The Source Roundup: January 2021 Edition

Happy New Year Source readers! In this month's roundup, we take a look back at the last health policy articles of 2020 and look ahead to what 2021 holds. These pieces examine the continuing rise of national healthcare spending, the impacts of health market consolidation under the guise of healthcare delivery integration, the importance of state-level all-claims payer databases (APCDs), and the potential healthcare system reforms under the Biden administration.

Healthcare Costs

Underpinning most topics in this roundup is the issue of healthcare costs, prices, and spending. According to the *Health Affairs* article, National Health Care Spending In 2019: Steady Growth For The Fourth Consecutive Year, by Anne B. Martin and others, health care spending continued to grow in 2019. The authors found that health care spending in the U.S. increased by 4.6 percent in 2019, reaching $3.8 trillion (or $11,582 per person). Although the overall growth rate was consistent with the average since 2016, there was a faster growth in personal health care spending that was offset by a decline in the net cost of health insurance caused largely by a suspension of the health insurance tax. Personal health care spending accounted for 84 percent of total healthcare spending in 2019 and increased by 5.2 percent, faster than the previous year's rate of 4.1 percent. The authors note that they measured the relative stability of health care spending growth before COVID-19 hit the U.S. and that we still have not yet seen the full impact of the pandemic.

Healthcare Market Consolidation

A vast body of research has shown that health care consolidation is a driver of increased healthcare costs and prices. Adding to that body of research, ten peer-reviewed studies in a special issue of *Health Services Research* examine the impacts

of consolidation on cost, quality, and healthcare delivery. In a commentary on the issue, Making Integration Work, the Commonwealth Fund President David Blumenthal discusses how the studies show that clinical integration, although in theory a good cure, has not yet delivered on its promises to ensure efficient, equitable, and cost-effective care. Blumenthal walks through several potential reasons for this result. First, our current quality measures cannot yet capture improvements from integrated systems. Second, integration is still relatively new, and some benefits have not yet come to fruition because of the difficulty of achieving full clinical integration. Third, the trend of integration is less about quality and more about the financial welfare of health systems. Blumenthal additionally argues that the current fee-for-service system is at odds with the intended cost-effectiveness of integration as the boards of health systems' primary focus is on volume, margins, and growth.

Price Transparency

A better understanding of healthcare costs, prices, and utilization is crucial to making better policy decisions and ensuring data-driven changes. In a two-part series published by The Commonwealth Fund, Douglas McCarthy explores the lessons learned from the formation and implementation of all-payer claims databases (APCDs) from around the country and the uses and benefits – as well as challenges – for states looking to create or improve an existing APCD. In Part 1: How States Establish an APCD and Make It Functional, McCarthy focuses on APCDs from eight states that represent different approaches to the formation, governance, funding, staffing, use of vendors, sources and types of data collected, linkages with other data, analytic capabilities, and privacy practices of state APCDs. After studying these APCDs, which range from governmental initiatives and public-private partnerships to voluntary efforts, McCarthy concludes that successfully implementing an APCD relies on several elements. Vital factors include active engagement with stakeholders (submitters and users of data), a fitting governance structure, sustainable funding, and assurance of data quality and data privacy.

In Part 2: The Uses and Benefits of State APCDs, McCarthy zooms out to look at the

various uses and benefits of a state-level APCD, in addition to the challenges to implementing an APCD that is of value to stakeholders, such as antitrust concerns and limitations to complete data. Specifically, in discussing antitrust concerns and how APCDs can fall under a "safe harbor" under federal antitrust guidelines, McCarthy cites to the report written by The Source on Healthcare and Competition, The Secret of Health Care Prices: Why Transparency is in the Public Interest. A functional APCD is not only indispensable to policymakers to understand health system spending, utilization, and performance, but also to the public, insurance regulators, Medicaid agencies, and attorneys general offices. McCarthy finds that APCDs are not only useful to states to make data-informed health policy changes but are also valuable for health care stakeholders to improve health system performance.

Healthcare System Reform

The COVID-19 pandemic has made the flaws in our health system painfully clear, and many are turning their attention to what a new administration can accomplish for health care in the new year. In their article in the Milbank Quarterly, Why the Biden Administration Should Help States Develop Capitated Public Options, Richard Scheffler and Thomas Rice examine the possibility of a federal public option. In their article, they assess the two states working to develop quasi-public options, the advantages on healthcare quality of using risk-based capitation health plans, and which states are likely to pursue a capitated public option in the future. Using this backdrop, the authors suggest that the Biden administration and the new Secretary of Health and Human Services nominee, Xavier Becerra, can help states capture the federal cost savings of a public option and further encourage states to implement public option programs to pave the way to a federal public option.

In a slightly different approach, the authors of the Urban Institute report, The Effects of Medicare Buy-In Policies for Older Adults on Health Insurance Coverage and Health Care Spending, look at the implications of a Medicare buy-in program that would allow those qualified who are currently ineligible for Medicare to purchase a Medicare-like plan. Bowen Garrett et al. model the impact of such a

program if those aged 50 to 64 could buy such a plan under several different scenarios. They ultimately find that a buy-in policy's potential to significantly expand health insurance coverage is limited given the subsidies already provided under the Affordable Care Act. However, they also conclude that these policies could result in savings in overall national health spending because of the lower provider payment rates under such an approach. These lower rates could also reduce out-of-pocket costs for those enrolled.

That concludes this month's Roundup. If you find articles or reports that you think should be included in the monthly Roundup, please send them our way. Stay safe and healthy!