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Choice is revolutionizing health care

BY GREG SCANDLEN

A revolution is brewing in health care, one that will profoundly affect every aspect of our system. It is known as "consumer-driven health care."

It began in 1996, when President Clinton signed the law that created medical savings accounts. This law allowed small employers to reduce their premium payments and put the savings into cash accounts that workers could use to pay directly for health care services.

MSAs never had much of an impact on the market, enrolling fewer than 100,000 people. But MSAs forced insurance companies, human resource executives and the wider policy community to rethink health care financing and the role of patients in controlling their own resources.

For the first time in half a century, people moved away from a growing reliance on third parties (employers, insurance companies and the government) to decide what health care services they should get and how much should be paid for those services. If they spent wisely, they would have money left over.

Then Congress created health savings accounts. President Bush signed this into law last year. HSAs are supercharged MSAs. Everyone under age 65 is eligible, provided they have a high-deductible health plan. They or their employer can contribute up to \$2,600 for an individual in a tax-free account that is owned by the employee and used to pay for medical services. If the money is unspent at year's end, it rolls into the next year. The employee owns the account, and it goes with them if they change jobs or become unemployed.

There are enormous advantages to HSAs. It is far more efficient to pay directly for low-cost services than it is to process claims through an insurance company. HSAs give people a source of money to pay for their health care needs while they are unemployed. People are allowed to go to the doctor they choose, instead of one chosen by the employer or insurance company. Most experts expect enrollment in consumer-driven plans to reach between 3 million and 5 million people by the end of this year.

But that is just the beginning of the revolution. Now that people control their own resources, they will demand reliable information they can use to make good decisions. Many patient support services are being developed to help consumers learn about the relative costs and quality of different providers, better understand their treatment alternatives, and learn what to do to avoid costly treatments later in life.

There is a new world dawning. Employers, insurers and providers all will rethink the way they do business. As a result, the next 10 years likely will change our health care system forever, and for the better.

Greg Scandlen is director of Galen Institute's Center for Consumer Driven Health Care in Alexandria, Va. He will speak on health savings accounts Wednesday at the Hyatt Regency Wichita. For information, call (316) 634-0218.