



July 13, 2011 - Road to Reform

Will 'Most Important Study in Decades' Matter for Reform?

by Dan Diamond, California Healthline Contributing Editor

In battles over policy, research studies can begin to feel like common swords in a medieval armory -- they're repeatedly plucked by policymakers seeking to puncture their opponents, then abandoned when the prize is claimed (or the study's own point has been worn away in the struggle).

But every few decades, a singular study appears like a gift from the gods, slicing through hardened opposition like a hot knife through butter.

If seeking weapons -- whether mythological or empirical -- perhaps academics should search by bodies of water. King Arthur reportedly pulled his Excalibur from a lake in Wales. Health researchers -- or at least those trying to defend Medicaid -- may have found their own magical sword near Lake Oswego.

Oregon's Groundbreaking Medicaid Study

Three years ago, lawmakers in Oregon announced they would expand Medicaid coverage. Ninety thousand uninsured residents applied, but the state could only afford to enroll 10,000. As a result, Oregon set up a lottery to determine who would be added to the program.

A pair of prominent health policy researchers -- Harvard University's Katherine Baicker and the Massachusetts Institute of Technology's Amy Finkelstein -- stumbled across the lottery and realized it was "an unbelievable opportunity" to test the benefits of expanding public health insurance, Baicker **told the *New York Times***. While the lottery was sure to frustrate 80,000 Oregonians, it also created the perfect structure for a randomized controlled trial, perhaps the most rigorous of academic studies, where one group of individuals receive certain benefits and a nearly identical group is denied them.

The results of Baicker and Finkelstein's research -- **published last week** by the National Bureau of Economic Research -- revealed a **fairly unsurprising finding**: health insurance offers tangible health and financial benefits. Specifically, Medicaid beneficiaries in Oregon felt better, found regular physicians and were better able to maintain financial stability compared with low-income, uninsured people.

The study has been roundly heralded, as much for its results as for its construction. In a comment on *The Incidental Economist*, researcher and physician Aaron Carroll **wrote that** the study will "be cited for decades. No other study has been able to examine the effect of receiving insurance on health in a randomized context[t] and, to boot, on such a policy-relevant population. ... [T]his paper towers above." The *Washington Post's* Ezra Klein **termed it** "the most important health-policy study" in a generation.

According to University of Chicago professor Harold Pollack, the study also demonstrates how hard it is -- and illustrates the serendipity of Oregon's circumstances -- to conduct truly randomized trials in health care.

Medicaid Under Fire

The study reinforces the benefits of Medicaid as the program takes blows on several fronts. A national deficit deal could **slice federal funding**. Medi-Cal -- California's program -- is at the **center of a debate** on whether states can scale back provider reimbursement. **Some conservatives** also have advanced arguments that Medicaid is worse than **no insurance at all**.

Most acutely, the program is at the heart of the federal health reform law. More than 16 million uninsured Americans are **slated to be added** to its rolls by 2019, including more than two million Californians -- making Medicaid a key battleground for policy wonks and politicians.

"Medicaid coverage looks much better on paper than it does in reality," Douglas Holtz-Eakin, president of the American Action Forum, **wrote earlier this year**. Citing low reimbursement rates, barriers to patient access and the rising financial burden on the states, Holtz-Eakin warned that "without substantial Medicaid reform, Obamacare will result in a human and fiscal disaster."

Research That Moved Mountains

So will this new Medicaid study change the course of conversation?

"Studies have influence, but they never speak for themselves ... they have to line up with a particular moment in the political debate," Pollack told *California Healthline*. Only a handful of studies directly shift policy -- and even then, their influence may fade with the political season.

California Healthline quizzed policy wonks on the most influential health research in recent decades. While experts nominated a range of reports -- how the Institute of Medicine's "**Crossing the Quality Chasm**" drove patient safety improvement or Dana Goldman's **work on prescription drug benefits** affected Medicare Part D -- two studies came up again and again.

First, the **RAND Health Insurance Experiment** -- a 15-year project to track price elasticity in health care-- has shaped the industry's view of patient cost sharing for more than two decades. The RAND Corporation terms the project as "the most important health insurance study ever conducted," and few researchers would disagree. In 2006, economist Jonathan Gruber concluded that the randomized study remains "**the gold standard**" for evaluating how patient income and copayments affect utilization and health.

Meanwhile, the **Dartmouth Atlas** has uncovered variations in health costs and quality that clearly influenced this White House's approach to reform; CMS Administrator Donald Berwick has called the atlas "the most important research of its kind in the last quarter-century." Notably, the Affordable Care Act sets up pilot projects that map to the atlas' conclusion that the best providers should be among the least expensive.

