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The Value of Reputation Capital in CSR: Applications to the health services sector

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Abstract

In this new issue of the Opinion Series the author recovers the value of Reputation Capital, which has been lost in applications to the economy, the field of business and to Corporate Social Responsibility. The author attempts to link the notion of reputation with socialization and CSR. The analysis addresses specific situations of inefficiency, inequity and injustice in health services. This essay underlines the Reputation Capital notion, as a rich intangible asset belonging to persons, and organizations, in Society.

Introduction

For this Opinion Note we wish to concentrate and focus our analysis and thought process in an aspect of Ethics applied to a society, where a set of selected (non-ambitious) changes, of a very practical nature, can provide for necessary, but not sufficient conditions - to help move our economic system to a better platform of improved results. Protecting the freedom of choices, the respect of the individual, and the work of subsidiarity.

We think that while valuable and useful to consider, study and discuss seriously the four grand schools for socio economic reform¹ (policy structural schools), these still miss heavily on one important aspect of the Smithsonian world very much associated to the workings of the Capitalist system. We refer to tools for efficient economic coordination and social welfare enhancement.

The Behaviorist school is perhaps accurate in predicting that the new breed of technological advanced and globalized Capitalism will continue to be prone to manifestation of greed, selfish individualistic approaches, shorter term oriented maximization and disregard for a broader picture of human based rewards. This is an important social science statement, and alas, it remains a plausible forecast for the near future! There is too much at stake, and the system is too charged up of incentives pulling it towards a component of malign side characteristics, such these tend to pull many business elites to act by deviant behavior; thereby annulling part of the large benefits of a Free market economy, and, feeding the critics of the system.

We postulate that as there are wrong incentives generating very negative externalities, we may also discover possibilities for design, promotion, and the rewarding of positive incentives . The latter being of a non-pecuniary nature, and prone on generating positive collective outcomes to a maturing society.

We contrast the widespread notion of erosion by greed, to that of... cooperation and goodwill. We confront the bias of pessimism and nihilism of the more radical and sociological structuralist approaches, to the concepts of dignification and of desire for social recognition that all human beings strive for in their inner self's. Every person intrincasilly strives for the good and cares about reputation.

We believe there can be "light after the Crisis tunnel". And while time is short and expectations are still building for the negative , we judge that a global process launched to counteract and redress some key malfunctioning's on the private corporate side , can bring back the system to

¹ Namely: the classical school, the structuralism, the sociological approach, and, the behavioral school.



better equilibrium in a few fundamental areas. The real challenge thus is: how to help or make the sphere of businesses and professional leaders internalize the value of Reputational Capital, so as to make that dimension for choice and action be a normal, day to day attribute of behavior and personal assessments.

While less prophetic and ambitious than the overall Christian call, this specific idea certainly walks and adds in the same direction: help to produce a transformation in attitudes and behaviors. We proceed to explain the virtues of the Reputation Capital approach, by way of applying solutions to an area of importance as were signaled for analysis above. We build a case in the health insurance and medical services area, to screen and discuss the full range of benefits that going back to enhance Reputation in that sector can generate to all of us. Hopefully, other researchers can come in with cases applicable in a similar spirit, to check for potential applicability on other "polluted sectors" (heavily distorted sectors).

I. The case of health Insurance for mature people: how to apply Reputation to complex Issues.

We have an array of complex systems in the world today operating under mixed schemes in the area of insurance for health to individuals and families. While we do not have a dominantly clear system - either pure market based free choice system or a collectively mandatory standardized system - it is true that in most countries in the world, the actual Insurance scheme operates on the base of three premises:

- I. The legal universal requirement of contributing a part of wages or incomes continuously to the system, to be able to finance health needs by each individual covered.
- II. The tendency to group and, combine in pools of demographic/ social constituents, the buildup of Health Plans eligible for people able to use in practice the System of benefits. This concerns the law of large numbers (normal statistical distributions) and basic risk factors understood in a collective insurance system working in practice.
- III. The connection and partial integration of the regulated insurance part of the system (plan) with health services producing units such as hospitals, clinics, prevention centers.

It has been clear for at least a decade to economists, health planners and policymakers that the Insurance Health systems have been running, generally, under three failing characters: underfunding in public sphere plans for large collective plans; high and rising health services costs to each nation; and a myriad of unfair ways for administering exclusion and queues, in their ways of servicing potential beneficiaries.

One key example lies in the USA Medicare and Medicaid systems. Today at center of polemics in the political debates where many major reform proposals have been discussed and some big changes implemented. The issue is that most of these debates concern the demographic, health, financial variables of a problem that is complex to solve, but has deep and private individual roots in its inner workings. Opinion polls and public debates generally ignore such parts of the problem...

Let us see how, a more Ethical Reputation oriented approach, could throw more light, and open up new choice spaces evolving issues in the area.



