KANSAS HEALTH INSTITUTE

Informing Policy. Improving Health.

Health Care Costs and State Cost Containment Strategies

March 11, 2020

House Health and Human Services Committee

WHO WE ARE

- Nonprofit, nonpartisan educational organization based in Topeka
- Established in 1995 with a multi-year grant by the Kansas Health Foundation
- Funded by local and national foundations, state and federal agencies, NGOs
- Located directly north of the Kansas Statehouse

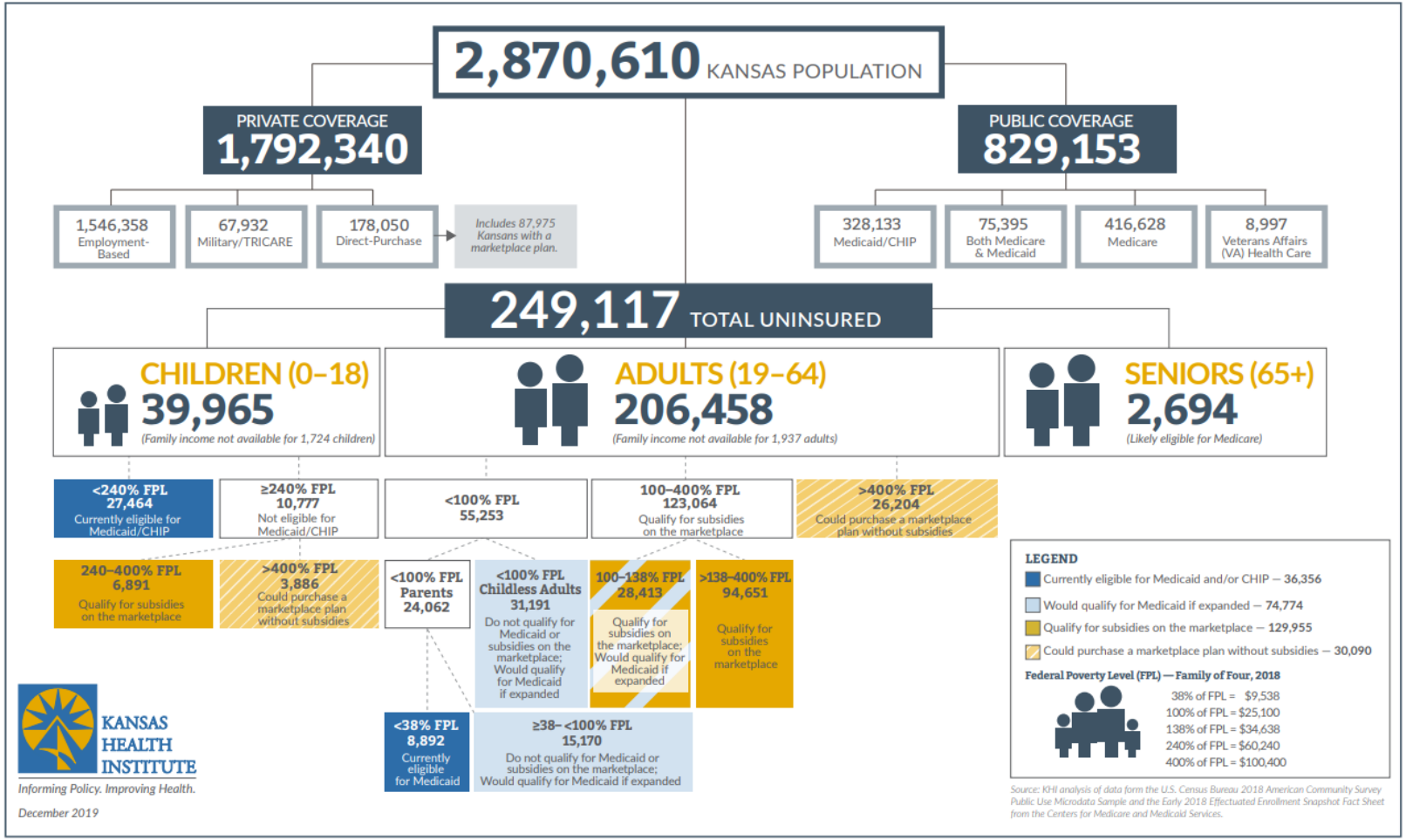
TODAY'S AGENDA

1. Health insurance coverage
2. Insurance market characteristics
3. Health care costs
4. State policy approaches to contain health care costs

1.

