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With Democrats winning control of the House and Senate, the election results are likely to shift momentum away from consumer-directed health plans, according to Allan Hubbard, assistant to the president for economic policy and director of the National Economic Council.

With double-digit annual cost increases for employers the norm, the state of health care in the United States "is on an unsustainable path," Hubbard said, speaking Nov. 8 at the World Congress 2nd Annual Consumer-Centric Healthcare Congress. "I believe we're close to the tipping point, and something's got to give." The two approaches to the problem, he asserted, are either adoption of a single-payer system or getting consumers more engaged in their own health care.

Most economists have concluded the problem stems with the third-party payment system, he said. "We consume our health care with the assumption it is free because we never ask about price," he said.

Despite this conclusion, the takeover of the House by Democrats, Hubbard said, likely will shift the debate toward a single-payer system. And like the government-run health care in other developed countries, such a move is likely to result in rationing of care and long waits for services, as well as government control of prices, both concepts Hubbard called "un-American."

The president realizes we can improve on [health savings account] proposals," Hubbard said. Health savings accounts combine a tax-free savings account with a high-deductible insurance policy.

For instance, President Bush's fiscal year 2007 budget proposal would raise HSA contribution limits for individuals and families and create a refundable tax credit. As a result of the election, he said, "I'm concerned that it will be more difficult to get our HSA enhancements passed."

"We need a new word for it," Hubbard said of the HSAs. "It's become a very partisan phrase on Capitol Hill. The Democrats basically don't like HSAs because it's a very Republican idea."

"I desperately hope we can overcome that kind of partisanship, that people will be open-minded," Hubbard said. "I am very much interested in listening to ideas from Democrats on how to improve the health care system."

Plan Needs Incentives, Transparency, Investments.

Making a consumer-directed health system work requires a four-part plan, Hubbard said. First, individuals must be given incentives to be wise consumers with the right financial incentives. Next, they must be given

information about the price of services. At the same time, quality information must become transparent, including information such as locations of providers in a given area who perform a particular procedure, number of similar procedures a provider has performed, outcomes by provider, and comments from other patients who have used the physician in question.

Finally, health care needs greater adoption of information technology, such as personal electronic health records that can be accessed anywhere securely, at the touch of a button, in the same way consumers can access information about their tax coded Section 401(k) plans, he said.

Over the past year, the administration has met with 50 chief executive officers at private companies and asked them to insist on the four principles of consumer incentives, transparency of cost, transparency on quality, and adoption of information technology, Hubbard said. The federal government also is committed to adopting the principles in all its health care purchasing, he said.

When consumers become concerned about price and quality of their health care, quality goes up and prices go down, according to Hubbard. For instance, he pointed to the changes in LASIK vision correction surgery, which the majority of insurance plans do not cover. This has forced consumers to shop around, and in the past 15 years, the price has dropped from \$5,000 for both eyes to less than \$2,000 for the procedure, and quality has improved dramatically, he said.

Similar gains have taken place in the areas of plastic surgery and the Medicare Part D plan, because in both cases, consumers are shopping around for the best deals.

By Linda Micco Richmond