



Transparency: Helping Consumers become Customers

Transparency means the public disclosure of honest meaningful decision-making **information**. Clearly, the public has a “right to know” key **information** to maintain their health and safety. When up to ninety-eight thousand patients die each year from hospital errors, citizens have a right to know where these are occurring. When nine thousand deaths occur from medication errors each year, the public has a right to know the facts. When hospital created complications and provider induced viruses are more deadly than the original medical condition, the patients have a right to know.

The best way for the public to change poor business behaviors and to improve quality and lower costs is for the guilty businesses to lose customers. Unfortunately in healthcare the consumer is rarely the customer. The consumer is the one who uses the service. The customer is the one who buys the service and pays the invoice.

In healthcare the customer is usually the third party payer: the insurance company, the HMO, or the group plan. New generation health plans are financially empowering health consumers and transforming them into health customers. To become an effective health customer, one has to have both a financial stake in purchasing and the **information** to make informed decisions. You cannot have quality healthcare in any system without both.

Financially empowering plans with savings options increased 5% in 2007 and 8% in 2008. Employers with 3-200 workers are the fastest growing group, up 13%. With account based plans, individual worker premiums are 40% less than other plans. Family premiums are 30% lower.

Average employer account funding is over \$800 for an individual and over \$1500 for family coverage.¹ In 2008, 71% of employers offered incentives for health and wellness or disease management programs, up from 62% in 2007. Incentives averaged \$192 per person per year.² Account based plans are not just for the healthy and wealthy. In 2009, young families (25-40) had balances averaging \$7,220. By the end of 2008, the average savings account totaled \$8,148 for individuals and \$10,178 for families.³

The newest products are developing more **information** to help individuals make informed choices. Historically, **transparent** cost and quality **information** has been hard for plans and the public to access. Providers have maintained the argument of confidentiality, proprietary needs, and competitive advantage. With empowered individuals these arguments rapidly dissipate.

¹ Employer Health Benefits 2008 Annual Report. Kaiser Family Foundation. Section 8. High Deductible Health Plans with Savings Options.

² Employee Health and Productivity Management Programs: The Use of Incentives. Incentive One. National Association of Manufacturers. Spring 2008 Incentives and ROI Impact Survey.

³ HSA Market Report Q4-2008. Canopy.

National insurers, some providers, specialty vendors and state governments have been taking the lead in requiring disclosure of provider cost and quality **information**. Each insurer or hospital has limited data, states differ on their reporting requirements, budgets limit the expansion of publically funded information access, and inertia of the status quo slows progress in meeting patient information needs.

The federal government can advance the cause of empowering individuals with **information** by passing basic national standards for provider and insurer **transparency**. Congressman Nathan Deal's legislation is on the right path.

A governor of Georgia once said that to have better prisons, we need better prisoners. Today's parallel may be that to have better health at lower costs, we need better patients. The CDC tells us that behaviors determine 50% of health. By far, the individual turns out to be the most important variable in the healthcare cost equation. It's not doctors, hospitals, pharmaceuticals, or other care providers. Access to care has only a 10% impact on health status. Genetics (20%) and environment (20%) make up the remaining factors.

Congress is a powerful legislative body, but you cannot change the laws of human nature. You cannot make recalcitrant patients take medications or comply with physician orders. You cannot make citizens eat properly, exercise regularly, or seek preventive care. The bottom line is you cannot legislate personal responsibility.

Congress can, however, create an **open transparent information rich environment** that supports greater engagement by individuals in their own health and healthcare decisions. In general, individuals will not take care of themselves just for the sake of good health. If that were true, we would not see the rampant growth in obesity and the epidemic of diabetes. We are typically American. We want to be paid for doing the right things. We want an incentive, a reward, and recognition. We want some financial control, and we need **information** and help with making the right decisions.

BCBS studies show that plans with financial and **information** support have more than 3 times the number of members engaged in smoking cessation, 3 times the number engaged in stress management programs, more than double the number in diet and nutrition education programs, and nearly 2.5 times more likely to be participants in an exercise plan.

A major interest in Congressman Deal's legislation is the disclosure of self-pay charges. When I started to negotiate provider network reimbursements back in the early 1990's, the expected discount from hospital charge masters (their so called retail price) was typically 5 to 15%. The discount game has led to artificially high retail price lists where discounts are now 80-90%. No one pays the retail prices except the uninsured. Those most vulnerable and least able to pay are charged the list rates. Many who cannot or do not pay these artificial charges are hounded by collection agencies for monies that are 10 times above the cost for providing the services.

As with the Georgia governor's call for better prisoners, it is time to free consumers from the dark prison of ignorance. You can make **information** easier to find and easier to understand. You can eliminate arbitrary price discrimination against the uninsured. The need is to pull back the curtain of secrecy on costs and quality. Congress can make a difference in saving lives and saving money by supporting the individual's right to know. While the country debates reform of healthcare, on one fact all sides should agree - the need for **transparency** is critical to any outcome of that debate.