Consumer-Driven Care Should Improve Quality

BY JOYCE FRIEDEN
Associate Editor, Practice Trends

WASHINGTON — The trend toward consumer-driven health care will ultimately improve overall health care quality, Regina Herzlinger, Ph.D., said at a consensus conference sponsored by the American Association of Clinical Endocrinologists.

Dr. Herzlinger, who is a professor of business administration at Harvard Business School, in Boston, contrasted the health care industry with the automotive industry.

The automotive industry, which is already consumer-driven, is deflationary and features increasing product quality, lots of available product information, and widespread ownership. The health care industry, on the other hand, is not consumer-driven and is characterized by inflation, unknown quality of care, and 46 million people without health insurance.

She noted that what helped the automotive industry along was the presence of entrepreneurs, who ended up being richly rewarded for their efforts.

For instance, Henry Ford, founder of the Ford Motor Co., created a new, less expensive form of steel from which to make cars. "Within a decade, car ownership went from 10,000 to 1 million," she noted.

Although Mr. Ford and other automotive industry pioneers were rewarded, innovation in health care is not well rewarded, Dr. Herzlinger continued. As an example, she cited the case of Ralph Snyderman, M.D., who came up with the idea of integrating the care of patients with heart failure by organizing care teams. "In 1 year, he lowered the costs by 40%," she said.

And what was his reward for doing so? "He lost the entire savings because the health care system does not pay for making sick people better. It pays for days in the hospital, for doctor visits, for components of care. So the healthier he made people, the fewer people went to the hospital, the fewer doctor visits there were, and the more money he lost. Right now, if you're a Henry Ford, you're punished, and we have very poor quality," she said.

The automotive industry, which is already consumer driven, is deflationary and features increasing product quality and widespread ownership.

With consumer-driven health care, different products will be developed to respond to the needs of different consumers, she continued. And insurers will realize that they can be rewarded for considering consumers' longer-term needs.

"I want a 5-year insurance policy. I want my insurer to really care about my long-term health," Dr. Herzlinger said.

Switzerland has 5-year insurance policies, she noted, "and if, at the end of the 5 years, you're healthier than would have been predicted at the beginning, you get 45% of your money back. How's that for a good deal for the insurer, the provider, and the customer?"

Dr. Herzlinger predicted that it will become commonplace for insurers to offer integrated team care for chronic diseases. The teams "will be wired, they'll be focused, and they're going to be paid for the fact that they're dealing with sicker people," she said.

Offering such teams will be a matter of "simple economics," she continued. "You're the insurer; 80% [of your money] goes for sick people. If you want to make it cheaper and better, how better to make it cheaper and better than to go to these organizations?"

Under a consumer-driven health care system, physicians will be paid based on outcomes, "and there will be long-term contracts so you don't look at your patients in a one-year kind of window," she said. "Investments in self-care early on will be rewarded."

One big driver behind consumer-driven health care will be aging Baby Boomers, a group that Dr. Herzlinger called "the most narcissistic, self-centered, empowered, and effective cohort we've ever had in the United States. The idea that this group isn't going to get what it wants, that's fantasy. They want [doctors] to integrate themselves, seize control of the

Continued on following page

Continued from previous page

system, and help patients care for their chronic diseases."

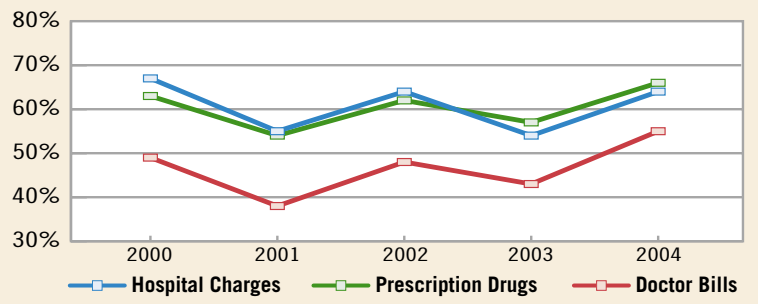
She took issue with the notion that consumer-driven health care plans will be disadvantageous to sick people.

"Quite the contrary. It will finally focus attention on sick people. Right now it's in the incentive of the insurers to get rid of sick people and not to pay people who treat sick people well. But if you go to a consumer-driven system with risk-adjusted prices, the sick will be very attractive kinds of entities."

She also disputed the notion that only those who can afford high-cost plans will get the highest-quality health care. "In the car market, what is the best car in the U.S.? Toyota," she said. "Is that the highest-cost car? Not by a long shot." Instead, it's the best-quality car "because that's where all the money is. That's the mass market." ■

DATA WATCH

Percent of Adults Who See Medical Costs As 'Unreasonably High'



Note: Based on a nationwide survey of 1,012 adults conducted Aug. 10-15, 2004.
Source: Harris Interactive

Kevin Foley, Research/Angie Ries, Design

Group Practices Continue to Use Paper Records

Most group practices are still using paper medical records and charts, according to preliminary results from a survey by the Medical Group Management Association.

"Paper is still the dominant mode of data collection," William F. Jessee, M.D., president and CEO of the Medical Group Management Association (MGMA) said in a webcast sponsored by the group.

But the scale is tipping, he said. About 20% of group practices report that they have an electronic health record of some kind. In addition, 8% have a dictation and transcription system for physician notes, combined with a document imaging management system for information received on paper. "We're seeing a steady movement toward a paperless office," Dr. Jessee said.

The preliminary findings are based on responses from about 1,000 group practices that responded to an electronic questionnaire. The second stage of the survey will include mailing more than 16,000 printed questionnaires to a sample of group practices across the country. Complete results from the survey are expected this spring.

The survey is part of a contract from the Agency for Healthcare Research and Quality to MGMA's Center for Research and the University of Minnesota. The purpose of the contract is to provide a baseline that describes the use of new information technologies in medical groups.

Some of the challenges physicians face in making the transition to an electronic health record include knowing which product to buy, how to go about buying it, and how to implement the system, said David Brailer, M.D., national health information technology coordinator for the Department of Health and Human Services.

"Many groups stumble at every point along the way," Dr. Brailer said.

The private industry is working to create a voluntary certification process for electronic health record products.

The American Health Information Management Association, the Healthcare Information and Management Systems Society, and the National Alliance for Health Information Technology have formed a nonprofit group—the Certification Commission for Healthcare Information Technology—that is planning to pilot a first-step certification process this summer.

Dr. Brailer also plans to explore interoperability issues. It's not enough to have every practice using an electronic health record, he said, they also have to be able to share data with other providers and institutions.

—Mary Ellen Schneider