

# Academic Articles & Reports Roundup: July 2017

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Happy August! In this Roundup of articles from the past month, we cover four articles from July. The topics this month include 1) causes of recent drug price increases and how to reduce them|2) recent trends in health spending by state from 1991-2014|3) analysis of SHOP programs in California and Colorado|and 4) justifying universal health insurance.

## Causes of Recent Drug Price Increases and How to Reduce them

The article [Getting to the Root of High Prescription Drug Prices](#) summarizes the major causes of rising prescription drug costs and offers policy solutions to reduce them. Henry Waxman, Bill Corr, Kristi Martin, and Sophia Duong claim the 33% increase on prescription drug price spending between 2010-2014 is due to a number of factors. The most important factors, according to the authors, are 1) the increasing number of patented brand name drugs that enter the market, 2) the lack of generics drug on the market, 3) minimal price transparency on essential pricing information, and 4) limitations imposed by federal law that prohibit states from negotiating Medicaid drug prices. The authors conclude policy solutions should ultimately rebalance incentives for drug manufactures to produce lower cost products and emphasize patient access and affordability to improve patient care. Specifically, the report claimed some of the most effective policies will ensure proactive government monitoring and oversight of competition in pharmaceutical markets, enable the FDA to provide manufacturers with incentives to produce generics, require PBMs to improve transparency and reporting on all elements of pricing, and allow states to operate as PBMs. The authors offer many possible solutions that

policymakers can undertake to rebalance incentives for innovation and promote market competition.

## **Recent Trends in Health Spending by State from 1991-2014**

A recent study titled [Health Spending By State 1991-2014: Measuring Per Capita Spending By Payers and Programs](#) by David Lassman, Andrea Sisko, Aaron Catlin, Mary Carol Barron, Joseph Benson, Gigi Cuckler, Micah Hartman, Anne Martin, and Lekha Whittle examines per capita health spending by state and per enrollee spending for the three largest payers – Medicare, Medicaid, and private health insurance. The researchers compiled and analyzed data from state Health Expenditure Accounts to determine how spending growth and trends in each state changed from 2009-2014. According to the authors, three factors had the most significant impacts on shifts in state and personal healthcare spending during these years. The first two impacted Medicaid and private insurance spending and the third affected Medicare spending. ACA implementation is the first and most important factor, which expanded health insurance coverage through Medicaid and private insurance marketplaces. States that expanded Medicaid coverage under the ACA model saw an increase in Medicaid spending by 12.3% between 2013-2014 compared to only a 6.2% increase in states that did not. The growth rate in Medicaid spending per enrollee was less significant. The second factor can be attributed to the most recent economic recession, which ended in 2009. As employment and income levels decreased, Medicaid enrollment and the number of uninsured people increased. The study found that states with the highest unemployment rates also had the largest decrease in personal healthcare spending. The final factor attributed to recent Medicare enrollment growth is the aging baby boomer population. However, the Medicare growth rate is much slower than growth rates seen in Medicaid and private insurance markets. In conclusion, growth in personal healthcare spending between 2010 to 2014 varied.

The main factors that led to this variance were whether a state expanded coverage under the ACA and the most recent recession affected state income levels and unemployment.

## **Analysis of SHOP Programs in California and Colorado**

Leif Wellington Haase, David Chase, and Tim Gaudette conducted more than 50 interviews with stakeholders and policymakers and collected a number of employee surveys to assess the impact of changes to the Small Business Health Options Program (SHOP) since 2014. In their report, [Talking SHOP: Revisiting The Small Business Marketplaces in California and Colorado](#), the authors focused on California's and Colorado's SHOP programs that have been up and running since 2014. The ACA established SHOP and set up a health insurance marketplace for small employers to help them obtain affordable coverage for their employees. After examining California's and Colorado's SHOP programs, Haase, Chase, and Gaudette concluded there is a lot of potential for the SHOP program to grow, but there is still a lot of work that needs to be done. The interviews and surveys showed most stakeholders believed California's SHOP program carved about a viable niche in the market and that its brand could be trusted. Stakeholders responded similarly to Colorado's SHOP plan and expressed that although the program's rollout was unsuccessful, Colorado's SHOP website is now easy to navigate and targets the right people. However, some dissatisfaction with both plans remain. Stakeholders would prefer to see California's and Colorado's programs offering a wider choice of plans for employees. Additionally, most employers were aware of the tax incentives to sign up for SHOP, but were ineligible to claim them. The authors believe in order for SHOP to be successful, it "must become a conduit to a range of bundled insurance products" that are easily accessible and available for employers. However, as the program currently stands, SHOP may not be the proper vehicle to help small businesses with affordable health insurance.

## Justifying Universal Health Insurance

In a recent Health Affairs Blog post, [Universal Health Insurance? Why?](#), Walter McClure, Alain Enthoven, and Tim McDonald compare universal healthcare to universal public education and argue that universal healthcare, like education, is an essential public investment. McClure, Enthoven, and McDonald claim that if executed properly, the economic gains of universal healthcare would outweigh the economic costs. Current public and private health coverage options do not allow patients to choose providers based on value. Our present healthcare system rewards inefficiency and drives money towards providers that increase cost regardless of quality. To solve this issue, patients should be directed to choose among provider groups and not individual services. According to the authors, universal healthcare is the means to achieve this new value-based direction. Even though healthcare reform has become a central political issue, both parties can gain from implementing an effective universal healthcare system. To meet in the middle, democrats must acknowledge that universal coverage requires large cost-containment strategies for both providers and patients. On the other hand, republicans should recognize the financial benefits from universal coverage outweigh the costs needed to support it. Sickness reduces productivity in the workforce and in turn causes lost revenue. Full preventative coverage beginning in childhood leads to healthier adults and thus a healthier workforce. The authors suggest republican policymakers should promote legislation that creates incentives for patients to choose better value care. If designed and implemented properly, universal healthcare will lead to a more productive workforce and a cost contained national health system.

As always, feel free to [send us](#) Articles and Reports you think should be in The Round up. We hope you enjoyed this reading list. See you next month!