



**Center for Health  
Systems Effectiveness**

# **Grappling with the Cost Conundrum: Insurance Coverage and Costs**

**Peter Graven, PhD**

**Willamette University College of Law**

**21st Century Healthcare: Can We Harmonize Access, Quality & Cost?**

**February 27, 2015**

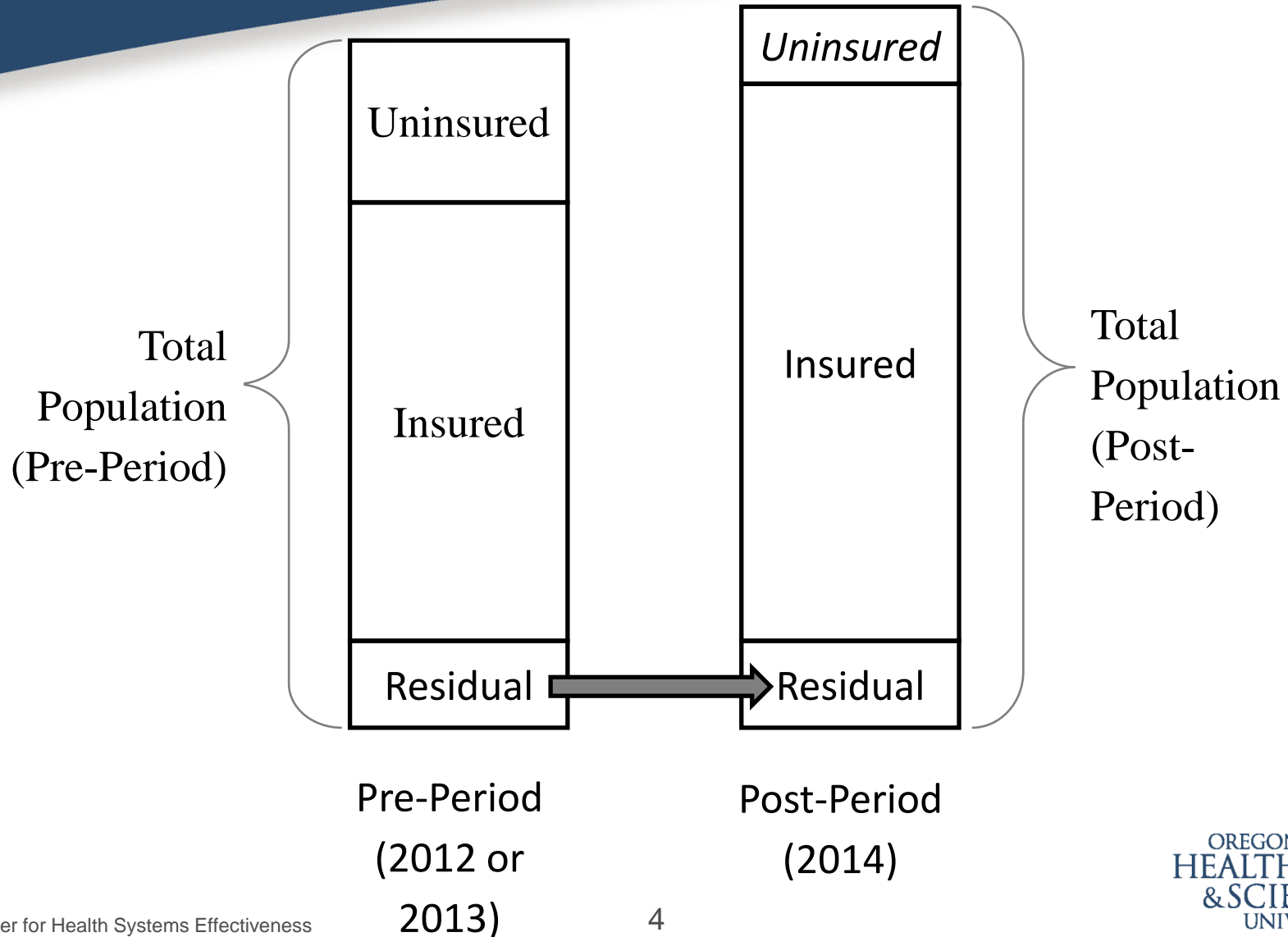
# Agenda

- Coverage changes in Oregon
- Spending Impacts
- Workforce Impacts
- Cost conundrum

