

Oregon faces obstacles expanding health insurance to all residents, study finds

January 19 2017

Creating a Medicare-like public health insurance option for residents of Oregon may be the easiest system to extend health coverage to more people in the state, but other proposals such as single-payer plan or a system to provide limited private insurance to all residents would eventually cover more people, according to a new RAND Corporation study.

However, while state officials have expressed interest in providing [health insurance](#) to more uninsured residents, such efforts may be harder if part or all of the federal Affordable Care Act is repealed as proposed by Congressional leaders and the incoming presidential administration, according to researchers.

An analysis of three proposals to extend health insurance coverage to the 5 percent of Oregon residents who are uninsured shows that each of the two options that would provide universal coverage would face substantial hurdles in obtaining the federal waivers needed before either could move forward—even if the Affordable Care Act isn't significantly rolled back.

While creating a government-run insurance program for nonelderly Oregon residents faces a path of least resistance under existing rules, it also would likely extend coverage to fewer uninsured Oregon residents.

"Our analysis shows that it is possible to increase [health insurance coverage](#) and decrease financial barriers to accessing [health care](#) for the least-well-off residents of Oregon, while reducing total health system

costs in the state," said Chapin White, author of the study and a senior policy researcher at RAND, a nonprofit research organization.

"However, policymakers have difficult decisions to grapple with as they decide on an approach. There are tradeoffs—and substantial unknown effects—for each of the proposals we studied."

While a single-payer model that includes aggressive payment negotiation would provide insurance to all Oregon residents without necessarily increasing total health system spending, providers would need to be willing to accept lower payments to achieve the goal, according to the study. That may not be feasible for all providers, causing some to exit the state or to reduce their supply of care, which could lead to longer queues for care.

A proposal to provide all nonelderly Oregon residents with resources to buy a basic [private health insurance](#) also extends coverage to everyone, but because it relies on private insurance it likely would increase average reimbursement levels. While the Health Care Ingenuity Plan could increase buy-in from providers and reduce concerns about access, the RAND study estimates that the plan would increase, rather than reduce, total health system costs.

Both the single-payer model and the Health Care Ingenuity Plan would lead to significant redistribution of resources from higher-income to lower-income residents of Oregon, according to the analysis.

Both of the models also would require waivers from the federal government to allow federal outlays for current health insurance programs to be redirected to finance universal coverage—with no certainty of success. In addition, a federal exemption would be needed from federal rules that govern employers that self-fund their health care plans.

As in many other states, lawmakers in Oregon have been grappling with how to ensure that all residents have access to affordable, high-quality health care. Although the number of uninsured Oregon residents had dropped substantially under the federal Affordable Care Act, an estimated 5 percent remain insured—primarily minorities, low-income residents and young adults.

Researchers from the RAND Corporation and Health Management Associates were asked by the Oregon Health Authority to analyze three proposals put forward by policymakers as potential ways to expand health coverage among the uninsured and compared the likely outcomes to the existing health care system.

Researchers used several modeling techniques to analyze how each of the options would affect outcomes on insurance enrollment, payments from households to support health care, total health spending in the state and other impacts. They also assessed the regulatory aspects of each of the proposals.

The single-payer option, introduced as a bill in the Oregon House, would use public financing to provide privately delivered health care to all Oregon residents, including those currently enrolled in Medicare and Medicaid. The proposal would pool state and federal outlays for current public programs, and add additional revenue from new state income and payroll taxes. The plan would cover 100 percent of health care costs for residents with incomes under 250 percent of the federal poverty line and 96 percent of health costs for other residents.

The Health Care Ingenuity Plan would pool revenue from state and federal outlays for Medicaid and ACA marketplaces with addition revenue generated from a new state sales tax. The plan would create a public financing pool to provide basic [health insurance](#) for most nonelderly Oregon residents. Medicare would continue to cover seniors

and the disabled.

Cost sharing of the private health plans would vary depending on enrollees' incomes, with the average share of costs covered by the plan ranging from nearly 100 percent for those with incomes below 138 percent of the federal poverty level to 70 percent for those with incomes above 250 percent of poverty. Enrollees could purchase private supplemental insurance to cover cost sharing and additional benefits.

The third proposal, a so-called public option, would create a state-run health plan to cover essential health benefits outlined by the Affordable Care Act and would compete with private plans in the ACA marketplaces. Enrollees in the public option would be eligible for federal advance-premium tax credits and cost-sharing reductions. The public option would set provider reimbursements levels equal to Medicare fee-for-service rates and would require providers who participate in other state health programs to participate in the plan.

Researchers found that both the single-payer option and the Health Care Ingenuity Plan increase coverage relative to the status quo and reduce financial barriers to care.

Under the single-payer plan, researchers assumed the state would have power as the sole purchaser of health care to set payment rates for most providers at 10 percent below the status quo. Overall, there would be little change in health system costs because the increase in patient demand would be offset by lower payments rates and administrative savings.

Under the Health Care Ingenuity Plan, researchers expect there would be higher system costs because Medicaid enrollees and the uninsured would be shifted into private insurance plans, which typically reimburse providers at significantly higher rates than the Medicaid program. These

higher payment rates would increase system costs, expand the supply of providers and ease congestion. Researchers also estimate that under the plan, three-fifth of state residents would purchase supplementary insurance to reduce their individual cost sharing.

Researchers estimate that the public option would cover about 9,000 additional Oregon residents, leaving the share of the population who are uninsured at 5 percent. But many people already buying coverage through the ACA marketplaces would likely shift to the public option, saving the average enrollee about \$850 per year.

More information: The study, "A Comprehensive Assessment of Four Options for Financing Health Care Delivery in Oregon," is available at www.rand.org.

Provided by RAND Corporation

Citation: Oregon faces obstacles expanding health insurance to all residents, study finds (2017, January 19) retrieved 27 April 2024 from <https://medicalxpress.com/news/2017-01-oregon-obstacles-health-residents.html>

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