



**BUILDING A CONSUMER-ORIENTED HEALTHCARE SYSTEM:
A FIVE-POINT ROADMAP TO SUCCESS
September 2011**

Background

As a provision of health care reform, Congress created the Independent Payment Advisory Board (IPAB), delegating to it the explicit task of addressing rising Medicare expenditures. The “unsustainable” increases in healthcare expenditures that IPAB is designed to address is only symptomatic of two seismic, and simultaneous, demographic shifts: (1) the baby boomer cohort is aging *into* Medicare and Social Security; and (2) the American majority is rapidly diversifying *out of* the science and constructs that have been used to define quality care for the past 50 years. One of these is an actuarial problem. The other is a more complex and challenging intellectual problem. Both are exciting and promising eventualities for American society if recognized and embraced as such.

Many Americans finance their healthcare through a system of private insurance that evolved to meet the needs of the middle class of the mid-twentieth century - a population cohort dominated by Caucasians of non-Hispanic, European descent. Health services research was funded to address the needs of this insured cohort, and, as a result, was profoundly successful in creating a body of evidence to support effective medical care that improved the quality and length of their lives. Their ability to purchase these health services was enabled by the risk-pooling effects of private health insurance. Unfortunately, this private insurance market was not willing to create affordable health insurance products for retirees and seniors. Therefore, Medicare was introduced as social insurance to guarantee access to healthcare that seniors could not otherwise afford.

The resulting combination of private and social insurance promoted consumer demand, and fueled rising prices. Better access to care meant that Medicare beneficiaries were healthier and lived longer - currently fourteen years longer than projected. Moreover, the retirement of baby boomers will almost double the number of beneficiaries. The math is easy: There are currently 45 million Medicare beneficiaries; by 2030 there will be almost 80 million. There is nothing in IPAB to confront the prospect of 78 million people – one quarter of the US population – consuming Medicare benefits and collecting Social Security checks for twenty years or more.

On the periphery of this overstressed healthcare system we have the shameful spectacle of over 51 million uninsured. While insurance was the community bank where the insured middle class deposited a portion of wages and taxes to cover medical expenses, the uninsured, a population dominated by members of racial and ethnic minorities, lacked the capacity to make such deposits. Therefore, they have had very little access to medical care, and thus have been virtually ignored by the health services research sector. By 2020, however, populations currently categorized as minorities will constitute 40% of the US population, increasing to 50% of the population by 2050. By age cohort, the demographic shift is even more dramatic. The

Building a Consumer-Oriented Healthcare System: A Five-Point Roadmap to Success September 2011

non-Hispanic, single-race White population is older than the population as a whole, with a median age of 40, and approximately 22 percent under 18. Across the board, the populations that are defined as minority in this country are younger, with larger percentages of their populations under age 18. Clearly, the United States demographic is changing rapidly. This emerging majority has generally been excluded from the scientific underpinnings that inform the development of medical treatments and measures of quality.

This discussion is relevant to the IPAB debate because IPAB will change the way Medicare functions, and changes in what Medicare pays for, or how much Medicare pays for it, trigger changes in payment policy and investments in the private sector. IPAB is designed to address the increased financial expenditures that attend the unanticipated and far too unheralded success of the Medicare program. This success has redounded positively not only to Medicare beneficiaries, but to all health care consumers whose providers and insurers make available a market basket of clinical services and insurance products that are well informed by the programs and policies that are promulgated by Medicare. Granted, the flow of influence is not unidirectional. However, Medicare is an essential component of the authorizing environment from which all insurers and providers take their business signals.

The Future of Medicare

Medicare is very successful. The challenge is to keep what has made the program a success, but adapt it to the new demographic and scientific reality. Meeting the challenge will require government and the private sector to work together to shift their policy and investment paradigms. As the largest purchaser of medical products and services, government has pursued an unfortunate focus on fostering high-volume, low-margin providers of care to a burgeoning beneficiary population. The operative premise seems to be that cutting unit costs by half will double the number of beneficiaries it can serve for virtually the same dollars. This premise advances a one-size-fits-all construct for products and services that relies on older, cheaper technologies that may have increasingly marginal value to current and future beneficiaries. It discourages innovations as expensive, incremental, and not worth the investment, not realizing that incremental improvements could trigger a technological cascade that could drive down prices.

It should be anticipated that the emerging majority will use their growing political clout to press for high quality, affordable healthcare. While this pent-up demand may be perceived as provoking higher prices and increased expenditures, failure to meet this demand will compromise the health status of an increasing percentage of the American public and ultimately undermine any legitimate cost-containment efforts. Further, dampening the expectations of this sector of the electorate will almost certainly guarantee political woe. It is hard to see how IPAB can address the needs of the emerging American majority, of the healthcare delivery system, or of elected and appointed officials.