This Study's Impact

Yet even in the RAND and Dartmouth cases, it's tough to directly link research and eventual legislation. In fact, some of the most important studies for *actual* health policy -- such as those offering technical assistance for implementing new programs or ideas for reforming entitlement programs -- are state-specific projects that don't enter the public literature.

In the short term, the NBER study's most obvious effect may be to **quiet Medicaid's critics**, although some have pushed back against its findings. Michael Cannon, director of health policy studies at the Cato Institute, **argues that while** "supporters of President Obama's health-care law may tout" the report's findings, it "does not provide the vindication they seek," given lack of mortality data and only modest improvements in health and financial security.

The study might not have immediate implications for the Golden State, either. A **California HealthCare Foundation research brief** notes that "extrapolating the results of this small Medicaid expansion in Oregon to the very large expansion of Medicaid in California expected under health reform comes with important caveats." For example, there are significant differences between Oregon and California's demographics and Medicaid reimbursement. (CHCF publishes *California Healthline*.)

State officials across the nation also are focused on "the best ways to maximize the benefits of [Medicaid] and minimize its costs," and the NBER study doesn't really address those issues, according to Christopher Perrone, deputy director of CHCF's Health Reform & Public Programs Initiative.

But in advocates' fight for the **flawed but beneficial Medicaid program**, this research could be the rallying point to ultimately gather a storm of swords -- the first in a series of new papers that shift thinking about public insurance programs.

The NBER study may have captivated the policy world this week, but there's plenty of other news shaping health reform. Here's what else is making news around the nation.

Administration Happenings

- **HHS** officials have announced that they will wait until fall to provide information about how much the Pre-Existing Condition Insurance Plan has spent out of its \$5 billion allocation. **Steve Larsen**, director of the **CMS Center for Consumer Information and Insurance Oversight**, previously promised that officials would provide basic spending information quarterly. A spokesperson for CCIIO said the center "hope[s] to issue our first report on PCIP spending later this fall, and [we're] working to ensure the \$5 billion is being used efficiently and effectively." Officials did not specify when in fall they would release the spending information (Adams, *CQ HealthBeat*, 7/11).
- In related news, some people enrolled in Pre-Existing Condition Insurance Plans saw their premiums decrease by up to 40% as of July 1. The program was created under the federal health reform law to provide guaranteed coverage to people with pre-existing medical conditions. An **HHS** review of premium rates in the 23 states and the District of Columbia where the agency administers PCIPs found that the rates will drop by between 2% and 40% in D.C. and 17 of the states. HHS also has changed the application process to make it easier for applicants to prove that they have a pre-existing condition (Andrews, *Kaiser Health News/Washington Post*, 7/4).
- Last week, **HHS** announced that it will review health insurance rate increases in 10 states lacking sufficient authority to review the hikes themselves as required under the federal health reform law, according to the **CMS Center for Consumer Information and Insurance Oversight**. Starting Sept. 1, rate increases exceeding 10% will be reviewed "to ensure correct classification" by states with rate review procedures meeting certain standards and by CMS for states that do not have such standards. CMS reports that as of July 1, 43 states had effective rate review procedures in at least one insurance market. CMS will partner with Iowa, Pennsylvania and Virginia to conduct reviews and take over the process entirely in Alabama, Arizona, Idaho, Louisiana, Missouri, Montana, Wyoming and four U.S. territories (Vesely, *Modern Healthcare*, 7/7).
- Many health experts anticipate that **CMS Administrator Donald Berwick** will lose his position at the end of 2011. As a recess appointee, Berwick has all the powers of a permanent appointee, but he can serve only until the end of 2011. At that point, he must be re-nominated and confirmed by the Senate. Berwick has overseen significant parts of the Obama administration's implementation of the federal health reform law, and his departure could signal a significant victory to antireform advocates. Berwick and CMS have been criticized for some reform implementation efforts, such as the proposed rules governing accountable care organizations (Goldstein, *Washington Post*, 7/5).

On the Hill

- Efforts by Republicans earlier this year to "repeal and replace" the federal health reform law now appear to be at a standstill. After a dozen attempts a few months ago to dismantle the overhaul, House Republicans have not held a floor vote on a bill or amendment seeking to repeal or defund the law for six weeks. They also have not been able to move legislation that would replace the reform law. A legislative floor schedule released by **House Majority Leader Eric Cantor (R-Va.)** last month showed no forthcoming debates on health care or the reform law (Haberborn, *Politico*, 7/6).
- This week, the **House Budget Committee** and the **House Energy and Commerce Subcommittee on Health** will hold hearings to discuss the **Independent Payment Advisory Board** created by the federal health reform law, which Republicans allege will ration care. The GOP is expected to use the hearings to build support for eliminating IPAB. The health subcommittee has put together a long list of witnesses, which includes several officials from health provider groups that stand to lose money from potential cuts enacted by IPAB. Meanwhile, **HHS Secretary Kathleen Sebelius** is expected to defend IPAB during the hearings. She has said that Congress can block IPAB cuts if it finds comparable savings elsewhere (Baker, *"Healthwatch," The Hill*, 7/10).

