



Harnessing

CONSUMERISM

for Improved

HEALTH & HEALTHCARE

By Nelson Rosenbaum



As a tsunami traverses mid-ocean, it appears as little more than a large swell, the enormous mass of onrushing water concealed beneath the depths. Yet as the tidal wave approaches the shoreline, it rears up into a towering, unstoppable force, capable of dramatically re-shaping the landscape before it.

Consumerism in American healthcare is very much like a tsunami – a deep underlying force that has been building in strength and scope for years, but is only now beginning to break over the medical marketplace with transformative power. That transformation will touch every aspect of the market: how healthcare insurance is purchased and financed, how physicians and hospitals are held accountable for performance, how health information is distributed and protected, how medical services are selected and utilized. Since healthcare is now the largest single sector of the US economy, the consumer transformation of the medical marketplace will touch the lives of most Americans.

Consumerism and Macro Trends in American Healthcare

The rise of consumerism is intimately connected with and will help to determine the success of other major trends shaping the medical marketplace.

Employer sponsored health insurance, in the form of a standard package of “defined benefits”, is rapidly approaching the limits of economic sustainability. Many companies are now limiting their cost exposure by shifting to a “defined contribution” approach to healthcare insurance, in the form of high deductible or catastrophic healthcare coverage combined with a tax advantaged savings account like an HSA, HRA or FSA. These plans rest upon the premise that members and dependents can be motivated by financial self-interest into operating as more cost-conscious consumers. While this approach holds the promise of riding on the wave of self-initiated consumerism that has been building for more than a decade, it also rests upon the yet unproven premise that consumers will be able to acquire enough specific information to make wise purchasing decisions.

The success of national healthcare reform also interacts with consumerism. It's a measure of our collective desperation over healthcare cost and access that Congress enacted broader government financial responsibility and regulatory control of the marketplace at the same time that existing government-funded health care programs -- such as Medicare, Medicaid, and SCHIP -- face their own existential fiscal crises. Reconciling greater government control of the medical marketplace with the growing wave of consumerism remains an open issue - particularly since experience with managed care in the 1990s demonstrated that consumer perspectives can come into strong conflict with bureaucratic fiat. While advocates of expanded government regulation may pay lip service to the notion of “patient control”, they are often less than explicit about how consumer choice can be respected and encouraged in their programs and regulations.

Consumerism is also at the heart of the ongoing debate over health care quality and outcomes. The US spends far more per capita on healthcare than any other “comparable” country, but other nations appear to get more value for money in terms of life expectancy, birth outcomes, and other key measures of quality. For several decades now, the U.S. medical research community has been engaged in an effort to improve outcomes through top-down diffusion of “evidence-based medicine” practice guidelines to physicians and other providers. These guidelines cover such matters as appropriate preventive care practices, optimal chronic disease management, effective cancer care treatment, and so on. To date, however, judging from extensive research on continuing quality gaps in care, the impact of these initiatives appears marginal at best. Recently, many purchasers and payers have

begun “pay for performance” programs in which providers can earn monetary rewards by demonstrating compliance with best practices and improvement in outcomes. But, like many of the earlier evidence-based initiatives, almost all of the “P4P” programs are set up as bureaucratic exercises on the supply side without significant involvement or exercise of responsibility by the consumer. It is unclear whether quality enhancement can succeed without engaging the consumer as an active, informed party in the marketplace.

In brief, consumerism represents a powerful force that will affect every aspect of the U.S. medical marketplace in coming years. This consumer wave will drive substantial change on its own, but will also interact with and shape other significant forces and trends in the marketplace. The outcome of the consumer transformation will affect our health status, our standard of living and our economic competitiveness in the world for the next fifty years.

Consumerism and the Medical Marketplace

The dramatic and unrelenting growth of the medical marketplace over the last thirty five years is startling. Growth of per capita spending on health products and services has consistently outpaced GDP growth and is on track to approximate 20% of the nation's economy within the next decade. It has far outpaced the growth of any other component of the economy.

This growth has been driven by a number of major factors ranging from advances in medical technology to the aging of the population to the concentrated pricing power of certain types of medical suppliers. Growth has brought general benefits to American society in terms of improvements in longevity and quality of life as well as specific benefits to highly paid medical personnel and to local economies that have become specialized in healthcare.

Despite the manifest benefits, however, the distortions and inefficiencies of the medical marketplace have become so drastic that the continued growth of the sector poses grave threats to our society's economic standing and well-being. The balance between preventive care and acute medical care within the US is generally agreed to be out of kilter, leaving the country with far more avoidable illness than necessary. The market primarily focuses on the needs of people with illnesses and medical conditions rather than addressing more fundamental issues of optimum health and wellness. Partly for the above reasons, the US spends far more per capita on healthcare than other countries, but does not achieve higher value in quality and outcomes. There are also wide regional disparities within the United States in the use of different procedures and drugs, which appear to reflect nothing more rational than local custom. Our medical market also siphons up a huge proportion of total spending for insurance administration and intermediation, without clear benefit.

The fundamental issue in all of these distortions is the insulation of the medical marketplace from normal forces of supply and demand. The source of that insulation is the broad "information asymmetry" between providers and consumers. In a nutshell,

the consumer does not know what he/she is buying, what it costs, and whether it is necessary or effective. Until the information gap is bridged, the market's distortions cannot be normalized. That is both the challenge and the promise of consumerism.

Active, informed consumerism is at the core of what most Americans consider a "free market". As a capitalist society, we subscribe to the belief that consumer choice is the principal and preferred means by which markets self-correct. Consumers respond to price and quality signals by changing their purchasing behavior and, through their informed choices, ensure that a market operates efficiently to produce the "optimal" mix of goods and services.

