Why AMA Supports Defined Contributions

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Overview

- AMA policy
- Today’s situation
- Emerging factors
- Defined contribution basics
- Implications for patients and physicians
AMA Favors a Consumer-Driven System

- Normally, competition breeds “consumerism” -- only in U.S. health care, insurers compete for employers, not patients.
- Defined contributions are an essential ingredient of a consumer driven system.
- AMA policy.
What employers think is important

Milliman & Robertson survey—Most important criterion for selecting health plans:

- 43 percent—price
- 4.5 percent—employee satisfaction
- <1%—quality of care
Results:

- Little choice for patients
- Plans don’t lose patients with bad service if patients can’t vote with their feet
- Patient denials rather than patient peace of mind [1-800-just say no]
- Patients are forced to switch plans and/or doctors
Health insurance that meets individual needs

- Defined contributions with individually selected and owned health insurance allows patients to make their own choices
  - Better matches
  - Patients can exit unsatisfactory plans
  - More products
Market and Internet trends

- Human resources outsourcing options that offer more health insurance choices for employees.
- Expanded patient choice among health insurance plans through Internet-enabled or Internet-enabling programs.
Defined contributions: some basics

- Health benefits are earned compensation; not a gift from the employer.
- Defined contribution programs monetize the health benefits transaction.
- Defined contributions clarify for patients out-of-pocket consequences of health plan choice.
Not just cash-outs

- Employers “cashing out” health plan costs: not the only option; not an effective option
- Internet-based Health Insurance Marts
- Revenue Ruling 61-146
Changes under defined contributions

- Patients will be more cost conscious
- Less first dollar coverage; but higher deductibles
- Patients will come to expect value
- Physician performance measures on cost and quality
- Note: marginals move markets
Won’t patients make bad choices?

- The economy is already familiar with helping consumers make informed choices
- The market will respond with consumer information in user-friendly forms
- Everyone can have success in navigating health plan choices
- Many times you do get what you pay for
So what happens?

- Job lock ends and consumers sit in the drivers seat
- Physicians lose or gain based on what patients think
- Patients will value both price and quality
- Physicians might post price guides--it’s easy with a fee schedule and conversion factors
Responding to patient demands

- Physicians will be questioned and compared by consumers
- Today’s required informed consent will continue
- Patients kept in the dark won’t return
- Scaring patients won’t work
Patient choice: good patient care

- Patients can continue with a trusted physician
- Patient-physician bond will be stronger
- Improved continuity of care and more patient-tailored care
- Good patient skills will be rewarded
Additional benefits

- Restraint on cost increases across the health sector
- Added stability/predictability of health benefit costs
- Healthier workers; fewer work days lost
- New insurance products
- Lower cost help for the uninsured