The Price of Pain: Market Failures, Malpractice, and the Crisis of Trust in Healthcare

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Abstract

Healthcare is universally regarded as a critical sector, yet its ethical foundation has increasingly come under scrutiny due to the rise of commercialization, malpractice, and systemic inefficiencies. Information asymmetry between doctors, patients, and insurers creates opportunities for adverse selection, moral hazard, and supplier-induced demand, often leading to inflated costs and inequitable access. This paper reviews the theoretical underpinnings of healthcare market failures, highlights the consequences of asymmetric information, and discusses global case studies ranging from the U.S. Affordable Care Act and pharmaceutical pricing to India's Ayushman Bharat scheme and the UK's NHS crisis. Emerging trends such as digital health, AI in diagnostics, telemedicine, and wearable technologies are analyzed for their role in reshaping patient empowerment and accountability. The paper concludes with policy recommendations for improving transparency, enhancing governance, and ensuring equity in healthcare delivery.

Keywords: Healthcare, information asymmetry, moral hazard, supplier-induced demand, telemedicine, AI in healthcare, health policy

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1. Introduction

Healthcare has historically been viewed as a noble profession, anchored in ethical responsibility and service to humanity. However, increasing commercialization has shifted the focus from patient welfare to profit maximization, eroding the trust between patients, providers, and insurers. Information asymmetry, where one party possesses greater knowledge than the other, is at the root of many inefficiencies in the healthcare system. This results in problems like supplier-induced demand, adverse selection, and moral hazard. The COVID-19 pandemic further exposed vulnerabilities, from resource allocation challenges to global inequities in vaccine access. This paper critically examines these issues, providing a comparative analysis of developed and developing healthcare systems while exploring recent technological and policy responses.

2. Literature Review

Kenneth Arrow's seminal 1963 work identified uncertainty and information asymmetry as fundamental challenges in healthcare markets. These challenges have since been elaborated by studies emphasizing adverse selection, where sicker individuals are more likely to buy insurance, and moral hazard, where insured individuals may overuse healthcare services (Nyman, 2004; Mwachofi & Al-Assaf, 2011). Supplier-induced demand (SID) has been a recurring concern, with evidence showing that physicians, leveraging superior knowledge, may prescribe unnecessary procedures (Bickerdyke et al., 2002). Recent literature also highlights the impact of globalization and technology on healthcare markets, with digital health tools reducing asymmetry but introducing new challenges around data privacy and accessibility (WHO, 2022; OECD, 2023).

3. Key Features of Healthcare Market Failures

3.1 Information Asymmetry: Patients often lack the medical expertise needed to assess treatment necessity, making them reliant on doctors who may exploit this gap.

3.2 Adverse Selection: Insurers face higher risks when sicker patients are disproportionately represented, often leading to higher premiums that drive away healthier individuals.

3.3 Moral Hazard: Insurance coverage may encourage overconsumption of healthcare services, resulting in system inefficiency.

3.4 Supplier-Induced Demand (SID): Physicians may influence demand for their services by recommending unnecessary procedures, driving up costs without improving outcomes.

3.5 Lack of Smart Shopping: Patients, shielded by insurance, often lack the incentive or information to seek cost-effective care.

4. Case Studies

4.1 United States – Affordable Care Act and Insulin Pricing: While the ACA expanded coverage, it did not eliminate challenges such as the high cost of pharmaceuticals. The

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insulin pricing controversy illustrates how patients face affordability crises despite widespread insurance coverage.

4.2 India – Ayushman Bharat: Launched in 2018, this scheme provides health coverage to millions of low-income families. While transformative, it faces challenges around fraud detection and quality control.

4.3 United Kingdom – NHS Post-COVID Strain: The pandemic exacerbated long-standing challenges in the NHS, with waiting lists reaching record levels in 2022–23. Resource allocation remains a key ethical and operational concern.

4.4 China – Telemedicine Expansion: During COVID-19, China rapidly scaled telemedicine platforms to address lockdown-related access issues, setting a precedent for digital health integration worldwide.

4.5 Personal Case Study – Ethical Breach in Dental Practice (Srinagar, Jammu & Kashmir)

A real-world example that highlights the gravity of information asymmetry and exploitation in healthcare can be drawn from a dental case in Srinagar, Jammu & Kashmir.[1] The patient initially sought treatment at *Clifford Dental Care Centre* for a simple filling that had dislodged from tooth 45 (premolar). However, the treating doctors strongly advised immediate **root canal therapy (RCT)** not only for tooth 45 but also for the adjacent molar, tooth 46, warning that both teeth could otherwise be lost.

Despite the absence of clear medical necessity, the patient was persuaded to undergo RCT on both teeth, followed by **zirconia crowns** at significant expense. Multiple clinical notes recorded "BMP completed," "Obturation completed," and "Crown cutting and placement done," giving the impression of thorough treatment. However, the patient continued to experience persistent pain.

A subsequent **CBCT scan** revealed a disturbing finding: incomplete root canal therapy in tooth 46, with non-visualization of the endodontic restoration in the apical third of the distal root canal. A retained broken file fragment was also detected, causing chronic periapical inflammation. None of these complications had been disclosed to the patient by the original dentist.

When a second opinion was sought from an independent dental specialist, the diagnosis confirmed **failed RCT due to negligence**—specifically, incomplete cleaning and obturation of canals and undisclosed instrument breakage. The earlier clinic had also recommended unnecessary restorative procedures, including multiple fillings for the patient's daughter, raising further questions of integrity and intent.

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This case starkly illustrates how **information asymmetry, lack of accountability, and profit motives** can lead to both physical harm and financial exploitation. It underscores the urgent need for:

- Stricter **ethical guidelines** and monitoring of dental practice in India.
- Mandatory **second-opinion protocols** before high-cost or invasive procedures.
- Greater **patient awareness** and **legal recourse mechanisms** in cases of malpractice.

