

OPTIONS FOR

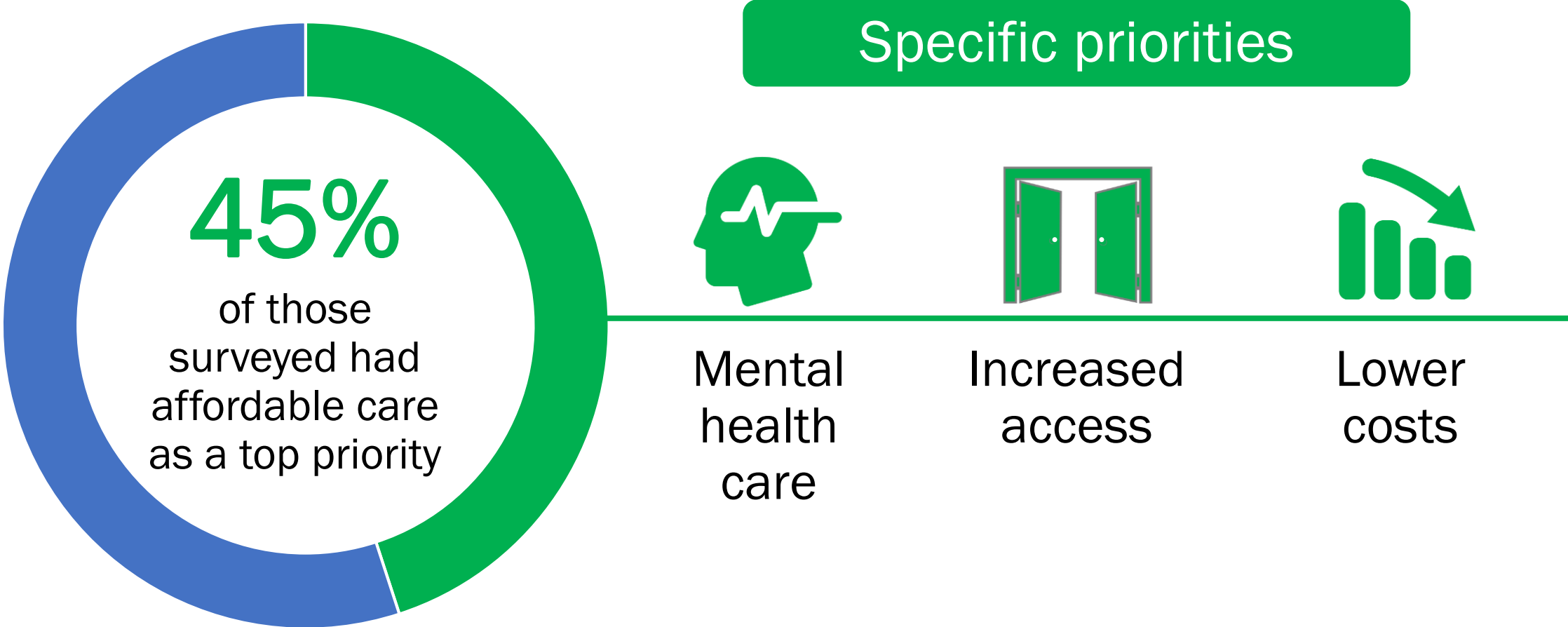
# Reducing Health Care Spending in California



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# Californians View Health Care Costs As a Top Priority





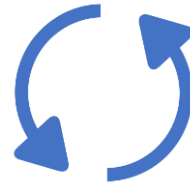
What policies for reducing costs does the literature identify?

Promising cost reduction approaches



How big are the savings documented in the literature?

Has the approach been tried?



