MEETING 9

Policy Examiner

Dispatches about the Colorado Commission on Affordable Health Care

Health Care Market is Like No Other

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The Colorado Commission on Affordable Health Care saw its first formal presentation on data about health care costs at its April meeting.

Amy Downs and Michele Lueck of the Colorado Health Institute, which the commission has hired to provide data and analysis, discussed health care costs in general and some of the efforts underway in Colorado to boost quality and control spending. (CHI is preparing these Policy Examiner reports using its core funding, independently of its contract with the commission.)

"There's probably no topic more complex and controversial in health care than what drives health spending," said Downs, CHI's senior director for policy and analysis.

Health care spending is increasing again after a lull of a few years, Downs said. The reasons that spending grew at a slower rate are in dispute, but could involve a combination of payment reform from the Affordable Care Act (ACA), a decrease in spending because of the weak economy, and the growing popularity of high-deductible health insurance plans.

But spending was up 6.5 percent nationally in February compared with the same month in 2014, Downs said, primarily because of higher demand for health care services – possibly from people who are newly insured.

Health care differs from traditional markets, Downs said. In traditional markets consumers bear the cost of purchases and make choices based on transparent information, while suppliers compete on price, quality and value. But in health care, when consumers purchase a service, it often is paid for by an insurance company or public program. Most of the time, the consumer doesn't know how much a service will cost. If consumers want to shop around, they lack transparent information.

This notion sparked a debate among the commissioners.

Linda Gorman said cash markets in health care behave a lot like traditional markets. She blamed costs resulting from regulations for distorting the market.

And Elisabeth Arenales said she agrees that it's important for consumers to know the costs and benefits of what they are buying, but she questioned whether transparency has any effect on purchasing behavior.

"Health care never will work like other markets, because when people are dealing with their health or their life, they're going to make different decisions than when they're buying a television set," Arenales said.

CHI also provided a brief rundown of some of the recent cost control efforts in Colorado. They include the state's Accountable Care Collaborative program, Medicaid PRIME, the Colorado Multi-Payer Patient-Centered Medical Home Pilot, the Comprehensive Primary Care initiative, 21st Century Care, Bridges to Care, the State Innovation Model and Engaged Benefit Design, among others.

Commissioner Chris Tholen pointed out that none of these programs have had a noticeable effect on insurance premium prices in Colorado, which closely match the national price trend. Tholen said the commission should look for programs in other states that have successfully bucked the national trend of rising prices.

CHI is working with the commission's research committee to evaluate data that will help support the group's work. It could take the research committee time to dig in to detailed data, but Commission Chairman Bill Lindsay said he wants to make sure the full commission is making progress.

"The planning committee feels strongly that we need to get moving with discussions on specifics around cost drivers," Lindsay said.

Lindsay said he would like to hear about the work of state departments, the State Innovation Model and the Colorado Regional Health Information Organization.

The next meeting is May 11 at 12:30 at COPIC, 7351 E. Lowry Blvd. in Denver.