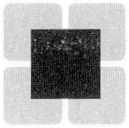

Can medicine serve both humanity and the bottom line?

THE DEBATE over the virtues of converting not-for-profit hospitals to for-profit, investor-owned hospitals continues to rage.[1–3] This debate is the most visible manifestation of a larger issue, the controversy over the "commoditization" of medicine. Patients (remember when we used to call them that?) become assets that are bought and sold as "covered lives." Likewise, hospitals and doctors' practices are being bought and sold in a frenzy of consolidation and network formation. To many of us who question the impact these changes will have on the quality of health care in this country,[4] this transformation of medicine causes reactions ranging from nagging discomfort to alarm.

For decades, nonprofit hospitals and clinics have provided most of the health care in this country, receiving various forms of subsidy in return for their charitable mission and community service. Now these nonprofit organizations find their very existence threatened by the rise of a new breed of well-run, investor-owned hospitals and ambulatory care facilities, whose mission is to deliver medical care efficiently and cost-effectively.[5] These new organizations focus on the delivery of health care value to their customers (patients and payers) and a return on investment to their owners.

Some advocates of this change argue that the for-profits are the future of medicine and that "there is no longer a role for nonprofit health plans in the new health care environment."[1] Defenders of nonprofit medicine counter that the profit motive will lead to a focus on short-term profits rather than long-term improvement of the health of the community.[2]

The success of companies such as Columbia/HCA testifies to the viability of for-profit medicine, at least in the short term. But can for-profit medicine nurture medical progress, improve the health status of the whole population, and maintain its own infrastructure? The jury is still out.

HOW NONPROFITS AND FOR-PROFITS ARE ALIKE

For-profit and not-for-profit medicine have many similarities—good and bad. Both are committed to high-quality patient care and service and are putting increasing efforts into improving these critical functions. Some for-profits even have educational and research missions (eg, Tulane) or a religious mission (eg, the CSA System);[6] most of the current for-profit hospitals were, in fact, once not-for-profit,[7] and many continue to offer their traditional services despite their new status.

Both strive to generate revenues in excess of costs to support their missions. Depending on the nature of the market, both for-profit hospitals and their not-for-profit counterparts can be ruthlessly competitive. Voraciousness of appetite for market share does not appear to reside solely in the for-profit ethos.

Both for-profits and not-for-profits support the communities in which they reside—the for-profits by paying taxes and sometimes by forming charitable foundations, the not-for-profits by providing charity care and direct community services. Both provide jobs and are often the major employers in their communities. Managers and professionals move back and forth between the for-profit and not-for-profit worlds with little difficulty.

HOW NONPROFITS AND FOR-PROFITS DIFFER

What then is the difference between for-profits and not-for-profits in medicine? And why the con-

cern, as the trend toward for-profit medicine accelerates? The answer lies in the fundamentally different priorities of the two types of organizations. In the for-profit system, managers are beholden primarily to the stockholders; in the not-for-profit system they are beholden to the community. This difference manifests itself most notably in the way each type of organization uses its excess revenue. The not-for-profits plow this extra money back into the organization, while the for-profits pay a portion to the stockholders, whose interest is return on investment rather than health care. Although for-profits provide some medical education and fund some research, will they do this at the same level as the nonprofits? Or will that money, formerly used to educate new physicians and support research, be used to pay stockholder dividends? And who will pay for education of the next generation of physicians, for basic and applied research, and for care of the poor?

The pitfalls of the two systems differ as well. For the not-for-profits, where the community's obligation to support the institution is often assumed, managers must guard against an attitude that "the world owes me a living," which generates complacency, poor service, a lack of attention to efficiency, and ultimately, high costs. For the for-profits, where the stockholders reign supreme, there is danger of focusing on marketing and short-term financial gain while neglecting the core product—quality health care. This can lead to an undue emphasis on the amenities of health care (well-appointed waiting rooms, gourmet food, free parking), which are often confused with "quality."

THE FUTURE IN THE BALANCE

Which system will win out? It is hard to say, but this is, after all, the United States of America, where the capitalistic economic system has served the country well for over 200 years. In such a setting, the not-for-profit health care delivery system is something of an anomaly, especially given its economic importance. Few would dispute, however, the benefits the system has produced for the nation's health and for world-wide medical progress. But it is also clear that we can no longer afford to allow the system to run unchanged, and experimentation with alternatives is appropriate. The mere threat of market entry by the for-profits has had a beneficial effect on the efficiency of the nonprofits in many areas of the country.[8] But to totally abandon medical decisions to the bottom line is a mistake with a potential negative impact on quality.[9,10] The long-term effects of what we do today will, by definition, not be apparent for many years, and if we (or our grandchildren) don't like the results, it will take an equally long time to undo those changes. We can't afford to make the wrong choice.

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