# Coverage: Introduction

- New report out today
  - “Impacts of the Affordable Care Act on Health Insurance Coverage in Oregon: County Results and Statewide Update”
  - Downloadable at [www.ohsu.edu/chse](http://www.ohsu.edu/chse)
- ACA included policies to expand coverage
  - Ban pre-existing condition exclusions
  - Individual mandate
  - Subsidized coverage in exchanges and Medicaid
- New approach to obtaining uninsured rate

# Coverage: Method



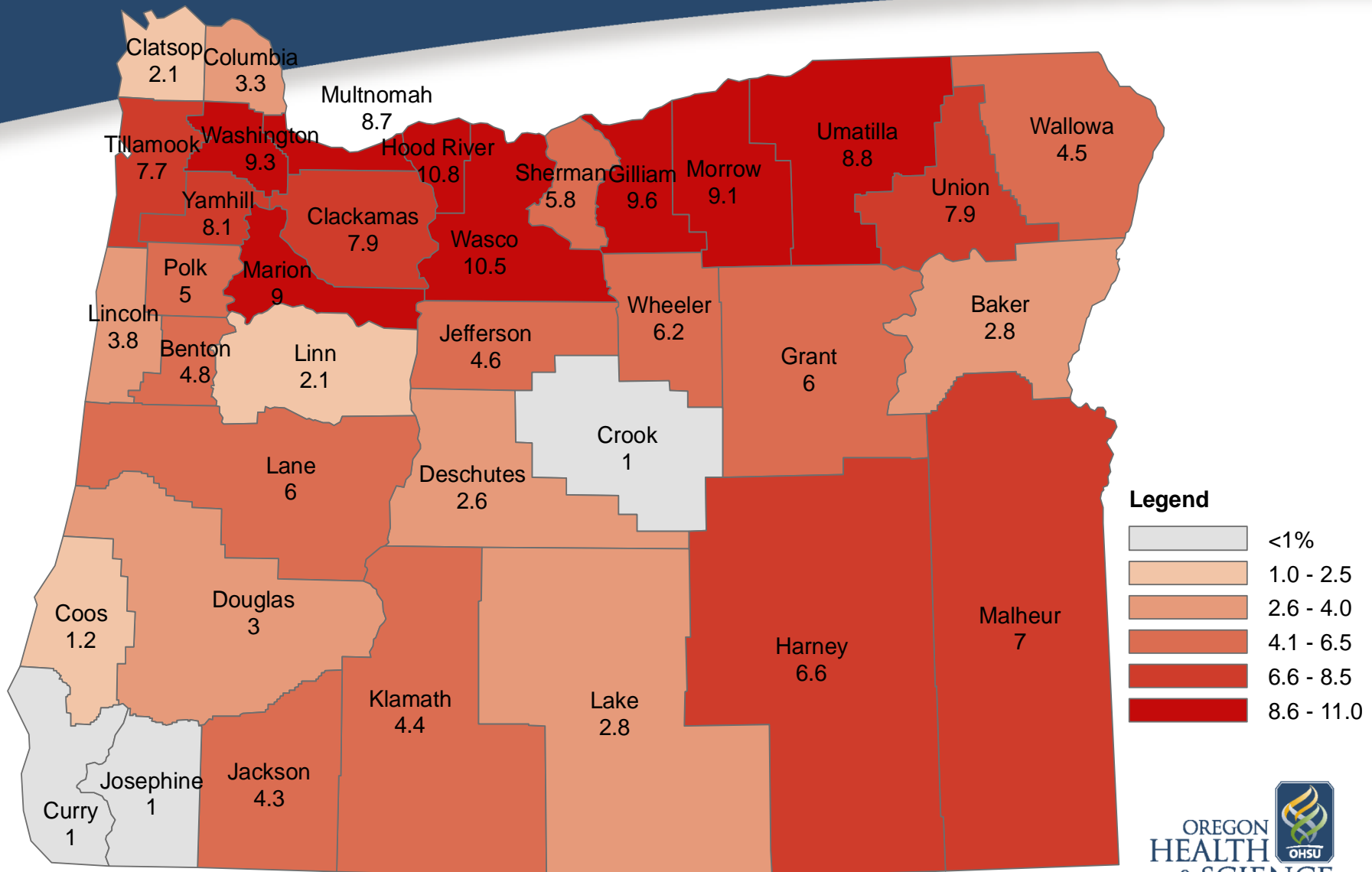
# Coverage: State Results

Type of insurance	Number of people				Percent of population	
	June 30, 2013	June 30, 2014	Difference	% Change	June 30, 2013	June 30, 2014
<b>Private</b>						
<b>Group</b>						
<i>Small group</i>	181,765	161,948	-19,817	-10.9%	4.6%	4.1%
<i>Large group</i>	584,677	567,280	-17,397	-3.0%	14.9%	14.3%
<i>Self-insured, DCBS reporters</i>	749,756	777,094	27,338	3.6%	19.1%	19.6%
<i>Stop-Loss, DCBS reporters</i>	153,788	156,927	3,139	2.0%	3.9%	4.0%
<i>Associations &amp; Trusts</i>	139,579	108,872	-30,708	-22.0%	3.6%	2.7%
<b>Total, Group</b>	1,809,566	1,772,121	-37,445	-2.1%	46.2%	44.7%
<b>Nongroup</b>						
<i>Direct purchase</i>	157,287	132,265	-25,022	-15.9%	4.0%	3.3%
<i>Cover Oregon</i>	0	70,492	70,492		0.0%	1.8%
<i>Portability</i>	13,575	0	-13,575	-100.0%	0.3%	0.0%
<b>Total, Nongroup</b>	170,862	202,757	31,894	18.7%	4.4%	5.1%
<b>Total, Private</b>	1,980,428	1,974,877	-5,551	-0.3%	50.5%	49.8%
<b>Public insurance</b>						
<b>OHP and Other Medicaid Programs</b>	585,971	948,391	362,420	61.8%	15.0%	23.9%
<b>Medicare</b>	684,919	716,178	31,259	4.6%	17.5%	18.1%
<b>Total, Public</b>	1,270,890	1,664,569	393,679	31.0%	32.4%	42.0%
<b>Uninsured</b>						
<b>Uninsured</b>	568,376	223,793	-344,583	-60.6%	14.5%	5.6%
<b>Residual</b>						
<b>Residual</b>	99,326	99,326	-348,126	-63.3%	2.5%	2.5%
<b>Total population</b>	3,919,020	3,962,565	43,545	1.1%		

# Coverage: State Change Factors

- Large increases in Medicaid (+362K)
  - Outreach efforts
  - Fast Track Enrollment
- Increases in non-group coverage (+32K)
  - Cover Oregon

