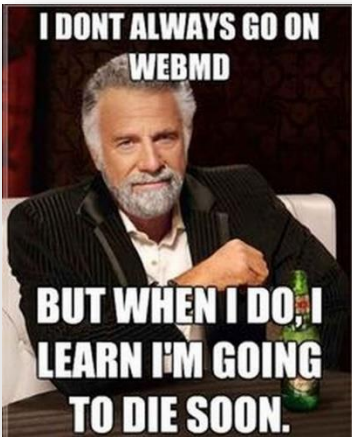


A Market in Diagnosis



The moral hazard of underdiagnosis is a natural outcome of collusion between an insurance company and a healthcare provider. The problem is particularly acute with a self-insured HMO ([SIHMO](#)).

Standards in medical diagnosis are insufficient for solving underdiagnosis because they tend to become rote and lose their benefit. In [land-based capitalism](#), standards can be violated simply with a statement on the VOS.

A market in diagnosis must create an incentive for an independent diagnostic firm to delve deeper into a patient's health to find physical illnesses. Psychological illnesses are not relevant because it is not the job of the SIHMO diagnostician to diagnose mental illness.

If a person is not satisfied with their SIHMO diagnosis, they can go to an independent diagnostic firm that can profit if the diagnosis is proven false. All medical records are part of a patient's [VIP identity](#), so the independent diagnostic firm will first examine recent test results.

The case is worth pursuing if the results contradict the original health provider's diagnosis. If the tests are negative, the independent diagnostic firm will assess whether necessary tests are missing from the results.

A decision must be made here, mainly if the missing tests are expensive. In addition to the general incentive for finding a misdiagnosis, tests deemed relevant to the patient's complaints must be compensated by the SIHMO in case of a misdiagnosis.

The independent diagnostic firm will decide on the resources to be invested. Incentives that are too low to investigate violate the patient's healthcare rights. Incentives that are too high to investigate will result in gross inefficiencies in the use of testing equipment.

While it would seem that equity and efficiency are at odds, there is an additional level to the market in diagnosis that preserves equity without seriously affecting efficiency. That will be discussed later.

The terms of standard misdiagnosis will be set by a Voluntary Standards Group ([VSG](#)) and enacted by a [district council](#), likely the Federation Council. Provisions might include:

- \$20,000 in punitive damages from the SIHMO to the firm.
- Triple the cost of tests and procedures used to make the correct diagnosis.
- \$1,000 in punitive damages to the patient (a figure too high could encourage diagnosis fishing).
- \$50/day actual damages for pain and suffering or wages/average profits lost from failure to work or perform business duties, whichever is greater.
- Most critically, the misdiagnosis must appear in all diagnosing physicians' Violation of Standards document (VOS) and the SIHMO's VOS. SIHMO VOS entries for misdiagnosis expire after five years. Physician VOS entries never expire.

Numbers of these magnitudes are sufficient for general equity and are highly efficient. They are not high enough to encourage fishing expeditions, yet good enough to ensure every patient can get a fair review of their diagnosis. The moral hazard of underdiagnosis is eradicated.

Yet, there is a radical step a patient could take that increases both equity and efficiency.

Hypochondriacs currently consume [16% of total medical services](#). They go from doctor to doctor, ER to ER, hoping to find someone who will diagnose them with the rare disease they are sure they have. The monthly universal copay is no obstacle at all. The free reign of hypochondriacs is a substantial moral hazard of universal healthcare.

A radical market solves the problem of hypochondria and ensures that no disease goes undiagnosed. At the same time, it provides significant teaching, training, and research opportunities for medical students that would not otherwise be available. It also serves as an incubator for medical innovation.

Called hypochondriac hotels, these are facilities associated with medical universities, where anybody can check in for months or even years and prescribe

tests for themselves carried out by medical students. This is in exchange for food and housing distributions and the right of medical students and researchers to use them for practice and testing with relatively benign procedures and tests.

If self-prescribed tests reveal a hidden disease, likely the origin of the patient's complaints, the original SIHMO physician who failed to diagnose it will be assessed, as above, for the misdiagnosis. The associated medical school will collect the punitive damages and triple the cost of the related tests.