Academic Articles and Reports Roundup: February 2017

February brought us a number of interesting articles and reports on healthcare price and competition issues. This month's Roundup covers publications about 1) projected growth in national healthcare expenditures|2) ACA state marketplace competition|3) the relationship between payment reform and provider consolidation|and 4) the impact of the ACA on individual's ability to buy insurance. We hope you enjoy!

Projected Growth in National Health Expenditures

Health Affairs published a report on *National Health Expenditure Projections: 2016 – 25* by Sean P. Keehan and colleagues. According to the report, healthcare spending will continue to increase over the next ten years, in large part due to healthcare price increases. The report indicates that by 2025, healthcare spending will make up 20 percent of the United States gross domestic product. The authors expect the rate of spending to increase at a rate of 5.6 percent annually between 2016 and 2025. These spending increases result from two factors – higher prices and increased use of medical services and goods. The authors predict, however, that use of medical goods and services will grow at a slow rate, whereas healthcare prices will rapidly increase. Price increases account for almost half (46%) of total rise in healthcare spending during the period covered in the report. The one upshot of the report is that in 2016, overall spending rates slowed by 1.1 percent, which the authors attribute to reduced prescription drug usage and Medicaid spending.

ACA State Marketplace Competition

Michael Morrisey, Richard P. Nathan, Alice M. Rivilin, and Mark Hall published a *Five-State Study of ACA Marketplace*

Competition for the Brookings Institute. The report summarizes and analyzes information collected on competition in five state marketplaces: California, Florida, Michigan, North Carolina, and Texas. Each state survey explored why insurers chose to enter or exit state marketplaces, how insurers built provider networks, and the impact of state regulation on insurer participation.

The authors found four common themes among all the states surveyed. First, the report characterized all exchanges' markets as "inherently local." Insurers had to build local provider networks and respond to market issues unique to each geographic location. Second, high claims costs caused instability in the all of the state marketplaces. Insurers underestimated the number of claims that marketplace plans would generate. Individuals that bought plans used more goods and services than expected, resulting in lower-than-expected profit margins. Third, insurers on exchanges increasingly sold narrow network plans. In some markets, insurers stopped offering PPO plans entirely and only offered HMOs. Thiss shift allowed insurers to negotiate lower prices with providers by promising providers a higher number of patients, offsetting the high claims costs. Finally, in areas with strong competition between health systems, insurer competition flourished. Whereas, areas that lacked provider competition also suffered from poor competition between exchange insurers. This phenomenon was particularly evident in California. In Los Angeles, which has many competing health systems, individuals paid less for insurance than those living in San Francisco, which suffers from a highly concentrated market.

Relationship Between Payment Reform &amp|Provider Consolidation

Hannah T. Neprash, Michael E. Chernew, and J. Michael McWilliams investigated whether payment reform accelerates provider consolidation in their article published by Health Affaris, *Little Evidence Exists To Support The Expectation*

That Providers Would Consolidate To Enter New Payment Models. As their title suggests, the authors found that shifting financial risk to providers through payment reforms does not lead to increased provider consolidation.

The ACA instituted reforms to Medicare payment models, including Accountable Care Organizations (ACO) and bundled payment initiatives. Some policy analysts predicted that these changes would lead providers to consolidate vertically and horizontally in order to be more successful under the new payment contracts. The evidence in the article demonstrates, however, that neither type of consolidation necessarily helps providers succeed under new payment contracts. Health systems can improve quality without creating larger physician groups or exerting direct control over all levels of patient care. In addition, ACOs do not need require more bargaining power with insurers than fee-for-services providers. Despite this, the author's point out that providers might still consolidate simply to increase market power and balance out the financial risk of the contracts.

The data from the author's research – claims data and records of mergers and acquisitions from 2008 to 2015 – demonstrated that providers did not consolidate in order to succeed under the new payment contracts. Markets with greater ACO participation in 2014 did not generally see increased rates of provide consolidation. Physician groups did grow in size in those areas, but only by adding specialists rather than primary care physicians to the networks. Specialty groups would typically only join primary care groups if they aimed to enter an ACO contract. While hospital merger rates increased overall following the passage of the ACA, markets with new ACO participation did not experience higher merger rates. The authors suggest that this means that the new payment incentives in the ACA "may have triggered some consolidation as a defensive reaction to the threat these models pose, rather than as a way to achieve efficiencies in response to

new incentives." Overall, however, the authors emphasized that they found no clear relationship between ACO contracting and consolidation.

The ACA's Influence on Individuals' Ability to Buy Insurance

The Commonwealth Fund published an issue brief titled *How the Affordable Care Act Has Improved Americans' Ability to Buy Health Insurance on Their Own* by Sarah R. Collins, Munira Z. Gunja, Michelle M. Doty, and Sophie Beutel. The brief reports the findings from the Commonwealth Fund's biennial Health Insurance Survey, which analyzes the impact of the ACA on several measures. The authors found that the number of individuals who could buy insurance on their own increased substantially following the passage of the ACA. Specifically, while only 46% of individuals who tried to buy insurance on their own in 2010 ended up purchasing insurance, by 2016, 66% of people who shopped for a plan ended up purchasing insurance. In addition, in 2010, 60% of individuals who shopped for a marketplace plan reported it was very difficult or impossible to find a plan they could afford, whereas in 2016, that number fell to only 34%. In addition to making insurance easier to purchase, the report found that the ACA reduced the number of people who put off necessary care due to costs and reduced the number of people with medical debt or bill problems.

That's it for this month. As always, if you find articles or reports that you think should be included in the monthly Roundup, please send them our way. Happy reading!