Reputation of the individual users of the System: the beneficiary's case

With the purpose of building a relation between the value of Reputation Capital and the contribution this concept can provide to a better socially oriented (Common Good) services industry, we have decided to choose an application in the area of Health Services sectors. Why?

Because the provision and extension of Health Services is a basic human obligation in every national society. Health is one of the key basic needs, and the way its services are extended and provided to citizens is a key issue.

Also, there appears to hold a well-established social statistics law – Baumol's Law² – which state that most countries have been running on a trend of increasing the pace of growth of Health expenditures at much faster rates than the pace of growth of GDP in each. Thereby implying a constant tendency for a rise in the share of these kind of expenditures as a ratio of GDP. It is therefore essential that the design, provision and quality of services responds well and with required quality and justice patterns, to what actually and objectively the citizens in need require of these.

As we see in the essay, there are at least three key layers where there is much abuse in the Health services areas, and where exclusion on one side and bad quality and abuse on the other are sometimes prevalent.

The core issue becomes: what does the notion of Common Good say as a guidance to these challenges, and, how can the explicit and practical ways of incorporating Reputation Capital to the picture help decisively improve the case, and provide better options and solutions on a sectoral and national scales.

The application is both relevant and of real human incidence, and goes into areas where the dignity and reputation of different actors are at play. Let us proceed to the microeconomic analysis in what follows.

One clear aspect where the health insurance industry has built an accumulated solid statistical record of problems and implications is the area of abuse of health expenditures by groups of individual users. (The consumer's side). These relate to an issue of "excessive utilization" of some insured items.

The areas for "excess servicing" and sheer abuses is as follows: a demand for work licenses arguing pain, sickness or psyche uncomforted is huge, where these really mean freeing extra-time for holidays, traveling, and a host of other private/personnel undertakings .

The system is paying then for a diverted purpose. The implications of the class of individual and collective failure are triple:

- a. Generating a system loss of Productivity in each firm involved, which sectors nationally add up to a Social Aggregate Welfare loss of sizable magnitudes.

² Following the brilliant academic paper by Professor William Baumol from Columbia University.



- b. An unfair (inequitable) distribution of the financing costs and contributions of the system shifting the burden of funding from some individuals abuses to the State and to the business owners, or to well-behaved cohorts of individuals.
- c. “Pollution” on the approach by providers: trending in time to accept, condone, and shares in other mal practices (spillover effects)

The result is a combination of negatives over Distributive Justice and Social Fairness. Plus a distortion causing a vulnerability factor in a key industry. Two kinds of actions could be devised here, with campaigns based on the enhancement of the Reputation Capital principle. One concerns the education of the insurable individuals. Keeping them alert and asking them to cooperate for improvements and making them understand and develop a conscience of the implications.

Other concerns the registration and dissemination of a record of Best Achievement (the compliers lists), where a file is kept by a national independent register file that travels obligatory with the individual, for each year in his life as insured. And goes to each particular health insurance medical system, which the person decides to migrate to (or is decided to have him migrate to).

If individuals and their families (direct dependents) are early and strategically taught about the abnormal negative consequences the deviant behavior is likely to cause to others, including (in time) his own descendants and kids, he or she will have elements enabling him or her to decide with better information. And probably to bet in most occasions in favor of good compliance and correction of malpractices. If I become aware and knowledgeable of unfairness and social costs, I react!

The idea of building a Reputation record at the individual or household level has lots of merits. Particularly in the areas of adding to potential future benefits of the individual itself.³ With the appropriate accumulation of info, statistics and actuarial data, it can be conceptually possible the individual who belongs to the higher tier of well-behaved groups, could aspire to a Compensation Bonus on his individual insurance Plan. The Cost Benefit equation on the assessment of the Plan would be tilted in the favor of the Better performers. Not only would there be a non-pecuniary Personal benefit to well-behaved truthful individual, but good behavior would also - in time - be positively correlated with personal individual gains, when judging performance from a longer term perspective and with broader social gains.

The innovative Swiss regulators normally take a user friendly set of rules (minimizing in discretion and bureaucracy) and have devised a system based on static norms where they build indicators from a large universal nationwide insurance base, and compute standards. The Means and the Standard Deviations for Grouped individuals on these matters. Their system then penalizes Individuals that show strong deviations as from the National / Group norms, and, benefit individuals that in a given period are under the cost/uses of the normalized standard indicators. One can see from this, there need not be in place a very cumbersome or bureaucratic system to establish a Reputation based reward system as described...

³ Of course it will be argued that a pure ethical belief should lead an individual to behave. We agree! But we add also positive incentives that accumulate results for all.



Reputation based behavior in the medical and para-medical Professions: the services side.

Whatever economists, cost experts or business school trained manager claim, it is very much the case that one of the core elements in the running of a clinic or health service facility, is dependent on the attitudes of medical doctors. Those, who bear a direct and privileged relation with the patient, This has to do with important specialized skills that's are embodied on a professional that through long and demanding studies plus professional practice exercises in an area where they must face a basic human need: keeping people healthy and productive.

