Consumer-Driven Health Care Will Improve Quality, Expert Predicts

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.

By contrast, 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." ■

Pay-for-Performance Solution Gathers Speed

BY JENNIFER SILVERMAN
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WASHINGTON — Congress should establish a quality incentive payment policy for Medicare physicians, the Medicare Payment Advisory Commission recommended.

In light of the challenges facing Medicare, "nothing is more important" than distinguishing between providers based on performance, MedPAC Chairman Glenn Hackbarth said at a commission meeting.

"Providers are not all created equal—there's abundant evidence that some providers do a better job than others. To continue to pay them as if they're all performing equally well is a tragic situation."

And that was just one of several of the commission's recommendations aimed at establishing a pay-for-performance system across health care channels, using information technology in Medicare initiatives to financially reward providers on the basis of quality. At press time, the recommendations were scheduled to appear in MedPAC's March report to Congress.

"Physicians are ready for a pay-for-performance program," Karen Milgate, a MedPAC research director said at the meeting.

Those participating in such a program could use various facets of information technology to manage patients, such as registries to track patients and identify when they need certain preventive services, or systems for detecting drug interactions, Ms. Milgate said. These types of information have the potential to improve important aspects of care, and increase physician ability to assess and report on their care.

"Without information technology, it would be difficult for physicians to keep up with and apply the latest clinical science and appropriately track and follow up with patients," she said.

"This is true for primary care and especially for patients with chronic conditions. But [it is] also true for surgeons and other specialists, to ensure follow-up after acute events and coordination with other settings of care."

Considering that it's the only information collected on physicians, Ms. Milgate noted that claims-based measures could be used to determine whether beneficiaries received appropriate follow-up care.

The claims-based process puts no burden on physicians and research shows it's widely available for a broad group of beneficiaries and physicians, she said. "However, the depth of information on each kind of physician is unclear and we do know that claims based measures are not available for every single type of physician."

Because these actions would redistribute resources already in the system, they would not affect spending relative to current law, although they may increase or lower payments for providers, depending on the quality of their care, she said.

Nicholas Wolter, M.D., a MedPAC commissioner from Billings, Mont., cautioned that physicians may be reluctant to embrace yet another change that would limit their revenue, after the sustainable growth rate. Pay for performance might be "another irritation, rather than an incentive."

Are all physicians equally ready for such a system? "I'm not sure that's true," he added.

Smaller practices in particular may not be ready to provide the clinical information necessary for a mature pay for performance initiative, Alan Nelson, M.D., a commissioner representing the American College of Physicians, said in an interview. "However, the insistence of payers for incentives to promote quality is something that can't be ignored."

Although a differential payment system that rewards higher quality "is almost certainly in our future," Medicare should proceed with caution on this initiative, taking care to not increase the administrative burden—and always being aware of unintended consequences, Dr. Nelson said.

Most of these information technology developments "seem to apply more to primary care physicians than other specialties," observed commissioner William Scanlon, Ph.D., a health policy consultant from Oak Hill, Va. "The question is how we would differentiate the rewards for different specialties even on the structural measures.

He suggested that Congress create a project to test these rewards on an ongoing basis, to accumulate evidence that it was working effectively among the various specialties. ■