

# State Cost Containment Strategies

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Sept. 12, 2019

Special Committee on Financial Institutions and Insurance

# 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

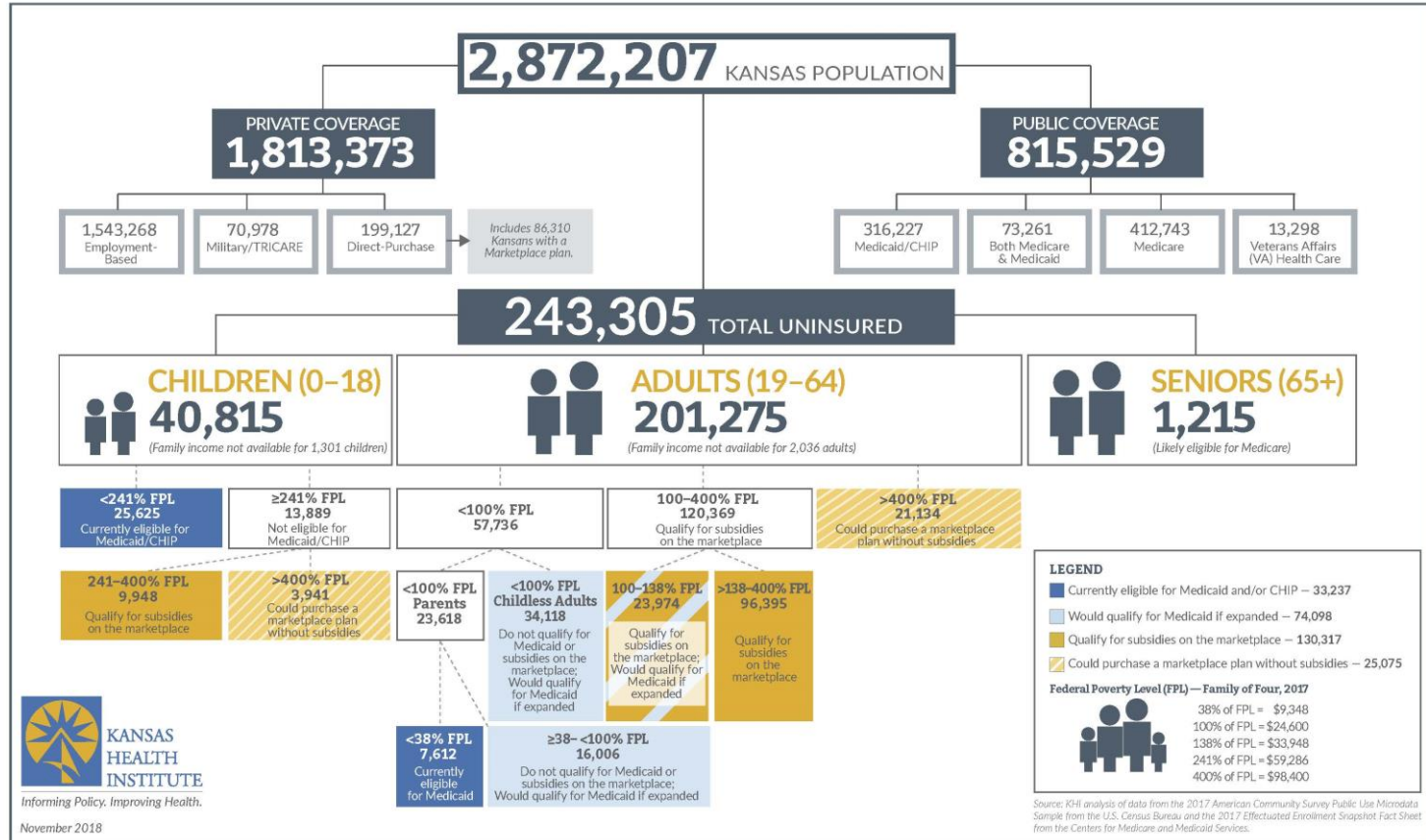
# TODAY'S AGENDA

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

1.

