

The Source Roundup: June 2019 Edition

Happy June! Summer is just around the corner and healthcare policy discussion is heating up. In this month's Source Roundup, we highlight academic articles and studies that look at 1) the high costs of employer-sponsored insurance, 2) how much private insurers are paying hospitals compared to Medicare, and 3) implications of single payer system reform.

Increasing Employer-based Insurance Costs Present Difficulties to Many Americans

In the last twelve years, annual deductibles in employer-based health plans have skyrocketed and now average more than \$1,300 annually. A [joint study](#) by the LA Times and the Kaiser Family Foundation illustrated the difficulties Americans face from rising health insurance deductibles. The study by Liz Hamel, Cailey Muñan, and Mollyann Brodie analyzed 1,407 people with employer-based insurance plans and found that they experience difficulties in keeping up with ever-growing yearly deductibles. This has led to people at times forgoing basic care because they are worried about not being able to pay their deductibles or out-of-pocket costs.

Two other recent studies reinforce the notion established by the Kaiser Family Foundation study that employer-sponsored health plans costs are increasingly harder to manage. The Commonwealth Fund report, [How Much U.S. Households with Employer Insurance Spend on Premiums and Out-of-Pocket Costs: A State-by-State Look](#), cites that in 11 states, households in the top 10 percent of spending on premium contributions paid \$9,000 or more annually. In the issue brief [Deductible Relief Day: How Rising deductibles are affecting people with employer coverage](#), Matthew Rae et al. conclude that as deductibles get more expensive, Americans are taking longer to satisfy their deductible payments.

In the Kaiser Family Foundation study, the authors detail employee dissatisfaction

regarding their health plan deductible rates and coverage. The study illustrates that despite the increase in deductibles, there appears to be no increased positive ratings of the quality of care received. In general, the cost of health insurance is the most important feature in a health plan to employees as compared to coverage related factors such as the breadth of providers or the range of covered benefits. Employees are more likely to give their insurance positive rating if their yearly deductible cost is not as high.

More importantly, the authors iterated that the deductible revolution which envisioned patients playing the role of active consumers to help drive down health care prices has not panned out as expected. The L.A. Times interviewed a variety of socioeconomic backgrounds and a common theme among those interviewed is that while the deductible prices are increasing, the amount of savings Americans report have remained stagnant. The study illustrates several factors for the high cost of deductibles, including confusion about the cost of care and the lack of knowledge regarding price of services between doctors and hospitals. These factors prevent patients from being the savvy consumer initially envisioned that would help keep insurance prices competitive. As the cost of deductibles increase, it is clear employers will inevitably need to address the burdens of shifting these costs onto their employees.

Hospitals are Charging Private Insurers Up to Three Times What Medicare Pays

In [Prices Paid to Hospitals by Private Health Plans Are High Relative to Medicare and Vary Widely](#) published by the RAND Corporation, Chapin White and Christopher Whaley surveyed 25 states and over 1,600 hospitals to determine just how much private health plans are paying hospitals. One of the most staggering findings is that from 2015 to 2017, private insurers paid hospitals 241% of what the normal Medicare fee schedule pays. The article points out that if these insurers paid the base Medicare rate, the total amount of money spent would have decreased from \$13 billion to \$7 billion during the two-year study.

The authors discuss several factors responsible for private insurance plans paying

such an exorbitant amount. Provider market power is a main reason, as hospitals leverage their bargaining power as the area's main health care provider. For example, if hospitals offer specialized services not available elsewhere, employers have little leeway to negotiate even if they know what Medicare pays. The study looks at possible remedies such as contracting at set Medicare rates to prevent price fluctuation. Another unique approach to combat these high prices is for private plans, such as Anthem, to contract with fewer hospitals to maximize savings while ensuring the quality of care. White and Whaley also discuss certain policy alternatives, such as state or federal statutes that limit how much out of network providers can be reimbursed.

As hospital fees continue to rise, debates about overhauling the current payer system will continue to emerge as well. While the report does not provide a clear-cut solution as to how insurers can lower hospital prices, it does encourage a discussion to promote transparency, fairness, and long-term stability between health plans and hospitals. A follow-up [blog post](#) from Milbank Memorial Fund offered state policy as a solution to reducing expensive hospital prices, including reference price limits based on Medicare rates, cap on hospital payment rates using reported payment rates, and an all payer database to collect data on how much typical hospital services are being paid. This would allow states to play a bigger role in regulating and monitoring how much hospitals are actually receiving and reduce healthcare prices.

The Congressional Budget Report Regarding Single Payer System Presents More Questions Than it Answers

Early in May, the Congressional Budget Office released a report titled [Key Design Components and Considerations for Establishing a Single-Payer Health Care System](#), analyzing how a single payer health system could be implemented and its implications. According to the report, a single payer health system, in which healthcare is universally funded by the government, could be established one of two ways. The first is at the federal level based on a Medicare Fee schedule model. Doing this would establish a unitary precedent that all states could follow. Another

possibility is implementation at the state level, where states can design their own features while following a broad set of federally mandated rules. The report also broke down important issues such as eligibility, types of services covered and cost sharing effects.

The report also discussed the pros and cons of a single payer model. One of the benefits of a single payer model is that simplifying the system can lead to a more standardized system of coordinating patient care, similar to that seen in Taiwan where patient information can be monitored in real time under the government run health system. On the other hand, one of the biggest questions regarding this overhaul, is what would happen to private insurance plans under a government dominated system? The study clarified that despite a government-run system, private insurance could still play a role in a single payer system by offering broader networks and more generous benefits. However, there are some possible drawbacks where private insurance offering additional benefits could affect the operations of single payer systems. For instance, if privately insured patients are allowed access to care at a faster rate, it would create fairness issues.

The report presents several polarizing ideas and answers numerous substantive questions about implementing a single payer system. Despite this, there are still several questions the report does not answer. For instance, it does not provide specific dollar figures as to how much this overhaul would cost. While it provides several avenues as to how it could be done, it does not provide specific statistics. Although some questions remain unanswered, this report does provide insights to the major elements of implementing a single payer system along with its possible shortcomings.

That's it for this month's Roundup. 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!