when it restricts information from patients they are really not able to push for better health care. The government does not share with the patients' information such as clinic's rate of mortality, hospitalization for infection and transplants.

Conclusion

References

Fields, Robin. In Dialysis, Life-Saving Care at Great Risk and Cost. November 9, 2010. Web. 12th August 2011.

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