

# Consumer-Directed Health Care: Better Care or a Passing Fad?

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# Overview

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- Emergence of consumer-directed health care (CDHC)
  - Market competition model
  - Health care as a commodity
- New policy/legal considerations
- Panacea or latest fad?

# CDHC: I

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- Definition
  - High-deductibles
  - Tax-favored health savings accounts
  - Out-of-pocket limits
  - Risks shifted to patients
  - Different configurations

# CDHC: II

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- Patients control their health care spending
  - What health plan to buy
  - When/where to seek tx
  - What treatment to receive, from whom

# CDHC: III

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- Theory
  - Patients will be cost-sensitive
  - Quality up, costs down
  - Efficiencies will reduce rate of uninsured
- Dependent on
  - Information
  - Patients' ability to make wise choices

# Conceptual Considerations: I

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- Pros
  - Reliance on patient preferences/values
    - Patient choice/responsibility
    - Awareness of health care costs
  - Market-based
  - Decouples health insurance from employment
  - Reshapes thinking about health care

# Conceptual Considerations: II

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- Cons
  - Information deficits
  - Fragmented risk pools
  - Favors healthy/wealthy
  - Patients may avoid prevention
  - Inadequate account amounts
  - Health care as commodity

# Empirical Considerations: I

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- AHIP
  - 27% previously uninsured
  - 73% replacing previous coverage
  - 4.5 million now enrolled (Jan. 07), up from 3.2 million (Jan. 06)
    - Growth in large group market
    - Slower growth in individual market

# Empirical Considerations: II

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- *Wall Street Journal* (Fuhrmans, 12 June)
  - 2.4 million workers in 2005; 2.7 million in 2006
  - 40% because no choice
  - 19% when choice exists
  - Lower satisfaction
- McKinsey (2005)
  - CDHC patients more likely to ask about costs
  - Choose less expensive treatment option

# Empirical Considerations: III

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- Increased cost-sharing likely
- No evidence yet re: cost reductions/quality increases
- No decrease in uninsured rates
- RAND Health Insurance Experiment

# CDHCs: Changes With Legal and Policy Significance

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- Shifting risk to patients
  - Changes physician-patient encounter
  - Changes fiduciary obligations
  - Emphasis on patient preferences
  - Implications for legal standard of care
  - Information disclosure
- Legal implications differ by stakeholder

# CDHCs—Key Legal Questions

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- Shift from tort liability to contract?
- Changes to legal standard of care?
- Erosion of ERISA preemption?
- Responsibility for information disclosure?
- How will CDHC cases be litigated?
- Judicial receptivity to new legal doctrine?

# CDHCs—Key Policy Questions

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- Change in what differentiates health care from other markets?
  - Health care as a commodity
- Information disclosure
- Patient protections
- Regulatory issues
- Mediating claims

# Why is This Fad Different?

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- Nothing else has worked anyway
- Gaining market share
  - Give market competition a chance
- Era of individualism and market dominance
- Political support
- Health care as a commodity

# Why This Fad Will Fail

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- History of previous failed reforms
- Assumes highly educated patients
- Favors healthy and wealthy
- Lack of empirical support for enhanced quality at lower cost
- Fragmented insurance pools

# Why This Fad Will Fail: II

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- Triumph of hope over experience
  - Every fad as the solution
  - Every fad abandoned
- Won't and can't redress systemic flaws
  - Costs too high for uninsured populations
  - Won't change quality
- Information limits

# Why This Fad Will Fail: III

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- Public resistance to health care as commodity
  - Remember managed care?
  - *Caveat emptor* is not a good marketing campaign

# Conclusion

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- CDHC is different from other fads
  - Market reliance
  - Great patient involvement
- CDHC is like every other health care fad
  - Will not achieve higher quality at lower cost
  - Will not substantially lower uninsured rates

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