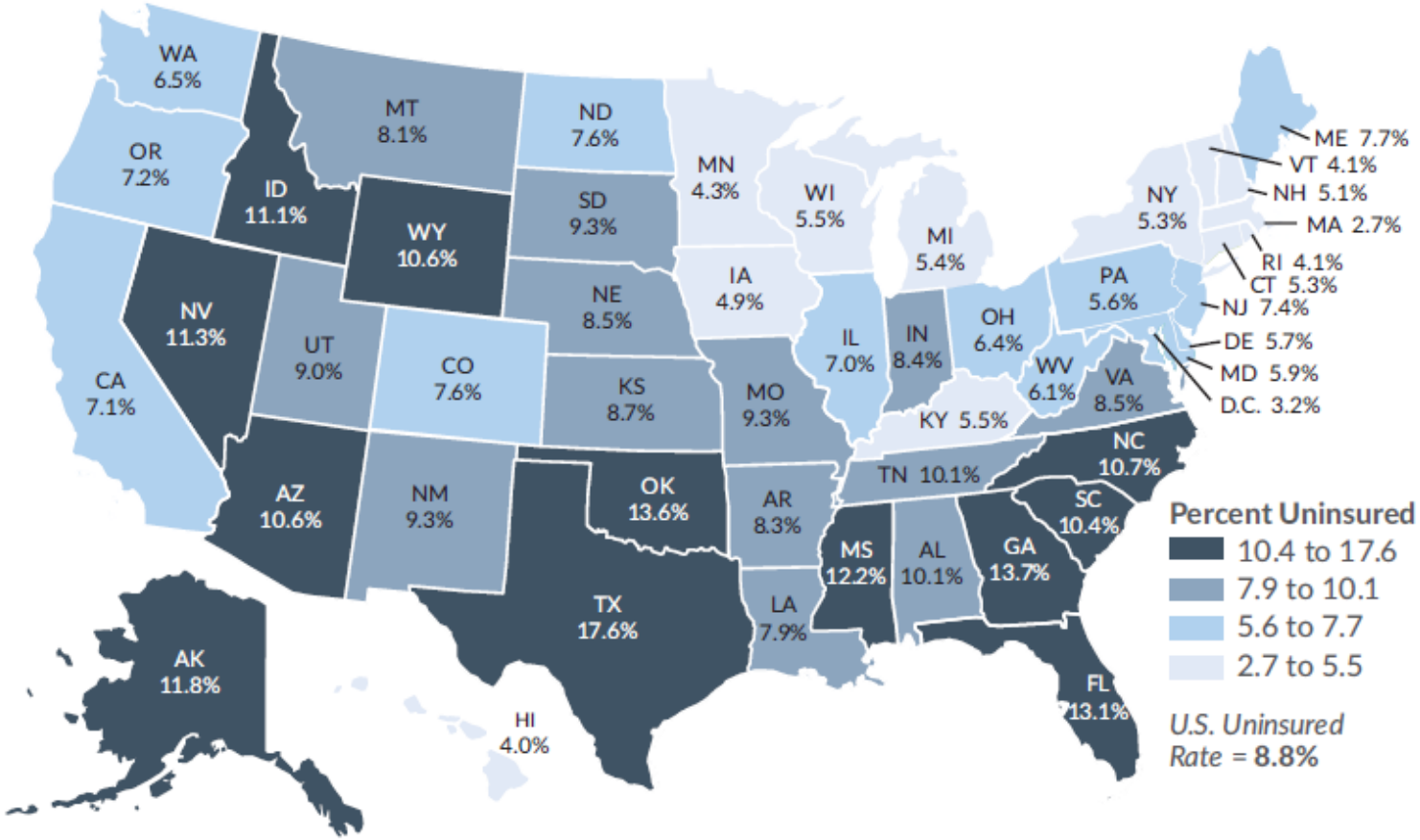
HEALTH INSURANCE IN KANSAS

HEALTH INSURANCE IN KANSAS 2018



Kansas Ranked 33rd Among States for Insurance Coverage

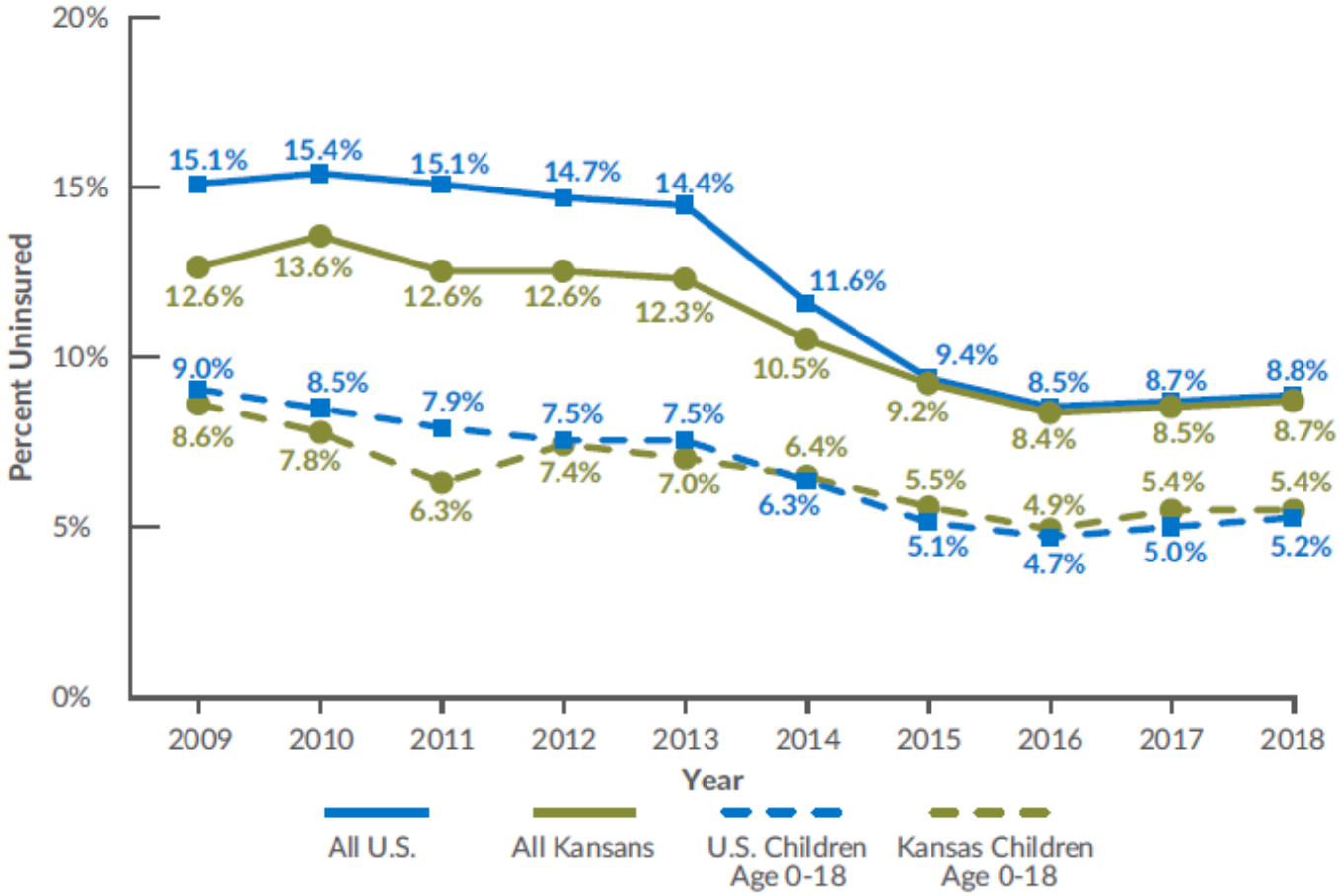
Figure 1.1 Percentage of Uninsured Residents by State, 2018



Source: KHI analysis of data from the U.S. Census Bureau 2018 American Community Survey Public Use Microdata Sample files.