# We assessed options for reducing health care costs in California

Funded by California Health Care Foundation, our study considered 17 policy options

Today, I will focus on four of those options

- 1 Reduce out-of-network billing
- 2 Regulate health insurance premiums
- 3 Implement a public option on Covered CA
- 4 Expand scope practice for nurse practitioners

California currently has more protections against out-of-network billing than any other state

**AB 72** protects fully-insured enrollees from “surprise bills” from out-of-network providers at in-network facilities

**2009 CA Supreme Court Ruling** stipulates that emergency departments cannot balance bill patients enrolled in health plans regulated by the Department of Managed Care (all HMOs and some PPOs)

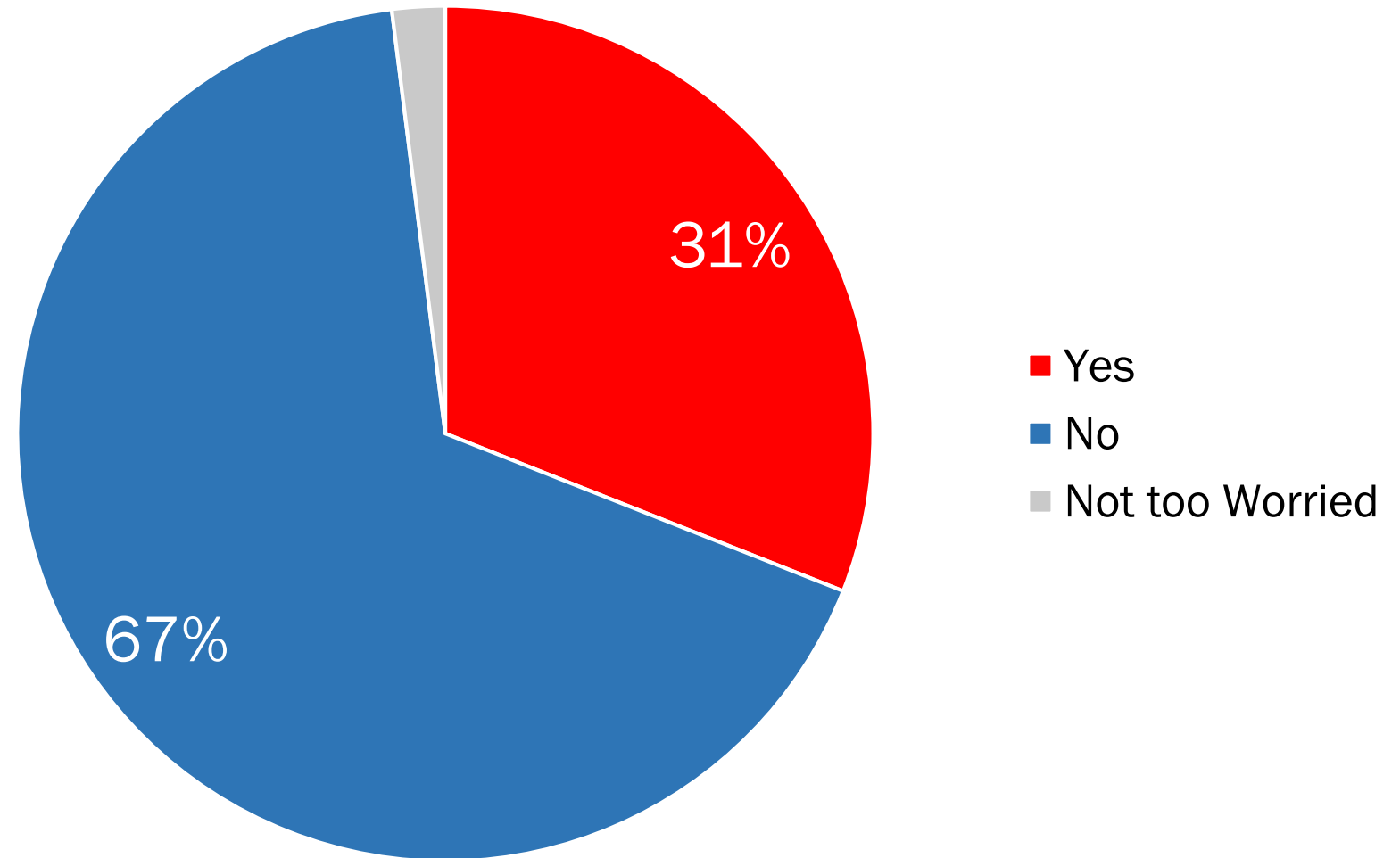
**Fair Pricing Act of 2006** protects low-income uninsured consumers from excessive charges