Of course, this idealized version of a rational market operates only imperfectly in most sectors of the American economy – frequently requiring government intervention or industry self-regulation to constrain or direct the market. However, there is little theoretical disagreement anymore across government and industry that the consumer should be encouraged and empowered to take the sovereign role to the greatest possible extent. It is a peculiar irony, then, that the fastest growing sector of all – the healthcare industry – has been the laggard to most other sectors in encouraging or supporting consumerism. There are many reasons for this historical lag: the lack of financial incentives for consumer involvement, the sheer scale of the knowledge gap that must be bridged between providers and consumers, the passive psychological orientation that often characterizes the "patient" role, and the technological barriers to information exchange. However, all of these historical obstacles to consumerism are now diminishing, opening up the prospect for greatly enhanced consumer engagement.

Channeling Consumerism Constructively

Consumers are not waiting for permission from elites to engage actively in the medical marketplace. Much consumer energy is manifested in self-initiated, "guerilla" actions that are driven by growing frustrations with an unresponsive market. Increases in medical malpractice lawsuits, second opinion requests, internet drug purchases, citizen challenges to FDA rule-making, and medical tourism to India and Singapore are but a few of the leading indicators of consumer discontent with the US medical market. These forms of healthcare consumerism attempt to go over, under, or around the "official" marketplace. Yet these self-generated manifestations of consumerism cannot systematically address the main challenges of disciplining the medical marketplace. To be effective, consumerism requires constructive channeling by industry and the regulators. How to integrate consumer energy and engagement into the marketplace -- rather than continue to deflect it over, under and around the market -- will be a central issue over the next several decades.

Based upon my own experience and research, let me suggest four basic principles for engaging consumers constructively in the medical marketplace. All deal with the centrality of overcoming the information asymmetry between producers and consumers.

1. Accelerate Information Flow. A reliable flow of timely, personalized information is one critical key to informed consumerism. Generalities don't count. If the information isn't personalized, it's of relatively little value. If it's three or four months old by the time it's provided, it's outdated and potentially misleading. A good example of

timely personalized information flow is found in the Medicaid Part D decision support tools which successfully allowed many seniors to optimize their drug plans. Another hopeful trend is the proliferation of personal health records (PHR), which collect and display a consumer's longitudinal health and healthcare experience.

2. **Keep Information Understandable.** One of the great obstacles to more effective consumerism is the limited health literacy level of most Americans. While it is often assumed that the acronyms and technical jargon of the medical trade is widely understood, the reality is the vast bulk of citizens have not expended the effort to familiarize themselves with this domain. Thus, it is essential that medical terminology be kept at a level of clear comprehensibility – not by oversimplifying or trivializing the information, but by judicious word choice and attention to detail. Efforts at Medical Mutual of NC and Health Care Service Corp are good examples of effective modulation of literacy level to ensure consumer comprehension.
3. **Make Information Actionable.** Americans tend to be impatient with theory and generalities. Rather, Information supporting consumerism must be shaped in terms of concrete decisions -- buying choices, medical necessity judgments, compliance calculations, diet requirements – that consumers face in the course of a busy day. More lectures and banalities about eating right, staying fit and buying smart don't work well to promote a responsive marketplace. A good example of just in time, actionable information is the delivery of SMS text messaging alerts on cell phones about smoking cessation and physical activity. Many studies have shown these types of "just in time" interventions to work successfully in diverse populations with proper design.
4. **Maintain Information Interactivity.** Consumerism works best when information is systematically exchanged in both directions. Attention is typically focused on the top down approach – i.e. the EHR supporting and informing the PHR. Rarely is the value of information flow the other way around considered, but consumer pain and sleep diaries, systematic observations about activities of daily living, or consumer-generated clinical findings can be an invaluable source of diagnostic and treatment guidance for professional providers and care-givers. A promising low-tech example of information interactivity is the innovative use of e-mail in Kaiser's Health Connect system.

Conclusions

The era of consumerism is just beginning to impact the medical marketplace. The promise of "normalizing" the market toward something resembling the supply-demand equation of other markets is one of the few bright spots in an otherwise gloomy prognosis for American health and healthcare. As noted, much will depend upon how market makers and government regulators discourage or encourage the emerging trend.

Some threats to consumerism are clearly emerging. It's possible that privacy regulation will unintentionally shut down effective consumerism under the guise of consumer protection. There are many battles in process over the appropriate balance between open information flow and individual privacy decisions. How these fights play out will affect the acceleration and timeliness of information flow to consumers. Another significant threat comes from excessive government regulation of products and services in the marketplace. For example, the recent health reform

legislation opens the door to national imposition of evidence-based protocols, potentially constricting rather than expanding consumer choice.

On the other hand, there are some positive actions by providers, payers, and regulators which bode well for consumerism. The national investment of over \$20 billion in EHRs for provider organizations over the next five years will finally digitize key medical information in a form in which it can easily support the diffusion of PHRs to American consumers. Standardization of health insurance product offerings and descriptive language by regulators may finally make it easier for Americans to understand the coverages they are actually buying. The diffusion of mobile phone technology holds the promise of offering timely personalized health information to consumers on a convenient, accessible basis. Many employers have committed themselves to a "culture of health", in which they seek to encourage engagement and education of their employees on key health and wellness issues.

How this balance of official encouragement and discouragement plays out against the underlying wave of guerilla consumerism bears careful watching over the few years. There will be many opportunities to join in the fray for those who believe in consumerism as a positive force in the medical marketplace. ■

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