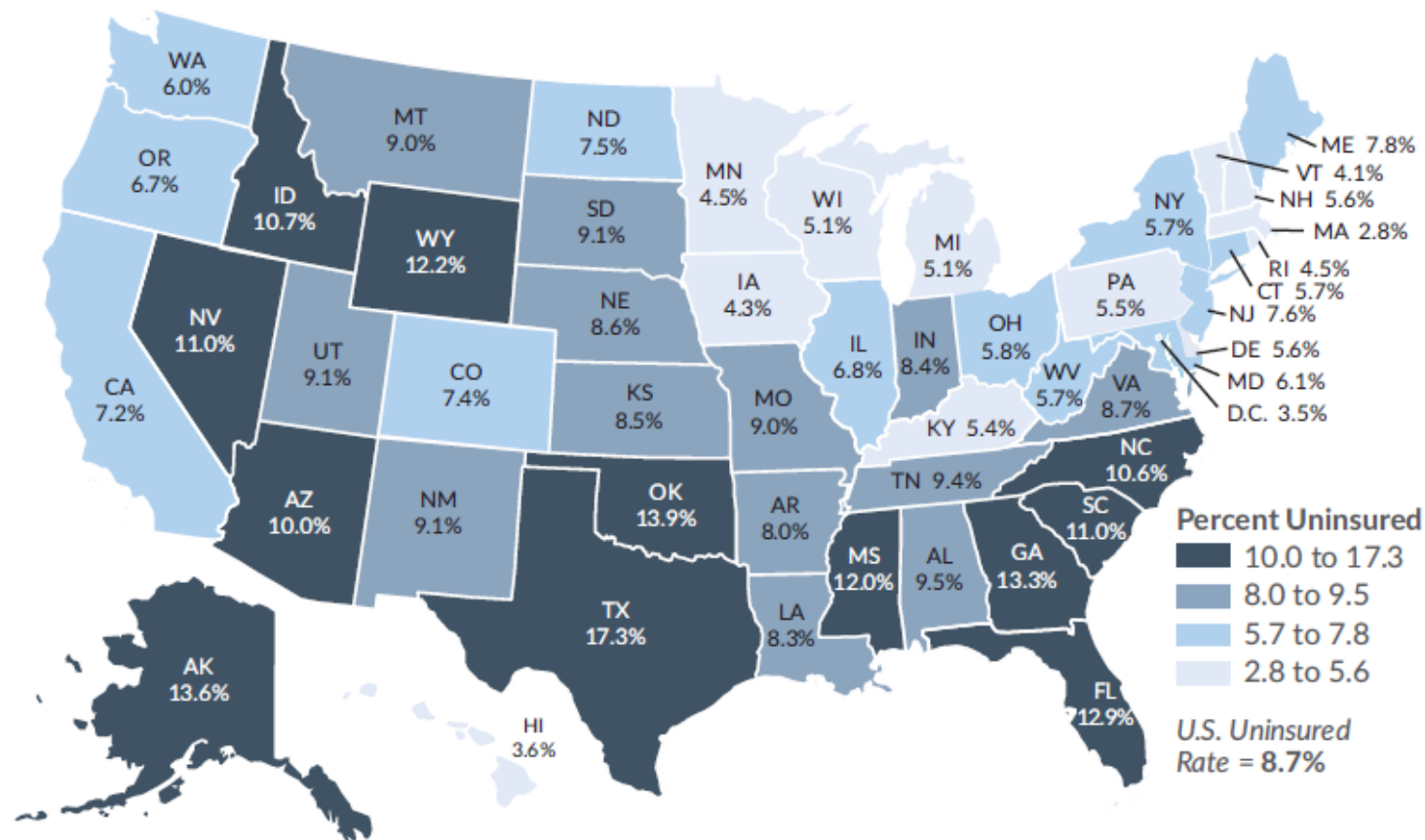
# HEALTH INSURANCE IN KANSAS

# HEALTH INSURANCE IN KANSAS 2017



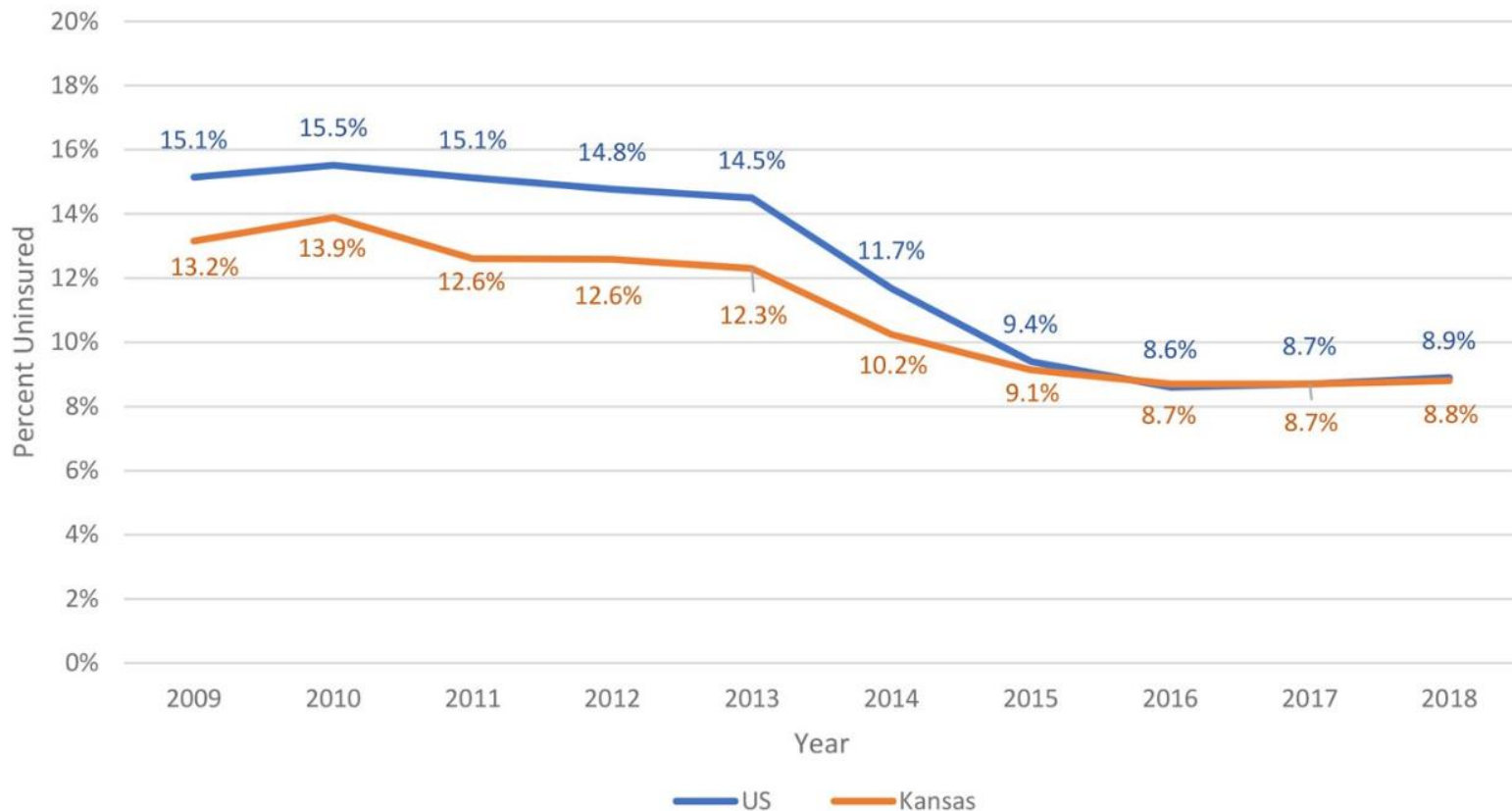
## Kansas Ranked 30th Among States for Insurance Coverage

