

ABOUT THE AUTHOR

Toni L. Goldfarb is a New Jersey-based medical writer who started her career working in laboratory and clinical research. During over 25 years of writing about medical and scientific subjects, she has frequently collaborated with physicians in the preparation of research papers, monographs, continuing medical education programs, and patient education materials. Her work has also appeared in medical magazines, popular periodicals, and health newsletters. Previously she was the editor and publisher of *Medical Abstracts Newsletter*, which provided consumers with easy-to-understand summaries of new medical journal reports. She is also co-author of the American Lung Association's popular smoking cessation book, *7 Steps to a Smoke-Free Life* (Wiley, 1998).

ADVISORY BOARD

Lawrence D. Brown, PhD, professor, Department of Health Policy and Management, Mailman School of Public Health, Columbia University, New York, N.Y.

Sara Collins, assistant vice president, The Commonwealth Fund, New York, N.Y.

Roger Feldman, PhD, Blue Cross Professor of Health Insurance, Division of Health Policy and Management, School of Public Health, University of Minnesota, Minneapolis, Minn.

Grace-Marie Turner, President, The Galen Institute, Inc., Alexandria, Va.

EDITOR Emily Paulsen

SENIOR EDITOR Frank Murphy

ASSISTANT EDITOR Erin Loomis

CODING EDITOR Patricia A. Hubbard, CPC

CREATIVE DIRECTOR Gary DeFazio

PRODUCTION DIRECTOR Jane Pickering

PUBLISHER Jeannette Brandofino

MARKETING DIRECTOR Linda Zani Thomas

MARKETING ASSOCIATE Lisa Shevrin

The content of *Doctor's Digest: Consumer-driven Healthcare*, including such material as text, graphics, images, and other material contained in the digest, is for informational purposes only. The content is not intended to be a substitute for professional advice. Always seek the advice of professionals with any question you may have. Reliance is at your own risk.

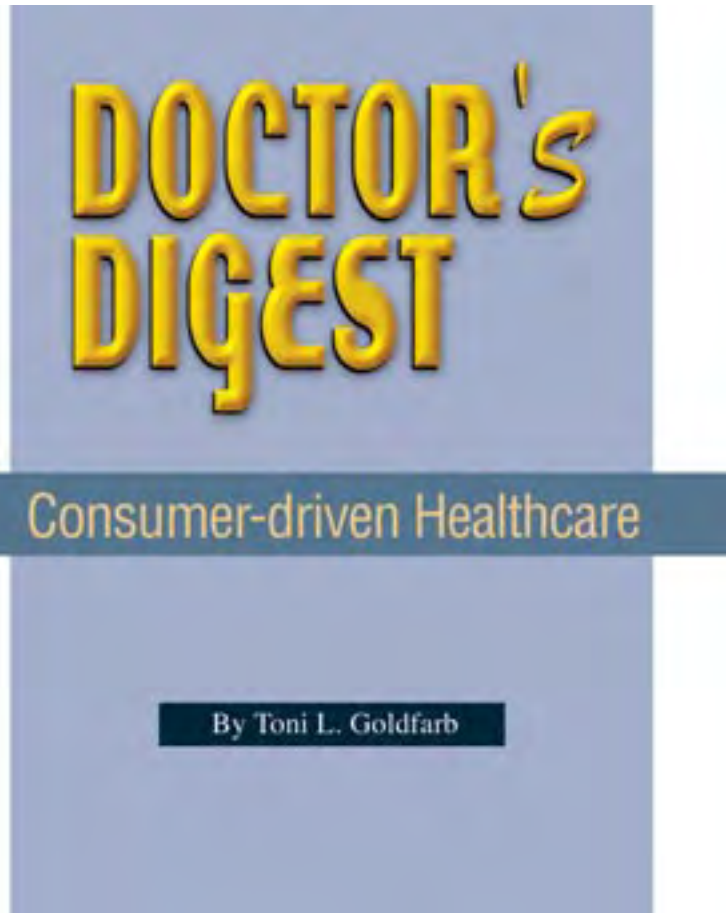
The content of *Doctor's Digest: Consumer-driven Healthcare* is protected by copyright under both United States and foreign laws and under United States trademark laws. Title to the content remains with Brandofino Communications, Inc. Any use of the content not expressly authorized by Brandofino Communications, Inc. is a breach of copyright and trademark law. All rights not expressly granted are reserved to Brandofino Communications, Inc.

