



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