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Toward Consumer Empowerment in Health Care

By Willaim C. Short

Efforts to overcome perceived market failures within the U.S. healthcare system are all too understandable. The difficulty is that many of the problems currently facing the system arise out of past intervention by well-meaning policymakers. At this point, healthcare needs less government, not more. Indeed, the state of our healthcare marketplace will improve with a renewed reliance on market forces in the form of Consumer Driven Healthcare.

The employer sponsored group health insurance model is a great place to start. This sector has experienced double digit increases in premium expenses for the greater part of the last decade. This rising benefit expense has forced many employers to look for alternative plans, including consumer driven health plans. These can include Health Reimbursement Arrangements (HRAs) and/or Health Savings Accounts (HSAs), coupled with high-deductible insurance coverage. These high-deductible plans function more like insurance does in virtually every other market – from auto to home insurance. That is, they insure against significant financial risk rather than offer pre-paid services.

These plans thus place part of the financial responsibility on the employee/consumer when it comes to managing their healthcare exposure. In addition, financial reward exists as leftover contributions in these accounts may be rolled over from year after year to accumulate over time into substantial assets for retirement. These accounts, coupled with larger out of pocket financial responsibility, are already inciting those enrolled to maximize their own resources. In other words, they are spending their healthcare dollars more wisely and building wealth in the process.

The third party payer system where insurers deal with providers instead of consumers, however, does little to motivate the providers, pharmacies, and/or hospitals to post their prices for services. They are, after all, not used to discussing prices with consumers, as the actual purchaser of the service is generally a firm or agency far removed from the transaction. This unfortunately creates a paradox for the consumer with an HSA: where can I go to find the true cost of care?

The answer is forming as I write. Rather than a top-down solution where prices are set in a government office or passing legislation to force providers to issue prices, market forces are responding from the consumer up. In essence, the holders of these consumer driven health plans have grown into a legion of cash paying healthcare clients that are demanding not only cost information but will want to investigate the quality of the services that they are receiving.

In addition to information becoming more readily available offline, the growing number of HSAs and HRAs members has led to the growth of internet websites designed to help the consumer gather the necessary information for them to make an informed decision. Healthgrades.com is one such example. The site allows for anyone to pull a report (for a nominal fee) on providers, hospitals, and nursing homes that would allow them to conduct an investigation into the overall quality of these facilities/ individual healthcare providers. Such sites not only bring much needed tools to the healthcare consumer but more importantly showcase the power of the market to creating out of the box solutions even for an industry as complicated as healthcare.

Efforts to reform our healthcare market should not just focus on attempting to provide flawed coverage for everyone but rather should be about addressing the need to deliver high quality care at market determined rates. To achieve this goal individuals, providers, non-for profit organizations, and insurers need to be aligned with incentives that bring market efficiencies to healthcare. A better functioning marketplace and greater efficiency is already leading to lower cost coverage and improved outcomes.

More individual consumers need to take an active role in managing their health. The most effective motivator is some sort of financial reward for reducing their overall risk; i.e., “doing well by doing good.” Healthcare providers will compete for cash paying consumers and in doing so cost and quality will come to the forefront because it will be demanded by the consumer to help them make informed health related purchasing decisions.

More insurers should concentrate on managing catastrophic risk, a risk that they are best equipped to manage, and let individuals and families manage the financial exposure below their deductible. Aligning the players in this market will give birth to new products and services that in the end will contribute to the improvement of the quality of care, access to care, and the overall affordability of healthcare coverage.

In contrast, continued or even additional interference with the healthcare market will only yield outcomes that will require more and more government “fixes” to resolve. If Kansas policymakers are serious about healthcare reform that will best serve Kansans, they should look to the successes of the marketplace in meeting consumer needs throughout the economy.

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