Favorable Advantage in Insurance Coverage for Kansas Has Disappeared

Figure 1.3 Percentage of Uninsured Residents, Kansas and U.S., 2009-2018



Source: KHI analysis of data from the U.S. Census Bureau 2009-2018 American Community Survey Public Use Microdata Sample files.

2.

THE INSURANCE MARKET IN KANSAS

WHAT IS A COMPETITIVE INSURANCE MARKET?

- Market concentration
  - Number of insurers
  - Share of market covered by largest insurers
- Barriers to market entry
  - State regulatory requirements (solvency, etc.)
  - Cost of network development, marketing, enrollment
- Types of insurance products offered – PPO, HMO, POS, EPO, HDHP

OVERALL INSURANCE MARKET COMPETITIVENESS

	Overall HHI*	Insurer 1	Share (%)	Insurer 2	Share (%)
US	3464				
KS	2491	BCBS KS	41	Aetna	17
CO	2008	United HealthGroup	26	Anthem	22
IA	3180	Wellmark (BCBS)	47	United HealthGroup	28
MO	1969	Anthem	26	United HealthGroup	24
NE	3296	BCBS NE	48	United HealthGroup	25
OK	3339	HCSC (BCBS)	53	United HealthGroup	18
	*Overall HHI includes all insurance types (HMO+PPO+POS+EXCH)				

AMA, Competition in Health Insurance, 2018 Update

OVERALL INSURANCE MARKET COMPETITIVENESS

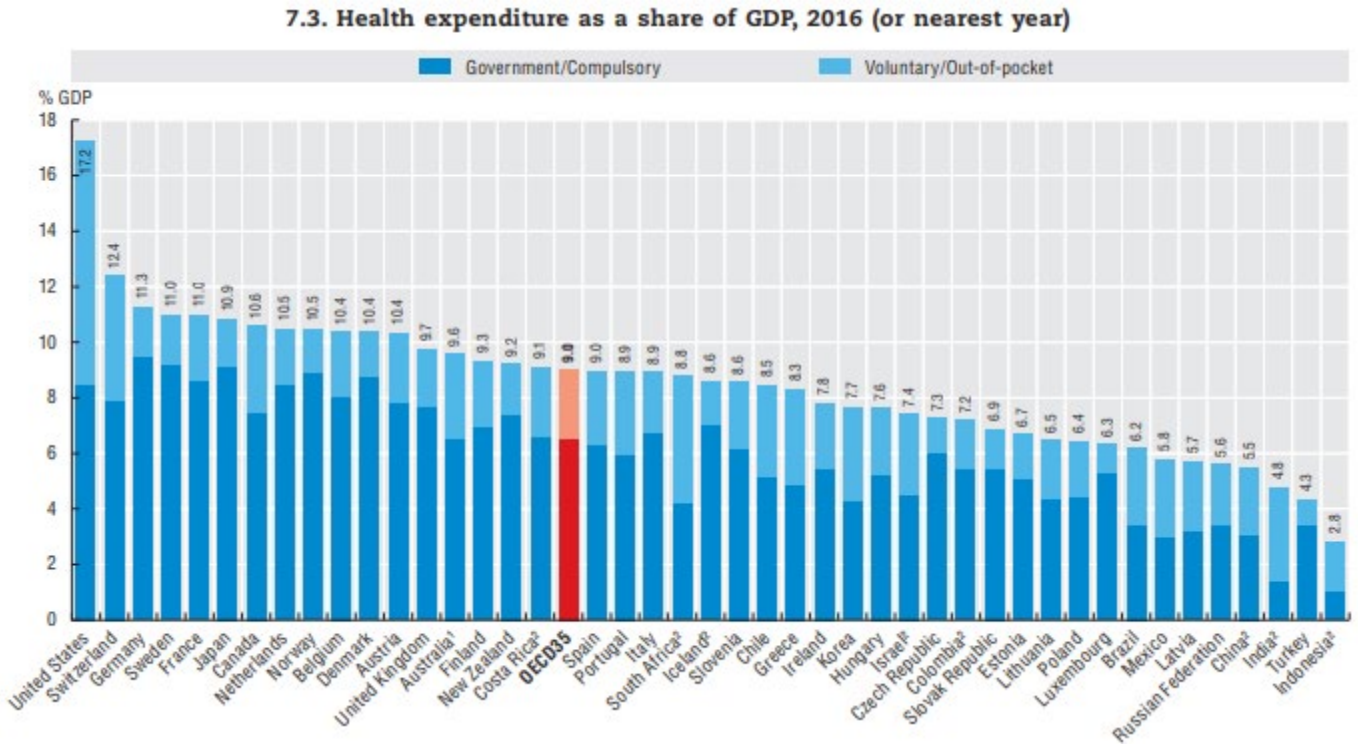
	Overall HHI*	Insurer 1	Share (%)	Insurer 2	Share (%)
KS	2491	BCBS KS	41	Aetna	17
Lawrence	3226	BCBS KS	51	Cigna	16
Manhattan	5661	BCBS KS	74	Aetna	9
Topeka	5370	BCBS KS	72	UnitedHealth Group	11
Wichita	3242	BCBS KS	43	Aetna	34
KC (MO+KS)	3307	BCBS Kansas City	52	UnitedHealth Group	17

*Overall HHI includes all insurance types (HMO+PPO+POS+EXCH)

