

# Consumer-Driven Care Should Improve Quality

BY JOYCE FRIEDEN

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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, professor and chair 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.

With consumer-driven health care, different products will be developed to respond to the needs of different consumers, she continued. And insurers will realize 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 1-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 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 Needed for Consumer-Driven Health Care to Work

BY JOYCE FRIEDEN

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WASHINGTON — Consumer-driven health care may be the "next big thing" in health insurance, but it won't go anywhere until more data on plans, providers, and outcomes become available, George Halvorson said at a health care congress sponsored by the Wall Street Journal and CNBC.

"It's time for an industrial revolution in health care," said Mr. Halvorson, chairman and CEO of Kaiser Foundation Health Plan, Oakland, Calif. "We need to set a much higher standard for ourselves as an industry."

Many major and expensive trends in care "too often lack scientific backing," citing the examples of hormone therapy for heart attack prevention in women, knee surgery to relieve osteoporosis pain, and cyclooxygenase-2 (COX-2) inhibitors for arthritis pain, where the therapy turned out not to work as well as expected. "These are significant issues. Because there's no consistent database in health care, people did not realize this kind of outcome was happening with something that was a very popular treatment," he said.

Mr. Halvorson recommended that health care executives follow the example of other industries that have turned themselves around. For example, General Electric instituted a program of "measure, analyze, improve, and control" to weed out errors in its manufacturing process.

Health care doesn't do any of those four steps with any great consistency, Mr.

Halvorson continued. "Where does health care get the data that are used? We get it from paper medical records, which are not even complete per patient." For instance, he said, "we have one patient, four doctors—four unrelated, unconnected, non-communicative, nonintuitive, noninteractive, too often inaccessible, and often illegible, paper medical records from which to derive the database."

In addition to well-known data-collection tools such as electronic medical records (EMRs) and computerized physician order-entry systems, the health care system also should systematically collect other information, such as whether patients fill prescriptions, Mr. Halvorson said.

Although the United States health care system is better than it's ever been, and the technology is better than it has ever been, "we will not be able to realize the full potential of it until we can get an information flow, and the flow has to come from an EMR," Mr. Halvorson said. He added that a single nationwide EMR system would not be necessary as long as local systems could transport data to one another if needed.

To make data collection part of the national agenda, the impetus needs to come from a large government program like Medicare. "Medicare is the key, and hospitals are the leverage point," he said. "Medicare accounts for about 40% of hospital revenue. If Medicare decided to do this, it could make this happen with a rewards system . . . relatively quickly. Investment dollars are needed, and Medicare needs to support that." ■



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