**Broad network adequacy protections** include timely access as a criteria, and provide protections like language accessibility not found in other states

## Out-of-Network Billing

Almost 1/3<sup>rd</sup> of Californians have received an unexpected bill

Was there a time in the past 12 months when you received care you thought was covered, and your health care did not cover the bill at all, or paid less than you expected?



## Out-of-Network Billing

# Concern may persist because of gaps in protections

*Protections exist for . . .*

Consumer concern	Plans regulated by Dept. of Managed Care	Plans regulated by the CA Dept. of Insurance	Self-insured plans
“Surprise Billing” (Out-of-network charges from a provider at an in-network facility)	Yes	Yes	No
Out-of-Network emergency department bills	Yes	No	No
Out-of-Network ambulance service bills	No	No	No
Bills for inpatient stays originating in the ED	No	No	No

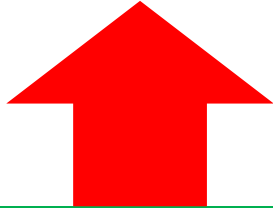
# Steps CA Could Take to Protect Consumers from Out-Of-Network Billing

- 1 Extend protections against out-of-network billing for emergency services to the ~1.1 million people enrolled in plans regulated by the Dept. of Insurance
- 2 Extend protections to cover ambulance services, inpatient stays originating in the ED
- 3 Think creatively regarding how to address enrollees in self-insured plans
  - Require ancillary physicians to contract with hospitals
  - Establish charge limits for health care services



## Out-of-Network Billing

Not all consumer protections will reduce costs



Requirements that insurers cover more  
(e.g. by expanding the network, paying billed charges)

Requirements that providers charge  
less (e.g. charge limits)



