The Source Roundup: March 2021 Edition

Happy March! This month's roundup focuses on health policy pieces and reports that examine 1) the future of value-based care, 2) the efficacy of various policy options to address healthcare prices, including increasing price transparency and market competition, 3) comparisons of brand-name drug prices, and 4) the impact of the Affordable Care Act on uninsured young adults.

Valued-Based Reform

In a white paper published this past month, The Future of Value-Based Payment: A Road Map to 2030, researchers from the Leonard Davis Institute of Health Economics at the University of Pennsylvania argue that to rein in healthcare costs, there needs to be a new roadmap to move from volume-based to value-based care. Rachel M. Werner et al. offer several recommendations, primarily targeted at the Centers for Medicaid and Medicare (CMS), which aim to help create a clear long-term path for the federal government to focus on the alternative payment models that are most likely to generate significant savings and improve quality. The authors recommend that CMS 1) simplify the current value-based payment landscape, 2) accelerate the transition to risk-bearing, population-based alternative payment models, 3) structure incentives to push providers away from fee-for-service payment and toward alternative payment models, and 4) ensure that achieving health equity be a central goal of value-based payment models. While other experts have made similar arguments, this report pushes the discussion further. The researchers argue that there needs to be a greater level of coordination among the federal government's efforts to move towards value-based care by aligning payment policies across all public and private programs that receive federal funding towards alternative payment models.

Healthcare Cost Containment

In a report published by the RAND Corporation, Impact of Policy Options for Reducing Hospital Prices Paid by Private Health Plans, Jodi L. Liu et al. analyzed three different policy options to curb hospital prices among the commercially insured in the United States. Using data from the federal Hospital Cost Report, the authors compared the potential effectiveness of regulating hospital prices, improving price transparency, and increasing competition among hospitals and explored the critical considerations for each strategy and the potential impact on hospital prices and spending. According to the authors, direct price regulation (such as rate setting) would likely achieve the most savings but faces the most political hurdles because of strong opposition from providers. While price transparency initiatives and increasing competition in hospital markets would reduce costs, Liu et al. argue that the reductions would not be as dramatic as with price regulation. This is because both strategies also have significant obstacles. The effectiveness of price transparency initiatives largely depends on patients and employers using those tools to choose lower-cost providers. Additionally, healthcare markets are already so concentrated that regulators would need to make significant structural changes to markets to reach effective levels of competition.

Price Transparency

In another report published by the RAND corporation, Increasing Price Transparency in Health Care: Key Themes and Policy Options from a Technical Expert Panel, RAND researchers convened a panel of experts, including The Source Executive Editor Jaime King, to discuss current price transparency efforts, the barriers to more widespread availability and use of price information, and possible ways to overcome those barriers. The researchers identified several takeaways from the discussion with the experts. These takeaways include that consumers often do not shop for healthcare services, price information is difficult to access during services, price transparency information can be inaccurate or misleading, and there are still significant legal and regulatory barriers that prevent the sharing of price information. While obstacles remain, the expert panel did suggest that increasing

the number of all-claims payer databases (APCDs) could improve access to price information. Lastly, the experts suggested policy options beyond just improving price search websites that could make price transparency efforts more meaningful, such as better patient education and support around decision-making at the point of care, as well as more meaningful information for patients such as whether a provider is taking new patients. The panel also suggested ways the federal government could step in to help with price transparency, specifically eliminating data-sharing limitations and resolving other barriers impeding the flow of price information, in addition to supporting APCDs through incentives and technical assistance.

Market Consolidation and Competition

Another policy consideration that experts advocate for achieving cost containment is through promotion of market competition and reduced concentration. In Price Effects of a Merger: Evidence from a Physicians' Market, a working paper for the Federal Trade Commission, Thomas Koch and Shawn W. Ulrick put this hypothesis to the test by examining the price effects of physician market concentration. Published in Economic Inquiry last month, the paper analyzes how the merger of six orthopaedic physician groups in a Pennsylvania county affected prices. The researchers used claims data from three private payer and compared prices of the region that experienced physician consolidation to nearby regions that did not. They found that the region where the merger took place saw 10–20% increase in prices for two of the payers post-merger, while the region without merger activity did not experience a change in prices. Koch and Ulrick concluded that the increase in prices resulted from increased market power of the merged practices. Notably, in this case, the third payer did not experience change in prices. The authors pointed out that these results demonstrate that the effects of merger may not be uniform across payers and warns that studies that only look at one set of payers could be incomplete.

Pharmaceutical Prices

In a new report published by the Congressional Budget Office (CBO), A Comparison of Brand-Name Drug Prices Among Selected Federal Programs, the CBO describes how brand-name prescription drug prices are determined within different federal programs and how they compare to prices in 2017. The CBO examined 176 popular brand-name drugs and found that for a 30-day supply, on average, the medication cost was $118 through Medicaid and $343 through Medicare Part D. The CBO also found that the government paid almost twice as much for the same drugs through Medicare than it did through the Veterans Affairs program. The CBO found that these price disparities are similar to those seen in 2017. The report underlines the importance of negotiation leverage in different payors' ability to receive larger rebates, which leads to price disparities among federal programs and between federal programs and commercial plans.

ACA Medicaid Expansion

Before the passage of the Affordable Care Act (ACA), young adults were among those most likely to be uninsured. In a report published by the Urban Institute, Impacts of the ACA's Medicaid Expansion on Health Insurance Coverage and Health Care Access among Young Adults, Anuj Gangopadhyaya and Emily M. Johnston examine how the ACA and Medicaid expansion changed access to care for young adults aged 19 to 25 years old. The authors found that the uninsured rate for these young adults declined from 30 percent to 16 percent between 2011 and 2018, and Medicaid enrollment for this age group increased from 11 percent to 15 percent. Furthermore, they found that states that expanded Medicaid saw more significant declines in the number of uninsured young adults. On average, the uninsured rates among young adults declined from about 28 percent in 2011 to 11 percent in 2018, but in non-expansion states, the uninsured rate decreased from about 33 percent to 21 percent. Significantly, the authors found that Medicaid expansion reduced differences in coverage by race/ethnicity, education level, and income among young adults. The authors conclude that expanding Medicaid in additional states could improve coverage among young adults and improve access to care among those with low incomes and without a college degree.

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!