AMA, Competition in Health Insurance, 2018 Update

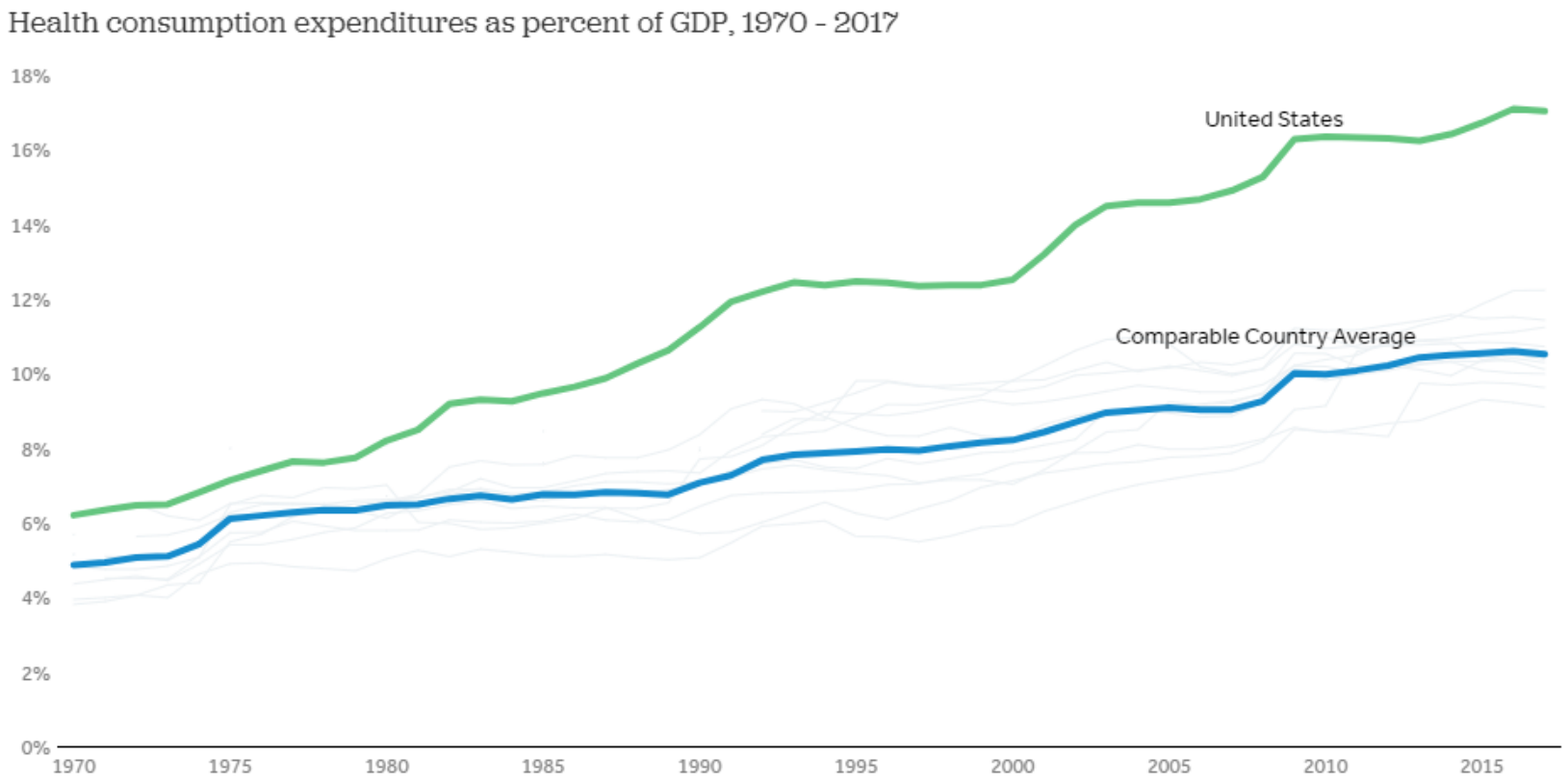
3.

HEALTH CARE COSTS



Note: Expenditure excludes investments, unless otherwise stated. 1. Australian expenditure estimates exclude all expenditure for residential aged care facilities in welfare (social) services. 2. Includes investments. Source: OECD Health Statistics 2017, WHO Global Health Expenditure Database

Since 1980, the gap has widened between U.S. health spending and that of other countries



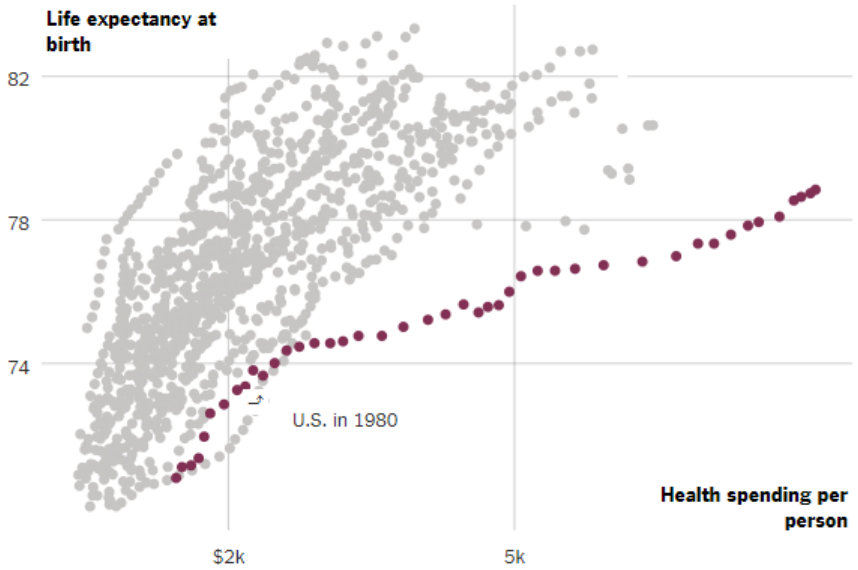
Notes: U.S. values obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

Source: KFF analysis of OECD and National Health Expenditure (NHE) data • Get the data • PNG

Peterson-Kaiser
Health System Tracker

A Different Trajectory After 1980

In most countries, more health spending coincided with much longer lives. But the U.S. diverged from peer nations around 1980. Each dot below represents one year in a country between 1970 and 2003.



