HEALTH CARE

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Changes in Health Care Landscape Not Limited to Obamacare
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To say that the implementation of the Affordable Care Act (ACA) has dominated the news about health care in 2013 in Montana and elsewhere would be an understatement. The legislation represents the biggest change to the health care economy since Medicare, and the new decisions and issues it raises are important. But not every development in health care involves laws and regulations. And while the media spotlight has shone brightly on the debates in Washington and Helena, other important news on the health care marketplace has arrived unheralded. Two such stories are the slowdown in health care spending growth, and what new survey data tell us about Montana’s uninsured population.

The Slowdown in Health Care Spending: Real or Mirage?
Is there any connection between total health care spending and the global climate? Probably not. But they both seem to move of their own accord at times, sometimes agreeing with and other times contradicting theories and explanations of how they should behave. And just as debates get heated up over rising temperatures or health spending, the data can take an unexpected turn.

That’s certainly been the case for total health care spending of late. Just as pundits seemed to converge on the conclusion that the Affordable Care Act (ACA) targeted health care insurance coverage, not rising costs, news is arriving that growth in health care spending is in fact slowing down. It’s easy to refute the conclusion of some supporters that the declines are due to the ACA, but that leaves the important questions unanswered. Namely, what is the cause of the slowdown and what does it imply for projecting future costs?

Figure 1 tells the story. After averaging growth of 7.6 percent per year nationally over the years 2001-2007, growth in total health care spending (not corrected for inflation) has fallen to just 4 percent in the years since. That growth rate still exceeds the growth in the economy as a whole during recent years – U.S. Gross Domestic Product averaged just 2.4 percent annual growth in the years 2008-2012. But as the figure shows, it’s a big change from the recent past.

Not all components of health care have decelerated, as shown in Figure 2. Hospital spending hasn’t slowed down at all, while prescription drug spending growth has practically stopped. The latter reflects the transition of some major drugs to generic manufacturers. After a one-time slowdown that lasted two years, administrative costs appear to have resumed the same trajectory, while the slight slowdown in physician office spending seems to have endured.

Health care spending in general, and Medicare spending in particular, have had slowdowns in the past, only to resume heady growth again later. It’s hard to know whether this episode will repeat that experience, but it certainly bears watching.

Figure 1
Growth in National Health Expenditures, 2000-2012, Percent

Source: U.S. Centers for Medicare and Medicaid Services.

Figure 2
U.S. Health Care Consumption by Category, 2005-2013, Index, 2007 Spending = 100

Note: Years 2012 and 2013 are projected.
Source: U.S. Centers for Medicare and Medicaid Services.
GETTING THE FACTS ON MONTANA'S UNINSURED

Providing insurance for the uninsured is one of the major goals of the Affordable Care Act. What do we know about Montana uninsured? Actually, we know quite a bit. From a couple of reliable sources, we know there are about 190,000 people without health insurance in Montana, roughly 20 percent of our population. We also know quite a bit about their demographic characteristics. For example, the uninsured are disproportionately concentrated in the working age groups of 18 to 64 years of age because many older and younger persons are eligible for programs such as Medicare and Healthy Montana Kids.

It should come as no surprise that the uninsured have poorer health than the insured. Perhaps one of the reasons they have no insurance is pre-existing conditions or the lack of insurance may have prevented them from getting insurance. The extent of this issue is illustrated in Figure 3. Approximately 22 percent of the people who said they had excellent health were uninsured. But almost half of the people who said they had fair to poor health were without insurance.

Why are Montanans uninsured? For the most part, it is not because they want to be. As shown in Figure 4, only about 16 percent said they were uninsured by choice and approximately 76 percent said they involuntarily uninsured. The three most often mentioned – shown in Figure 5 – were a low-wage job, the expense of insurance, and unemployment. Only about 7 percent of the uninsured were young and healthy and may not think they need insurance. If this percentage holds, the much anticipated problem of the young and healthy opting out of the ACA may not be as severe as once thought.

What to do with this new information on health care cost trends as well as this new detail on Montana’s uninsured population? The new slowdown in costs should clearly be monitored and analyzed, so that we can better understand it. Until we do, plans that assume it will continue would be risky. The new information on Montana’s uninsured can be put to immediate use in plans and policies to extend insurance coverage, whether in coordination with the Affordable Care Act or otherwise.