Figure 1.1 Percentage of Uninsured Residents by State, 2017



Source: KHI analysis of data from the U.S. Census Bureau 2017 American Community Survey Public Use Microdata Sample files.

## Uninsured Rate for Kansas and the United States, 2009-2018



Source: KHI analysis of Census Bureau 2009-2018 American Community Survey 1-year Estimates.

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) |              |                    |           |                    |           |

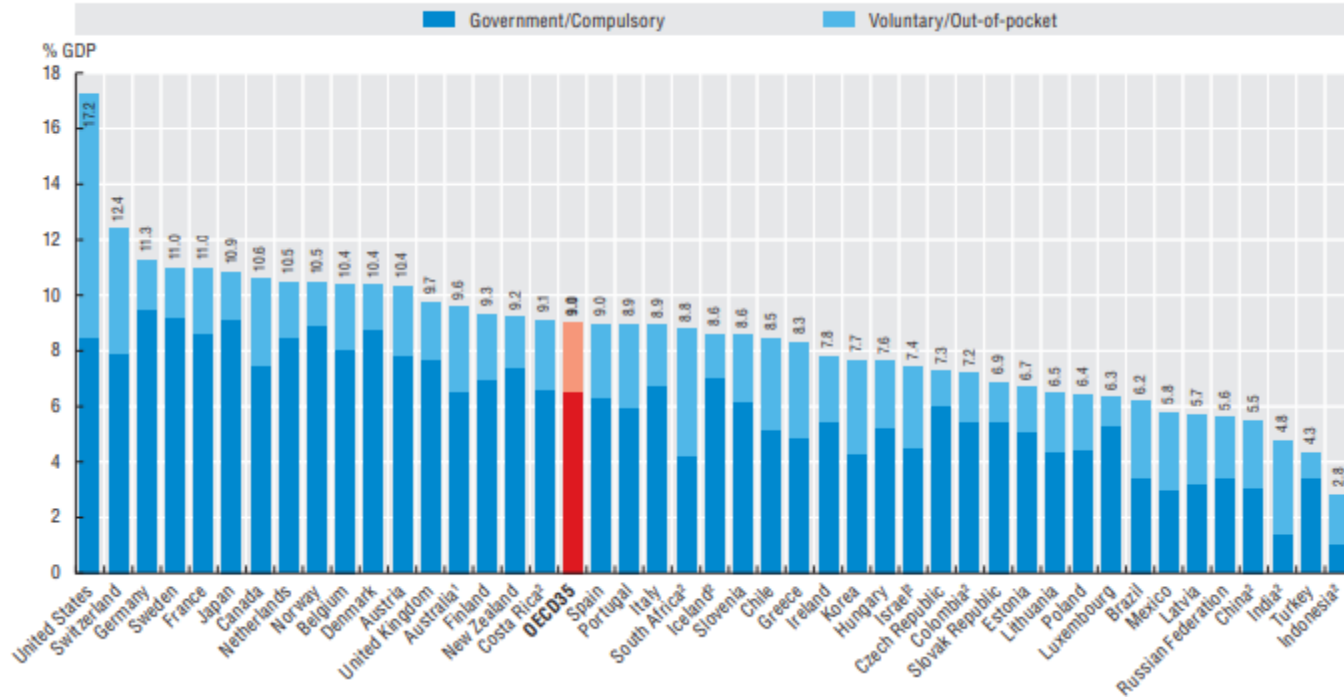
# OVERALL INSURANCE MARKET COMPETITIVENESS

|  | 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) |              |                  |           |                    |           |

