

**Introduction - "To Your Health: The Consumer
Transformation of American Medicine"**

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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 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.

The rise of consumerism will interact with and help to channel the other major currents of change that are shaping the medical marketplace. The stakes are high.

The cost of healthcare has reached a crisis point in the United States. 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 so-called "consumer-directed health plans" rest upon the premise that health plan members 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 unproven premise that consumerism will ultimately save money. The interaction between consumerism and cost-control initiatives forms one of the central themes of this book.

Proposals for a national or state-based system of government single-payer financing that would cover the healthcare of all Americans are also on the table. It's a measure of our national desperation over healthcare cost and access that broadened government financial responsibility and regulatory control of the marketplace is being proposed at the same time that existing government funded health care programs -- such as Medicare, Medicaid, and SCHIP -- face their own existential fiscal crises. Reconciling government control of the medical marketplace with the growing wave of consumerism remains a key issue - particularly since experience with managed care in the 1990s demonstrated that consumer perspectives are unlikely to be pushed aside by bureaucratic fiat. Governmental financing and control necessarily implies budgeting and rationing - which conflicts head on with both the ideology and the practice of consumer sovereignty. While even the

foremost advocates of expanded government involvement may pay lip service to the idea that "decisions should be left to the patient and the doctor", they are less than forthright about how consumer choice can be respected and encouraged in their proposed programs. Reconciling these competing approaches will be a difficult challenge and will form another of the key issues examined in this book.

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 seem 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 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 responsibility of the consumer. How quality improvement efforts can achieve greater impact by engaging the consumer is a key question

and will form a third of the central issues examined in this book.

In brief, then, the thesis of this work is that consumerism represents a new and powerful force for change 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 other significant forces and pressures 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.

Organization of the Book

This book is organized in three major sections. Section A presents an assessment of the scope and structure of the U.S. medical marketplace and the emerging role of consumerism. Section B provides a series of detailed case studies on the strengths and weaknesses of healthcare consumerism in action. Section C includes an analysis of the impact of consumerism on the healthcare professions and a look at how public policy can encourage or discourage consumerism in healthcare. The main themes of analysis are previewed below.

Section A - Sources of Consumerism

In Chapter 1, I describe the growth and scope of the market for medical goods and services in the U.S. One cannot understand the emergence or the role of consumerism without a firm grounding in the structure of the market itself.

A major theme of this chapter is the dramatic and unrelenting growth of the medical marketplace over the last thirty five years. 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 any other component of the economy.

This growth has been driven by a number of major factors ranging from advances in 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 illnesses than necessary. The market primarily focuses on the needs of people with illnesses and medical conditions rather than addressing more fundamental issues of 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.

I will argue that the fundamental issue in all of these distortions is the insulation of the medical marketplace from normal forces of supply and demand. I will further argue that 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.

Chapter 2 turns to the historical reasons why consumer sovereignty was so late in developing in the medical marketplace as well as the forces and factors that are now driving the rise of consumerism in the US.

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, insure 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. Indeed, one market sector after another has succumbed to the ideology and practice of consumerism over the last fifty years, ranging from automobiles and consumer durables to housing finance and higher education

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, the technological barriers to information exchange. But, I will argue, the most important reason for the lag is that market elites - purchasers of health care, financial payers and insurers, providers of care - have not been convinced that the consumer sovereignty model should apply to healthcare. Rather, the industry has grown and prospered under two different market models: a) the supply driven model that dominated from the 1960s to the 1990s, in which the growth of the market was largely dictated by the medical providers and the suppliers of goods and services, b) the regulation-driven model that has challenged supply side domination from 1980s to the present - including "managed care" initiatives on the employer side,

Medicare/Medicaid price controls and utilization regulation, and certificate of need programs and other capacity controls by government.

All that is now changing. In the last ten years, there have been dramatic advances in the consumer's involvement in and impact on American medicine. Indeed, some elites have come around to the view that consumerism represents the last, best chance for effective cost containment. As noted, we are currently engaged in a great experiment with consumer-driven healthcare plans (CDHP), which incentivize the consumer to be a cost-conscious purchaser. We are also living through an information technology revolution in which the internet has made feasible the rapid transmission of a broad spectrum of technical information to the consumer. Some healthcare organizations have seen the potential of the web to revolutionize their relationships with the consumer and have acted accordingly.