There is a long social science literature where the so called "mystery of the practice" by a doctor, as seen from the perspective of the patient, is based on basic asymmetry of knowledge.

When most patients come into to room of a Doctor, a one to one relation is produced, where the disequilibrium in the know how for remedial is totally tilted to one side of the equation: the side of the provider, ie: doctor and clinic facilities ...The patient can remain as the obedient part of the deal, with "transactions costs" for contending the analysis provided by the dominant party remains, being excessive (or simply unbearable) to the individual patient.

One would tend to expect that both the rigorous training of university and licensing systems established to have approval of title and practice for a medical doctor would tend to prevail thus preventing deviations of behavior. Plus the intangible values of the Hippocratic promise, and the strong predisposition to human and social service.

Alas, human nature is weak, and the capitalistic component of gains and instantaneous rewarding of self, become at times worrisome detractors of the tendency to act for the good , for the patients' needs and for the better of society.

In practice, health systems recount large evidences of complex deviant mal practices from the doctor's side, which may fell prey to three classical mal approaches:

- Tilting the costs of given sets of services as against the insurance component and in favor of lighter burdens for the Clinic itself he is serving (particularly when you are partnering or getting Bonuses from the Clinic)
- Demanding exaggeratedly or scientifically un needed - even irrelevant - consultations, use of days, equipment, checkups, pharmacy and lab tests, etc, to given patients or typology of patients, so as to generate extra surplus for the business system.
- Joining in and adhering to monopoly or monopsony type practices, through collusion, which simply purpose to raise and keep in the rise the tariffs of itemized medical services charged to the patients / clinics / insurers

There is an amazing record of monopolistic type behavior in some large medical associations in both the history of developed and underdeveloped countries...

All of the typified abuses provoke large sources of stress to damaged individuals, their immediate families, local communities and the Nation.

The topic upraised here is an interesting instance of a triple failure in the system:



- a. Failure of the Market system for medical /health services provision
- b. Failure of the Integrity and Dignity of the Persons taking those decisions themselves
- c. Failure of the standards and Regulatory and Control systems.

While in a systems scientific analysis, it is only the first type that should be ribbed to the failure of Capitalism as such, it is also truth that some crucial components of failures in b) and c), have been enhanced via the imagery for " short term success" and indifference or "tolerance" of the rewards system in present capitalism (an inordinate disharmonious bias for freedom of action per se) In many capitalistic systems, these accept the deviations as "prizes to be paid " for obtaining growth, for extending coverage or for modernizations.

The truth of the matter is that these Not Need Be the Case : at least in societies so advanced in the generation and sharing of scientific knowledge , of Education and culture , and of vehicles to larger and better socialization.

II. Socialization by human beings and ideas for progress

The Catholic Church has alluded long and firmly about the interesting and relevant issues involved in the socialization by and for human beings. The encyclical Rerum Novarum explained in these words the importance of socialization in modern times.

“Socialization is one of the characteristic aspects of our epoch. It is a progressive multiplication of relationships in the common life ...”

"It is necessary that these Corps Sociaux present themselves in form of true Community; That means that their members are considered and treated as persons, stimulated to participate actively in their lives"

The founding principle of Christian Social Thought – the primacy of personal dignity that had been created free by God which entails therefore the special care for the weakest- leads us to believe that the best economic system is a social responsible economy based upon the freedom of the actors and on their responsibility. Corporate Social Responsibility is a major step towards a socially responsible economy. CSR is becoming vital in corporate circles in order to assisting enterprises to efficiently carry out their productive activities, while respecting the rights of the persons and institutions associated with these activities.⁴

Let us explore then these forms of socialization to deal with our issue at hand.

Could not different instances in Society approach and utilize groupings of National Guilds and Associations, to dialogue and sensitize, on the effects that deviant practices of some of their members are causing to health patients? To their families and the communities?

⁴ The Profit of Values, A Christian Vision of Corporate Social Responsibility. A form of management for long-lasting enterprises, Uniapac, 2008.p.18.



Could there not be instances of revival of the Hippocratic oath, where an attitude and approach now to service could be revived and supported, and made aware to the Guild constituents as special form of Reputation Capital?

Could we not use University Medical Schools to conform added ethical thinking systems into the medical professions: apart to the pure med science aspects and, more connected to systems for establishing the cost and quality services of health consultations? And, the way to relate with both, Clinic Boards, and Insurance Manage?

Could we not use strategically, with good will and acceptance of Public regulators and Medical Guilds, the Social Networks - those built more closely to relate to doctors and clinics - to relate cases, discuss comparative malpractice and illustrate how some inbuilt fraud systems only increase Costs with unclear benefits, and with Collective losses to citizens at large?