**3.**

# HEALTH CARE COSTS

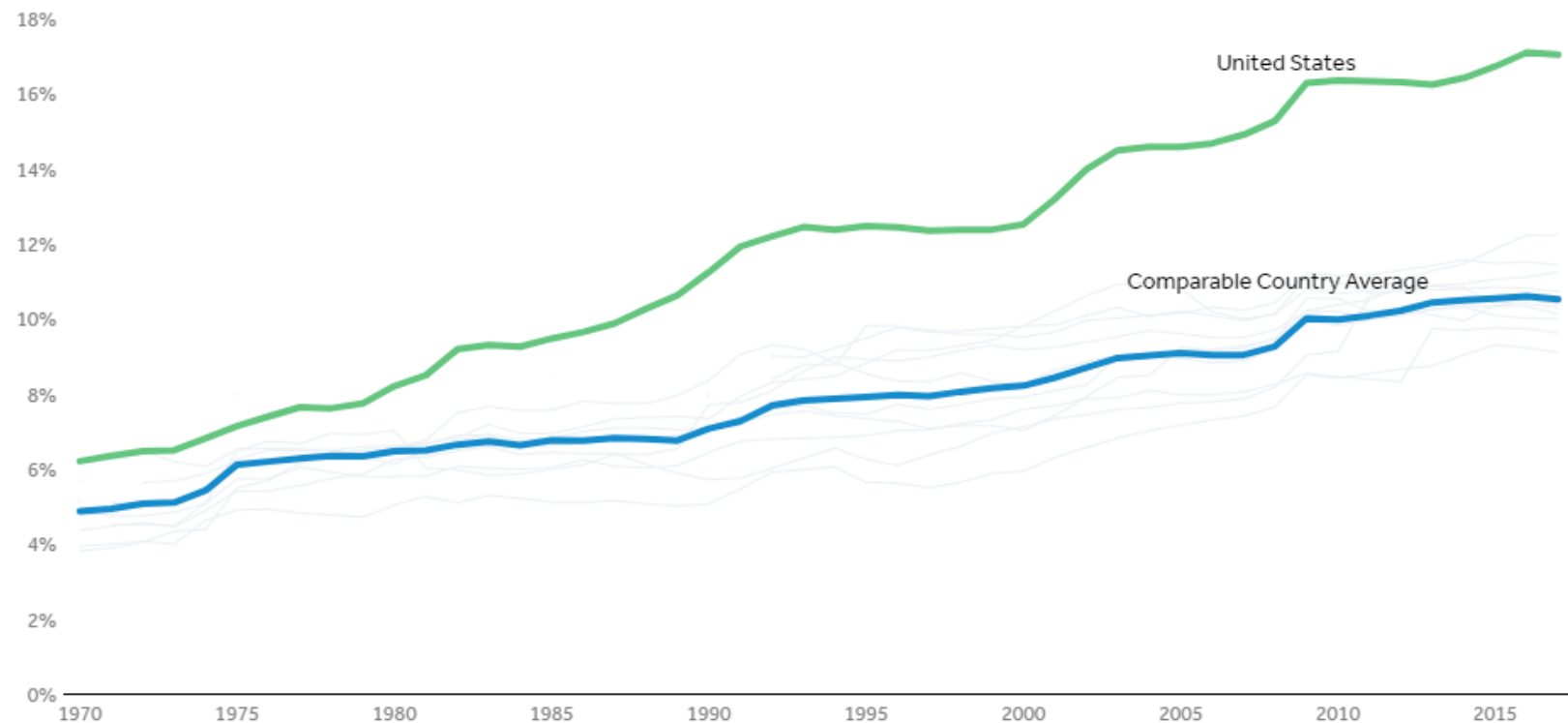
### 7.3. Health expenditure as a share of GDP, 2016 (or nearest year)



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

Health consumption expenditures as percent of GDP, 1970 - 2017

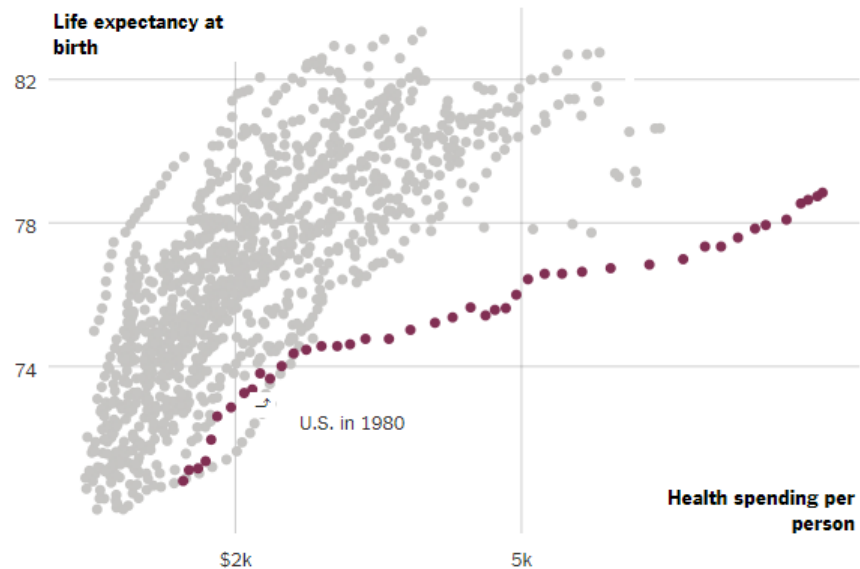


Notes: U.S. values obtained from National Health Expenditure data. Health consumption does not include investments in structures, equipment, or research.