However, the advent of consumerism is far broader and deeper than these system-sponsored, official efforts. Consumers are not waiting for motivation or permission from elites. Much of the consumer trend is manifested in self-initiated, "guerilla" actions that are driven by growing frustrations with an unresponsive marketplace. Increases in medical malpractice lawsuits, second opinion requests, internet drug purchases, citizen challenges to the FDA, and medical tourism to India and China are all leading indicators of discontent with the US medical market. These forms of healthcare consumerism attempt to go over, under, or around the official supply-directed or regulatory-driven marketplace. How these self-generated manifestations of

consumerism can co-exist or integrate with the officially sanctioned forms of consumer involvement will be a central issue over the next several decades.

Section B- Consumerism in Action

Section B examines the strengths and weaknesses of healthcare consumerism in action, with the objective of deriving some practical lessons for effective consumer engagement.

The analysis of consumer transformation experience is based upon three key criteria of a well-functioning marketplace:

1) To what extent have recent initiatives made market offerings and operations more transparent and understandable to the consumer? Transparency is the crux of reducing the huge information asymmetry between consumer and provider that has heretofore impeded the normal operation of supply and demand in the health care marketplace. 2) To what extent have recent changes encouraged the acceptance of responsibility and accountability for outcomes in the medical marketplace. The only way that a market can operate successfully is if both sides in transactions accept appropriate accountability for their actions and decisions. Accountability and responsibility have historically been in very short supply in the US medical marketplace. 3) To what extent have recent initiatives enhanced portability and choice in the marketplace? Consumers can never be sovereign until they can "take their business elsewhere". The US medical marketplace has heretofore displayed many rigidities which

prevent consumers from exercising free choice of providers and procedures.

Chapter 3 addresses a fundamental component of healthcare consumerism - efforts to bridge the knowledge gap so that consumers can better understand and evaluate market offerings. Some of these educational efforts may be self-initiated through access to the internet in response to symptoms or diagnoses. Other efforts may be initiated by employers in response to high incidence rates of disease and delivered through workplace education programs. Still others stem from sponsorship by government agencies for the benefit of Medicare or Medicaid entitlees. What all of these efforts have in common is the attempt to level the playing field by equipping consumers with greatly enhanced knowledge about the fundamentals of health and wellness - for example, what are the generally-accepted "standards of care" for treatment of a chronic disease, what are the criteria for evaluating outcomes for a major medical condition, what are the recommended preventive care intervals for specific types of tests, what are the "best practices" for nutrition, exercise and health promotion? Equipped with such knowledge, the market interaction between consumers and providers becomes very different - based more on consultation and collaboration rather than on deference to whatever the provider orders and prescribes.

We will deploy a set of case studies in Chapter 3 covering consumer education about illness (chronic diseases, major medical conditions, childhood diseases, etc.) as well as about wellness (nutrition, exercise, smoking cessation, preventive care testing, etc.). We previously noted the

imbalance between the resources devoted to the treatment of illness versus those devoted to the promotion of wellness in the US medical marketplace. Consumer education efforts are one of the primary means by which this imbalance is being addressed - as evidenced by the huge growth in the market for diet books, nutritional advice, smoking and substance abuse cessation programs, and the like. We will carefully consider the scope and efficacy of these efforts in Chapter 3.

Chapter 4 is devoted to the control of personal health information. One of the key factors in the advent of consumerism is the individual's enhanced access to personalized data about health risks, health status, and health history. Without control of this type of data, the consumer cannot hope to make better choices in the marketplace.

I will argue that the development of the personal health record is at the core of the transformation wrought by consumerism. One of the greatest rigidities and sources of inefficiency in the medical marketplace is the exclusive control of records by healthcare providers. Many of these record systems are themselves incompatible, making it difficult for providers to coordinate care efficiently. The provider controlled systems certainly leave the consumer out in the cold, unable to evaluate care patterns or switch providers because of lack of access to basic records.

Within the last decade, there has been a major effort to establish compatibility between medical record system formats and to eliminate paper records in favor of

electronic medical record (EMR) systems. These efforts, driven by government agencies and private insurers, are primarily motivated by the desire to improve provider efficiency and to reduce medical errors. However, the push for digitization of medical records has also had the partly unintended consequence of making the information more easily available for delivery to the consumer. Numerous organizations now view the personal health record - a consumer-friendly version of the EMR - as a potential competitive advantage in the medical marketplace. We will review a number of cases in which consumers have been provided access to various forms of personal health records and will evaluate whether these initiatives have improved transparency, accountability, and portability in the marketplace.

