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Oregon Has Options to Move Toward Universal Health Coverage; Repeal of the Affordable Care Act Would Make All Options More Difficult

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Oregon has options for reforming health care financing to expand coverage and meet broader goals, though they differ in their feasibility, tradeoffs and financing requirements, according to a new study.

An analysis by researchers at the RAND Corporation and Health Management Associates (HMA) focused on three options, each of which would likely become more costly and difficult to implement if part or all of the federal Affordable Care Act were repealed, as proposed by Congressional leaders and the incoming presidential administration.

Although the number of Oregon residents without health insurance has dropped substantially under the Affordable Care Act, an estimated 5 percent remain uninsured—disproportionately minorities, low-income residents and young adults.

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. Researchers from RAND and HMA were asked by the Oregon Health Authority to analyze three health reform proposals and compare the likely outcomes to the existing health care system.

The first option is a state-administered single-payer plan that would enroll all residents of the state, including current Medicare beneficiaries, with no premiums and low or no cost sharing. The single-payer option would pool state and federal outlays for current public programs, and add additional revenue from a new state payroll tax and a substantial increase in state income taxes.

The study estimates that the state would use its buying power to reduce provider payment rates by 10 percent on average, which would keep total health system spending roughly equal to the current system. Lower

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Researcher Spotlight

Chapin White
Senior Policy Researcher

Chapin White is a senior policy researcher at the RAND Corporation, specializing in health economics, and a Pardee RAND Graduate School faculty member. His work combines quantitative and qualitative methods and focuses on provider payment reform and the implementation and impacts of the...

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payment rates, according to the study, could cause some providers to exit the state or to reduce their supply of care, which could lead to longer queues for care.

The second option, dubbed the Health Care Ingenuity Plan (HCIP), would expand the concept of the ACA marketplace to all state residents, except Medicare beneficiaries. All residents—including those who now have employer-sponsored insurance—would receive public financing to enroll in a private health insurance plan with income-based cost sharing, similar to the ACA marketplace.

The Health Care Ingenuity Plan achieves universal coverage, but because it relies on private insurance it likely would increase average provider 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.

The third option, a state-administered public option that would compete with private plans in Oregon's ACA marketplace, would be the easiest approach to expand health coverage to more people in the state. However, it would not achieve universal coverage and would only increase the number of insured residents modestly, according to the study.

“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, without increasing 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—between higher-income and lower-income residents, and between health care providers and patients—for each of the proposals we studied.”

Both the single-payer option and the Health Care Ingenuity Plan would lead to significant redistribution of the financial burden of financing health care from lower-income to higher-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 likely be needed from federal rules that preempt state regulation of self-funded employer-sponsored health plans.

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.

Oregon

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Under the single-payer plan, researchers assumed the state would use its 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 payment rates and administrative savings.

The Health Care Ingenuity Plan would pool revenue from state and federal outlays for Medicaid and ACA marketplaces with additional revenue generated from a new state sales tax. 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.

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 fifths of state residents would purchase supplementary insurance to reduce their individual cost sharing.

Enrollees in the public option would be eligible for federal advance-premium tax credits and cost-sharing reductions. The analysis assumed that the public option would set provider reimbursement levels equal to Medicare fee-for-service rates and would require providers who participate in other state health programs to participate in the public option.

Researchers estimate that the public option would cover about 30,000 additional Oregon residents, reducing the share of the population who are uninsured from 5 percent to 4 percent. By reducing premiums in the ACA marketplaces, the public option would reduce average payments for health care among all residents of Oregon by about $200 per year.

Support for the study was provided by the Oregon Health Authority. The study, "A Comprehensive Assessment of Four Options for Financing Health Care Delivery in Oregon," is available at www.rand.org.

Other authors of the report are Christine Eibner, Jodi Liu, Carter Price of RAND, and Nora Leibowitz, Gretchen Morley, Jeanene Smith, Tina Edlund and Jack Meyer of Health Management Associates.

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