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

## 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

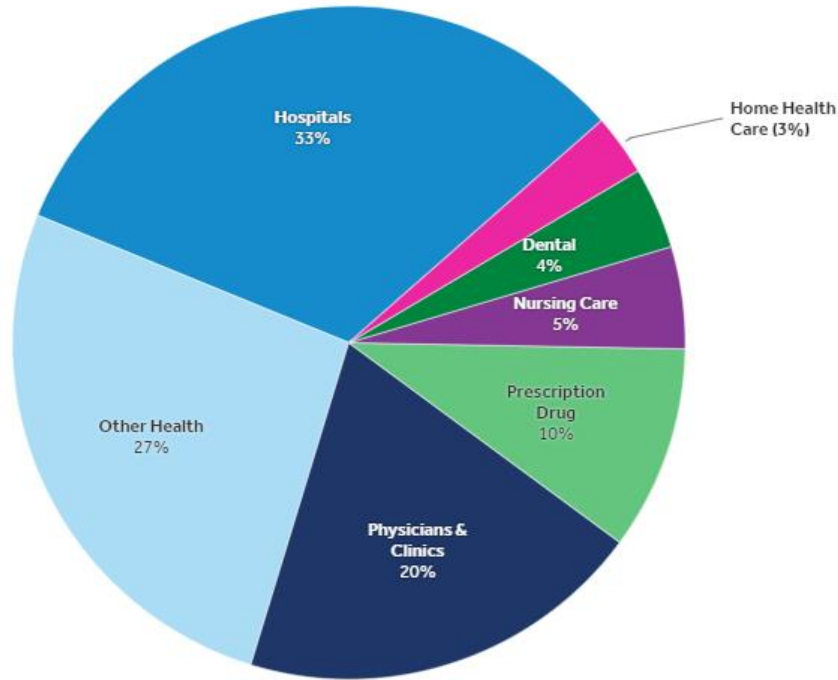


# WHOSE HEALTH CARE COSTS DO WE CARE ABOUT?

|                              |           |
|------------------------------|-----------|
| State and Federal Government | 816,000   |
| Military/Tricare             | 71,000    |
| Employees and employers      | 1,543,000 |
| Individuals                  | 199,000   |
| Uninsured                    | 250,000   |
| Kansas Total                 | 2,900,000 |

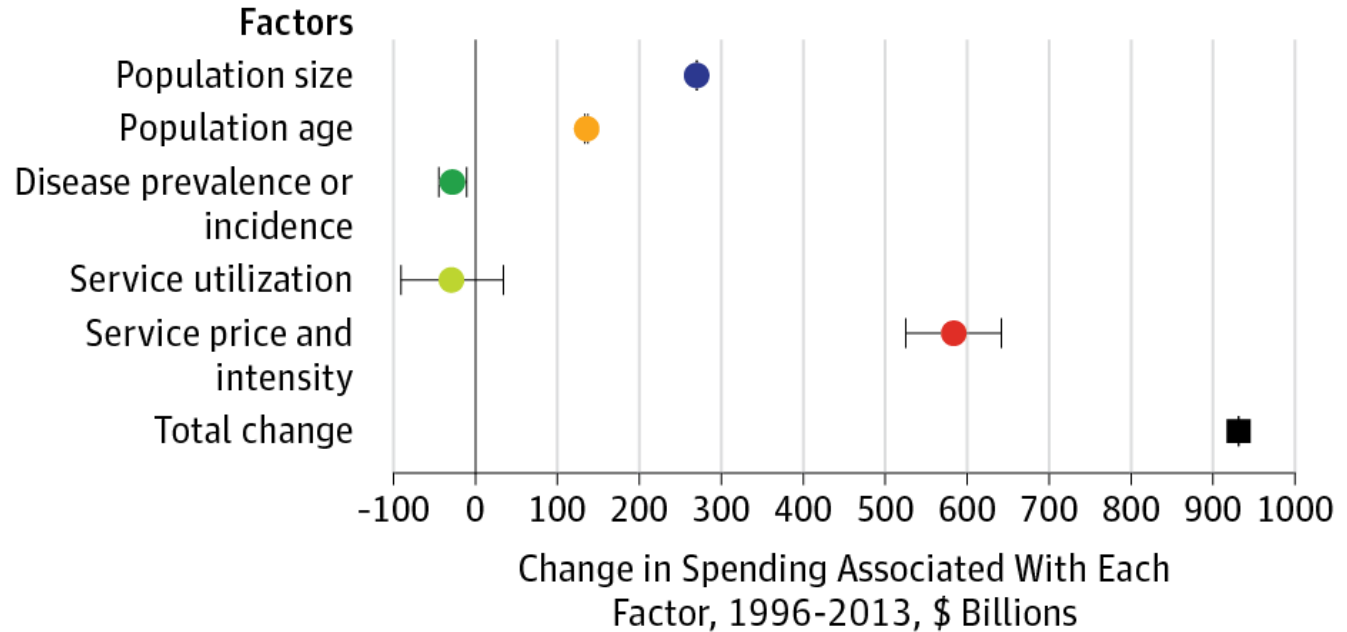
# WHAT DO WE SPEND IT ON?