# Coverage: County Results



# Coverage: County Change Factors

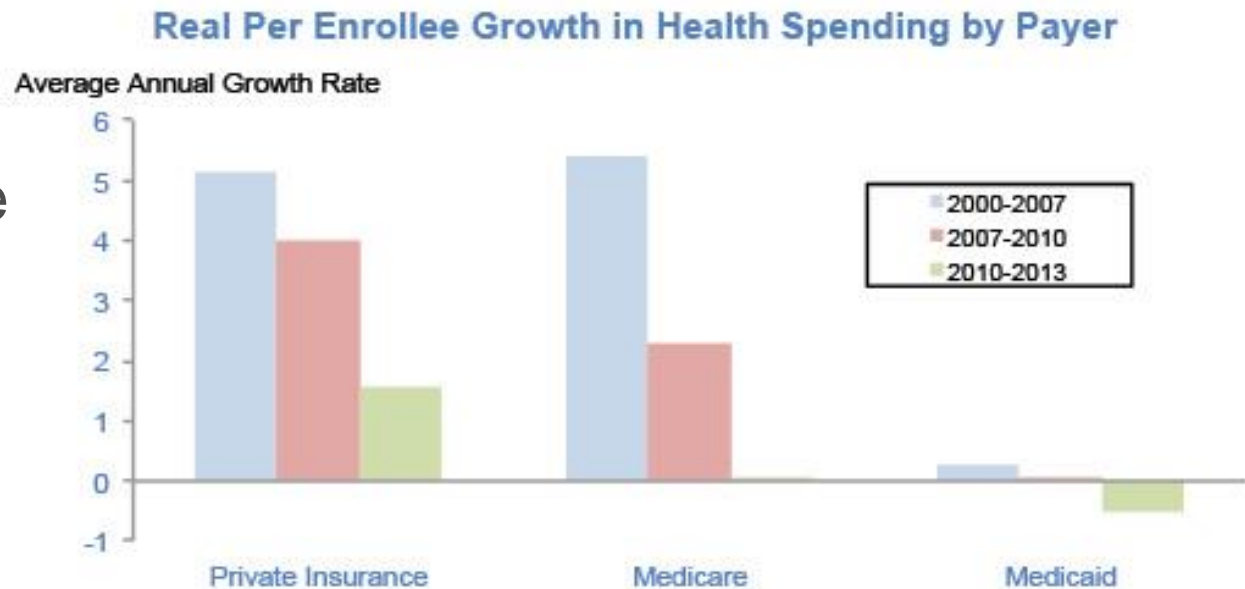
- Differential rates of Medicaid enrollment
- Differential rates of private insurance
  - Employer, Individual, etc.
- Why?
  - Employment changes positively correlate with both the uninsured drop
    - through private coverage increases
  - Kids in county negatively correlated