Another key aspect of consumer empowerment is better understanding of personal risk factors. Consumers are inundated on a daily basis with generic media messages about risk factors, ranging from diet and exercise patterns to drug and chemical exposures to genetic and family proclivities. While building general knowledge about health risks is all to the good (See Chapter 3), what is most crucial to the consumer is personalization of the risk profile. We will review a number of cases in which consumers have been provided with access to personalized content about risk factors, including health risk assessment programs at major employers, disease management programs in Medicare and Medicaid, and genetic profiling programs among high risk populations.

A third aspect of controlling personal health information is better understanding of the health status of our bodies - not merely the presence or absence of illness, but rather the basic condition of our organ systems and the strength of our physiology. As Americans have become more oriented to wellness rather than just focusing on illness, there is an increased appetite for such basic information. New market offerings such as "executive physicals", direct access testing (DAT) for laboratory findings, and various types of elective imaging scans (cancer, cardiac function, etc.) have developed to meet the new demand. We will evaluate a number of these programs and offerings from the perspective of transparency, accountability and portability - the three criteria of an effective marketplace.

Chapter 5 addresses the most immediate and challenging aspect of healthcare consumerism - shopping for goods and services in the medical marketplace. Even if consumers possess excellent medical knowledge and good control of personal health information, the challenge of comparison shopping for insurers and health plans, physicians and facilities, or treatments and drugs is daunting. The lack of transparency in pricing and in quality measurement places an enormous burden on the consumer to make key decisions without an adequate foundation. It's a stark contrast to many other sectors of the American economy, in which price and quality information is readily available from reputable sources and meticulous comparison shopping is a point of pride among American consumers.

Selection of an optimal health plan is one of the key decisions facing consumers in the medical marketplace. Most

employers now offer more than one type of health plan or benefit level, which may vary widely in upfront member premium as well as consumer out of pocket expense (deductible, co-pay, co-insurance, max limits). Consumer choice of plans has also come recently to certain government beneficiary programs, such as the Medicare Advantage health plans and Medicare Part D drug coverage plans. Within the last few years, both private and public plan sponsors have begun to offer enhanced decision support tools and information initiatives to assist consumers in health plan selection. We will examine a number of such cases to evaluate whether these efforts have truly enhanced transparency, choice and consumer satisfaction.

Shopping for physicians, facilities, and other providers of service is at the crux of everyday consumerism in the healthcare market. Individuals and families in the United States make tens of thousands of daily selection decisions on primary care doctors, specialist physicians, alternative medicine providers, therapists, hospital facilities, outpatient surgery centers, and so on. Voluminous research has demonstrated that the vast bulk of these decisions are based upon hearsay - recommendations from friends and referrals from other medical providers. The only type of objective factor that has been demonstrated to be of consequence in medical shopping behavior is proximity - convenience of access appears to be a limiting factor in that most consumers will not travel beyond a certain distance to obtain medical services.

Within the last few years, there has been a dramatic increase in the public availability of decision support tools based upon the premise that consumers are motivated to make more active, informed decisions on providers and facilities. These tools are offered by a wide range of plan sponsors and cover a broad range of decision points. Many health plans now offer physician registries providing full credentialing data and disciplinary history on each provider. Public and private agencies now offer more comprehensive and transparent pricing information on hospitals and other medical facilities. For-profit and non-profit organizations offer comparative quality assessments ranging from mortality rates for surgeries to outcome assessments for chronic care. In some cases, efforts to influence consumer shopping behavior have been more pointed and aggressive, such as plan sponsors attempting to channel patients to higher quality physicians by waiving co-pays or deductibles, or hospitals and providers undertaking intensive advertising campaigns for high-margin elective surgeries such as tummy tucks and LASIK. These initiatives fit the temper of the times in that consumers have more of their own money at stake under higher deductible health plans and are developing greater knowledge about the underlying health and wellness issues. But do consumers actually use the availability of enhanced market information to change their shopping behavior for providers? I will examine a number of case studies that address this question.

