Consumer-Directed Care to Alter Payment Habits

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SAN DIEGO — The growth of consumer-directed health plans means physicians and their staff will need to talk more with patients about their prices and the value of their services.

"Admitting-office conversations will change dramatically," said Gary Scott Davis, a health lawyer based in Miami, during the annual meeting of the American Health Lawyers Association. "Physicians need to develop systems that allow them to quote prices for services. 'Complexity' is no longer an excuse."

Consumer-directed health care is growing dramatically, Mr. Davis said. This means precertification and utilization review will become less important, while the financial interface will become more important. The consumer will be paying a higher percentage of the cost of care. The new system resembles traditional indemnity insurance, and the issue is no longer whether a physician is authorized to provide a service. Instead, the question becomes how much will be paid, and from whom will the fee be collected.

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Consumer expectations will have to change dramatically. Patients now are used to paying a standard, minimal copayment for an office visit, medication, or hospitalization. Under consumer-directed care, when patients go in for elective surgery, they'll need to bring their credit cards with them and be prepared to spend thousands of dollars.

This shift from fixed copayments to high out-of-pocket payments means physicians and hospitals will need to develop systems to collect money from patients at the time of service and find out accurately and efficiently from third-party payers exactly how much to charge.

"The dollar amounts are higher, so bad debt could accumulate and become a more significant percentage of the physician's bottom line," Mr. Davis said in an interview. "Physicians will need to become ever more vigilant."

Consumer-directed plans often include a tax-deductible health savings account to be used for medical expenses, but that doesn't necessarily mean the physician can access those funds, Mr. Davis explained. Some people, especially high earners, may choose to use the account as a tax-deferred savings vehicle and pay for services with other funds.

Consumer-directed care is structured to require the highest cost-sharing for services in which consumer decisions can make a difference, such as outpatient elective procedures, Mr. Davis said.

Historically, consumers have trusted their physicians' advice and judgment. Now, health plans or third parties may provide information that gives consumers a different perspective.

In situations in which patients do have choices, physicians who offer different services for the same diagnosis are likely to find themselves in competition. For example, a patient with cardiac problems can seek outpatient angiography from an invasive cardiologist or get a 16-slice CT scan from an invasive radiologist. "In the past, consumers knew that all their friends had angiography, but now they are being given more information," Mr. Davis said in an interview. "As they become aware that the same diagnostic service is available as a less expensive, noninvasive procedure, and they're paying 20% of the bill, they will ask themselves whether they want to pay for the lower-cost or higher-cost procedure."

Physicians, too, may choose to provide information about the benefits of certain procedures," Mr. Davis said.

However, he warned about potential liability for physicians as consumer-directed care becomes more prominent. "You must provide information in a way a reasonably prudent person can understand," he said. "One of the great unknowns is potential liability. To the extent that this process is about changing consumer choices, you need to be careful. When consumers don't get the outcomes they expected, who will be held responsible? Everybody is a Monday morning quarterback." ■