Source: Our World in Data

WHAT DRIVES HEALTH CARE SPENDING?

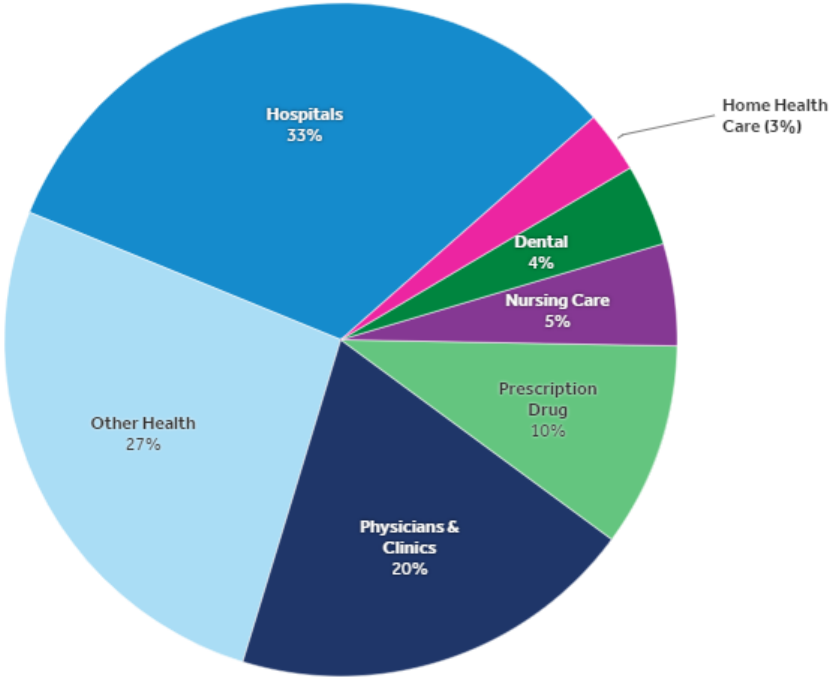
Total Spending = Number of people X
Volume of services per person X
Price per service

WHOSE HEALTH CARE COSTS DO WE CARE ABOUT?

State and Federal Government	829,000
Military/Tricare	68,000
Employees and employers	1,546,000
Individuals	178,000
Uninsured	249,000
Kansas Total	2,900,000

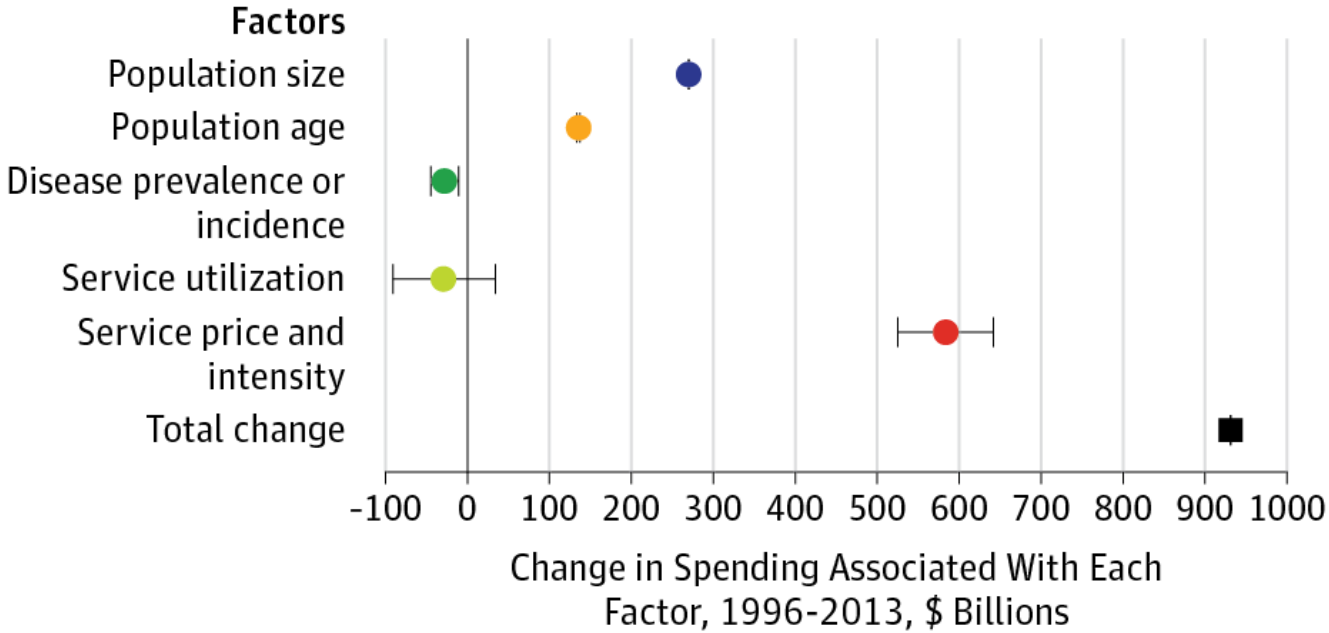
WHAT DO WE SPEND IT ON?