# Spending Impacts

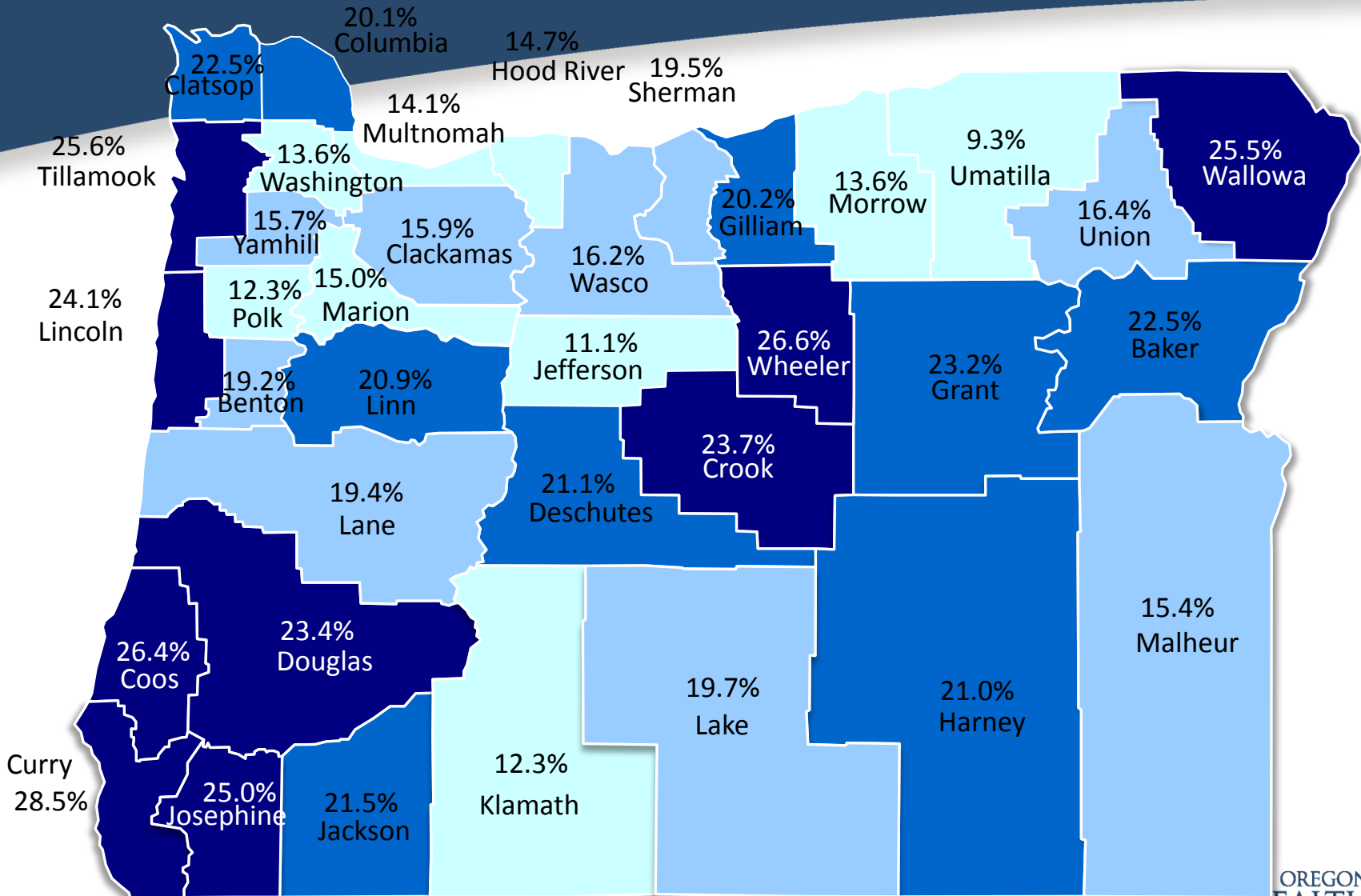
- When coverage increases what happens to spending?
- Uninsured use 32% more care when they gain Medicaid
  - Oregon Health Insurance Experiment
  - Baicker, K. and Finkelstein, A. (2011). The effects of Medicaid coverage - Learning from the Oregon experiment, *New England Journal of Medicine*, August 25, 2011

