Health Care
A System in Transition
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There is a lot going on in health care markets these days. Health care is changing, and it can be difficult to keep track of all the changes. Below are three key headlines from the past year, plus two things that may shape health care in Montana over the next few years.

Uninsured Rates Decline

The Affordable Care Act (ACA) is perhaps best characterized as the “Access to Insurance Act.” One year after the ACA’s main access provisions went into effect, more people have health insurance. The number of adults aged 18-64 without health insurance declined by approximately 10 million through the first three quarters of 2014. This represents a decline in the uninsured rate of slightly more than 5 percentage points.

Two studies have examined the change in the uninsured rate in Figure 1. 

![Key Surveys Showing the Decline of Uninsured Americans](chart)

<table>
<thead>
<tr>
<th>Before</th>
<th>After</th>
<th>RAND Corp.</th>
<th>Commonwealth Fund</th>
<th>Gallup</th>
<th>Urban Institute</th>
<th>C.D.C.</th>
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<tr>
<td>21%</td>
<td>16%</td>
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Montana. These studies, however, do not present a consistent picture of the change. Gallup released an estimate for Montanans over age 18 that covered the first six months of 2014. This estimate showed that the percentage of Montanans without insurance declined from 20.7 percent to 17.9 percent. This estimate suggests that 22,000 Montanans gained insurance through the first half of the 2014. A different analysis conducted by Enroll America and Civis Analytics focused on people aged 18-64 and covered the first nine months of the year. This analysis found that the percentage of Montanans without insurance declined from nearly 20 percent to 13 percent. This estimate suggests that approximately 40,000 Montanans obtained insurance in the first nine months of 2014. The disparity between these analyses reflects differences in the population and time period examined. The disparity may also reflect that, as a small state, the sample sizes for Montana are small and its estimates have a larger margin of error.

Studies suggest that Montana would have experienced an even larger decline had it expanded Medicaid. In general, states that expanded Medicaid saw larger declines in the number of uninsured. According to Gallup, states that expanded Medicaid experienced a 6.4 percentage point decline in the uninsured rate through the first three quarters of 2014. States that did not expand Medicaid experienced only a 4.3 percentage point decline in the uninsured rate through the first three quarters of 2014. Estimates suggest that expanding Medicaid would have reduced Montana’s uninsured rate by 3 percentage points.

The uninsured rate is expected to continue to fall over the next few years. The Congressional Budget Office projects the uninsured rate will fall by 3 percentage points in 2015 and 2 percentage points in 2016.

Health Care Cost Slowdown Continues

While health care in the U.S. remains expensive, in recent years health care cost growth has stalled. In 2013, U.S. health care spending grew by 3.6 percent, the smallest increase since 1960. This means that for five years in a row, the U.S. has experienced low health care spending growth.

Consistent with the decline in total spending, health insurance premiums grew at a slow pace. The Kaiser Family Foundation reported that employer health insurance premiums grew by only 3 percent in 2014. Similarly, price growth in the health insurance exchanges was low. A Montanan willing to switch from the cheapest Silver Health Plan in 2014 to the cheapest Silver Health Plan in 2015 would have seen their premiums fall by 1.8 percent to 8.1 percent.

Sources: Commonwealth Fund’s Affordable Care Act Tracking Survey; RAND Health Reform Opinion Study; Urban Institute Health Reform Monitoring Survey; Gallup-Healthways Well-Being Index; Centers for Disease Control and Prevention’s National Health Interview Survey.
Economists continue to debate the reasons for the slowdown and whether it will persist; however, even a temporary slowdown in health care spending growth can have important effects. For instance, the Congressional Budget Office now projects that total federal health care spending over the period 2011-2021 will be $900 billion less than it projected in March 2011.

The Search for Greater Efficiency Continues

Health care markets are changing beyond the expansion in coverage. The ACA includes many smaller items that are designed to help figure out how to improve health care quality and reduce costs. Even outside of the ACA, researchers continue to investigate promising ways to improve the efficiency of the health care system. The changes underway have the potential to change the operation of health care in several important ways.

There are two main ways to improve efficiency:

1. Pay less for care (i.e., lower prices by reducing the cost of proving care and increasing competition)

2. Obtain better care (i.e., eliminate unnecessary or low-value care, manage high-cost patients more efficiently, eliminate medical injuries).

Programs that address each of these are currently underway, but we will not know their effectiveness for some time. However, in 2014, some promising results were unveiled. For instance, Blue Cross Blue Shield recently conducted an experiment where it made MRI prices available to consumers in some markets, but not in others. Economists have long believed that the lack of price transparency impeded competition and efficiency in health care markets, but empirical evidence that demonstrated that greater price transparency would reduce prices was scarce.

The Blue Cross study found that the average price of an MRI in the markets with price transparency fell by $95 over a two-year period, while the average price of an MRI increased by $124 in markets without price transparency. While this study has limitations, it suggests that greater price transparency can induce competition and lower prices at least in the market for MRIs.

Another effort to improve health care efficiency has involved tying payment to quality. For instance, the federal government now penalizes hospitals with high readmission or medical error rates, and 40 percent of private plans tie payments to various quality indicators. As a result, medical errors and readmission rates have fallen. Since 2010, hospital acquired conditions (i.e., people who got sick or injured while in a hospital) have declined 17 percent. As a result, there have been 1.3 million fewer harmful incidents and 50,000 fewer patient deaths. Similarly, hospital readmission rates have fallen by over 5 percent.

Things to Watch in 2015

In 2015, two of the biggest changes that could affect health care in Montana are Medicaid expansion and King v. Burwell (the Supreme Court case that will decide whether individuals in states without a state-based exchange are eligible for health insurance subsidies). The effects of each of these on Montana’s economy are similar.

Without Medicaid expansion or health insurance subsidies, Montanans will pay the taxes imposed for expanded health coverage, but will not enjoy the benefits. Fewer Montanans will have health insurance, the uninsured will consume less health care, and more care will remain uncompensated. Estimates suggest that, in 2016, more than 36,000 Montanans who would otherwise be insured will lose subsidies worth nearly $265 million in 2016. Increasing the number of uninsured by nearly 100,000 people and removing approximately $500 million from Montana’s health care system would have significant impacts on Montana’s health care industry.