ABSTRACT. The use of recent research on variations in medical practice to promote competitive market-oriented cost containment strategies is critically examined. Research demonstrating widespread variations in physician practices for similar patient populations undermines the medical profession's claims about the scientific objectivity of medical practice and indicates the existence of widespread waste and inappropriate utilization of health care resources. Cost containment programs which rely on market-based care avoidance incentives, such as Medicare prospective payment or cost sharing plans, attempt to impact medical practice variations by creating economic barriers between doctor and patient. An alternative interpretation of research on practice variations is presented, emphasizing containing costs while improving quality of care and achieving greater equity through planning and regulation of medical supply factors.

Key words: Justice, Cost containment, Professional ethics, Medical practice, Rationing, Medical ethics, Physicians.

1. INTRODUCTION

The purpose of this article is to examine recent research on variations in physician practice and the implication of such variation for cost containment efforts. The use of modern epidemiological methods to study the effects of medical care on large populations has led many health service researchers to conclude that a great deal of modern American medical care is relatively worthless and risky, and that the practice of medicine has been heavily influenced by physicians' entrepreneurial considerations, the sales efforts of drug and medical supply corporations, and the economic incentives inherent in free-for-service and retrospective third party cost reimbursement.1-3

Research on widespread physician practice variations also undermines the medical profession's claims about the scientific objectivity of medical practice. In a recent The New York Review of Books article, Dr. John Bunker observed that "for perhaps a third to a half of the care doctors provide, the benefits and risks are evenly balanced, and the net benefits are exceedingly small, if they exist at all."4 Writing in the Journal of the American Medical Association, Dr. Marcia Angell, Associate Editor of the New England Journal of Medicine, argues that "far from being beneficial, much of the medical care in this country is unnecessary — by which I mean that it is of no demonstrated value to those who receive it — and some of it is harmful."5 These statements are an indictment of the medical practice...
profession's dominance over our traditional, not-for-profit delivery system; they also point towards the potential of significantly reducing costs without compromising the availability of truly beneficial care.

2. VARIATIONS IN PHYSICIANS' PRACTICE HABITS

The post-war biomedical research effort was largely built on lavish National Institute of Health expenditures for basic biological research. This research has produced dramatic breakthroughs in such dynamic fields as microbiology, molecular genetics, and virology. These laboratory discoveries have given rise to a host of new medical interventions. The introduction of randomized controlled trials has helped to assure the public about the safety and efficacy of new diagnostic and therapeutic procedures. However, methods tested under carefully controlled conditions in academic medical centers often come into widespread use, and are applied to patient populations with different characteristics from the original experimental subjects. Despite the contributions of basic biological research to medical technology, much of what doctors do in their office and hospital practice has never been scientifically evaluated, especially in terms of the overall effects of new drug therapies and technological procedures on large patient populations.

Most physicians will readily agree that medical practice is as much an art as a science. The nursing profession has long recognized that the ability to overcome sickness is in large part related to the comfort and support given by other human beings. Despite the impressive advances of medical technology and the "industrialization" of medical care in huge medical center complexes, the effective practice of medicine still requires an intuitive understanding between doctor and patient. Physicians and patients are constantly confronted with ambiguous choices and difficult decisions, and there is often a lack of scientific norms about the "best" approach to the diagnosis and treatment of many diseases. It is in this context of uncertainty that numerous factors, from financial incentives and institutional settings to previous training and experience, operate simultaneously to create widespread variations in physician practice habits for similar patient populations.6-8 While these variations have an as yet unknown impact on patient outcomes, they have a big impact on the cost and profitability of care.

Perhaps the most financially significant decision a physician makes is whether to hospitalize a patient. Recent health services research literature is full of studies documenting the existence of very wide differentials in