The Source Roundup: May 2020 Edition

By: Swaja Khanna, Student Fellow

With the coronavirus pandemic causing shelter-in-place restrictions around the world, we here at The Source hope you are staying safe and healthy as we catch you up on some of the articles and reports in health policy this month. In this edition of the Source Roundup, we cover articles and reports that discuss: (1) the cost of hospital care for COVID-19 for the uninsured, (2) how health costs may change in the pandemic, (3) surprise out-of-network billing from ambulance transportation, (4) in-network ASC episodes that generate out-of-network surprise bills, (5) the current state of federal antitrust enforcement, and (6) the effect of H.R. 3 on drug pricing.

Estimating the Cost of Hospital Care for COVID-19 for the Uninsured

According to an issue brief by Larry Levitt et al. of the Kaiser Family Foundation, the Trump administration's new legislation to provide reimbursement for treating uninsured COVID-19 patients could cost between $13.9 to $41.8 billion. The money for the reimbursement would come from a new stimulus bill that allows tapping into a $100 billion fund. The authors estimate that 2% – 7% of uninsured people will require hospitalization for COVID-19, ranging from 670,000 to about 2 million hospital admissions. However, this analysis is considered conservative as the figures are based on the most recent number of uninsured people (27.9 million). Due to COVID-19 caused lay-offs and furloughs, the actual amount of uninsured people has likely increased steeply. Furthermore,

uninsured patients could still get a large medical bill for follow-up care outside a hospital. Additionally, the authors believe that because the effects of COVID-19 will bring in waves of new cases for the next year, it is unclear whether the new $100 billion fund will be able to cover the costs for treating uninsured patients as well as other needs like the purchase of medical supplies and construction of temporary facilities.

How Health Costs Might Change With COVID-19

In another Kaiser Family Foundation brief related to COVID-19, Cynthia Cox et al. look at changes in health care costs arising from COVID-19. As expected, the coronavirus pandemic has caused a lot of uncertainty in the health care industry. Because of the unclear nature of this pandemic, there are many unknowns around policy-making relating to cost-sharing and risk mitigation, which present challenges to private insurers in predicting their costs. On the one hand, the decrease in elective procedures and other types of care may offset the high costs of COVID-19 hospitalizations. On the other hand, an effective treatment or vaccine could reduce strain on the health system, but the costs of these treatments and vaccines may add new costs. The authors believe that these uncertainties may lead to some insurers either dropping coverage entirely or raising prices substantially. This will be seen in the next two months, when commercial insurers are required to submit updated premiums for 2021 to state regulators for review and approval, which cannot be changed once approved.

Patients Need Protection Against Out-of-Network Bills for Ground and Air Ambulance Transportation

In the *Health Affairs* article Most Patients Undergoing Ground

And Air Ambulance Transportation Receive Sizable Out-Of-Network Bills, authors Karan Chhabra et al., propose that forthcoming federal policies to limit surprising out-of-network bill should take into account that most patients receive out-of-network bills for ground and air ambulance transportation and incorporate protections against those surprise costs as well. Ambulance transportation has already been identified as a large component of surprise out-of-network bills, as 71 percent of all ambulance rides from a batch of members of a large national insurance plan in 2013 involved potential out-of-network bills. Out-of-network bills for ambulance transportation are significantly higher than in-network charges, resulting in the median potential surprise bill of $450 for ground ambulance transportation and $21,698 for air ambulance transportation. Out-of-network ground ambulance transportation bills are more common than air ambulance transportation bills, averaging an aggregate impact of $129 million per year. Additionally, out-of-network air ambulance transportation bills averaged $91 million per year. Therefore, the authors believe that federal proposals should include protections against out-of-network ambulance transportation costs.

Many In-Network ASC Episodes Still Generate Out-Of-Network Surprise Bills

Surprise billing arising from ambulatory care was examined in another *Health Affairs* article, as Erin L. Duffy et al. determine the Prevalence And Characteristics Of Surprise Out-Of-Network Bills From Professionals In Ambulatory Surgery Centers (ASCs). ASCs are modern health care facilities focused on providing same-day surgical care. The authors indicate that patients treated at in-network facilities can, without their consent, receive services from out-of-network providers, which can result in surprise bills. According to their research, one in ten ASC episodes involved out-of-network services in an in-

network ASC facility and only in 24% of those cases did the insurers foot the entire bill. Of the remaining cases, there were potential surprise out-of-network bills in eight percent of the episodes at in-network ASCs. Anesthesiologists, certified registered nurse anesthetists, and independent laboratories produced the most out-of-network surprise bills. The authors suggest a further federal policy to protect patients enrolled in commercial insurance plans from these surprise bills at in-network ASCs.

Federal Enforcement of Antitrust and Competition is not Prevalent Under the Current Administration

In the report "The State of Antitrust Enforcement and Competition Policy in the U.S.," the American Antitrust Institute (AAI) examines the current state of antitrust enforcement. According to the report, competition has been declining since the Obama administration, and the Trump administration has not recalibrated antitrust enforcement to address systematic concerns over the decline in competition. Furthermore, the AAI believes that the Trump administration has no intention to do so. The current administration has apparently removed important regulations that address competition in the marketplace. There are certain alternative solutions that policymakers have proposed, such as economic regulations that mandate firm breakups. However, these alternative solutions are just that—alternatives. Nothing would be better than competition to ensure efficient and fair markets. The report further evaluates the Trump administration's antitrust enforcement ability. According to the report, the current administration receives a low grade by "failing to protect competition at a time when markets are highly concentrated and evidence of competitive abuse surfaces with increasing regularity." Meanwhile, private and state enforcers receive a higher grade for "stepping into the void left by federal inaction to seek compensation and deterrence

for antitrust violations that harm consumers and workers." Nonetheless, the AAI cautions that private and state alternatives cannot take the place of strong federal enforcement and believes that a variety of competition policy tools like regulation and legislation will be required to support antitrust going forward.

Policy Considerations from the Elijah E. Cummings Lower Drug Costs Now Act

In an issue brief written for The Commonwealth Fund, Paul Ginsburg and Steven Lieberman discuss the likely impact of the Elijah E. Cummings Lower Drug Costs Now Act (H.R. 3). According to the authors, while drug prices would fall dramatically, the effect on actual cost would depend on three factors: "1) the specific choices implemented in detailed federal regulations…; 2) the measures instituted by other countries to constrain increases in their prices, and 3) the actions of pharmaceutical manufacturers intended to minimize reduction in their revenues." Because H.R. 3 would likely constrain drug revenue, incentive for research and development would be reduced. Therefore, an important policy consideration is determining the "societal trade-off" between less new drugs being released into the market and affordable prices for currently existing drugs. Additionally, since foreign countries would not want to pay higher prices to benefit U.S. customers, pegging drug prices on foreign countries' prices would not work out in the long run. Instead, the authors believe that initially tacking U.S. prices to foreign countries' drug prices could provide a sort of transition for creating a more evolved U.S. regulation scheme to lower drug prices over time rather than tying drug prices directly to other countries.

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!