



# Rethinking Consumerism in Healthcare

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Lynn Quincy, Director  
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@LynnQuincy





## Healthcare in U.S. is Very Expensive

Few families can pay out of pocket for a serious illness.

Most need health insurance but not everyone can afford it.

**Average Hospital Cost per Day, 2013**



Source: 2013 Comparative Price Report, International Federation of Health Plans



**What is payers main response?**

**High deductible health plans.**

**These plans don't work.**



## What does the evidence say about High Deductible Health Plans (HDHPs)?

Compared to more generous coverage, premiums are lower BUT:

- Patients reduce both necessary and unnecessary care
- Patients don't price shop
- Patients don't shop based on quality

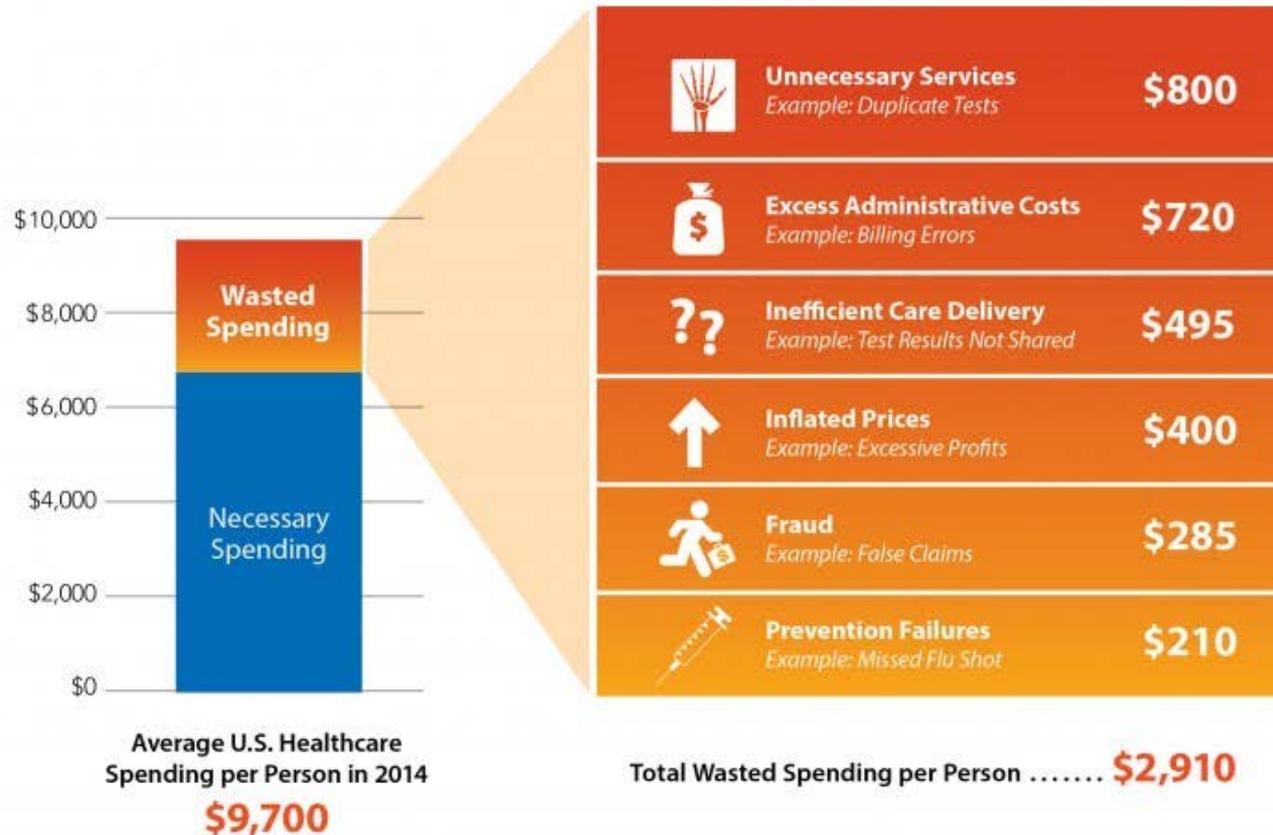


## Other evidence suggests **WHY** consumers don't price shop:

- Care is rarely labeled as high-value or low-value
- Patients rarely know the price of a service and providers are often unable to help
- Patients rarely know quality or likely outcomes between two treatments.
- Consumers don't view healthcare as a commodity.

