

## **Consumer Driven Healthcare (CDH)**

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### **Abstract**

Consumer driven healthcare (CDH) needs to be given a greater amount of consideration in today's healthcare system, considering the revolution consumerism has brought in the other sectors. There are chances that patients and employers can save more on tax by going in for CDH plans. The consumers would be left with greater number of options. The costs, quality and the access to healthcare would be in favor of the consumer. There would be a shift in certain responsibilities towards the consumer, but this would also mean that the consumers would be having greater control over their health. The consumer would also save on the unspent amount. The legislation needs to consider the advantages of CDH and also argue on the limitations in order to implement the best policy. Currently, there are very few elders who have taken CDH plans and studies have clearly shown that this is one of the groups which need CDH the most. Hence a lot needs to be done to implement the CDH in the US.

**Keywords:** Access to Healthcare, Health Care Costs, CDH, Consumer Driven Healthcare, Quality Health Care.

### **1 Introduction**

Consumer driven healthcare plans is a system or strategy of providing healthcare in which the patients would be having a great choice in choosing their health package and their healthcare providers, but consumers would again have certain amount of obligations transferred to them. With consumer driven healthcare, the consumers have a greater chance of improving their own health and manage their own health expenses better. According to reference [1], CDH involves a three level system of paying for health expenses:

- A tax-free account that can be utilized to pay for the health expenditure within a certain limit;
- a health insurance policy that is utilized to pay for expenses over the limit; and

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- an existing gap between the deductible and the non-deductible amount wherein the consumer can bear expenses and pay for their healthcare.

In CDH, the consumer has the flexibility of withdrawing or saving the amount that would remain following non-utilization of healthcare facilities. This amount can even be utilized following retirement. A CDH would provide a support network, wherein the individual would be able to view their account, observe the facilities provided by the healthcare providers, get the best rates for treatment and in this way enable them to improve their health status. Several stakeholders are involved in the CDH program including the Federal Government, state governments, employers, employees, policy-makers, hospitals, insurance providers, CMS, HMO's, Department of Health, Department of Health and Human Services, etc. Recently there have been several trends in the CDH plans. There has been an increase in premiums for the traditional healthcare insurance schemes. The managed care health services are becoming unpopular as the service providers have huge amounts for constraints for the employees and the customers. There has also been a rise in the customers seeking healthcare, use of healthcare services over the internet, and advertisement for healthcare services and products. Not only is CDH being investigated by the employees, the government and the consumers for its ability in reducing costs, improving the quality of healthcare, increase the consumer satisfaction levels and increase the options for the customer. The legislation and the government are strongly arguing the advantages and limitations currently of CDH [2]. Once the benefits and the limitations of CDH are better understood, then it can be implemented in a phased manner in a large-scale basis for the benefit of the nations.

## **2 Review of Literature**

The CDH plan is a system of meeting the healthcare expenses, in which the consumer would have greater amount of options with relation to healthcare, but at the same time certain amount of obligations would be transferred to the consumer. The consumer would be able to choose from a variety of health plans which suit their health needs. They have better ability to improve their own health. Many consumers are asking various queries regarding the CDH system. Some consumers are questioning whether the money remaining in the CDH account could be carried over, saved or utilized in another. Other are also concerned whether CDH plans which are provided by the employer would work once the employee leaves the job and joins another organization. These queries, along with others need to be addressed by the Federal Government in the form of effective legislations.

Health savings account (HSA) and health reimbursement arrangement (HRA) form a part of the CDH system. Most of the adults covered by HSA are in the age-group 40 to 50 years, which includes individuals, employee-provided insurance and group-based insurance. The smallest age-group which is currently covered by the HSA scheme is the elders or above 60 age group. Most of the individuals who have subscribed to HSA (70%) had earlier taken a health insurance and have now changed over to the HSA. The remaining 30 % are new-comers who were previously uninsured. CDH also tries to concentrate hugely on preventive aspects of healthcare. About 20 % participate in Wellness programs, 25 % in adopting healthy lifestyles and 30 % in annual checkups.

About 6 million, who go in form CDH, do not have HSA or HRA, 3.2 million have HSA and 3 million have HRA. CDH can effective help to improve the effectiveness of health spending. About 1.12 trillion spend on health expenses are deemed as necessary and 560 billion dollars is deemed as unnecessary. About 25 % is spent on the physician's visit, 30 % on general medical care, 55 % spend on emergency health services and 100% on annual physician checkups, are deemed as unnecessary and CDH has the ability to reduce health expenditure. Of the healthcare spending, 86 % would be spent by third party players and 14 % would be paid by out-of-the-pocket expenditures. The out-of-the-pocket expenditures include 3 % on hospital care, 10 % on physician care, 25 % on long-term care, 30 % on medications, and 44% on dental health services. National health expenditure from 1960 to 2003 has increased almost 8-fold. In 1960 it was 27 billion dollars and in 2003, it was 1.7 trillion dollars. Health inflation is about 2000% compared to general inflation which stands at 500%. The greatest spending of healthcare is on people above the age of 65 years, which incidentally has the lowest subscription to CDH. However, the advantages of CDH are gaining popularity very slowly. CDH provides tax-free savings health accounts to the patients and also enables them to choose healthcare services based on quality of services. Only about 50 % of the population was aware that HSA provided for tax savings. Only about 10 % of the households utilized a CDH plan. About 20 % of the households sought information regarding the CDH services. About 50 % of the households selected a facility based on convenience and access, and about 10 % chose a facility based on the reputation and the quality of services. A study was conducted by the PULSE Group in 2004 to determine the popularity and beliefs regarding the HSA and CDH scheme. About 56 % of the population was aware of the plans. Only about 9.6 % of the population was using a CDH plan.