Relative contributions to total national health expenditures, 2017

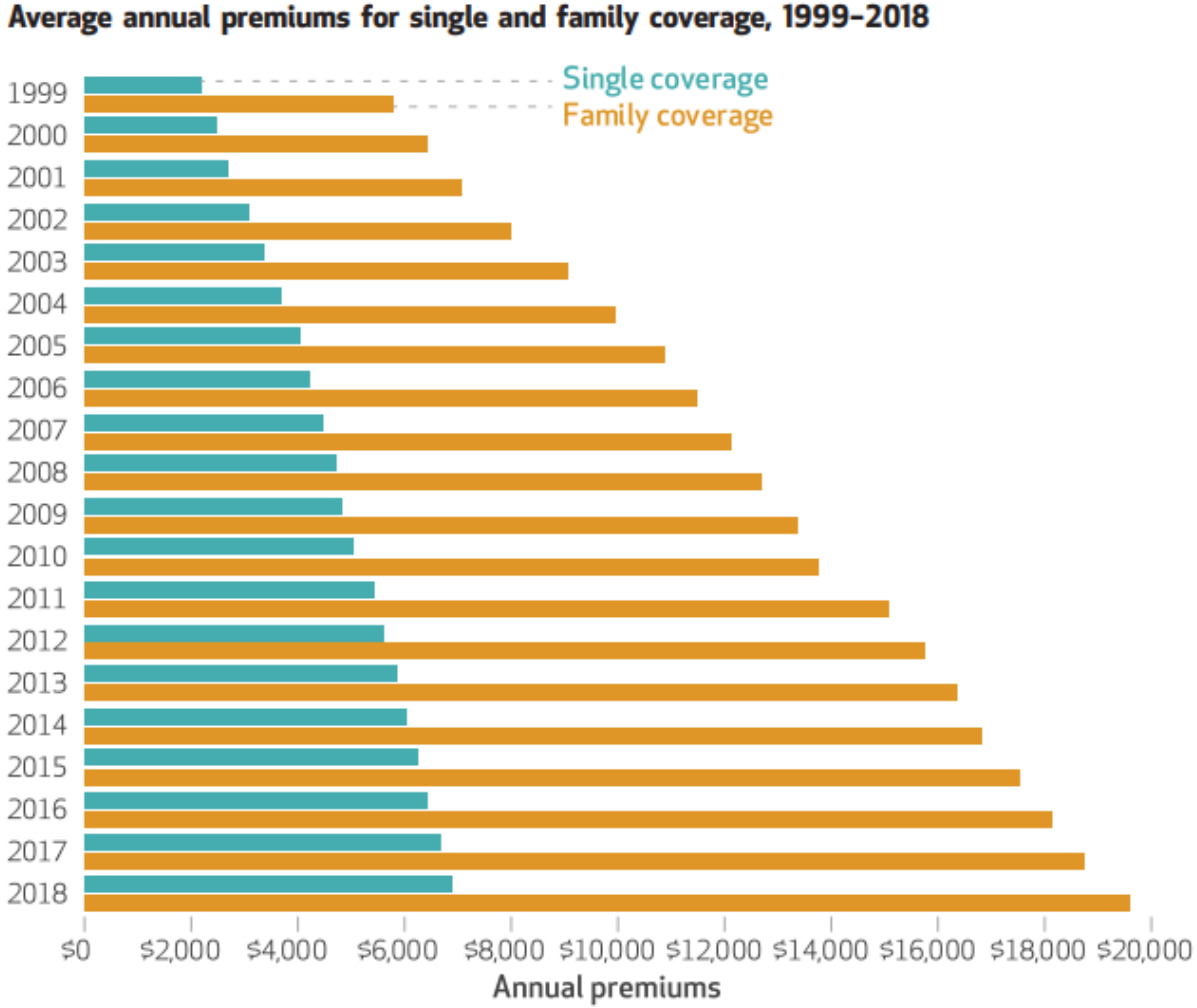


Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data • Get the data • PNG

WHAT DRIVES INCREASES IN HEALTH CARE SPENDING?

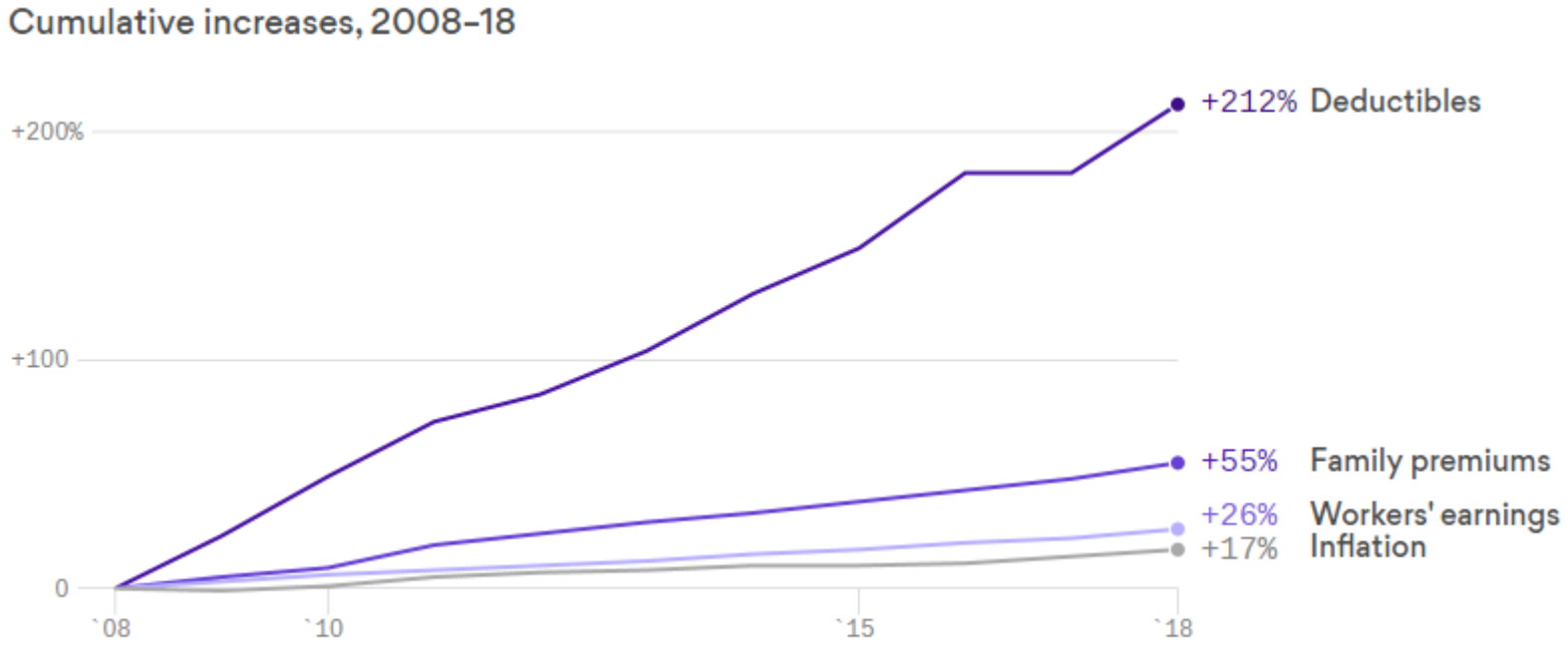


Dieleman, JL et. Al, *JAMA*. 2017;318(17):1668-1678. doi:10.1001/jama.2017.15927



November 2018 37:11 Health Affairs, data from KFF and HRET's Employer Health Benefits Survey, 1999–2017

