

21st Century Health Care Consumerism

BY NEWT GINGRICH AND JAMES FROGUE

The real promise of consumer-directed health care is its great potential to create the right incentives that will effect positive behavior changes in people. Over the long run, this should result in healthier habits and ultimately more manageable overall costs. But for consumer-directed care to work, it will require genuine hands-on commitment from the highest levels of the employer community.

Launching a new health plan is always a burden for any business and its employees. There are new networks of providers, new co-payment and co-insurance requirements, new drug formularies, etc. Add to that the challenges of implementing a consumer-directed plan where suddenly employees are expected to use, probably for their first time ever, an account such as an HRA or HSA to pay for care. If executed incorrectly, confusion and worse could result. Fear of such an outcome is slowing the necessary migration.

Employers must appreciate two broad points. First, despite the initial challenges of putting consumerism principles into practice, it is the correct path to pursue and is consistent with long-established trends in every other sector of our economy. In other free markets—such as those for automobiles, personal computers and televisions—consumers expect and receive more choices of higher quality at lower cost. If we applied similar market forces, the same could be true in health care.

Second, it ought to be understood that the third-party payer system has always been at the root of our problems. In the absence of personal financial responsibility, it is to be expected that people will spend money less prudently. Our system has necessarily defaulted into a supply/control model where access to health care services is restricted by parties other than the individual. In Canada they do this by explicit rationing and waiting lists. In America our controls are looser which explains the only other possible result: exploding costs. The fundamental shift required is to a demand/control system where consumers have their own money at stake. This is how every other sector of our economy operates; it is not a radical notion.

The key to success in consumer-directed care is for all participants to have access to high-quality information. Data can be derived from a myriad of sources, including educated colleagues, the plan administrator, the employer, or, if you are fortunate enough to live in Florida, two state-sponsored Web sites.

FloridaCompareCare.com offers visitors detailed information on cost and quality at all hospitals and surgery centers throughout the state. Already, anecdotal evidence is mounting that PR- and business-savvy hospital administrators are noticing where their facility ranks (in the area of infection rates, for example) and taking corrective action.

MyFloridaRx.com displays the prices of the 50 most commonly-prescribed drugs in Florida. It turns out that some pharmacies in the very same neighborhood were selling identical prescriptions at two and three times the price of their counterparts. Needless to say, sunlight on drug prices has leveled those discrepancies.

At the Center for Health Transformation, we have outlined four generations of health consumerism. The first is a focus on small, discretionary spending. This is the extent of most “consumerism” today. It establishes the correct financial incentives, but remains relatively information-poor.

The second generation emphasizes the need to create individual behavior change. It includes more usable information about quality metrics, prices and the health benefits of certain behaviors. Financial rewards are presented for compliant patients.

In the third generation, employers see a healthy workforce as central to their long-term competitiveness. On-site wellness centers, group rewards (not limited to financial) and integrated back-to-work programs will help create a healthy atmosphere (a few of the most enlightened employers are beginning to experiment here already).

The fourth generation is still several years off. It encompasses each person's knowledge of their own genomics, individualized pharmaceutical and biotech products and tailored Web-based personal health records updated daily, all in an environment that will still include the first three generations.

One factor too often overlooked in the move to consumer-directed care is the general unwillingness of HR directors to vigorously pursue and implement an entirely new health plan. For them, getting their entire workforce up to speed on something so new is a lot of work. They may wish to downplay such a venture, especially since it is unlikely they personally will reap any of the savings. Thus, it is up to the CEO to make reforming the health plan a top priority and a hands-on pursuit. Short of that, progress will be slow at best.

Applying principles of consumerism to health care is essential to creating a 21st Century Health System that saves lives and saves money. To be sure, there will be challenges, but consumer-directed care is the only path that will allow our health system to bear the challenges of the future.

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