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Consumerism: A prescription for change

By David Gratzer

Wal-Mart's prescription drug program is now in 49 states: Customers can get hundreds of generic drugs for just \$4 a month. Not to be outdone, other pharmacy chains have announced their own programs for low-cost drugs. These retail giants recognize that, increasingly, Americans are hunting for a good deal on health care. Wal-Mart and its competitors recognize the biggest force reshaping health care: consumerism, which has the potential to transform one-seventh of the national economy and tame spiraling health spending in its wake.

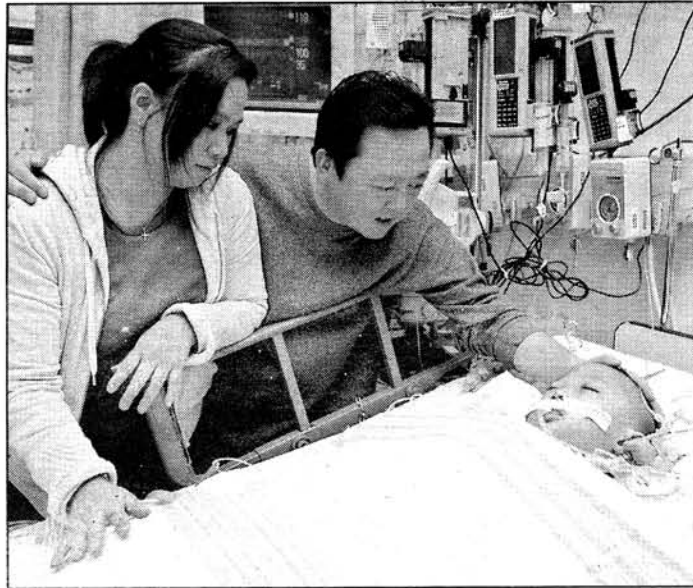
While consumerism has already changed the way we live, work and play, the institution of medicine itself remains remarkably paternalistic. Douglas Jay, the English member of Parliament and intellectual influence behind the nationalization of British health care, scoffed at the suggestion that "housewives" could be trusted to make health care decisions. "The gentleman in Whitehall really does know better what is good for people than the people know themselves," he wrote six decades ago.

The language may be antiquated, but the sentiment holds. "There is no such thing as an informed consumer of health care," Democratic National Committee Chairman Howard Dean once claimed.

Americans aren't heeding the good doctor's advice — increasingly, they treat health care like everything else. They expect to get what they want, when they want it. This attitude, unremarkable in itself, is alien to the dominant health care paradigm of the last half century.

The Internet helped spark this revolution, empowering people with information and options. The proliferation of Internet pharmacies is one example. The Food and Drug Administration warns about safety, but many Americans aren't listening. With the World Wide Web and FedEx, a Canadian pharmacy offering cheaper prices is just a click away from a patient in Florida or Texas, turning mail-order drugs into an \$800 million a year industry. Another example: the rise of Web sites devoted to health advice, like WedMD or drkoop.com.

Even health insurance has been changed by consumerism. In the 1990s, politicians and business



The American tendency toward independent decision-making may help drive down the cost of health care, David Gratzer writes. — AP file photo

executives touted HMOs as the savior of American health care. They had good reason: Managed care promised to hold the line on health spending while still providing patients with quality care. Studies suggest that HMOs delivered: There was no difference in health outcomes but spending plateaued. Nevertheless, in the late 1990s, HMO enrollment declined by as much as 25 percent in Miami and Seattle and other former hotbeds of managed care.

What happened? American patients rebelled against HMOs' inherent paternalism. Americans don't tolerate bureaucrats telling them where to go for food or clothing, so why would they accept such direction for health care?

Consumerism isn't necessarily always benevolent. It lends itself to fads. The rise of alternative medicine is a case in point. And the Internet is the Wild West of modern medicine — filled with offers of snake oils and replete with misinformation.

But while many scoff at the idea of medical consumerism, the trend is potentially transformative. One of the biggest problems with American health care is its cost. Between 2000 and 2005, insurance premiums doubled. Economists argue that the high cost is related to the technology revolution that has changed medicine. But in every other area of the economy, new technology leads to a fall in expenses. Health

care stands out as the exception for one simple reason: third-party payership. Americans get access to the most sophisticated diagnostic tests and procedures in the world but pay just 14 cents on every health dollar. The real surprise is that costs aren't higher.

Consumerism can help rectify that problem. Health savings accounts represent a step in the right direction. Created in 2003 as part of the Medicare Modernization Act, health savings accounts put consumers in charge. HSAs marry real insurance (that is, coverage for high and unpredictable costs) with contributions to a savings account that can be used to pay for smaller health expenses and "rolled over" from year to year. Though new to the marketplace, more than 3 million Americans have already signed up for HSAs.

Ultimately, we need to move health care decisions back to individuals and away from employers. As simple as this sounds, much government policy stands in the way. When it comes to health insurance, the dominant thinking is: regulate first, ask questions later. Deregulating insurance and offering direct tax credits to the uninsured, for example, are important next steps.

Dr. David Gratzer, a physician, is a senior fellow at The Manhattan Institute. He is the author of "The Cure: How Capitalism Can Save American Health Care."