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Op-Ed
Empowering Patients through Consumer-Driven Health Care
by Devon M. Herrick, PhD

Consumer-driven health care refers to plans in which employees manage their own health care dollars rather than cede control to third parties, as they do with traditional health plans. These new coverage options empower patients to express their priorities and preferences and to make trade-offs between heath care and other uses for their money instead of having these choices made for them by others.

Most Americans still receive clinical care in much the same way as they did 4 decades ago. This is because the setting in which patients receive medical care is largely a function of how physicians are paid, and the way physicians are paid has remained fundamentally unchanged since the rise of private health insurance and the passage of Medicare and Medicaid in the mid-1960s. Insurers (both commercial and government) pay nearly 90 percent of physician bills and have little incentive to expand the services they cover because doing so might increase their expenditures. Many insurers, for example, do not reimburse physicians for telephone consultations or e-mail exchanges, so physicians often avoid communicating with patients in these ways. In fact, health economists have theorized that forcing patients to take time off from work and wait in crowded physicians' offices is a way of rationing health care using time rather than money [1].

The 40-year-old model of health care financing is changing, however. Consumer-driven health plans, which generally include a personal health spending account, are leading to new models of care delivery that are both convenient and efficient. Patients with personal health accounts, such as a flexible spending account (FSA), a health savings account (HSA), or a health reimbursement arrangement (HRA) often have debit card access to their accounts so physician reimbursement takes place at the time of service. Because of the speedy cash flow and reduced paperwork, many physicians will seek out these paying patients by catering to their needs.

Some of the new ways patients can receive medical care include: Internet-based practices, e-mail consultations, phone consultations, and nurse practitioner-staffed "quick-clinics" located in pharmacies and large retail stores. Given these alternatives, patients suffering from minor ailments who are armed with instant access to HSAs may not be content waiting in crowded physicians' offices when a retail store-based health clinic is less expensive, more convenient, and has a shorter wait time. Patients may also want to spend more time discussing the relative merits and costs of prescribed drugs.

Patients with consumer-driven health plans have the incentive to question the need for expensive screenings they deem unnecessary because it is their own money they are spending. When their money is at stake, patients will ask tough questions about the prices and efficacy of recommended treatments and services [2].

When patients become more involved in decisions about their health care, the result will be a health care system that is both responsive and sustainable. Physicians will increasingly expect their patients to pay directly for routine services and will treat them more like customers. Patients will finally begin to place a monetary value on the medical care they receive and will demand "bang for their buck." Patients may even begin to take greater responsibility for management of their chronic conditions when they have Internet-based management tools and control of the funds that pay for their day-to-day medical care. For instance, an individual with asthma who uses an HSA might more closely monitor his or her condition, knowing that a trip to the emergency room could wipe out the accumulated balance. Someone with diabetes may monitor blood glucose levels as an easy way to avoid costly complications. These attributes are important traits of consumer-driven health care. This is similar to what people do in every other area in which they consume goods and services—ask questions, compare services, and consider prices.

References and Notes

1. See, for example, Phelps CE, Newhouse JP. Coinsurance, the price of time, and the demand for medical services. *Rev Econ Stat.* 1974;56:334-342; and Cauley SD. The time price of medical care. *Rev Econ Stat.* 1987;69:59-66.
2. A series of experiments begun in the 1970s illustrated conclusively that patients reduce consumption of medical services when exposed to increased levels of cost-sharing. Newhouse JP. *Free for All?: Lessons from the RAND Health Insurance Experiment*. Cambridge, Mass: Harvard University Press; 1993.

To read one doctor's account of treating patients covered by HSAs, see Brewer B. A family doctor adapts to health savings accounts. *Wall Street Journal.* January 24, 2006.

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