Could not National and Regional Prizes for outstanding individuals in the Medical Sciences and Medical management systems that have Stood up and/or Innovated in favor of cutting back and preventing malpractices not be established and promoted?

That is, being Reputational Capital not only an individually acquired capital, but clearly also a Social National Capital, and being topics such as Health and Old Age priorities of the mature aging society (crossing through all sectors and fabrics of society) we need our well established National Boards and Corporate Guilds to look at these broader areas and help contribute visibly to solutions agents, coming from firm reputational backgrounds.

Are we building only institutions around the Capitalist system that relate to each private sector lobbying machinery, pecuniary gains, and specifically narrow short term objectives? Is that all?

Or else does the Business Leaders Community have a stronger and bolder commitment on improving an economic system that has brought such an accumulation of benefits and where some of its costs must be corrected for self-sustainability of it?

The abuse of unneeded services demanded of a client patient for diagnosis, cure and treatment, demands both a change in behavior and a forcible system of checks and balances.

In principle the system is able and empowered to send and administer specifics actions and recommendations to deviating doctors .It isn't clear though that except for vary notorious and excessive treatments, the control system has acted in massive and relevant was up to the present date.

Again, we would also and preferentially be searching for more voluntary based and principles oriented methods that refocus the issues in terms of both morals and proximity to the true needs of the Patients treated.

We recourse to two main avenues for promoting Reputation Capital in medical doctors : the reworking of the scope / roles of Guilds , and , the opposition of Reputation Capital to old and vicious monopolistic practices.



A refocusing of orientation of Peer Guilds

The basis of a Reputation based Capitalistic Economy, is the use of the present intangible basin of goodwill- in a given society -manifested in ethical behavior and deeds oriented on solving human needs. Capital that can be utilized and shared by many to conform new approaches to collective issues, for the benefit of all.

These approaches described above are such that without disregarding self-interest push the envelope of choices and actions considerably. They do that by anchoring on ethical values as a key illuminating factor.

An effective way, in which Reputation can become a key asset to a society, is by the actions of Peers (ie: reference groups; testimonials made public). We can employ the concept of Peers in almost any profession, or technical activity organized by people belonging to a guild or association (a devoted group).

We propose to use the concept of Peers in conjunction with the role of Guilds and Associations, by scaling it up to new levels in novel ways here. For example, we propose that inside a certain Guild, a special Honors group can be set and organized, having a special status in the overall Association.

The Honors Peer group established in a given Guild would be conformed only on the basis of invitation, and by rigorously considering two combined factors of performance for each applicant. Namely:

- i. A career of sufficient record of excellence in the scientific component of the profession
- ii. A life experiences record, identifiable and verifiable, where devotion of effort, actions of relevant standing (even at cost of personal gain) for advances in the respect to the dignity of clients (customers, beneficiaries), can consistently be enumerated.

The Honors Peer group (a special Club) should be as open as it could be at the limit , but always placing ahead in the stated priorities, the conjunction of both professional knowledge and expertise, with explicit consideration of the Reputational record on the closeness and understanding of peoples effective needs (patients, clients , customers, etc)

We propose that the merit system implied here - because of the relative scarcity of membership- commands a premium. Basically the premium of the Honors group consists of the right to lead and promote –with the endorsement of the Guild- a series of highly visible and relevant activities devoted to service, and, to coaching for the values sustained.

A combination of volunteer mobilized time, plus collective support gathered as from private and public relevant agencies , would achieve- in due time- a scale and visibility sufficient to make the volunteers corps, led by the honors group , a relevant push and pull force in society. The positive spillover effects of these concepts/actions cannot be minimized. The outstanding records of professional achievements based on the application of knowledge and experience and guided by a compassionate approach to human beings, is at the core of how we propose employing and utilizing Reputation Capital in these spheres.



Preaching by example is the preferred norm. And acting in novel ways to contribute to address and correct the limitations in the present choice/ space in key endeavors, is a must.

Public media and social networks of an appropriate character could then provide specific space, to the exhibition of such experiences and of testimonials, from different areas by reputation achievers.

Also, Scientific Congresses of the involved professions (Guild conferences), should allow specific space and time allocation, to allow for prestigious merit persons to share and discuss their deeds, with the wider professional audience participating. It is simple and easy to conceive how these recent concepts for an Honors Club within a profession or Guild can be applied in the case of medical doctors and of associated professions involved in the health areas. But it is clear for us that the concept is wider and merits attention in very many other areas for professional associations.

In the first part of this section we attempted to provide a definition of Reputation Capital, in the light of the spirit of merit and humanism we are using to discuss applications. There is a metaphor from the vertex of habitat /environment sciences, that may help to establish even more clearly, the scope and underpinnings of the concept we have in mind. Reputation can be assimilated in many ways, to the traverse or passing of clean waters by a creek, one that is available in abundance for human consumption.

Most of the habitual users of the clean creek waters, take them for granted. They do not care or place a specific value, on its availability and disposal.