# Approximately 1 in 3 Health Care Dollars is Waste

## Can We Afford This?





## Consumers are harmed by healthcare costs they can't afford

**22 percent of the privately insured are *under-insured*.  
When patients can't afford care, they:**

- Cut back on care.
- Cut back on other critical spending like rent and groceries
- File for medical bankruptcy
- Suffer stress, anxiety and poor health outcomes

**No wonder: concerns about affording healthcare are number one worry for consumers**



## What's the Bottom Line?

**HDHPs are the WRONG approach to addressing high health care costs**

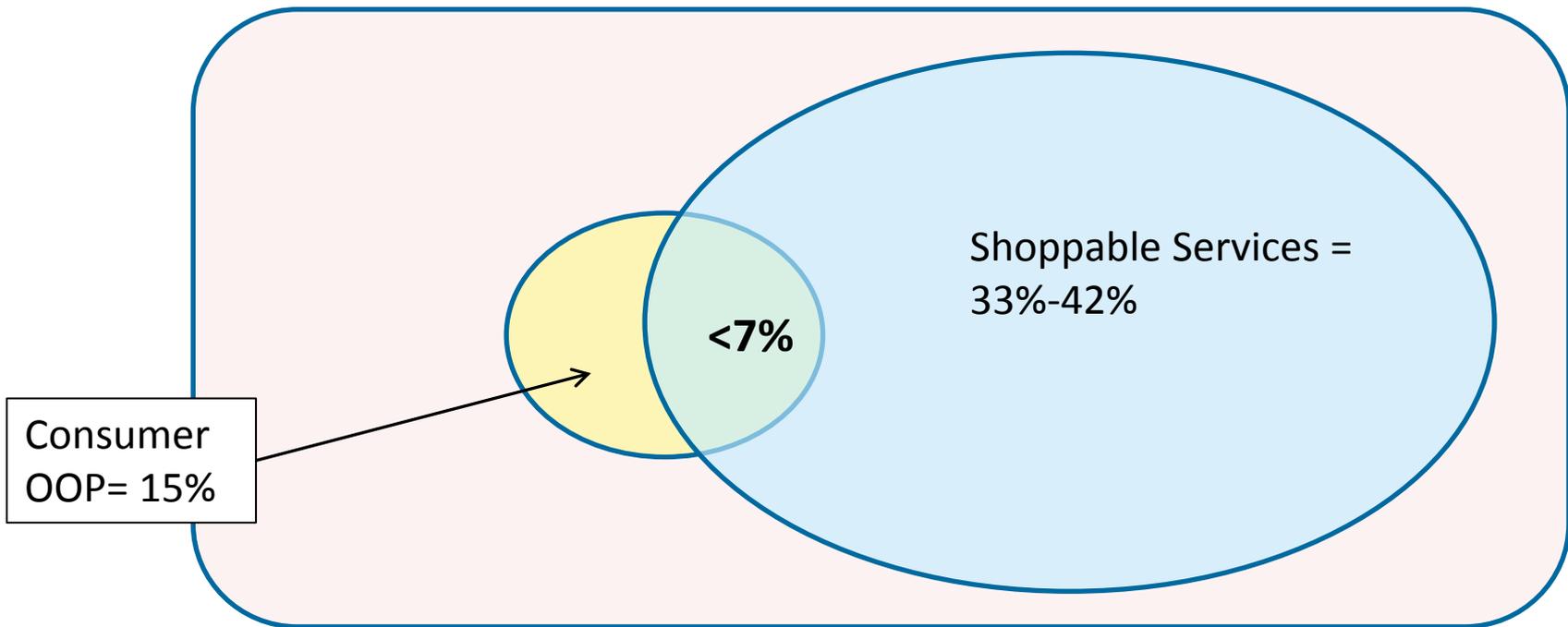
**Providers need to be the focus of cost-containment efforts**

