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WARREN REPORTS ON THE MIDDLE CLASS

Perils of consumer-directed health care



By [Jon Lackow](#) | [bio](#)

I'm always looking for a business case for progressive economic policy. As for medical bills, it turns out that "consumer-directed" health care has shifted nonpayment risk to hospitals:

Every year, the U.S.'s 6,000 hospitals generate roughly \$129 billion in bad debt, and \$42.6 billion of that debt is placed or sold every year, according to Kaulkin Ginsberg, a Bethesda, Md.-based research firm. Part of the reason hospitals consider selling medical debt is due to the increasing number of patients, both insured and uninsured, who are responsible for a greater portion of their bills. So-called self-pay accounts have lower collection rates than third-party payers, such as the government or insurance companies. As hospitals struggle to collect this money, experts predict that medical debt-selling will become more attractive. **Source: [ABI Update](#)**



Visions of patient belt-tightening are practically Panglossian. Patients stop demanding unnecessary testing, doctors stop urging it, and everybody gets exactly the right amount of care. It's the best of all possible worlds!

When reality intrudes on this vision, it's not nearly as simple. It's reasonable to expect that people who don't want to die, say, might choose an economically extravagant level of care however big their share of the hospital bill. If they know they can't afford it, they either gamble that they'll hit a windfall or (more likely) never pay the bill. The result is, consumers still might

make the "wrong" choices, and someone else (the hospital, instead of the insurer) still ends up paying for it -- someone in a far worse position to manage risk.

I'm not saying we should trash consumer-directed health care experiments. Perhaps how we pay for medical care is so flawed, any credible alternative should give us hope. But we must be wary of the "too good to be true" portraits of the patient-paying world when we finally choose the alternative.

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On October 2, 2006 - 12:05pm [hcbarkowitz](#) said:

I'm a little confused as to your point. Consumer-driven health plans, in the models with which I am familiar, do not put micro-level medical decisionmaking in the direct hands of the consumer. Rather, the plan is a bargaining agent for consumer groups with benefits managers or direct providers. As with the Federal Employees plans, various costs and benefit options are offered to the members.

My personal experience, in reviewing many hospital bills, is that they tend to overbill, usually through pure inefficiencies, and no one without a medical background can even spot the errors. Thinking of my last self-pay ER visit, with an infection of the lower leg, I had the background to identify the problem and recommend appropriate diagnosis and treatment.

Arriving at the ER, there was a great protective to-do about a possible more severe diagnosis, which would take expensive tests to rule out. When I still could talk, the ER physician agreed my logic was sound, but still insisted on an extra \$1000 in tests "to be safe". I was quite willing to sign a fully informed consent that I was willing to accept the risk that my cellulitis was not deep vein thrombosis, but the pain got so bad I was gasping rather than taking.

My diagnosis was correct, and it could have been handled through less than a level II trauma center.

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Howard

equal opportunity offense to both extremes

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