- But, spending increases have slowed



Notes: Figures for 2012 and 2013 are projections.  
Sources: Center for Medicare and Medicaid Services and Bureau of Economic Analysis.

# Workforce Impacts



# Cost Conundrum: Income and Prices

- High per capita income in the U.S.
  - Income explains about 90% of variation in health spending across countries and time
- High prices paid for services
  - Expenses = Price \* Quantity
  - In the US, Quantity (utilization) is lower than OECD median
    - Fewer physicians, nurses, hospital beds per capita; fewer office visits, acute care bed days, & shorter inpatient bed stays
    - MRI/CT scans equal to OECD median

# Cost Conundrum: Bilateral Monopoly

## EXHIBIT 1

### Concentrations Of Health Plans And Hospitals In Metropolitan Statistical Areas (MSAs), 2004

Health plan concentration index	Number of MSAs	Number of hospitals	Percent of total hospital revenue	Average health plan concentration	Average hospital concentration	Health plan concentration/hospital concentration	Percent of population in managed care
<1,000	32	326	13	854	3,204	0.28	57
1,000-1,800	129	1,131	51	1,409	3,265	0.46	59
1,801-3,200	122	654	28	2,284	3,570	0.66	57
>3,200	35	165	7	3,977	3,661	1.11	59
Total	318	2,276	99	1,714	3,361	0.52	58

**SOURCE** Authors' calculations based on data from InterStudy and the American Hospital Association Annual Surveys. **NOTES** The concentrations, concentration index, and penetration are explained in the text. Percentages of hospital revenue do not sum to 100 because of rounding.

# Cost Conundrum: Anti-Trust Regulations

- District Judge denied merger of Idaho providers
  - St Luke's Health System
  - Saltzer Medical Group
  - >80% market share
  - District judge found that the merger “creates a substantial risk of anticompetitive price increases”
- What are ACOs?

# Contact Information

**Peter Graven, PhD**

Health Economist

Oregon Health & Science University (OHSU)

Center for Health Systems Effectiveness (CHSE)

[graven@ohsu.edu](mailto:graven@ohsu.edu)