**HDHPs need to be replaced with more consumer-centric, evidence-based benefit designs:**

- VBID
- Reference Pricing
- High value provider networks
- Strong provider and treatment-specific quality signals
- Affordable cost-sharing



To recap: Less than 7% of total private health spending is “shoppable” and paid out-of-pocket by consumers





## Most Health Care Dollars Are Directed by Physicians

Total Health Care Spending



*The most expensive piece of medical equipment is a doctor's pen.*



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### Rethinking Consumerism in Healthcare Benefit Design

High healthcare costs are a concern for consumers and payers alike. Insurance premiums have risen faster than wages and the economy in general for nearly two decades. High levels of health spending crowds out other important spending. For households, this means lower wages and less money for competing priorities. For state and national governments, it means less to spend on education, infrastructure and other public needs. There is consensus that we can cut back on waste in the system (including

prices that are too high) in order to reduce spending without harming our health outcomes.

An oft-used strategy to address high healthcare costs are insurance products called high-deductible health plans, or more generally, consumer-directed healthcare. The basic idea is that by requiring consumers to pay substantial cost sharing these plan designs will incentivize consumers to extract better value from the healthcare marketplace, helping to stem the tide of rising healthcare costs and reducing the use of low-value care. Nearly half of Americans with employer-provided insurance were required to meet an individual deductible of more than \$1,000 in 2015, and many plans go much higher, with deductibles in the \$5,000-\$6,500 range.<sup>1</sup>

There's just one problem—we have little evidence to suggest that these high-deductible plan designs work. To control spending and bring better value to our healthcare system, we need a new vision for what the consumer's role should be.

#### The Theory Behind Consumer-Directed Healthcare and High-Deductible Health Plans

Whether described as a high-deductible health plan or consumer-directed healthcare—either paired with a tax advantaged account like an HRA or an HSA<sup>2</sup> or not—the theory is the same: If consumers face the consequences of their health spending they will spend their dollars more wisely. With up to 30 percent of healthcare spending classified as “waste” by the Institute of Medicine,<sup>3</sup> the goal is for consumers to cut out unnecessary or “wasteful” spending and put downward pressure on prices.

#### Even When These Plans Save Money, It's Not Because Enrollees Become Wise Shoppers

High-deductible health plans have been associated with lower premiums (compared to plans featuring lower

**SUMMARY**

*For decades, rising healthcare costs have strained household, employer and government budgets. A strategy often proposed to address these high costs is to give consumers more “skin in the game,” through high-deductible health plans. When accompanied by shopping aids, these plans are sometimes called consumer-directed health plans. But a wealth of evidence suggests that high-deductible health plans are not leading to better value in our healthcare system. What's more, unaffordable cost sharing causes considerable consumer harm. Instead, efforts to address high prices and promote high-value care must have a strong provider-directed component, because providers direct treatment plans and steer almost all of our healthcare spending. Our country needs to rethink the role of the consumer in healthcare to be fair, patient-centric and evidence-based. Consumers should be empowered with timely, accurate and actionable information to help make decisions about their care and not have their choices curtailed due to unaffordable cost sharing.*

Consumers should not have to bear the brunt of poorly functioning health care markets that don't deliver value.

*-Rethinking Consumerism In Benefit Design, Consumer Reports, 2016*

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# Thank you!

Contact Lynn Quincy at [lquincy@consumer.org](mailto:lquincy@consumer.org)  
with your follow-up questions.

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