

State Actions to Address Prices for Health Services

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Quick Recap: Why focus on prices paid for health services?

1. The U.S. has the highest per capita health spending
 - About double that of peer countries (\$ per capita and % of GDP)
 - Connecticut's health spending outpaces nation's
2. Inpatient and outpatient care drive vast majority of the difference between U.S. health costs and those of its peers (more so than prescription drugs, administrative costs, etc.)
3. Total health spending = prices x utilization
 - Utilization: Americans have fewer doctor's visits and shorter hospital stays than peers
 - Americans pay higher prices for certain surgeries, procedures, etc. compared to peers
 - Therefore, prices appear to drive most of the difference in health services spending
4. Health prices tend to grow faster than GDP, esp. prices paid by private insurers/enrollees
5. Household budgets are strained by rising health costs, Americans owe at least \$195B in debt

What actions are states taking to address prices for health services?

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What are states doing to address prices for health services?

Some examples:

1. Public Options

- Washington, Colorado

2. Price Regulation

- Price Setting – Connecticut (1976-1994)
- Price Caps - Montana (state employee plan)
- Price Growth Targets - Rhode Island

3. Global Budgets

- Maryland

4. Spending Growth Targets

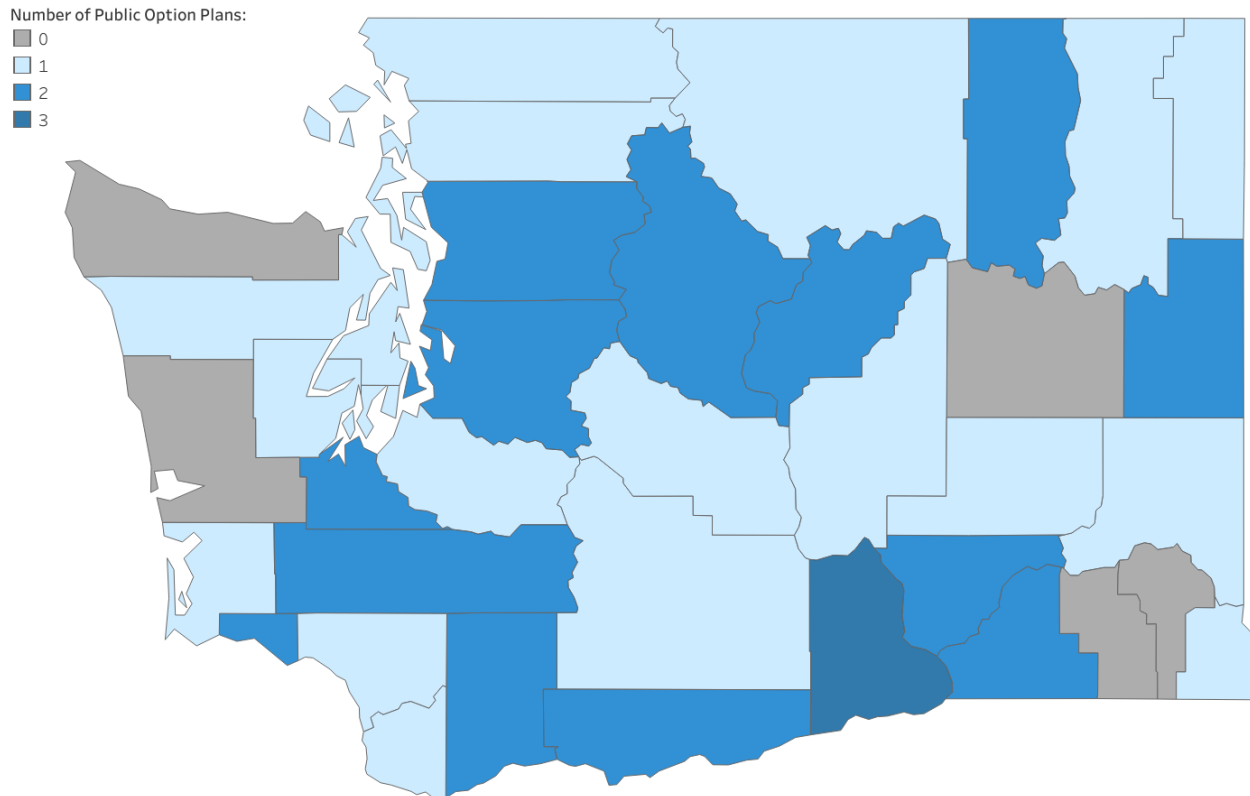
- Massachusetts

Public Options on Affordable Care Act Marketplaces

Washington	Colorado
"Public" option via private health plans	"Public" option via private health plans
Enacted in 2019, Implemented in 2021	Enacted in 2021, implemented in 2023
Carriers are not required to offer public option plans	Individual & small group insurers required to offer PO
Prices tied to Medicare	Plans expected to lower premiums on PO plans by 5% in 2023, 10% 2024, 15% 2025. If not successful, further steps

Washington's public option is optional for insurers

Number of Silver-Level Public Option Plans in Washington, 2023



- At least 1 public option is offered in most counties in 2023
- About half of counties have just 1 public option plan
- Public option is the lowest-cost silver plan in most counties in 2023

Note: 34 out of 39 counties have a public option plan available.
Source: KFF analysis of 2023 premium data provided by Washington Health Benefit Exchange

2023 Premium Savings in ACA Marketplace Public Options

Washington	Colorado
Seattle: Lowest silver -1% increase vs 2022 (US average +4-5%)	Denver: Lowest silver 4% increase vs 2022 (US average +4-5%)
PO is the lowest cost silver plan in Seattle in 2023	PO is the lowest cost silver plan in Denver in 2023
Seattle (silver plans): 7 of 9 insurers: do <u>not</u> offer PO 1 of 9 insurers: PO is <u>lower</u> cost than their other plans 1 of 9 insurers: <u>only</u> offer a PO (no basis to compare)	Denver (silver plans): 1 of 6 insurers: PO is <u>lower</u> cost than their other plans 5 of 6 insurers: PO costs <u>more</u> than their lowest plan
Seattle (silver monthly premium for 40-year-old) Ambetter: PO \$9 (2%) lower than next low-cost plan	Denver (silver monthly premium for 40-year-old) Denver Health: PO <\$1 lower than next lowest plan Friday: PO \$4 (1%) higher than lowest cost plan Cigna: PO \$5 (1%) higher Anthem: PO \$8 (2%) higher Rocky Mountain: PO \$8 (2%) higher Kaiser: PO \$17 (5%) higher

Price Regulation: Price Setting, Price Caps and Price Growth Caps

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Price Setting Establishes a Fixed Price for Each Service

Key Design Choices

How to set the fee schedule; services, providers and payers to which schedule applies

Tradeoffs

Set too low, may threaten providers' financial viability, with potential adverse effects for access and quality

Additional considerations: complexity, interaction with alternative payment models

Price Caps Limit the Maximum Price for a Service or Set of Services Without Setting the Exact Amount

Key Design Choices

How to determine the caps and whether to apply them in- and out-of-network; whether to include a price floor

Tradeoffs

Set too high caps have little impact; set too low, caps may be disruptive to providers

Additional considerations: If only applied to a subset of health plans, providers may choose not to contract with those plans

Price Growth Caps Constrain How Much Prices Can Increase Over a Defined Period of Time

Key Design Choices

How to determine allowable year-over-year growth; whether to target higher-priced providers or those in more consolidated markets

Tradeoffs

May be less disruptive than price setting/price caps; does not decrease nominal prices; may lock in existing variation

Additional considerations: could couple with price caps



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