This happens until the creek runs short or totally out of clean waters. Then the system (habitat) falls into an outcry of complaints, disruptions and lose. Individuals, groups, and the community at large experiment very heavy losses in their well-being. The system has regressed to low levels; it is late for remedial actions. Implicit in most key achievements in the evolution of Capitalism under free markets and freedom of mobility and initiative, the existence of Reputation Capital has meant a decisive contributing factor, and in a million different intangible ways. It has been a silent positive force, acting in many varied areas of human endeavors.

But: like clean waters in a well channeled system of fluids, the system can be over exploited, under nourished or even....derailed. Then big problems prevail and social choices become erratic and emergency solutions transform themselves into a loss-loss scenario. (The present Financial Crisis is a vivid example of these malfunctioning's today).

Let us wake up on time: to an awareness of the silent ugly ways in which the waters of our modern system have become stained. Where now many parts of the system are evolving for the worse. We suspect there is not very much time before the natural goodwill of human beings becomes exhausted, under the pressures from increases in abuses and distorted profiteering observed – sadly- at the present epoch.

What other vehicles can we include in the revival for the concept, and application of Reputation Capital? Let us discuss in the next section and identify some new avenues to the issues commented.



III. Opposing to Monopolistic practices the promotion and respect for Reputational Capital at all levels

It is hard to identify in modern history of man, any system of monopoly, which in spite of endurance, gets a positive recognition in public opinion or in the collective wisdom of a country. Au contraire: the representative citizen in any community knows since becoming a mature adolescent, that monopoly is both ugly and wrong.

It is rather surprising then, that one of the more basic services sector geared towards human satisfaction, the health industry, has been prone for long time to various kinds of monopolistic practices.

We do not have time to expose the complete causes or reasons for such an odd result. But we concentrate on one technologically driven force which has trended the health system towards somewhat monopolistic results.

How can the effective employ of Reputation Capital help resolve and counterattack many of the monopolistic factors enunciated? That is the aim of the present section.

In postmodern society, we have a need to generate a wave of recognition of the social and private good that incorporating Reputation Value, in key agents intervening in the markets can contributes to better, human conducive, and long lasting sustainability, in the health services area.

It is an interesting point to realize how the present disconnect between the perceptions and behavior pattern of key actors of the system, and long term optimal economic solutions, have tended to push society into more mediocre, basically non-sustainable equilibriums. The recovered awareness provides another argument to call for better integration and improved personal coherence between ethical values (reputation capital) and efficiency solutions; providing improved allocations and better results.

In a given society or community in which the representative patient (insured consumer) , the medical doctor (the services professional provider), the insurance company manager (the organizer of health services) , and the standards setter (the screener and regulator), respect, value and follow the contribution of Reputation Capital, it will become much more probable, the dominating scenario will evolve towards competitive and fairer solutions. This will signal an ethical (and social) quantitative plus qualitative gain, to all society.

In a different community, where prevalence of greed, short sightedness, aggressive lobbying, indifferent and incompetent regulators, were all the descriptors of reality, then, a bias for focusing solely in individual gains and minus-valuing the role of Reputation shall arise, where : chances for monopoly outcomes shall be larger and negative results for most agents most probable. That would be to the certain detriment, of the welfare of society as such.

We have established one crucial point here: that to get to a better social scenario, it were the combination of ethical values, as informed by specific attributes of Reputation Capital , and the good allocation of scientific advancements, which combined: can shift the solutions frontier to much improvement, with probable gains for all agents.



Reputation capital when set in a backward society, where there prevails lack of economic resources, weak science, nil or few technology advances, shall generate results of second or third best type. A stagnant or mal functioning health services sector shall be a central characteristic of such a backward society , in spite and in contrast, of a comparatively decent valuation on the notion of fairness that a certain respect for Reputation Capital commands there.

This is a very challenging point, because it has also raised the importance of the contrast between a well-managed and resourceful society and a backward underdeveloped community, thus alerting us , that Reputation Capital can flourish and fly with higher ambition and impact on a dynamic setting rather than on a purely static setting. To put this point crudely: there is no sense in voicing Reputation Capital in the setting of a cemetery; there is lots of sense of using it in the happier context of a land of dynamic living beings.

Let us describe structural characteristics of Health Sectors that normally prevail in a vast array of countries today , to check in what contexts we shall be employing our newly revived concept . We review in what follows important stylized facts for these.

There is substantial evidence that for large numbers countries, large economies of scale encroach, when countries have traversed favorably the following thresholds:

- Control of epidemics, and reasonable standards for life expectation
- Education levels and habits for cleanness associated to availability of clean water
- Personal incomes progress where the capacity to pay (directly or indirectly) has grown, plus households are migrating to middle (or higher) income class groups
- Know how in the services industries for handling large data sets in characterizing e relevant economic , demographic , social and basic health characteristics, of households
- Experience and know-how of relevant cadres of business managers operating in services ,and using digital information systems to design and run supply
- Basic framework of law and order, concerning respect of property rights and the openness of authorities to accept private management participation in the provision of health services

When most or all those conditions are met, and once a reliable national system of statistics is available for registering diseases, sickness, frequencies, access and typologies on average duration of treatment in each class of services, then it shall be the case that marginal and average Costs of providing standardized health services to population groups will show a declining slope (ie the more units served the lower the relevant unit costs).