Relative contributions to total national health expenditures, 2017



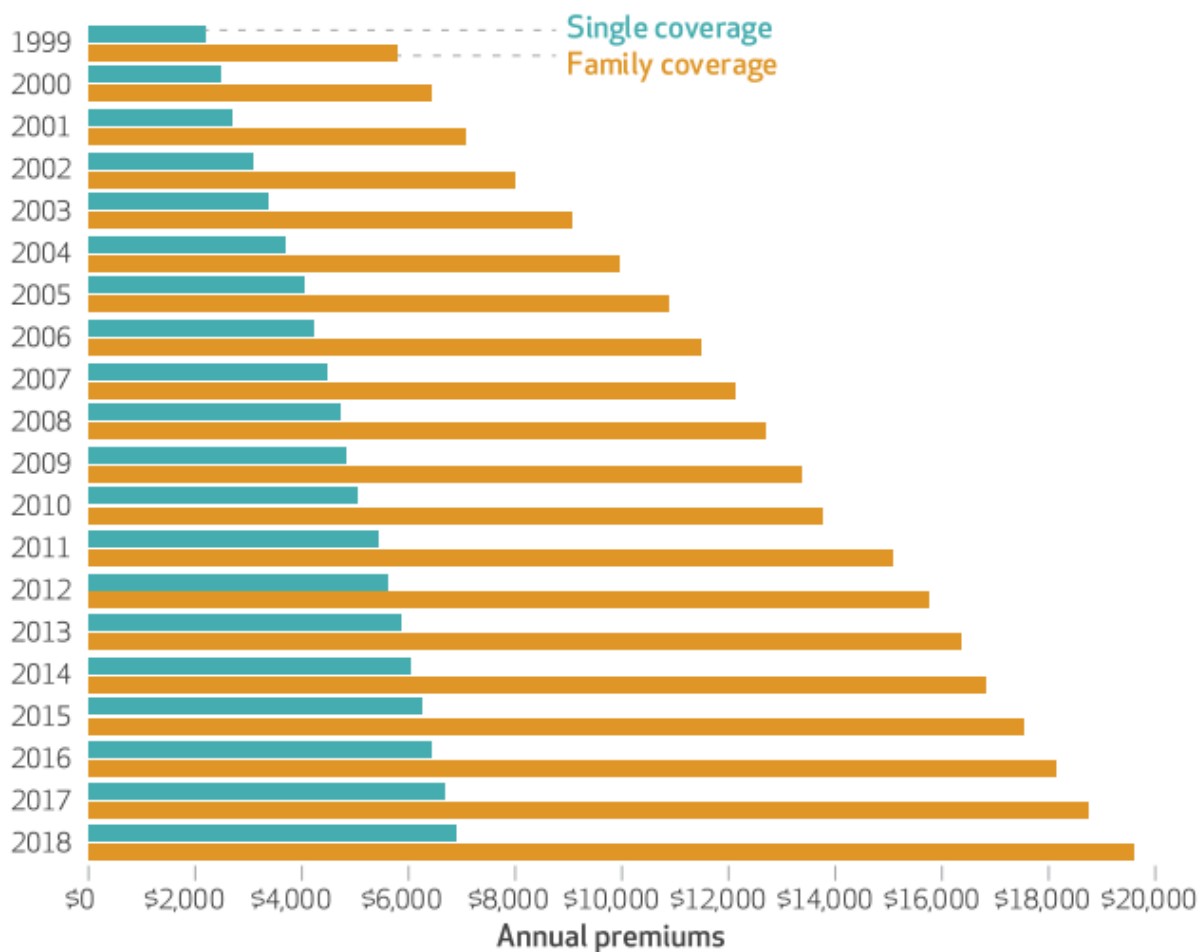
Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data • [Get the data](#) • [PNG](#)