# Health plans have become increasingly unaffordable

**\$20,000**  
family employer  
plan in 2018

133% since 2002

**\$1,737**  
average deductible in  
2017 at CA firms with  
50+ workers

262% since 2005

**\$5,160**  
Covered CA  
benchmark premium  
(non-smoker, age 40, 2020)

43% since 2014

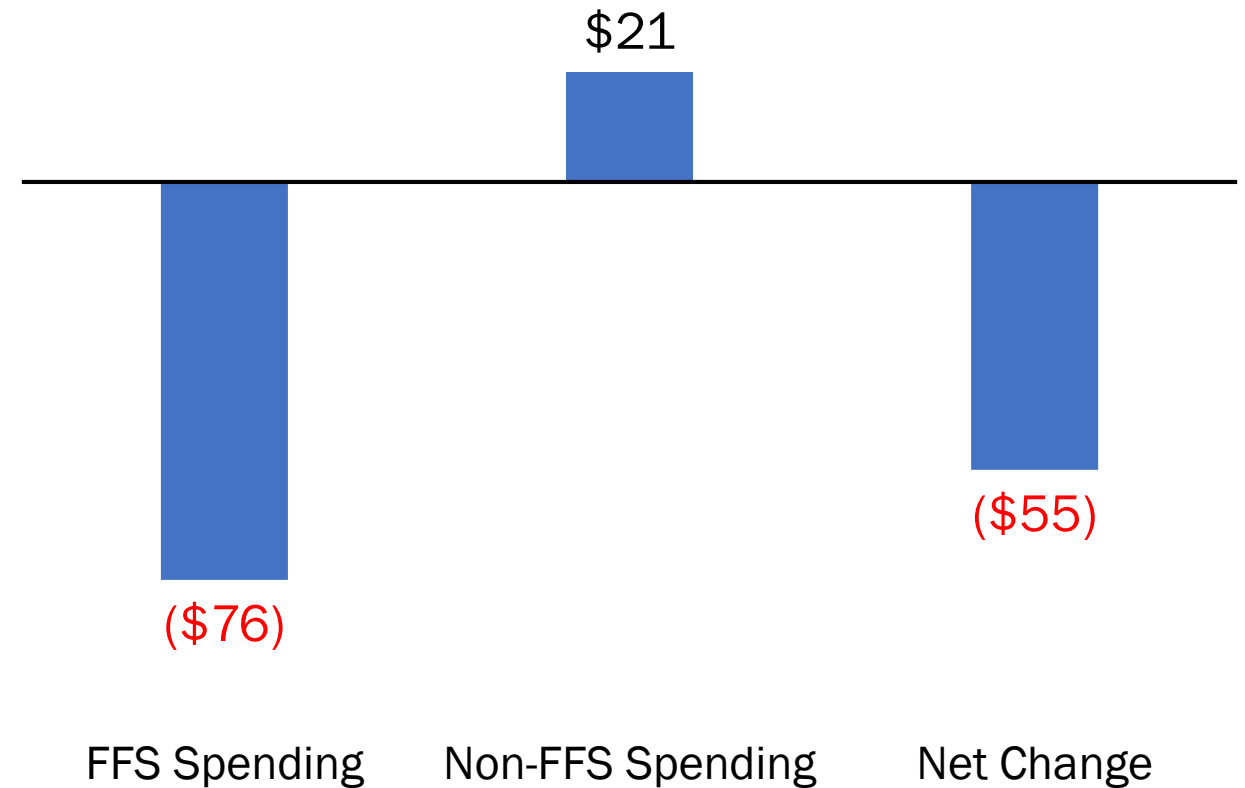
## Could Health Plan Regulation Reduce Costs?

Rhode Island implemented affordability standards for commercial insurers, including

- Reforming payment contracts to limit annual price increases
- Requiring movement from per-diem hospital payments to value-based purchasing and DRGs
- Mandatory increases in primary care spending

Savings of 5.8% among the commercially insured population

Quarterly Change in Spending, Per Enrollee

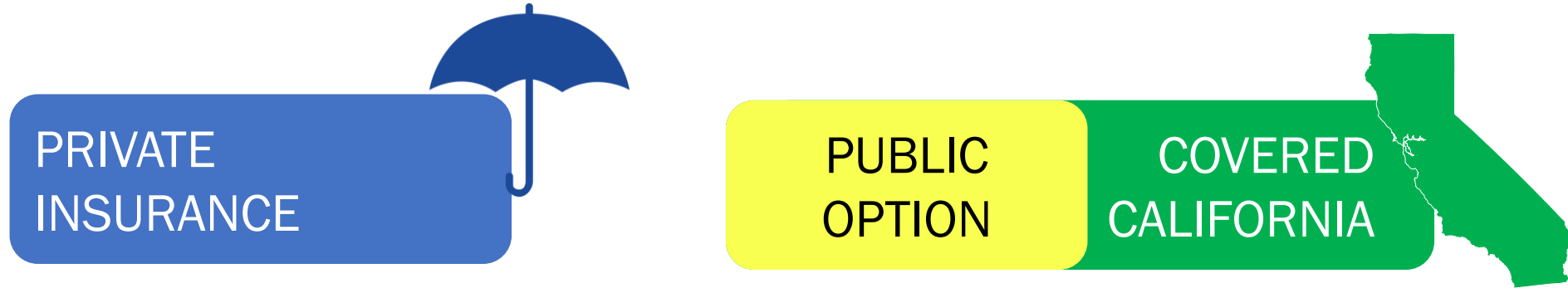


# Other Options to Regulate the CA Insurance Market

Currently, CA has rate review, but the Department of Insurance and the Department of Managed Care lack the authority to deny rates

- States with the authority to approve or deny rates had lower premiums, according to a study of the individual insurance market
- Estimated savings of 4.6% among individual market enrollees

# Public Option for Covered California



- Would expand publicly negotiated rates to broader population
- Might also reduce administrative costs

# How Much Money Could a Public Option Save?

PUBLIC  
OPTION

COVERED  
CALIFORNIA



7-8%

lower premiums  
than private  
plans (CBO)

6%

reduction in  
healthcare  
spending in  
Oregon (RAND)

?