The main driving factors underlying such declining unit costs are related to what follows:

Conditions where a rapid capacity to absorb the fixed costs for both the insurance component and the clinical component of the services are more easily met, once larger groups of population served are made accessible and participate in the scheme. These scale factors are facilitated and made more business attractive, when also there is process facilitation to business models via: a fine and careful clustering of populations served, and, incorporation of these into standardized services packages.



The conditions for monopoly that such a scale- techno-business conditioning favors , will then probably lead , to the appearance of a significant difference between the (higher) price of each given insured service, and, the relevant marginal costs (lower) associable to the units -(insured persons with a plan)- being serviced . This gap can become substantial in time – although results vary from one case to another – and could be prevailing for a large number of years, depending on the foresight and power grip that -in turn - regulators have.

The whole scenario described above , usually generates a combination of negative effects on the demand side: either via exclusions of potential demanders from particular services , or by excess unit profits generated by suppliers from the active segments of insured (ie: those having to pay higher out-of –pocket fees , or, higher insurance tuitions) .

Ethical Practical considerations on how to treat these cases

We complete the visions and analysis of this Note with an elaboration of how, employing larger and more demanding lenses than a pure static self-interest business model, we can add and combine elements into this picture that could well change the inevitability of results just described. Again, the big help derives from the side of Ethics.

We would not be acting against the market mechanism, nor against the respect to subsidiarity and decentralization, by incorporating the virtues of Reputation Capital to come and try solving some of the above challenges .Thus, would we not be sacrificing efficiency allocations (defined in the traditional way of economists).

It is very feasible that once each intervening agent is allowed and supported to grow as an integral person, the conscience of Reputation Capital and CSR acquired may be able to correct inequities and improve the allocation of scarce resources, in a crucial area of human wants: health services. This is one more area where a consistent Humanization of Capitalism can move the whole system onto a win –win situation.

Let us explore the new approaches here.

IV. The responsibility of each Agent in making good things happen

The possibility of Change and generating a more ethical and better functioning sustainable health services industry, as in many other matters, hinges very crucially on a change of approach (the attitudes)displayed in the decision making behaviors of the four key players conforming this industry: the patient client, the Medical doctor, the insurance manager, the standards regulator.

One decisive element introduced in this part is the notion of Responsibility:That is the notion of using the rights and duties of each individual in a way that advances not only his own good, but the Common Good of the community he freely has been forming part of. The social doctrine of the Church defines Common Good f society as the sum of conditions that facilitate the personal realization (vocation for happiness) of each and all members of a community. It does not give a recipe or road map of how each person or group should proceed to allow for his individual or group happiness and well-being, but it is clear about the conditions that have to become part of behavior and the system to allow and enhance personal realization of each and of all.



How does this notion of the Common Good help provide a guideline for assessing conditions in the analysis we are carrying for?

Let us explore summarily the factors that would be consistent with the construction of these conditions through time.

First the awareness of the main affected agent: the covered beneficiaries or patients. The consumer of formal organized health insurance services must have the information and the experiences to judge better on the nature, advantages and limitations of the plans he has been offered in a contract of services. The consumer cannot be left in sheer ignorance or abused by a host of considerations on the side about exclusion or arbitrary limits in the rights he has purchased to be used in case of need.

There are thus two key aspects for his behavioral change: the access to relevant well described information applicable, and his goodwill and commitment to analyze, enquire and learn about the implications of the experiences he serves proactively on the area. The latter requires responsibility matched with a long term vision, given the distance between the times for contributions made and the epochs for uses and exercises of demand itself.

The incentives to acquire and exercise with prudence these actions , will depend very strongly on three aspects: the quality and opportunity of the information he disposes of, the cross education he can give and be shared from other consumers belonging to similar eatery groups, the idea and conscience building that by being both responsible and proactive he may have a reasonable chance of demanding changes that would benefit himself (tariff or premium reductions) and / or large consumer layers he can identify in one or another way with.

On the tools side we see two useful inputs to help get to those conditions:

The moral obligation and collective duty of the Regulators and Registrars of health insurance plans and Clinics, to process and make easily and timely available to all, and with no transaction costs, the Relevant data and information about plan costs , plan exclusions, plan comparability , plan changes and redefinitions, quality and access to attention services, options for treatment and medical attention servers, efficiency of clinics, and other indicators characterizing good practices and mal practices.