# WHAT DRIVES INCREASES IN HEALTH CARE SPENDING?



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

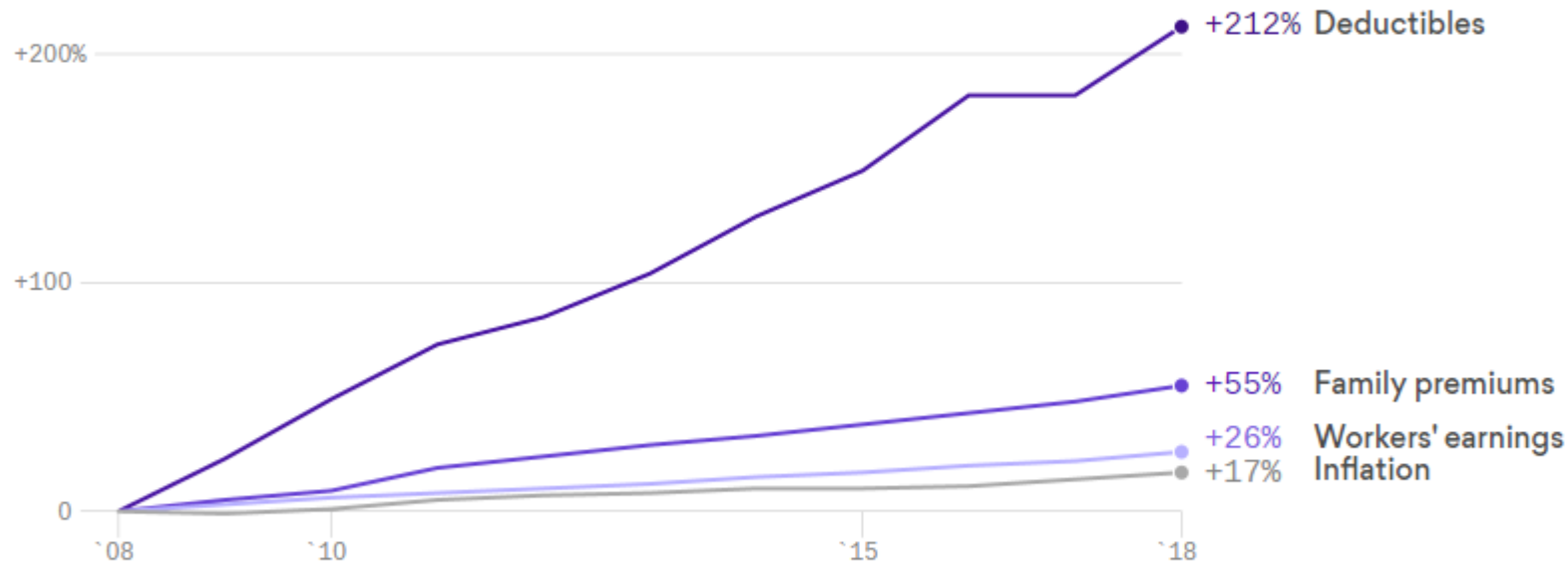
## Average annual premiums for single and family coverage, 1999–2018