Today consumerism is entering every sector, and healthcare should also not be left out. Providers and several other stakeholders need to be aware of the needs of the consumer so that greater amount of flexibility is available. Today the hospitals are system driven, whereas there is a need to change them to a consumer-driven within a very short period of time. As there is shifting of responsibilities in the consumer driven healthcare sector, there need to be greater amount of choices and values for the consumer. Greater utilization of technology and data need to be provided to the consumer. In this way, hospitals and other healthcare organizations can improve upon the quality of care. Using technology, the patient can collaborate with the doctor in providing the best quality of care. The needs of the patient would be vast, but at the same time, they would be having greater amount of choices, providers and getting better quality care.

The need for a CDH system in the US has been documented earlier. In a survey of about 1200 adults in 2006, about 84 % felt that they needed to know the costs of healthcare better, and about 70% felt that they would search for better choices in costs. In 2005, another survey demonstrated that only 16 % of the employees had information of cost and quality of the healthcare provided. However, consumers have also to be aware, that unlike consumerism in the other sectors, in the healthcare sector it is more complex. Many patients in the current healthcare system say that they are not aware of the costs, quality, options, benefits and limitations of any kind of health measure. Consumers experience a lot of frustration in obtaining this information.

### **3 Discussion**

The role of information technology is very vital if consumer-driven healthcare has to make an impact in the healthcare sector [3]. Employees and individuals should be given data and information regarding the right healthcare provider, the right healthcare measure, etc. Today, most of the patients would choose a particular hospital due to the recommendations from the physician or from access, and no one would do so from the reputation of the hospital. With consumer-driven healthcare in place, a greater amount of attention would be given costs and quality of care rather than on other factors. Specifically, consumer-driven healthcare can affect six criteria, reference [3], namely:-

- **Quality of care:** There should be certain amount of predictability, consistency, better health outcomes, higher patient satisfaction levels, etc, in the healthcare services. Innovation in medicine, finding better solutions for the healthcare problems, using technology, etc, can potentially help improving the quality of care. Physicians and the healthcare providers should try to incorporate and use the best practice measures.
- **Costs and pricing:** This is another important criterion with respect to the healthcare services, after quality. Quality and costs need to be considered together. A cost-effective measure in healthcare needs to have a positive impact on quality, and then only should it be incorporated. The consumers should find the pricing of any health product or service transparent and understandable. Proper and fool-proof systems of accounting need to be considered.
- **Accessibility:** With time, consumers are demanding better access to healthcare services. The time, place and amenities available need to be given consideration.
- **Services:** the healthcare services provided should be high quality, and the consumers should get much more beyond their expectations. The provision of service criteria under healthcare has been seen over the last hundred years, and modern healthcare system should strive for the same even today.
- **Safety:** The care and safety of the patient is one of the most important needs to be kept in mind by the healthcare providers. A set of precautions should be considered for use when handling a case. Better patient education using modern technology is also required.
- **Predictability and consistency:** There should be certain standards in healthcare which need to be developed and maintained. The outcomes should be easily replicated.

The use of electronic medical records (EMR) in the field of consumer-driven healthcare would enable to reduce costs, increase the choices, improve the education and awareness of the patient, improve the quality of care, ensure better patient safety and distribute the healthcare roles and responsibilities over a number of personnel. A consumer-driven healthcare approach needs to be given special consideration for the benefits of the patients and other parties.

### **4 Conclusion**

Today, the role of consumer-driven health approach needs to be given a greater amount of importance in the health sector. The federal and state governments should make efforts to implement this scheme. There is a scope for a drop in the costs of healthcare services, improvements in the quality, improvement in the access, better health outcomes, more

transparency, better management of chronic diseases, and greater levels of prevention. The unnecessary expenditure today would be eliminated, and there are chances that the uninsured would be getting health coverage.

## 5 Recommendations

- Implementation of CDH in the US healthcare system in a phased manner;
- better use of technology and the internet;
- greater use of EMR to enable improvements in quality, reduction in costs and better precaution and alerting system;
- enforcement of best practices;
- greater flexibility in the workforce;
- implementation of the HSA schemes, which ensures savings for unspent health amounts;
- employees should be able to take the healthcare coverage even after they leave the organization;
- concentration on quality, access, predictability and safety; and
- greater emphasis on the service criteria

## References

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