Doctor's Digest (ISSN 1554-6195), January/February 2008, Volume 4, Number 1. Published bimonthly by Brandofino Communications, Inc., 12 Spruce Park, Syosset, NY 11791. For general subscription information & paid subscriptions e-mail: circulation@doctorsdigest.net. Doctor's Digest is available on a paid subscription basis at the following annual rate: \$54 (Foreign \$108). Single copy price: \$12. To order send check or money order payment to: Doctor's Digest, 12 Spruce Park, Syosset, NY 11791. Attn: Circulation Department (be sure to indicate title of issue, shipping address and phone number). Visit our Website at www.doctorsdigest.net. For Advertising Sales & Editorial call 516-364-2575 or write sales@doctorsdigest.net or editorial@doctorsdigest.net. Postage paid at Mechanicsburg, PA 17055.

Copyright ©2008 and published by Brandofino Communications, Inc. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means electronic or mechanical, including photocopy, recording or any information-retrieval system, without the permission in writing from the publisher.

DOCTOR'S DIGEST™ and the split diagonal, two-toned publication cover are trademarks of Brandofino Communications, Inc.

BRANDOFINO COMMUNICATIONS ■ INC.



Consumer-driven Healthcare

While there are many opinions about solutions, most would agree that the U.S. healthcare system needs major repair. Healthcare expenses are up while reimbursements for physicians are down. Medical breakthroughs improve the prognosis for a wide range of illnesses and conditions, but too many people lack access to basic, preventive care.

In this issue of *Doctor's Digest*, we take a look at one of the latest approaches to solving the healthcare crisis in our country: consumer-driven healthcare, or CDHC. These insurance plans offer patients lower monthly premiums and the option of setting up a tax-free Health Savings Account in exchange for higher out-of-pocket expenses. The idea is to apply “consumerism” to healthcare—encouraging patients to seek out high-quality, cost-effective treatment.

What do physicians need to know about CDHC? How will it affect the business and practice of medicine? How does redefining “patients” as “consumers” affect the physician-patient relationship?

Diagnosing the Health Insurance Problem

8

All stakeholders—from patients to physicians to healthcare institutions and even the government itself—have complaints about our current healthcare system.

- *Medical expenses are a major factor in a huge number of personal bankruptcies, and, according to one survey, people worry more about affording medical care than they do about losing their jobs or paying for housing.*
- *Physicians find increased regulations and decreased reimbursements squeeze them from both sides. Many report that time and money pressures detract from their relationships with patients.*

Is CDHC the Cure?

34

Proponents and critics agree that CDHC is changing medical practice, but they differ on whether these changes are for the better or the worse.

- *Physicians who watch patients struggling to pay their CDHC-plan deductibles may wonder whether patients are actually saving any money. While it's clear that consumers save money on CDHC insurance premiums, whether they save overall depends on a variety of factors.*
- *One theory behind CDHC is that when patients are paying for their own care, they will be more likely to avoid unnecessary tests and procedures that drive up the cost of healthcare. But many worry that paying for their care is just as likely to prevent patients from seeking medically necessary care as well.*

Patients as Decision Makers

60

CDHC encourages patients to comparison-shop for healthcare. But do patients have access to the information they need to make informed decisions? Will physicians have to alter their practice to accommodate price-shopping patients? Is this the best way to choose healthcare?

- *Although patients may make good decisions in easy cases—like deciding not to go to the hospital with a common cold—how will they fare with more complicated situations, such as choosing among medications or interpreting test scores?*
- *The Internet offers lots of health information, but sifting through may require more time and training than the average consumer has.*

Reimbursement and Other Practice Challenges

76

CDHC has the potential to change both the practice and the business of medicine. Practices need to get ready by training staff, revamping policies and procedures, and upgrading information systems.

- *When patients are paying out-of-pocket, practices will need to change their procedures to ensure timely payment for services provided. In addition to collecting co-pays from PPO or HMO patients, practices need methods for determining CDHC patients' costs at the time of the office visit.*
- *With payers and patients now requiring more detailed cost-and-quality data and many patients expecting online access to their medical records and e-mail contact with their healthcare providers, medical practices may need to develop new information systems.*

CDHC Prognosis

96

While the jury is still out on CDHC, physicians and other experts have a wide range of opinions about the prognosis for this new health insurance concept.

- *CDHC has the potential to strengthen the relationship between patients and their physicians. Doctor-patient communication is the key to making this concept work.*
- *CDHC proponents argue that the concept has the potential to increase quality and value for the healthcare dollar. Experts predict an increasing link between reimbursements and health outcomes.*

For More Information

110

To learn more about the topics in this issue, consult our list of articles, reports, and other resources.