We must enable the economy to grow by investing in the economic and physical health of a cadre of American workers that is defined by the American demographic of the present and the

Building a Consumer-Oriented Healthcare System: A Five-Point Roadmap to Success **September 2011**

future, not of the past. Rather than employing an IPAB to suppress prices or artificially suppressing consumption in other ways, our leaders must encourage strategic market investments by rewarding innovations that will improve the quality of health services. A consumer-oriented healthcare system (CoHS) is a part of this future. CoHS will move America beyond IPAB and other incremental cost-oriented reforms, and toward a system of health services research and delivery that improves health care outcomes and health status for the diverse populations that are America's present and future, and does so in a highly cost-efficient manner.

What is a Consumer-Oriented Healthcare System?

A consumer-oriented healthcare system (CoHS) relies on the purchasing power of consumers to support the systematic, expeditious discovery of medical care to improve quality of life. Ultimately, this approach leads to increased longevity for widely diverse populations, and does so in a highly cost efficient manner. CoHS also promotes appropriate consumption of services to reduce the incidence of expensive, preventable medical events, including costly emergency room visits and hospitalizations.

Medical care provided in a CoHS can be broadly defined as the application of all relevant medical knowledge, incorporating basic and applied research to increase that knowledge for the purpose of finding incremental and curative therapies. It includes the services of all medical and allied health personnel, institutions and laboratories; the resources of governmental, voluntary and social agencies; the products and services of private sector insurers, device and drug manufacturers, and other manufacturers of health care goods. Importantly, it also includes the personal responsibility of the individual. CoHS will provide quality medical care to each individual (personalized medicine) and views all occurrences of preventable medical events (disease, hospitalizations, medical errors, disabilities or deaths) as an indicator that the medical delivery system is failing.

Finally, CoHS-related regulatory authority is used to enforce transparency, arrest fraud, attack waste and abuse, and guarantee the safety and efficacy of medical care. Regulatory authority may also serve to stimulate market investment that addresses unmet consumer medical needs, as well as finding pathways to more cost efficient solutions for expensive therapies. However, regulations and policies that suppress consumer demand, retard progress toward incremental or curative therapies, or create preventable, harmful events must be avoided as they clearly undermine quality consumer-oriented healthcare.

The Forum's Five Point Road Map to Success

Restructuring of our healthcare research, delivery and financing system to reflect a consumer-oriented approach is not a task that can be accomplished in an instant. However, the end product will be uniquely American, relying upon market forces that will drive improvements in all aspects of medical care. In support of this objective, we must undertake a crucial effort to build a national consensus to overcome the long-held belief that the best way to achieve

Building a Consumer-Oriented Healthcare System: A Five-Point Roadmap to Success September 2011

financial advantage in the American healthcare delivery system is to reduce consumer demand and slow the pace of innovation - a belief that is demonstrably flawed and can only lead to failure. Along the way, there will be challenges associated with the design of an interactive healthcare infrastructure that anticipates consumer demand and converts that knowledge into practical, measurable solutions.

Overcoming these challenges will lead to a healthcare system that delivers for the American economy and all citizens. Our five-point roadmap seeks to trigger a broad, national debate that will focus attention on tangible victories that we can achieve rapidly, as well as provide evidence that we are on the right path to create a truly consumer-oriented healthcare system.

1. **Transparency**

Establish reporting mechanisms that allow consumers to easily discern the qualitative and quantitative performance of their healthcare financing and delivery system.

2. **CBO Scoring for Preventive Care**

Change Congressional Budget Office scoring practices so that annual reductions in federal expenditures on healthcare that are the product of prevention initiatives are correctly scored as savings. Current methods are biased against preventive services and produce poor quality medical care by limiting investments in prevention.

3. **Eliminate Preventable Hospitalizations**

Reduce preventable hospitalizations by providing the right care at the right time. Healthcare costs can be slashed in the short and medium terms by eliminating costly emergency room visits and inpatient stays.

4. **Prioritize Disease Treatment**

Identify diseases that create the greatest demand on our medical resources and launch public/private initiatives to find incremental and curative therapies that can rapidly address these diseases, while lowering the cost of treatment.

5. **National Clinical Trial Network**

Expedite the discovery process by launching a public/private partnership that will build an integrated, national network to ensure that researchers can quickly identify populations who share a common disease experience. This will facilitate timely, cost efficient recruitment into clinical trials. This network should be designed so that it streamlines FDA's regulatory processes, accelerating the agency's decision making process and reducing the cost of innovation.