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

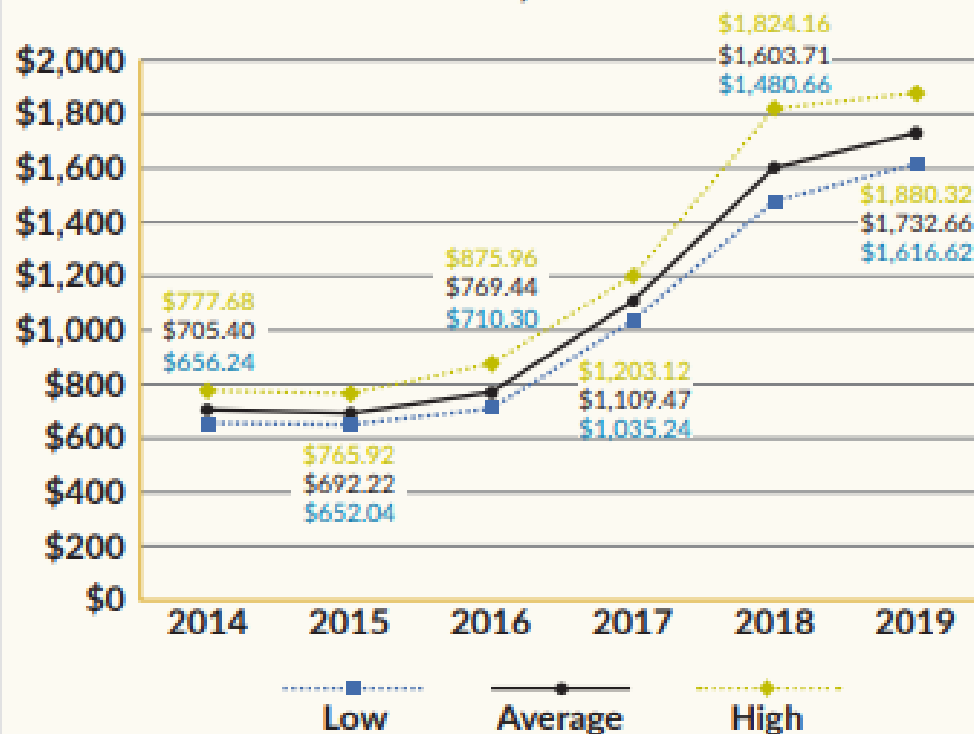
Cumulative increases, 2008-18



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

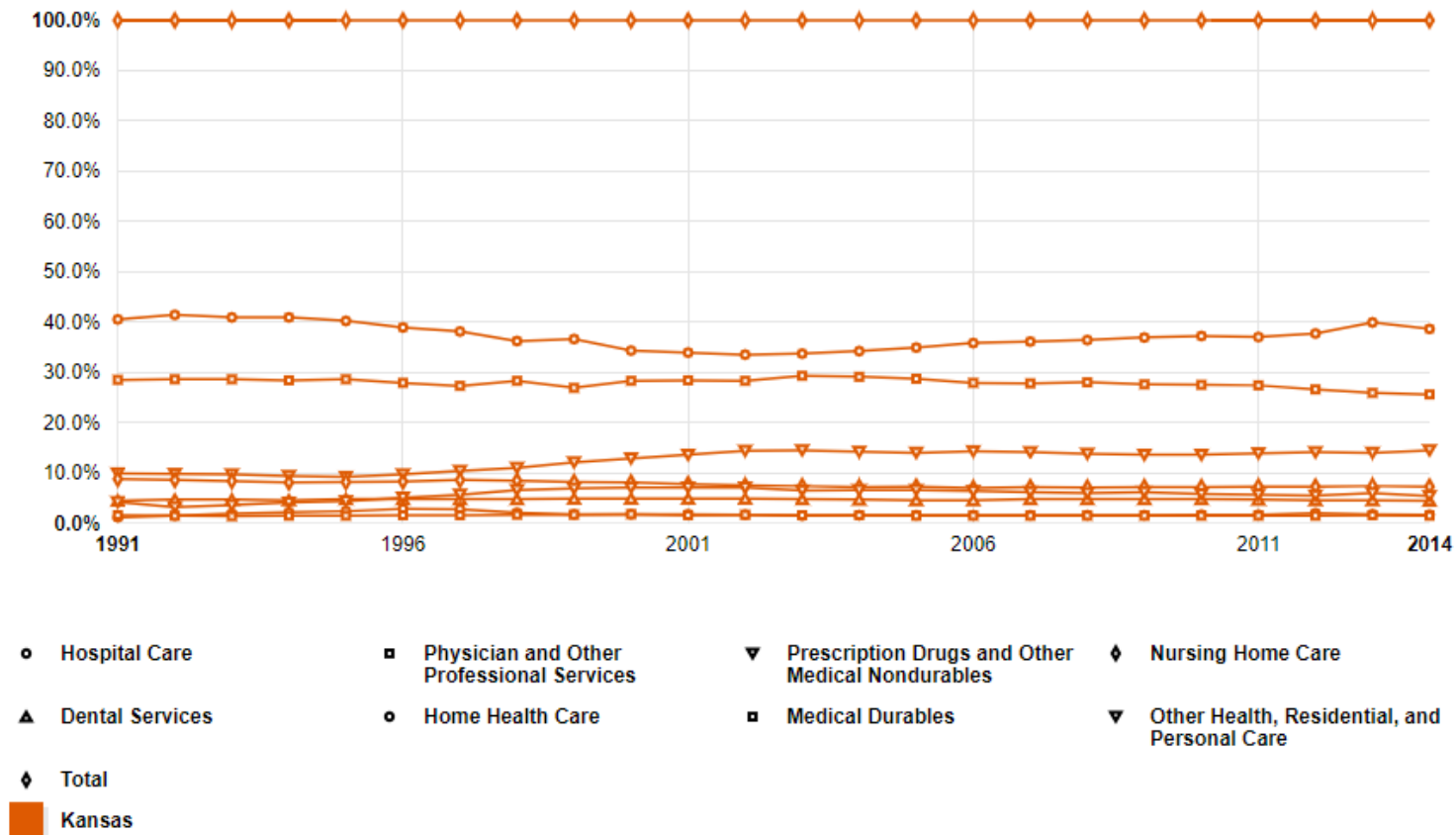
# Monthly Premiums on ACA Marketplace Also Rising

Figure 2. Average and Range of Premiums, Before APTC, for Benchmark Plan for Family of Four



Source: KHI analysis of data from the Centers for Medicare and Medicaid Services Health Insurance Marketplace, 2014-2019.

# 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 STATES HAVE DONE TO CONTROL HEALTH CARE COSTS AND IMPROVE QUALITY

- Establish cost growth goal
- Public health and cost outcomes scorecard
- Adopt payment and delivery system reform goals
- Implement bundled payments for all payers
- Institute global budgets for hospitals
- Launch All Payer Claims Databases (APCD)

Emanuel, E., et. al., Health Affairs Blog, April 28, 2016

## WHAT STATES HAVE DONE TO CONTROL HEALTH CARE COSTS AND IMPROVE QUALITY (CONT.)

- Expand evidence-based home visiting services
- Improve price transparency
- Integrate behavioral health and primary care
- Combat addiction to prescription drugs and heroin (and methamphetamine)
- Improve the delivery of long-term care
- Align scope of practice with community needs

Emanuel, E., et. al., Health Affairs Blog, April 28, 2016

## WHAT STATES HAVE DONE TO CONTROL HEALTH CARE COSTS AND IMPROVE QUALITY (CONT.)

- Institute reference pricing in the State Employee Health Plan
- Expand the use of telehealth
- Decrease unnecessary emergency room use

# AEI/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 APCDs

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

# AEI/BROOKINGS

## RECOMMENDATIONS (CONT.)

- 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?

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



KANSAS  
HEALTH  
INSTITUTE

*Informing Policy. Improving Health.*

# THANK YOU

## Any questions?

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# AVERAGE ANNUAL FAMILY PREMIUM FOR EMPLOYER-BASED HEALTH INSURANCE IN KANSAS

