



# Consumer Driven Health Care: Wider Effects

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Greg Scandlen





# Three Steps in CDHealth

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- **Manage the Money**
  - New forms of insurance
  - Non-insurance financing
- **Manage the Information**
  - Patient Support Services
  - Cost/quality comparisons
  - On-line transactions
- **Manage the Services**
  - Physicians
  - Pharmaceuticals
  - Hospitals



# Manage the Money

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- **New Forms of Insurance**
  - HSAs, HRAs
  - Defined Contribution
  - Individual Ownership
  - Supplemental (critical illness, hospital indemnity)
- **Insurer Problems**
  - PPOs no longer work
  - Need for medical management
  - Lack of consumer trust
- **Insurer Response**
  - Surprising adoption rate
  - Reduced premium, but higher profits
  - Emphasize customer service



# Manage the Money

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- **Non-Insurance Financing**

- HSA Administration
- Debit, Credit cards
- Financial services (HELOCs, etc)
- Better information technology (ATMs, on-line banking)
- Better retail, brand loyalty

- **Remaining Issues**

- HIPAA Compliance, privacy
- Integration of medical/financial information
- Transient employment relations



# Manage the Information

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- **New Role for “Trusted Agent”**
  - Agency – essential function
  - But who will fill it?
  - Market Makers
  - Cost-quality comparisons
  - Improved transactional efficiency
  - Medical management
  - Standardized versus customized treatments
  - The Evidence-Based detour
  - Demand for convenience, amenities



# Manage the Services

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- **Physician Problems**
  - Not used to talking about money w/ patients
  - Don't know the costs
  - Convenience not a priority
  - Insurance company hassles
  - Bad debts, accounts receivable
- **Physician Response**
  - Cash-only, concierge practices
  - E-mail, telephone consults
  - Competition from in-store clinics
  - Push for real-time adjudication
  - Lower admin costs. malpractice premiums



# Manage the Services

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- **Pharmaceutical Problems**
  - Importation
  - High distribution costs
  - Intellectual property
  - Potential for price controls
  - Competition from generics, OTC
- **Pharmaceutical Response**
  - Direct on-line marketing
  - DTC advertising
  - Brand loyalty



# Manage the Services

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- **Hospital Problems**
  - Used to “wholesaling,” dealing w/ bureaucrats
  - Repricing claims, PPO discounts
  - Lack of cost accounting
  - Lack of transparency, rational pricing
  - Employee skill sets (admissions clerks)
  - Collective bargaining
  - Medicare, Medicare, Medicare





# Manage the Services

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- **More Hospital Problems**
  - Excessive regulations
  - Illegal immigrants
  - Consolidation, centralization
  - Anti-competitive (CON, specialty moratorium)
  - Trauma center costs
  - Foreign competition
  - Public relations, litigation



# Manage the Services

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- **Hospital Response**
  - Push-back on PPO discounts
  - Implement cost accounting
  - Develop rational, transparent pricing
  - Unbundled services, decentralization
  - Embrace competition
  - Rethink staffing
  - Work on Medicare reform
  - Community should pay for community services



## Contact:

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**Consumers**  
for health care  
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*the voice of the health care consumer*