Section C- Impacts of Consumerism

In this section, I will examine some of the key impacts of the consumer transformation of American medicine. The medical marketplace will look very different in ten to twenty years as the wave of consumerism washes over existing institutions, policies and practices.

Chapter 6 addresses the impact of consumerism on the healthcare professions, with special emphasis upon the evolving role of physicians. As consumers become more knowledgeable and self-confident, their relationship with physicians can become more distant and adversarial or more intimate and engaged. Much depends upon the way physicians understand their own changing roles and how they prepare for transformation. I will argue that the impact will fall most heavily upon primary care physicians - internal medicine doctors, general and family practitioners, obstetricians and gynecologists - who have heretofore had the most intimate relationship with consumers. However, as consumers use their enhanced market information to self-refer to specialists and utilize alternative health providers for specific "commoditized" services, the role and relevance of primary care physicians will be frontally challenged. How generalist physicians can and should adapt to these trends will be a major health manpower and training issue over the next two decades.

In parallel with examining the changing role of physicians, I will argue that the potential for enhanced responsibility by non-physician providers will be greatly increased over the next several decades. The exclusive authority of

physicians to prescribe medications has already been successfully challenged in many states by nurse practitioners, psychologists, physician assistants, midwives and other non-physician health personnel. In many parts of the country, mini-clinics staffed by nurses and technicians are already providing basic medical services on demand in retail settings like WalMart and CVS. Pharmacists have also carved out a larger role in recent times, utilizing their direct contact with consumers to advise on prescription medication conflicts, generic substitution cost-saving strategies and the like. These assertions of authority by non-physician providers are early manifestations of the consumer transformation wave, reflecting the consumer's acceptance of increased convenience and lower cost versus the reassurance of physician credentialing. As consumers become even more active and knowledgeable, their willingness to use less credentialed providers for routine or commoditized services will only increase.

The final chapter of this book tackles some of the most difficult and perplexing issues of consumerism: how public policies affecting the shape and structure of healthcare delivery will interact with the consumer-led transformation of the medical marketplace. I do not believe that public policy can hold back the consumer wave. Americans' quest for better information about their health and healthcare and their desire for greater control over an important part of their financial well-being will not be stopped by government fiat. However, government financing policies, regulatory policies, privacy policies, and manpower

policies do have the capacity to retard or to accelerate the consumer-led transformation of American medicine.

One prominent arena of public policy conflict is over the availability of alternative sources of information and service provision. For example, there are many proposals for restriction or regulation of direct to consumer (DTC) advertising by drug companies. Proponents of government regulation argue that DTC advertising inappropriately inflates consumer demand for new drugs and skews scientific judgment by medical professionals. Opponents of restrictions argue that DTC is an important source of additional information for consumers that helps them to interact with physicians on a more collaborative basis. A similar set of arguments is deployed in state public policy controversies over whether to license direct access testing (DAT) in labs and radiology clinics. Proponents argue that a consumer who wants to self-order an HbA1C test for diabetes care should not have to run the extra expense and time of obtaining an order from a physician? Opponents argue that the consumer is not sufficiently sophisticated and educated to know what to order or to interpret the results that come back from the tests. I will carefully examine the merits of these arguments and the potential of state regulatory policies to encourage or discourage consumer-led transformation of the marketplace.

Government privacy policies also have the potential to encourage or discourage consumerism. Personal health information (PHI) is among the most privileged of all types of information and certainly deserves all necessary privacy protections. Nothing could discourage consumerism more

quickly than the suspicion - much less the reality - that personal health information is subject to theft or inappropriate disclosure. Yet excessive government privacy regulations also have the potential to retard the flow of information that is vital to reducing the knowledge gap between providers and consumers. Finding the appropriate balance of government regulation in the privacy domain will be carefully examined in Chapter 7.

Of course, the elephant in the room is the potential for government single-payer financing of healthcare. This type of financing reform clearly has the potential to retard consumer-led transformation if European single-payer models are emulated in the U.S. Indeed, many of the European countries are themselves struggling with consumer discontent over arbitrary and bureaucratically-dictated health care systems. Many are seeking new methods of consumer input and control. Yet the fiscal crisis of American healthcare is of such magnitude that it is not beyond the realm of possibility that a single payer approach will be adopted in the United States. In this chapter, I will assess variety of scenarios for health care financing reform in the United States and how each of these might conflict with or co-exist with the wave of consumer-led transformation.