Inside the Industry

- As bipartisan opposition to the **Independent Payment Advisory Board** continues to grow, some health care providers fear that inflammatory rhetoric by Republicans might alienate House Democrats who otherwise would support repealing the board. The board -- created under the federal health reform law and made up of 15 experts -- would recommend how Congress should reduce Medicare spending, if the program's spending grows too fast. Health care providers and lobbyists recently asked Republicans to tone

- down their IPAB "death panel" rhetoric, noting that without Democratic support, the issue could become overly partisan and fail to garner support in the Senate (Millman, *Politico*, 7/8).
- **Cigna** and other large insurers say the medical-loss ratio provision in the federal health reform law will threaten their ability to sell health plans to American residents working abroad, which also could threaten jobs in U.S. Insurers say the rules, which require insurers to spend at least 80% of their premium dollars on direct medical costs, fail to recognize the higher costs involved in running plans for expatriate residents and could make their businesses less profitable. Expatriate plans are exempt from the medical-loss ratio rules through 2011, but insurers are pushing for a permanent exemption (Galewitz/Weaver, *Kaiser Health News*, 7/6).
 - Although many physicians are embracing wellness screenings -- a signature benefit of the federal health reform law -- some health care providers are rejecting the screenings a waste of time. According to some physicians, the hands-off screenings are not comprehensive and provide little benefit to patients. **Patricia Lindholm**, president of the **Minnesota Medical Association** called the visits "pretty worthless" for most patients. **Suzanne Werner**, a manager at St. Paul, Minn.-based **Allina Medical Specialties Clinic**, noted that restrictions related to the screenings could "be confusing for patients who think Medicare is paying for a comprehensive visit" (Wolfe, *Minneapolis Star Tribune*, 7/3).
 - Many private health insurance companies and physician practices facing the prospect of high financial investments to form accountable care organizations under the federal health reform law are collaborating to develop similar programs that focus on performance and quality. Some of these private versions of ACOs already have begun operating. For example, **Blue Cross and Blue Shield of Illinois** and **Advocate Health Care** -- which operates a network of 10 hospitals and more than 250 clinics in Illinois -- have reached a three-year agreement to establish and run a program that holds physicians and hospitals more accountable for performance and service quality (Japsen, *Chicago Tribune*, 7/3).

In the States

- Many states have yet to establish health insurance exchanges mandated under the federal health reform law, according to advocates and policy experts. So far, only 10 states have signed laws establishing insurance exchanges. **Anne Gauthier**, a senior program director at the **National Academy of State Health Policy**, says the delays reflect bipartisan politics that have played "very heavily at the state level." For example, **Florida Gov. Rick Scott (R)** has prohibited state agencies from working on or even applying for federal grant money to set up an exchange (Baker, *Healthwatch*, *The Hill*, 7/6).
- *Kaiser Health News* recently interviewed **Patty Conner**, director of the **Utah Health Exchange**, which was launched in 2007 and is one of only two online insurance exchanges operating in the U.S. According to Conner, many states have contacted her for advice on setting up exchanges, which are mandated by the reform law. She said, "[T]hose states that are just coming to the table have an awful lot of work to do in a short period of time" (Gastelum, *Kaiser Health News*, 7/6).
- Last week, the **Ohio Liberty Council** and other conservative political organizations in the state submitted to the **Ohio Secretary of State's** office more than 530,000 signatures in favor of placing an amendment on the Nov. 8 ballot that would repeal a portion of the federal health reform law. The state requires at least 385,000 valid signatures from registered voters to put the issue before voters in November. The amendment would repeal the individual mandate, which requires most individuals to purchase health insurance by 2014 or pay a penalty (*Dayton Business Journal*, 7/5).

In the Courts

- **U.S. District Court Judge David Dowd** recently declared that the federal health reform law's individual mandate is constitutional, noting that he based his decision on the same conclusion reached by a federal appeals court in the **Sixth U.S. Circuit Court of Appeals** in Cincinnati. Ruling in a lawsuit filed by the **U.S. Citizens Association**, Dowd wrote that the insurance coverage requirement that takes effect in 2014 is a "valid exercise of legislative power by Congress under the Commerce Clause" (Norman, *CQ HealthBeat*, 7/6).

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