Diagnosing the Health Insurance Problem

Physicians cope with an alphabet soup of insurance innovations, from HMOs and PPOs to DRGs and RBVUs. Now there's a new ingredient in the mix—CDHC, or consumer-driven healthcare plans, which offer lower premiums in exchange for higher out-of-pocket expenses. How will this latest development affect the business and practice of medicine?

Ad Removed for faster load time

Fast Facts

- ▲ *Consumer-driven healthcare provides plan enrollees with lower premiums and increased control over treatment decisions and spending, but with a requirement for higher deductibles. Page 12.*
- ▲ *According to statistics compiled by the Commonwealth Fund, the United States spends more than twice as much per capita on healthcare as other developed countries, but ranks near the bottom on health outcomes. Page 13.*
- ▲ *An estimated 60 percent of the non-elderly population of the U.S. obtain healthcare coverage through their jobs. Many employers are asking employees to pay a higher proportion of insurance premiums and to assume higher deductibles and co-payments. Page 18.*

The American health insurance system faces the vexing challenge of supporting high-quality medical care while controlling rising costs. Managed care and preferred-provider organizations were attempts at solutions. Now consumer-driven healthcare (CDHC, also called consumer-directed healthcare) insurance plans represent the latest attempt to provide more affordable coverage and incentives for patients to

lower their health risks and costs. CDHC plans are not for everyone, but many economists and employers believe that Americans will come to appreciate their potential benefits.

Can CDHC improve patients' access to affordable healthcare, or is it just another roadblock in the way of real cost controls?

System in Need of Repair

While there are many opinions about solutions, most would agree that the U.S. healthcare system needs major repair. All stakeholders—from patients to physicians to healthcare institutions and even the government itself—have complaints about the current system.

Statistics compiled by Karen Davis, PhD, and colleagues at the Commonwealth Fund show that the United States spends more than twice as much per capita on healthcare as five other developed countries. “In light of the significant resources we devote to healthcare in this country, we should expect the best, highest-performing health system,” says Dr. Davis, president of the Commonwealth Fund. Yet stacked up against these other countries, the U.S. ranked last or near the bottom on survey measures of quality, access, efficiency, equity, and health outcomes.

“America’s healthcare system is much too expensive, and its costs are rising at an unsustainable rate,” Arnold Relman, MD, states in his new book *Second Opinion: Rescuing America’s Health Care* (The Century Foundation, 2007). “Care is not available to many who need it the most, and it is inefficient and highly variable in quality,” says Dr. Relman, professor emeritus at Harvard Medical School and former editor-in-chief of *The New England Journal of Medicine*.

Total U.S. healthcare expenditures now top \$2 trillion per year and are expected to reach over \$4 trillion by the year 2016, according to the government’s National Health Statistics Group. Despite this high cost, official U.S. Census Bureau statistics for 2006 show that 16 percent of the U.S. population—47 million adults and children—are uninsured, and that number continues to increase.

Many more are underinsured—and they may not realize it until it’s too late; people who think they have good health insur-

A Typical CDHC Plan

There is no universally agreed-upon definition of CDHC, but typical plans include some key components, according to the Government Accounting Office (GAO):

- High deductibles requiring up-front payments for service and catastrophic coverage for major medical expenses;
- An associated tax-advantaged Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA) that covers all or part of the deductible; and
- Decision-support tools to help enrollees evaluate healthcare treatment options, providers, and costs, and to obtain information about medical conditions and ways to improve their lifestyle.

The plans often come with lower premiums than traditional fee-for-service insurance. This increases the attractiveness of the option for many consumers.

Some plans also include the following features:

- Free coverage for preventive care, such as immunizations, mammograms, and weight-loss and smoking-cessation programs;
- Computerized medical-record systems, including billing information, that both patients and physicians can access;
- Call-in services, usually staffed by nurses who offer advice, support, and answers to medical questions; and
- E-mail access to the physician’s office for appointment scheduling and billing questions.

Since the idea of CDHC is to involve consumers in healthcare decisions, most plans also offer access to information and education to help inform plan members of their options. The most popular education tools that healthcare insurance companies are providing for CDHC plan members include these:

- Health-plan comparison charts that allow employees to compare the coverage and cost for different health-plan options;
- Provider directories that list the doctors and hospitals included in each plan;
- Personalized healthcare cost summaries that show the employee’s claims information and total healthcare expenses; and healthcare spending account estimators that allow employees to model healthcare expenses and make recommendations on the amount that should be contributed to a health-savings account or health-reimbursement account.