[1] This case reflects the author's personal experience with a private dental clinic in Srinagar, Jammu & Kashmir (2025). It has been anonymized and presented as an illustrative example of information asymmetry, ethical breach, and supplier-induced demand in dental practice. While not a formal clinical study, it underscores broader systemic issues in healthcare delivery that align with findings in recent literature on malpractice and professional accountability.

5. Emerging Trends in Healthcare

5.1 Artificial Intelligence in Diagnostics: AI-powered tools are increasingly used to detect diseases such as cancer and cardiovascular conditions with high accuracy, reducing diagnostic errors.

5.2 Telemedicine and E-Health: Virtual consultations expanded dramatically during the pandemic, providing cost-effective and convenient alternatives to in-person visits, particularly in rural areas.

5.3 Wearables and Personalized Medicine: Devices like smartwatches now monitor heart rhythms, glucose levels, and sleep patterns, empowering patients with real-time health data.

5.4 Global Health Equity: The inequitable distribution of COVID-19 vaccines underscored persistent global health disparities, renewing debates about the ethics of resource allocation.

5.5 Pharmaceutical Transparency: Scandals over drug pricing have pressured policymakers to enforce stricter regulations on pricing transparency and fair access.

6. Policy Interventions and Recommendations

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1. Strengthening Regulation: Governments must ensure strict monitoring of healthcare providers to prevent supplier-induced demand and malpractice.
2. Patient Empowerment: Health literacy programs and second-opinion mandates can reduce the impact of information asymmetry.
3. Smart Insurance Design: Innovative insurance models with co-payments, deductibles, and value-based pricing can mitigate moral hazard.
4. Technology Integration: Governments should incentivize the adoption of AI, telemedicine, and blockchain for transparent healthcare delivery.
5. International Cooperation: Cross-border partnerships are essential for equitable distribution of medicines and vaccines in future pandemics.

7.Conclusion

Healthcare markets are shaped by a complex interplay of ethics, economics, and information. While asymmetry and market failures remain persistent, emerging technologies and policy innovations provide opportunities to reshape healthcare toward greater transparency, efficiency, and equity. The challenge for policymakers is to strike a balance between economic sustainability and ethical responsibility, ensuring that healthcare remains a right and not a privilege.

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Appendix A: Comparative Case Studies

Country/Region	Case Study	Key Issue	Lessons Learned
United States	Affordable Care Act / Insulin Pricing	High drug costs despite insurance	Need for pharmaceutical pricing reforms
India	Ayushman Bharat	Fraud detection and quality control	Importance of digital monitoring and grievance redressal
United Kingdom	NHS Post-COVID Strain	Long waiting lists	Better resource allocation and staffing policies
China	Telemedicine	Limited access	Scalable digital

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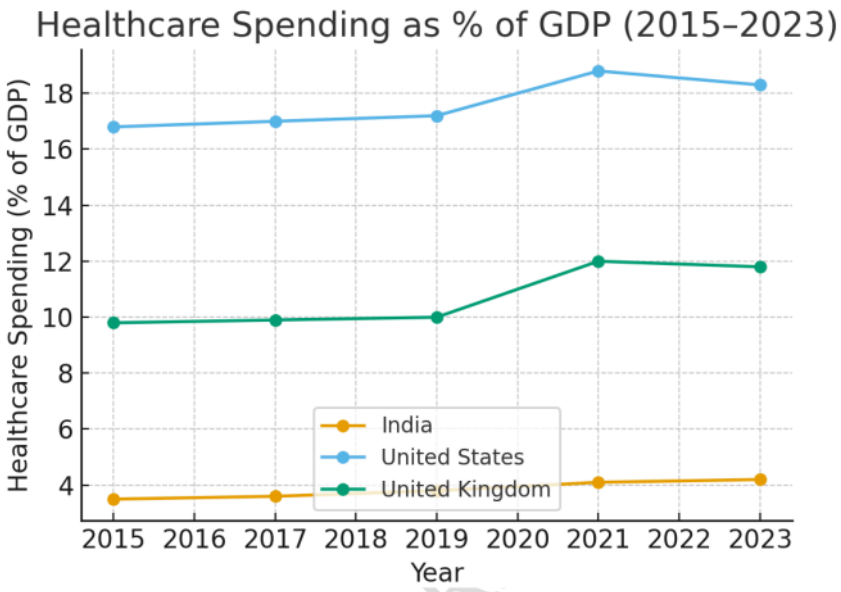
Expansion during lockdowns health models

Appendix B: Healthcare Spending Trends



Appendix C: Indian Healthcare Case Extensions

Beyond Ayushman Bharat, India has witnessed significant healthcare challenges and reforms:

- **COVID-19 Oxygen Crisis (2021):** Severe shortages of oxygen cylinders and ICU beds highlighted the fragility of healthcare infrastructure, prompting investments in emergency preparedness.

- **Jan Aushadhi Scheme:** A government initiative to provide affordable generic medicines through dedicated outlets, aimed at reducing out-of-pocket expenditures.

- **Telemedicine Guidelines (2020):** The Ministry of Health and Family Welfare issued comprehensive telemedicine practice guidelines, accelerating adoption during the pandemic and extending healthcare to rural areas.

- **National Digital Health Mission (NDHM):** Launched in 2020, this program seeks

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to create a digital health ecosystem by providing citizens with unique health IDs, electronic health records, and access to integrated health services.

These initiatives demonstrate India's multifaceted approach to addressing information asymmetry, expanding access, and reducing inefficiencies in healthcare delivery.

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