Grappling with the Cost Conundrum: Insurance Coverage and Costs

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Willamette University College of Law
21st Century Healthcare: Can We Harmonize Access, Quality & Cost?
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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

• 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

Total Population (Pre-Period)
- Uninsured
- Insured
- Residual

Pre-Period (2012 or 2013)

Total Population (Post-Period)
- Insured
- Uninsured
- Residual

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

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

- But, spending increases have slowed
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
## EXHIBIT 1

### Concentrations of Health Plans and Hospitals in Metropolitan Statistical Areas (MSAs), 2004

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

**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?
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