

The Source Roundup: April 2020 Edition

We hope that you and loved ones are staying well as we together persevere through the unprecedented circumstances brought on by the COVID-19 pandemic. The current situation has brought to the forefront a number of issues our healthcare system currently faces, including the potential costs associated with treating those affected by COVID-19.

In this month's Source Roundup, we begin by looking at the expected treatment costs for patients affected by COVID-19 and examine how price capping may be a means to reduce healthcare costs. We also highlight articles that discuss the effects of state and federal price transparency initiatives, the potential for generics and biosimilars to lower prescription drug costs, and the Affordable Care Act's impacts since its enactment a decade ago.

COVID-19 Costs and Capping Provider Prices

In light of the recent COVID-19 crisis, many are asking who will bear the costs of patients who require treatment. Matthew Rae and colleagues examine the potential costs of COVID-19 treatment to employer health plans and patients in the Kaiser Family Foundation brief [Potential costs of coronavirus treatment for people with employer coverage](#). Though many private insurers have agreed to waive some costs related to COVID-19 testing, patients will still bear the brunt of out-of-pocket costs for treatment. The authors in this study estimated expected COVID-19 treatment costs based on typical spending for pneumonia hospital admissions, finding that total in-patient costs may surpass \$20,000 per admission. Even for those with employer-sponsored coverage,

out-of-pocket costs may still exceed \$1,300. While Congress is considering legislation related to the COVID-19 response, at the time of publication, individuals who become sick with COVID-19 may face high out-of-pocket costs related to in-patient treatment.

The COVID-19 crisis exemplifies the ongoing challenge in constraining high healthcare costs. One simple and direct proposed approach to tackling rising healthcare costs involves capping provider prices. In the Harvard paper for the Brookings Institute titled [A Proposal to Cap Provider Prices and Price Growth in the Commercial Health-Care Market](#), Michael Chernew et al. propose a solution to efficiently curtail commercial provider prices. Noting that U.S. healthcare spending increased at a rate of 4.6%, far higher than inflation, the authors call for limits on annual price increases for healthcare – set at no higher than 1-2% above the inflation rate. The proposal also addresses market and service prices caps and flexible oversight to detect evasion. The authors argue that together, these approaches will more efficiently constrain commercial healthcare pricing.

To increase competition and provide consumers with additional choices, some support the idea of public health insurance options. The Urban Institute report [Estimates of the Implications of Public Option and Capped Provider Payment Rate Reforms](#) by Linda Blumberg et al. compare the coverage and spending implications of public options as an alternative to private insurance. The report examines a range of proposed public options, which are all generally structured like private insurance but resemble Medicare in terms of its fee-for-service pricing and network size. One option in particular caps private insurer payments to providers much like Medicare Advantage. The availability of such public options could effectively lower costs without impacting benefit and cost-sharing structures.

Increased Price Transparency May Lead to Lower Healthcare Costs and Price Variability

Another approach to containing skyrocketing healthcare costs is price transparency, as many states are implementing measures to encourage informed healthcare shopping and limit unexpected healthcare bills. In a recent JAMA Health Forum article [Promoting Health Care Transparency via State Legislative Efforts](#), Roslyn Murray, Suzanne Delbanco, and The Source Executive Editor Jaime King survey state legislation targeting health care price transparency with the [Database of State Laws Impacting Healthcare Cost \(SLIHCQ\)](#), a public database established by The Source on Healthcare Price and Competition and Catalyst for Payment Reform (CPR). The article highlights recent legislation (1) establishing all-payer claims databases, (2) implementing patient right-to-shop, and (3) protecting patients from surprise billing. The authors note that in light of the speed with which states are enacting such laws, more states are likely to follow suit, but further research will be required to determine whether such laws promote price shopping and reduce costs.

In addition to state efforts, which may be limited by the Employment Retirement Income Security Act (ERISA) preemption, some experts propose the adoption of federal transparency initiatives to stem unchecked rising costs. In [The Evolution and Impact of Hospital Price Transparency in North Carolina](#), published in the North Carolina Medical Journal, Christine Ward and Tim Reeder assess the effect of federal legislation requiring hospitals to published their prices lists on their websites. Whereas 0% of North Carolina hospitals gave access to their price lists in 2017 before the law was enacted, 72% provided access after the law came into effect in 2019. The average prices per procedure and overall price variability decreased from 2017 to 2019. The data suggest that such transparency requirements could lower hospital healthcare costs.

Some in fact have begun to look at the impact of price transparency efforts on healthcare decisions and pricing. The Journal of Medical Systems published a perspective, [Price Transparency: Empowering Patient Choice and Promoting Provider Competition](#), in which Brian Miller and colleagues explore price transparency efforts, their value, and potential effects. The article highlights a recent Executive Order requiring disclosure of negotiated rates and state-level price transparency legislation. The authors note that price transparency initiatives will likely have the most impact for “shoppable” services where patients have the ability to decide ex ante before obtaining care. Despite the potential for lower quality of care and collusion, the authors conclude that effective price transparency will enable patients and providers to make better healthcare decisions and potentially effect competitive healthcare pricing.

Generics and Biosimilars as a Solution to Rising Prescription Drug Costs

While a number of factors contribute to high healthcare costs, a hot topic recently has been pharmaceutical pricing. In [Changes in List Prices, Net Prices, and Discounts for Branded Drugs in the US, 2007-2018](#), published in JAMA, Inmaculada Hernandez et al. examine whether manufacturer discounts offset rising list prices of branded pharmaceutical drugs. Pricing data from 2007 to 2018 showed that list prices for branded drugs increased by 159%, while discounts for non-Medicaid payors increased from 23 to 51%. Though these discounts offset 62% of list price increases, net prices still increased by 60%. The study concludes that although discounts do in part counteract rising prices in branded pharmaceuticals, net prices experienced a substantial increase during the 2007-2018 time period.

Much like how generics offer a lower price option to branded

pharmaceutical drugs, biosimilars likewise are the “generics” of biologic products. Wayne Winegarden, in the Pacific Research Institute study, [Promoting Biosimilar Competition to Reduce Patients’ Out-of-Pocket Costs](#), looks into potential cost-savings if patients used biosimilars rather than their originator (i.e., “branded”) biologic counterparts. Biosimilars generally are offered at 20 to 40% below originator biologics. Based on projected out-of-pockets costs for patients on Medicare and average employer-sponsored health plans, patients may save up to 47% for each biosimilar and 17% overall, taking into account weighted average spending for each drug.

The Affordable Care Act Celebrates 10 Years

Last but not least, it has been a decade since the Affordable Care Act (ACA) transformed healthcare. In recognition of the ACA’s 10th anniversary, *Health Affairs* published a [special edition](#) examining some of the major questions surrounding the Act following its implementation: How did it change the [individual insurance market](#)? Did it expand and make [coverage more affordable](#) or bend the [cost curve](#)? Did it [improve](#) people’s health? How did it change the [prescription drug market](#)? Be sure to check out the articles for details.

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!