

# February Articles & Reports Roundup

In February, we saw assessments of health policy ideas from the level of national health reform right down to very specific cost saving initiatives. This issue of the Roundup will start with the broad and theoretical and move toward the specific.

## Big picture health reform

In [\*Managed Competition in Health Insurance\*](#), Stanford economists Liran Einav and Jonathan Levin examine the potential for regulated markets to outperform single payer public insurance. Specifically, they examined the use of managed competition in Medicare as a means of demonstrating how adverse selection and market concentration impact the market for health care in the US. The goal of the paper is to discuss the state of the knowledge about the best ways to regulate a health market and identify important avenues for future research. The four open questions they leave readers with are 1) Can we rely on consumers?|2) Is paying a capitated rate to insurers per person per year (the person-year) the right transactable unit|3) What role should competition play in health markets?|and 4) Is access to healthcare a good proxy for good health? The paper is an interesting read that poses even more important questions for where we should be going.

In the European Journal of Health Economics, Wen-Yi Lin, Yia-Wun Liang, and Yu-Hui Lin asked [\*Is the US in the Middle of a Health Care Bubble?\*](#) They answer in the affirmative arguing that the United States is in the middle of a health care bubble that has lasted for over three decades. They conclude that the United States over invests in health care and that this trend is unsustainable over time. This is not news to anyone living here, but the economic explanations for how

increasing government debt relate to the deviation between medical price inflation and money wage growth are interesting.

## **Health Policy Initiatives**

In February, the academic literature asked what's working in health policy initiatives from Accountable Care Organizations to price transparency tools to certificates of public advantage. Randall Bovbjerg and Robert A. Berenson published [\*Certificates of Public Advantage: Can They Address Provider Market Power?\*](#), which illuminates the strengths and challenges of what they deem to be an underused policy tool. For a detailed summary, see The Source's [blog post](#) on the article.

In the same vein, Francois de Brantes of Health Care Incentives Improvement Institute and Suzanne Delbanco of Catalyst For Payment Reform published [\*Getting Accurate Price Estimates From Price Transparency Tools\*](#), which evaluates what features of different price transparency tools are most useful to consumers. The authors make numerous recommendations, including that price transparency tools be easily accessible, match quality and price data, and allow consumers to understand their payment obligations.

In [\*Health Provider Networks, Quality and Costs\*](#), Jan Boone and Christoph Schottmueller create an economic model that examines the role of market power in selective network contracting and its impact on quality and cost. The article is written for an economically sophisticated audience, but it is an interesting look at whether narrow networks can and will be successfully used to promote quality of care.

Finally, two reports this month examined ACOs. L. Wilson issued a Robert Wood Johnson Report, [\*Accountable Care Organizations: Testing Their Impact\*](#), which provides a great deal of descriptive and background information on the creation of ACOs. The report describes preliminary research results from four RWJ-funded research teams that are studying the

growth and proliferation of ACOs both in the private and Medicaid markets. In [Antitrust for Accountable Care Organizations](#), Laurence C. Baker, M. Kate Bundorf and Daniel P. Kessler conducted a simulation of how the decision of a hospital to create an ACO by purchasing physicians would impact health care prices and spending. The simulation demonstrated the potential for ACOs to increase prices and spending in certain regions. The authors argued based on their findings that states should consider altering their approach to antitrust policy in relation to certain ACOs.

## **Reports on the ACA**

January marked the one-year anniversary of the start of the Health Insurance Marketplaces (aka the Exchanges) and pretty close to the fifth anniversary of the passage of the ACA, so a number of articles examined different features of the ACA's progress. In the International Journal of Health Services, John P. Geyman published his critical analysis of the ACA, a [Five Year Assessment of the Affordable Care Act: Market Forces Still Trump the Common Good](#), arguing that the United States needs to embrace more fundamental reform to achieve its health care goals of improved quality, increased access, and lower costs. Geyman concluded that the government should take the lessons learned in the first five years of the ACA and use them to transition to a single payer health system.

Others were less ready to throw in the towel and focused on costs associated with the exchange plans. For an in depth examination of the role of competition in driving premium costs in the federally facilitated marketplaces, read Leemore Dafny, Jonathan Gruber, Christopher Ody's article [More Insurers Lower Premiums Evidence from Initial Pricing in the Health Insurance Marketplaces](#), published in the American Journal of Health Economics. The authors argued that if all insurers in active in the individual market in a particular rating area had participated, the average premium would be 11.1% lower, which would have saved the federal government

\$1.7 billion in 2014 subsidies. For a quick look at the role of premium tax credits in making Exchange plans more affordable, check out Arpit Misra and Thomas Tsai's ASPE Research Brief, [\*Health Insurance Marketplace 2015: Average Premiums After Advance Premium Tax Credits Through January 30<sup>th</sup> in 37 States\*](#). Finally, for a good overview of the out of pocket costs associated with Exchange plans including specifics on cost sharing for different types of services, read the Kaiser Family Foundation Issue Brief [\*Cost of Care with Marketplace Coverage\*](#) by Gary Claxton, Cynthia Cox and Matthew Rae.

Finally, Sherry Glied and Stephanie Ma questioned [\*How Will the Affordable Care Act Affect the Use of Health Care Services?\*](#) in a recent Issue Brief published by the Commonwealth Fund. The report estimated that the predicted increased demand for physician and hospital services resulting from increased access provided by the ACA will vary from state to state, but largely will be nominal. Further, the authors concluded that the primary care workforce should be able to absorb the increase in utilization.

## **Cost Reduction in Practice**

In [\*Reducing Operating Room Costs Through Real Time Cost Information Feedback: A Pilot Study\*](#), Tabib et al. attempted to reduce costs by providing cost information to surgeons shortly after an operation. Surgeons received cost feedback for each item used during surgery for two different types of surgeries, the robotic partial nephrology and laparoscopic donor nephrectomies. Following the intervention washout period, total OR costs for these procedures decreased by 17.2% and 8% respectively.

## **Data and Reports**

On February 25<sup>th</sup>, Health Care Costs Institute (HCCI) launched its new consumer-facing price transparency tool – [Guroo.com](http://Guroo.com) –

that provides price information based on national, state, and local information for 70 common health care conditions and services. Access to the website is free to all regardless of whether they have insurance and who their insurer is. HCCI also issued its first data brief, [\*Shopping for Healthcare Makes “Cents” for Consumers\*](#), which highlights the variation in prices actually paid for common health care services and the impact that it has on patient expenditures. This is the first data brief to come out of the HCCI dataset made up of health insurance claims from multiple national commercial insurers, representing over 50 million covered lives.

Finally for those of you interested in how the ACA changed the market for health insurance, check out the latest from Katherine Wilson of the California Health Care Foundation, [\*California Health Insurers: Brink of Change\*](#). In this report, Wilson details the state of California’s health insurance market at the end of 2013 right before the major provisions of the ACA took effect. The report offers a wide range of information including a Quick Reference Guide and interactive graphics. This will be a good benchmark of the impact of the ACA going forward.

That’s it for this month! Happy reading.

P.S. – If you find articles or reports that you think should be included in the Monthly Roundup, please send them to us. We would love to hear from you!