

# Improve health care info

Few social challenges in the United States are as misunderstood as health and health care, in large

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part because we overestimate the connection between the two. Too often we confuse access to health care with good

health, which is not something one can buy.

The fundamental problem in health care is not a lack of insurance coverage, but the absence of useable information or incentive for citizens to demand it.

By and large, patients do not know how much care costs, how effective it is, or what alternatives they have. Patients mistake what insurance covers with what is preferred or allowed, and once their deductible is reached, have few incentives to consume less. Because someone else pays, and because doctors and hospitals get paid more for doing more, patients are far more likely to be overtreated than undertreated, adding to both cost and risk — a true moral hazard.

More spending on health care does not necessarily equate to better health. In fact, among similar patients, those receiving the most expensive care do no better, and sometimes do worse, as a result of

unnecessary treatment. No wonder we spend approximately twice as much per capita than other developed nations, while falling behind in measures of health status.

At our current pace, the U.S. will spend over 20 percent of annual GDP on health care before 2020, up from 16 percent today. Compared to other nations that spend closer to 10 percent, this means we will invest significantly less than we might on wages, education, infrastructure or research critical our population's future health and prosperity.

The managed care era caused some of our current overconsumption. Consumers in health maintenance organizations came to believe in all-you-can-get-for-one-price medicine.

When doctors or insurers suggested a less expensive alternative, patients learned to fight against perceived cost-cutting tactics. As gatekeepers disappeared, the rebound effect has been increased demand, with no balancing incentive to understand price or quality. Patients now go straight to a specialist instead of primary care, or go get an MRI when an X-ray might do.

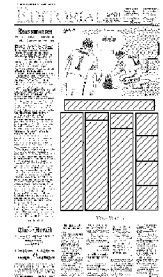
Whether they realize it or not, citizens pay for their health care through taxes or reduced wages. Health care consumers need a clear understanding of what they pay for, how much it costs, and what to expect.

Economics and human nature dictate that we care most about getting value when we pay ourselves. Thus, the direct solution to the information problem is putting purchasing power in the hands of consumers through health accounts (subsidized as needed for low-income citizens).

Unleashing 100 million cost-conscious account holders on a medical system will generate more transparency and price pressure than any top-down mandate or gatekeeper. Informed patients, wanting to get the best value for their money, are the only meaningful antidote to a system that pays for more, rather than better, care.

Recent suggestions that new reform should reinstate managed care ignore its lasting legacy of distancing patients from decision-making and awareness. Not to mention remaining questions about whether lower costs in managed care result more from its enrollment of healthier participants than from actual cost management.

In the RAND experiment, those receiving "free" care spent 45 percent more on health care than those required to pay 95 percent of the cost. There were few differences in health outcomes, and those getting free care did worse in number of missed work days and limited activity days. The authors concluded that free care was not justified or advisable. The "benefits of



additional appropriate care were offset by additional inappropriate care ... It actually had negative effects."

Covering more-and having someone else pay might at first blush appear to be a popular option, but after all considerations are taken into account, will not be a wise choice.

Fixing the information

problem requires solutions where consumers have a crucial stake in determining price and value. Rather than trying to manage doctors and patients through rules and restrictions, the ideal environment is one in which consumers-armed with funded health accounts influence the market by demanding high

quality at a better price. This is the only reliable pathway to lower cost, higher quality, and innovation in meeting health care needs.

Dr. Harold "Hank" Gardner and Wendy D. Lynch, Ph.D., are the authors of "Aligning Incentives, Information, and Choice: How to Optimize Health and Human Capital Performance."