This function must be done on the basis of empowering the consumer at two levels : the level of providing him with user friendly information (probably on an internet efficient platform) and of allowing and rationally promoting his participation in tutorials and group learning Q and A exercises for a relevant typified set of statistically relevant issues.

The funding for these two tools should be requested mainly from the licensing fees for allowing or authorizing private and public organizations to administer and deliver these insurance / services functions. These could never object on moral grounds on the virtue that having a more and better informed consumer can have to the industry itself!

The second input is to make sure the legal / institutional law and regulatory system does allow and contain enough freedom and choices for the participation of hybrid organizations of many classes



as providers of contract policies and Health insurance services. The possibility of cross checking that one aspect of Subsidiarity holds, in permitting or allowing that various forms of consumer organizations in the way of Health cooperatives, mutuality's and others including Non for Profits units, can enter the market and compete to supply plans and contract choices to specific or general groups of beneficiaries (demanders). In no way should the system of regulations become either more cumbersome or bureaucratic so as to curtail new suppliers, nor excessively conservative in regard to minimum Capital levels required to register a supplier company.

Subsidiarity has important lessons here to teach us: allow conditions for a rational and effective exercise of decentralized choices by the users , via education and devolution of responsibility to the real consumer agents themselves (the families) , and permit social collective conditions for expanding the number and the orientation of corporate and non-corporate players which can come in and in Associativity , share on the technology and innovate on new venues and forms of providing the services ...

The reminder here is that Capitalism is a tool for many variants of market player's solutions, and the system was not invented nor restricted to the sole participation of large traditional corporate conglomerates. The laws of supply and demand are prone to the understanding of an ample array of markets organizations, where also concurrence is analyzed under the so called atomistic behavioral model of economics.

Above all what a new breed of approach to choice , voice and behavior , by persons belonging to the demand side of the health industries equation , brings to the solutions picture , is that Clients and Patients act as integral, responsible, and sensitive persons. Aware that they do not only have legal or contractual rights which they need exercise in their full rational dimensions, but also have responsibilities to help promote the amendments on the system that can lead to the detection , prevention and denouncing of abuses , not only in the benefit of their own group but in the benefit of society at large.

To get to this new breed of attitudes, the first requirement of coherence is to have clients themselves enhance their Reputation Capital, by acting in ethical ways and avoiding being part or accomplice of abuse, fraud, and misreporting. The example of misreporting from subscribers clients of health insurance companies have led to a lots of havoc and extra costs in the running of services, in the end, creating uncertainty and random behavior that provokes counter retaliation by companies and add lots of transactional and judicial costs to an already costly system.

The case of Medical Doctors: their new Roles in the Health chain

It is ironic that some medical doctors tend to abuse their power of authority (ie monopolistic power) , and , try impose on the patients either suboptimal treatment procedures -(for example: encouraging quicker/partial service attention procedures for those peoples having illnesses pathologies not profitable to a given clinic where the doctor is employed) – or diagnostic procedures where the- basically now healthy - patient is induced to stay and use clinical beds for a longer period , than objectively required.

As unscrupulous as such two behaviors may seem, it is frequently the case that practices following those deviant patterns are alas encountered in the reality of many country health systems!



We said that this is also ironic ,because some consultancy studies have shown many of these kinds of doctors in turn, tend to resent ...that monopolistic health insurance companies -which contract packaged sets of services for doctors to serve upon- do exercise "abuses" on these doctors , in many domains (ie: forcing attention schedules ; servicing unpleasant pathologies ;covering too broad or large population group , etc)

As the unscrupulous medical doctor abuses the patient, the clinic or the insurer company abuses the medics, etc.

The vicious circle of a given group of doctors "abusing the ignorance"» of certain patients, and a given group of insurance or clinics "abusing the time use and practice procedures" of the doctors themselves, are both gross manifestations of the ugly faces of monopolistic practice and fraud.

There is no need to explain how a revival of Ethics and a better conscience of the principles of Common Good in these intervening agents, could immensely ameliorate abuses. That would then work to expand both: individual satisfaction, and collective welfare.

As these abuse practices permeate and remain in a given community, the implication for wider losses is direct: collective irrationality and individual greed and shortsightedness ends up achieving very suboptimal private allocative results (inefficiencies) and generating unfair heavy welfare losses in society as a whole.

A medical doctor should go back to the basics of his vocation (Hypoccrate's oath) and rebuild his Reputation Capital. This capital is not fixed in time at all, as it may decline, be diverted , or increase and be better accumulated to the future . The good news is: that it is a kind of asset which may be rebuilt, and where while complex to do It can be recovered both for the respect of the individual, and for the sharing of society.

A coherent manner of confronting the imposition on unethical practices demanded by corporate units is to start proactively showing testimony by standing up for an ethical (correct) approach to ones patients to start with. Avoiding the abuse derived from the asymmetry of doctor/patient relations. Restraint, prudence, and wisdom in one's own professional delivery, can generate in time, a record of ethical behavior, building up a history of Reputation Capital.