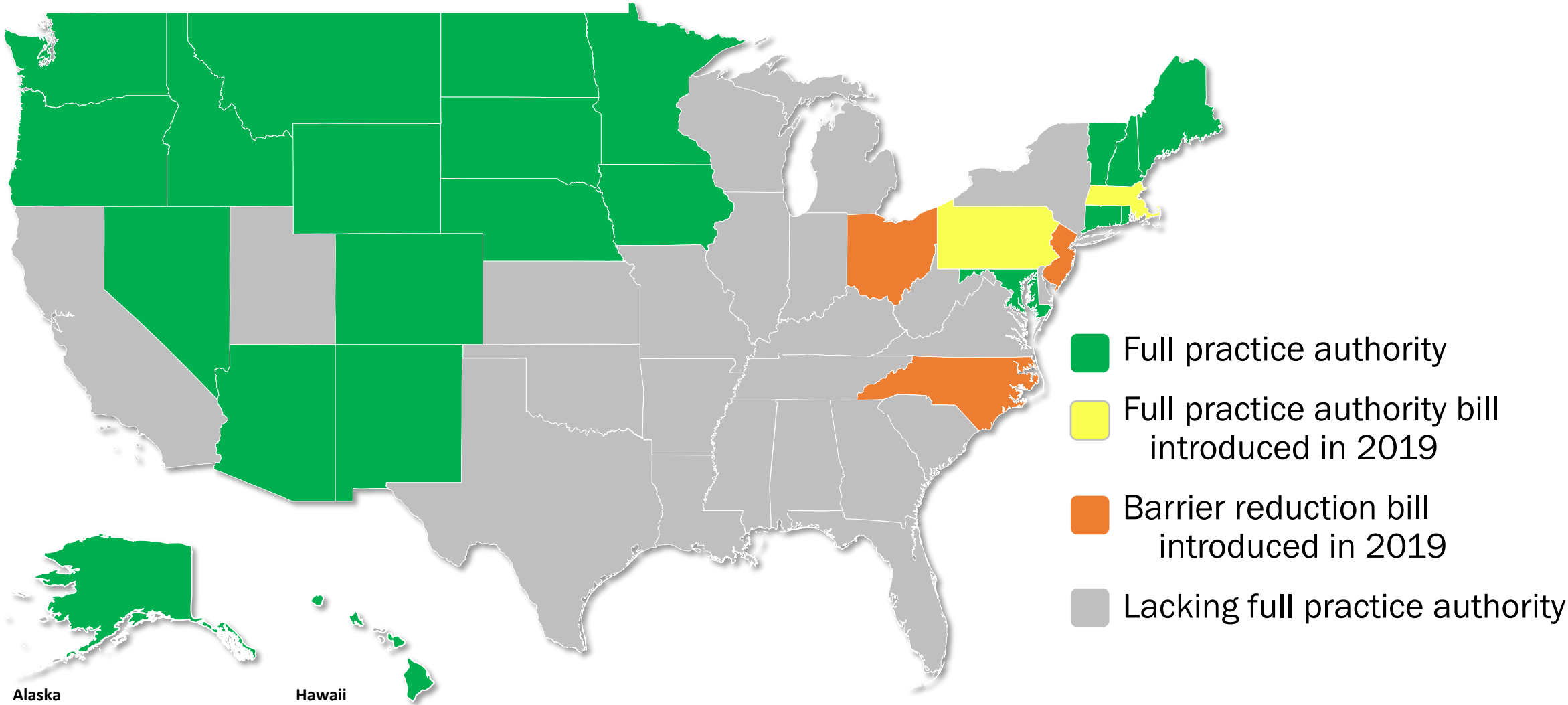
Washington  
implementing  
it now

# Policy considerations for California

- 1 Getting providers to agree on rates may be difficult
  - WA: 160 percent of Medicare rates, on average
  - Can or should the state consider using bargaining leverage, such as CalPERS participation, to induce providers to participate?
- 2 Most of the savings accrue to the federal government
- 3 Biggest savings likely to accrue to people with incomes above threshold for receiving APTCs

