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The Oregon Tale: A Medicaid Kerfuffle

By: John McDonough – May 6, 2013

Is Medicaid worth it? More specifically, is being on Medicaid better than being uninsured?

This past week, we witnessed a surprising and heated argument over these questions. On Thursday, the New England Journal of Medicine published "The Oregon Experiment -- Effects of Medicaid on Clinical Outcomes." The results are already being used by folks trying to influence state decisions on whether or not to expand Medicaid eligibility as authorized under the Affordable Care Act.

In short, it's a study with impact. First, let's back up.
In 2008, Oregon held a lottery to decide who, among eligible low-income adults, would be allowed to enroll in a limited number of expanded slots in the state's Medicaid program. Of 90,000 applicants, 10,000 were selected. I, among others, was appalled that life-saving coverage would be distributed this way. My superstar economist colleague at the Harvard School of Public Health, Kate Baicker, and her economist colleague at MIT, Amy Finkelstein, had a different reaction: what an opportunity for a once-in-a-lifetime randomized controlled trial on the value of Medicaid versus being uninsured! And so, a study was born with 10,405 new Medicaid enrollees and 10,340 low-income lottery losers as the experimental and control groups.

Here's what they found in their first round of results in reported in 2011:
"We found that Medicaid coverage increases the use of health care. In particular, it raises the probability of using outpatient care by 35%, of using prescription drugs by 15%, and of hospital admission by 30%. ... The increase in health care use is associated with more consistent primary care: people with Medicaid coverage were 70% more likely to report having a regular place of care and 55% more likely to report having a usual doctor; Medicaid coverage also increased the use of preventive care such as mammograms (by 60%) and cholesterol monitoring (by 20%). ... We found that Medicaid improves financial security. Medicaid reduces by 40% the probability that people report having to borrow money or skip payment on other bills because of medical expenses. Although it does not appear to reduce their risk of bankruptcy (at least in the first year), it decreases by 25% the probability that they will have unpaid medical bills that are sent to a collection agency. ... We also found that being covered by Medicaid improves self-reported health as compared with being uninsured. Medicaid enrollees are 25% more likely to indicate that they're in good, very good, or excellent health (vs. fair or poor health). They are 25% less likely to screen positive for depression. They are even 30% more likely to report that they are pretty happy or very happy (vs. not too happy)."

Would more concrete results be forthcoming on actual rather than self-reported health outcomes? Wait for our next report, the authors replied. Last Thursday, they reported. Let's jump to the authors' new results:

"We found no significant effect of Medicaid coverage on the prevalence or diagnosis of hypertension or high cholesterol levels or on the use of medication for these conditions. Medicaid coverage significantly increased the probability of a diagnosis of diabetes and the use of diabetes medication, but we observed no significant effect on average glycated hemoglobin levels or on the percentage of participants with levels of 6.5% or higher. Medicaid coverage decreased the probability of a positive screening for depression (9.15 percentage points; 95% confidence interval, 16.70 to 1.60; P=0.02), increased the use of many preventive services, and nearly eliminated catastrophic out-of-pocket medical expenditures."

Mixed bag for sure. We can see important benefits added to the positive results reported in 2011, and we see disappointing results where some measures health status were no better among Medicaid enrollees over those who remained uninsured.

So the study has now been released and the data -- unless there were "Excel spreadsheet errors" -- can be judged as truthful as it pertains to the results for this population in this one study. But what does the study "mean" for other states, the nation, Medicaid, the uninsured, and more? In that arena, there is no truth, only the meaning we choose to attach. And so, on Thursday, we saw an instant avalanche of commentary seeking to convince us of what the study results "mean."

I found many helpful analyses, among them: Ezra Klein in the Washington Post, Jon Cohn in the New Republic, and most helpful to me, Richard Kronick and Andrew Bindman's NEJM editorial among many.

And there were the Medicaid critics, fast to say that the results delegitimize Medicaid as quality health insurance coverage and urging undecided governors and state legislatures to abandon any plans to expand Medicaid via the ACA:

Michael Cannon at the libertarian Cato Institute exulted: "Today, the nation's top health economists released a study that throws a huge STOP sign in front of ObamaCare's Medicaid expansion."

Avik Roy of the conservative Manhattan Institute wrote in Forbes: "The result calls into question the $450 billion a year we spend on Medicaid, and the fact that Obamacare throws 11 million more Americans into this broken program."

New York Times columnist Ross Douthat offers the alternative:

"...if the benefit of health insurance is mostly or exclusively financial, then shouldn't health insurance policies work more like normal insurance? Fire, flood and car insurance exist to protect people against actual disasters, after all, not to pay for ordinary repairs. If the best evidence suggests that health insurance is most helpful in protecting people's pocketbooks from similar disasters, and that more comprehensive coverage often just pays for doctor visits that don't improve people's actual health, then shouldn't we be promoting catastrophic health coverage, rather than expanding Medicaid?"

This is today's consensus conservative critique of Medicaid and health care more generally -- just give everyone a high deductible, catastrophic health insurance plan and call it a day. The new Oregon study is just more grist for this mill.

I found the NEJM commentary by Kronick and Bindman most helpful in putting the new results in context. "Insurance has three main purposes: to protect financial assets in the event of illness, to improve access to care, and to protect health ... [the new] results confirm the capacity of Medicaid to quickly and positively accomplish at least to of the three goals of insurance." The critics dismiss the importance of the first two. But let's remember who we're talking about in the study -- adults in Oregon living under 100% of the federal poverty line. What's that? Here are the 2012 numbers:

Family Size & Income @ 100% fpl
1 -- $11,170
2 -- $15,130
3 -- $19,090
4 -- $23,050

When folks living under the poverty line face deductibles, coinsurance and copayments for medical services, they are far more likely not to obtain them because they cannot afford to do so. Patients in the new study doubled use of mammography over age 50, increased by 30% use of Pap smears, and increased by 20% the likelihood of receiving all needed care.

Where is the evidence measuring the effects of high deductible policies for use of necessary medical services, especially among low-income groups? It doesn't exist.

The new study shows not only a drop in catastrophic medical costs, it also shows a surprising decrease in the diagnosis of depression. I told this over the weekend to my wife, a clinical social worker with three decades experience in treating Medicaid clients. "D'uh," was her response. The constant struggle of surviving on less than $11,170 per year: might that make you depressed? As Kronick and Bindman cautiously observe: "Some of the improvement may have also come from the psychological benefit of having insurance protection."

So why "kerfuffle?" Because, as far as I can see, these results have changed no one's mind about Medicaid. The attackers find new talking points as they roam the nation telling state officials not to expand Medicaid. And the defenders continue their arguments. The analysts in the middle point to legitimate real-world complexities on both sides.

And because, in the end, this is not a debate about numbers or data or studies. This is a debate about values. Do Americans value providing access to necessary medical services and financial protection to the most vulnerable among us or not. Avik Roy and Ross Douthat and colleagues can talk all they want about their preferred alternatives -- but the states rejecting Medicaid expansion who love their attacks are not listening to their alternative ideas. They are listening to Cato's Cannon and choosing to do nothing. That's the real alternative -- nothing.

The United States is the only nation on earth that dares call itself advanced that does not provide basic access to necessary medical services and financial protection from illness

to all our citizens. Fixing that is not about data or studies, it's about our values as a nation and as human beings.