

[The right sort of incentive](#) [1]

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Healthcare is understandably one of the most sensitive topics in public discourse. However, many suggestions at reform are brushed off for dogged ideological reasons - despite the admittedly inconspicuous presence of markets at play within the NHS and indeed government itself, all suggestions that more conspicuous market incentives can be used are readily dismissed, even when they maintain a system that is both free and universal to patients.

The agents of these protestations neglect the fact that by merit of doctors being paid, or by hospitals having budgets allocated, a market already exists. The assumption goes that we must pay healthcare trusts, hospitals and even entire governmental departments according to what they 'need'. However, this results in those performing the worst being paid the most. The fact that the state is made up of people, often after power, influence, and larger budgets, appears to often be conveniently forgotten. The prevailing incentive is therefore for public bodies to allow bad outcomes, presumably up to the point where they would be penalised if the situation were to worsen any more. Despite the presence of excellent public servants, the market incentive to waste and run down a service is likely to be very strong.

The seemingly obvious solution would be to reverse the incentive, allocating larger budgets to those doing better, but this induces equally obvious problems - denying funding to those in genuine need of monies for improvement could have catastrophic consequences. There would at least have to be a minimum amount allocated to all public bodies upon which extra funding could then be procured according to better results.

The preferable option may be to continue with the existing system, but put in place countervailing incentives to achieve more specific desired outcomes. Sweden for example, after years of fruitless increases in funding aimed at decreasing hospital waiting times, recently set up a fund to pay those authorities able to cut queues below a certain level. The powers of market incentives were very quickly demonstrated, with all local authorities achieving the cuts within a mere nine months.

Anton Howes blogs regularly [here](#) [3].

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