

# Defined Contribution Health Benefits: The Next Evolution?

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# History of “Consumer” Movement in Finance

1. ATM
2. Online Banking
3. 401K → Simplification/expansion of  
capital transaction
4. Online Trading
5. Education/Comparison Shopping

# History of Health Care Insurance

## Patient/Third Party Transactions

<i>YEARS</i>	<i>BENEFITS</i>	<i>PROVIDERS</i>	<i>CONSUMER PAYMENT</i>
50-70	Hospitalization Only	Free Choice	{ Varied from 1 <sup>st</sup> dollar coverage to modest co-pay
70-85	Hospitals + Ambulatory Care + Prevention	Free Choice	
85-98	Managed care pre- approval and limitation of many services	Limited Choice	Increased and variable

# Where to From Here?

(402H)

1. Defined contribution with assumed significant employee co-pay
2. Significantly broader choice
3. Choice based on price/performance

Surveys Show:

30% follow price to lowest available

20% take highest available

50% make value decision (requires appropriate information)

4. Consumer - Purchaser (tension)
5. Intermediary - Provider (tension)

# Major Barriers

## Consumer as Purchaser

HMO's backlash against procedure and physician limits

Drugs - Response to three-tier co-pay (not known yet)

Develop ability (simplicity) and willingness to make price/value choice

## Providers

Willing to provide price/value performance information