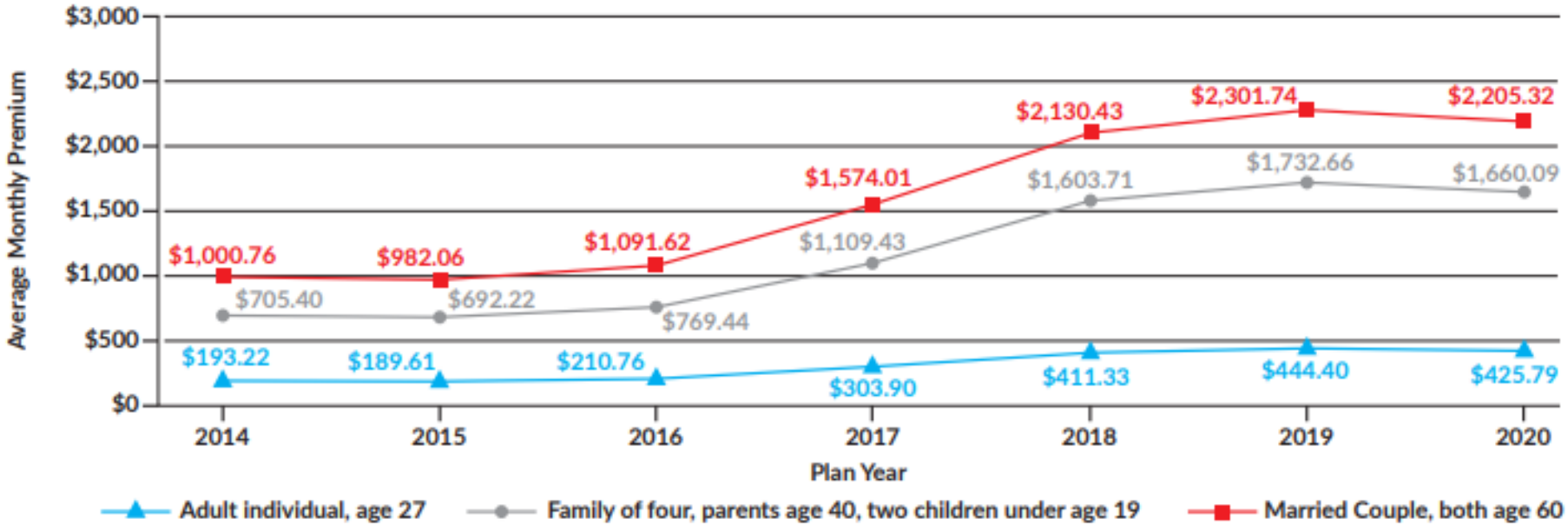
Cost of Health Care Rising Faster Than Workers' Wages and Inflation



Reproduced from Kaiser Family Foundation 2018 Employer Health Benefits Survey; Note: Average general annual deductibles are for single coverage; Chart: Axios Visuals

Monthly Premiums on ACA Marketplace Also Rising

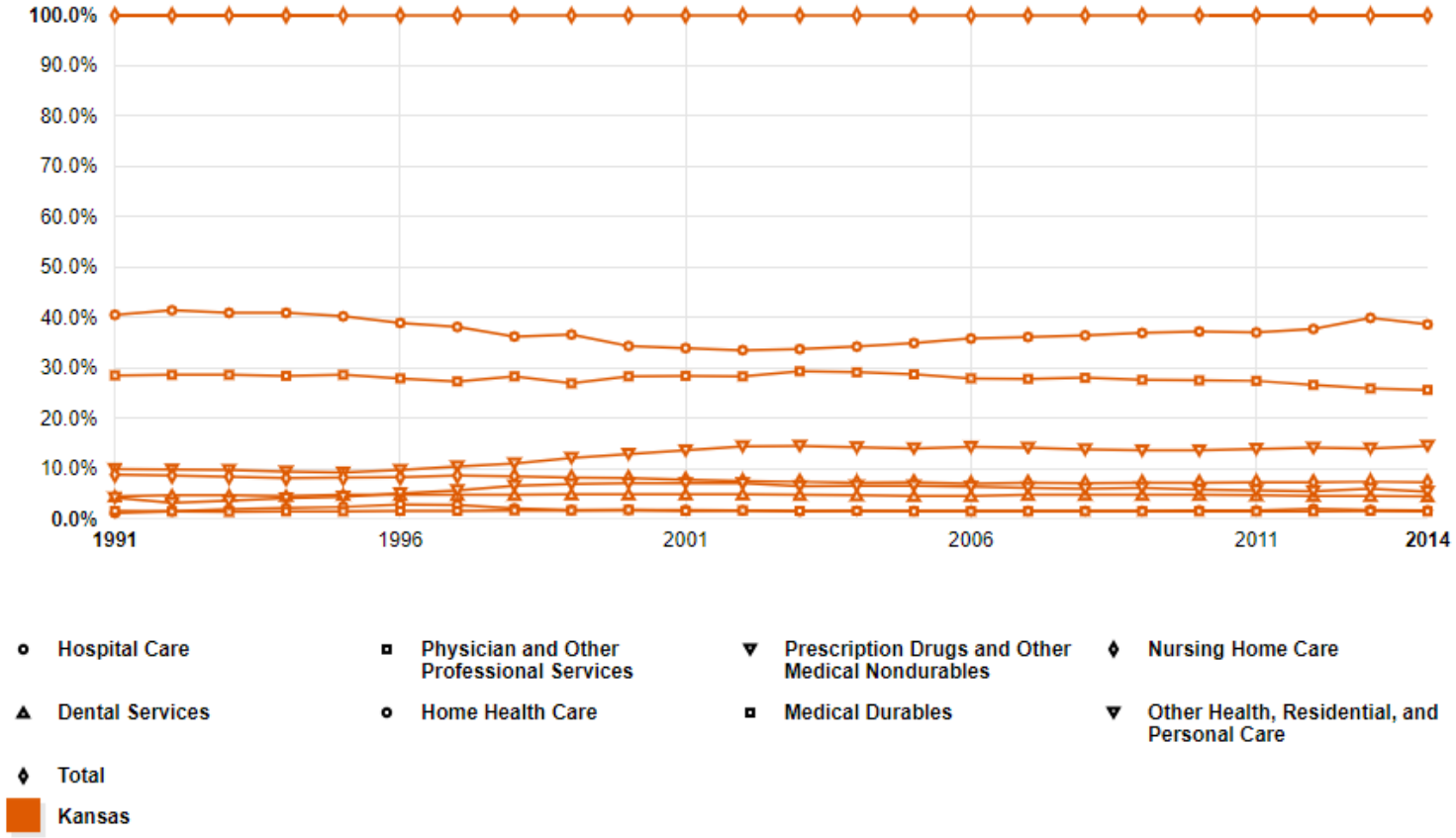
Figure 2. **Average Monthly Premium, Before APTC, for the Silver Benchmark Plan on the Kansas Marketplace, 2014-2020 Plan Years**