# Expanding Scope of Practice

## NP Scope of Practice Authority Varies Widely

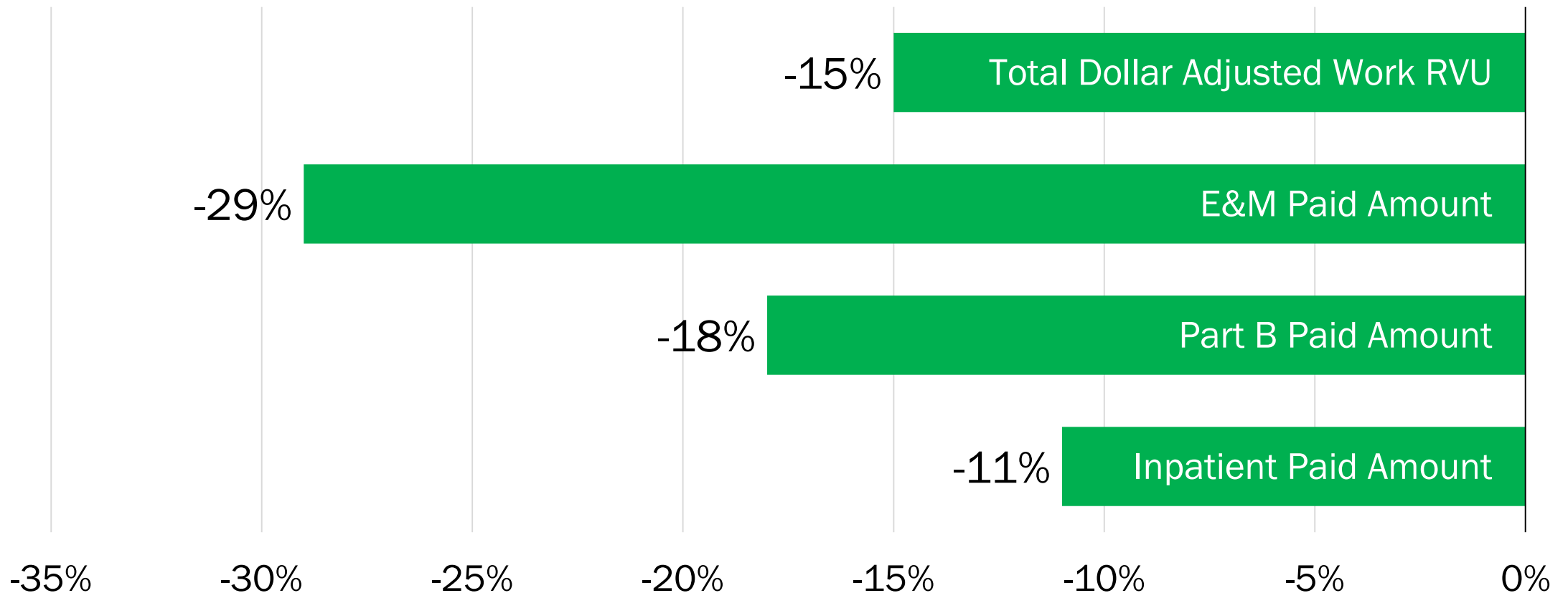




## Expanding Scope of Practice

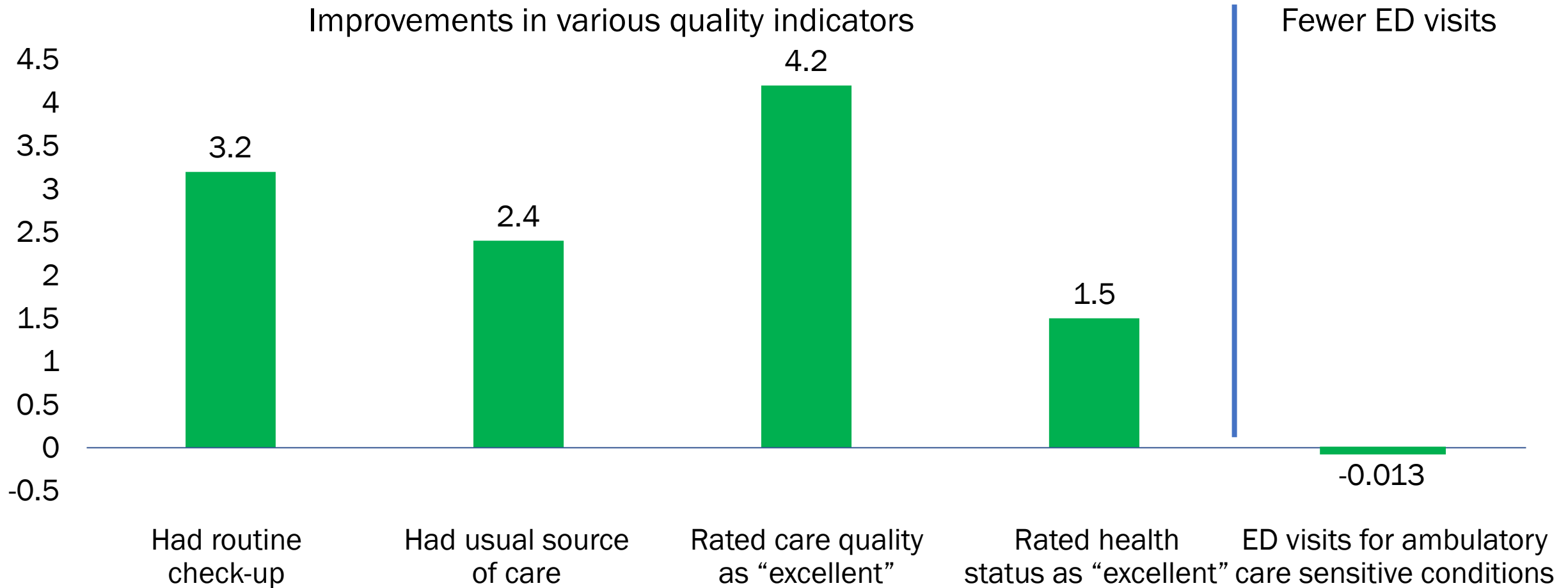
# Evidence Suggests NPs Can Provide Lower Cost Care, with No Adverse Effects on Quality

Risk-Adjusted Differences in Costs for Medicare Beneficiaries with NP versus MD Primary Care Provider



## Expanding Scope of Practice

Analysis of changes in scope laws over time found beneficial effects on quality



# Concluding thoughts

- 1 Many promising options to reduce costs
- 2 California is a unique state—some questions about how well evidence from other states will translate
  - Dominance of managed care may mean there is less “low hanging fruit”
- 3 State may need to pursue multiple options simultaneously to make significant headway on cost containment
- 4 California has a tradition of being an “early adopter”—pursuing new opportunities to reduce health care costs could continue that tradition



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# We Assessed Policy Options in 5 Broad Categories

## PAYMENT-RELATED

- Global payment
- Expand ACOs
- No payment for HAI
- Encourage bundled payment

## REGULATION

- Limit out-of-network billing
- Regulate health insurance premiums
- Public option for Covered California
- Hospital rate setting

## EXPAND HIT USE

- Health information exchange

## INCREASE USE OF HIGH-VALUE CARE

- Substitute home/community services for institutional LTC
- Expand telehealth
- Expand scope of practice for nurse practitioners
- Mental health treatment
- Medication assisted treatment for opioid dependence
- Wellness/disease management programs

## PHARMACEUTICALS

- Rate setting
- Formulary redesign for Medi-Cal
- Price transparency for drugs