This new set of attitudes and renewed ethical behavior, shall build for a good perimeter of defense and prevention, in one key link of the supply chain: the link of the specialist in the medical field (doctor) and the organization where services are produced (clinic firms). The probability of having monopoly oriented corporates deploy -in real practice- their monopoly powers, declines significantly with non-cooperating or even voice denouncing groups of organized doctors. Particularly when these doctors belong to the excellence scales of the professional achievements records. Again we introduce here the idea of Honors Clubs ,or high testimonial achievers as with the Guilds.

The guilds, the scientific associations, and the social oriented nonprofits including social media networks, can provide visibility and influence, to the medical doctors that have stand out with courage (and evidence) as against ugly monopolistic pressures of a few but dominant business corporates acting in the field.



Transparency is not only a virtue of the moral domain, but a sound element to promote a leveled playing field (a fair entry system), allowing for the true exercise of free markets.

In the end, this is a matter of philosophy of the professionals that freely wish to engage in the healing fields: the techniques and scientific knowledge are only means to a higher end, and those who swear in the Hippocrates oath must keep the moral obligations of their vocation call, at all time and in all places. This is essential ethical coherence.

We touch briefly, in ending, on what Reputation Capital means to a law abiding ethical Regulator. His functions belong to the field of overseeing, public control, and standards.

The mandate of a health system regulator goes much most ample than the simple collection of routine information and check lists of the compliance with legal formalities established in insurance and clinical legislations.

The regulatory agency in modern societies, is normally the ally of freer markets and sound competition practices.

It has no rationality that overall, a collective society as such, virtually has stated no particular promotion of role models for people which, with much effort and personal life dedication, have devoted themselves to the prevention or correction of fraud and civil action violations. On the contrary, well organized public and civil society institutions should learn from the marketing modern techniques of large private sector agents, and, copy their visibility techniques to promote also- in prudent ways- the role model played from reputable regulators with proven independent ethical records.

It is clear from morals and values, that behaving ethically and respecting the persons and their dignities, with a view to the Common Good, should be a behavioral attitude in and by itself.

In the case of entrepreneurs acting in the markets system, these should develop a special interest in defending and sustaining the prevalence of a Free Market Economy in the short, medium, and longer terms. Their future and innovation space is at stake with it.

They should be aware -by tradition, personal and peer experiences- that Reputation Capital should be a serious component of the corporate capital - well defined - if the sustainability of the free markets approach is desired and cared for the longer of runs.

V. A final caveat: the use of Reputation Capital in a Mature Society

The most powerful antidote to free markets is deception, abuse and monopolistic practices, which history has shown all have a limited time / space frame to remain unchallenged. Sooner, or later, democratic open societies react against monopoly and abuses! Alas, on several occasions enacting collective cures that can become ineffective or even intrusive in other set of domains (the pendulum concept).

As a society becomes more mature, capital markets become deeper and more complex, and massive communications and education on know how domains become better diffused, more user



friendly and easier to access and process. Professionals may become more sensible and alert about longer term visions ; property rights owners more conscientious of the deeper meaning of their actions , and , high profile players involved on the production side (for ex , medical doctors) and the demand side (for ex, consumer organizations) might revalue for good their Reputation Capital.

If that were the trend in a more mature advanced society, the overall scenario has a big chance to change. A higher probability to shift and improve to more equilibrated solutions: where longer term considerations receive more weight , fairness becomes a key ingredient, and market subsidiarity allows for solutions where players use their roles and legitimate interest to cooperate with the Common Good.

There is no inevitability about the present, very imperfect, scenarios. There still not an overwhelming case favoring extreme solutions of imposing from above bureaucratic centralized reforms.

What we have to try and push for, with ingenuity and with humbleness, is for an intelligent careful and broader utilization of efficient market mechanisms, by incorporating in each behavior, the restoration of an old boys (club) concept of Personal Honor: this is no different than the contributive role of Reputation Capital . An asset that every person has the right to build, protect, and project in his interactions with a community.

That we find as a missing factor in the evaluations and discussions about new Capitalism: alas, we are missing a concept as old as the Greek Odissey in the history of human civilization. A missing factor of the reform schools in vogue today, is the consideration given to the tool of Reputation Capital; a surprising fact ,being it a key element in broad motivations of well-intended people from all walks of life.

New Vision and new Convergences

A new convergence of economists, business peoples and regulators on lessons from modern day Corporate Social Responsibility, can much aide in redressing this omission.

The sooner we address, conceptualize and apply forcefully this interesting tool, the earlier and better we may be able to correct many externalities that negatively affect the system.

It need not be the case that the Free Market well regulated economic system bears a bad reputation. We need to tie in -factor in- our own natural human aspirations for Good Reputation, to achieve decisive acts within the system itself.

(*)The Opinions expressed in this Note commit only the author of the paper and not necessarily Uniapac Foundation.



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