Note: Premium, before application of Advance Premium Tax Credits (APTC). The amounts shown are the actual average monthly premiums for the "benchmark plan," a middle-of-the-road plan in terms of covered benefits and cost among the plans available on the marketplace. Technically, the benchmark plan is the second-lowest-cost silver plan (SLCSP).

Source: KHI analysis of data from the Centers for Medicare and Medicaid Services Health Insurance Marketplace, 2014-2020.

EXPENDITURES BY SERVICE LINE, KANSAS (IN MILLIONS)



Source: KFF State Health Facts. Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group. National Health Expenditure Data: Health Expenditures by State of Residence, June 2017.

4.

STATE POLICY OPTIONS TO CONTAIN HEALTH CARE COSTS

WHAT STATE LEGISLATURES HAVE DONE IN 2020 TO ADDRESS HEALTH CARE COSTS

- Prescription drug benefit (PBM) regulation
  - Enhanced oversight, transparency requirements, prohibitions on some business procedures
  - 35 states, including KS, CO, IN, IA, MO, NE, OK
- Importation of prescription drugs
  - Directing the state to develop an importation program that complies with federal law
  - 24 states, including KS, CO, IN, MO, OK

National Academy of State Health Policy, www.nashp.org, accessed March 9, 2020

WHAT STATE LEGISLATURES HAVE DONE IN 2020 TO ADDRESS HEALTH CARE COSTS

- Transparency requirements
  - Prescription drug pricing; price increase justification
  - 24 states, including CO, IN, IA, NE, OK
- Cost Review
  - Prescription drug costs and increases
  - Determination of state spending targets and goals
  - 14 states, including IL, MO

National Academy of State Health Policy, www.nashp.org, accessed March 9, 2020

WHAT STATE LEGISLATURES HAVE DONE IN 2020 TO ADDRESS HEALTH CARE COSTS

- Coupons/Cost Sharing
  - Cost sharing limits on prescription drugs
  - Require inclusion of rebates in calculation of cost sharing amounts
  - Prohibition on offer or use of manufacturers coupons or discounts to induce purchase of branded drugs when generic is available
  - 31 states, including KS, IN, IA, MO, OK

National Academy of State Health Policy, www.nashp.org, accessed March 9, 2020

WHAT STATE LEGISLATURES HAVE DONE IN 2020 TO ADDRESS HEALTH CARE COSTS

- Volume Purchasing
  - Coordination of purchasing by state and local government entities for prescription drugs
  - Establish bulk pharmaceutical purchasing processes for state and local government, as well as private purchasers, including small businesses, health benefits plans, and self-insured entities and individuals, to benefit from state bulk pharmaceutical purchasing agreements
  - Partnering with other states to manufacture generic drugs

National Academy of State Health Policy, www.nashp.org, accessed March 9, 2020

WHAT STATE LEGISLATURES HAVE DONE IN 2020 TO ADDRESS HEALTH CARE COSTS

- Studies
  - Pharmacy benefits
  - Cost sharing limits
  - Prescription drug pricing, costs and affordability
  - Reimbursement rates
  - Insurance benefits design
  - Eight states, including GA, KY, MI, TN

National Academy of State Health Policy, www.nashp.org, accessed March 9, 2020

AMERICAN ENTERPRISE INSTITUTE / BROOKINGS RECOMMENDATIONS

- Improve incentives for cost-effective private insurance
  - Limit the tax exclusion of employer-sponsored insurance
  - Ensure effective anti-trust enforcement
  - Create pathway to the development of all-payer claims databases (APCDs)

A response to Chairman Alexander and the Senate HELP Committee, March 2, 2019

AMERICAN ENTERPRISE INSTITUTE / BROOKINGS RECOMMENDATIONS

- Remove state regulatory barriers to provider market competition
  - Repeal any willing provider laws
  - Certificate of need reform
  - Surprise billing reform
- Improve choice environment for (buying insurance)
  - Comprehensive plan-finder tools that give consumers better information on the likely cost of enrollment options

OTHERS

- Direct patient care models
- Reinsurance programs/high risk pools
- Association Health Plans/Short Term Limited Duration Insurance

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THANK YOU

Any questions?

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