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No, that new Oregon study doesn't show Obamacare is worthless

By: Jeff Gelles – May 3, 2013

If you don't pay close attention to the anti-Obamacare and anti-Medicaid arguments and Internet memes popular in right-wing think tanks and the conservative blogosphere, you may never have noticed the strange but central argument many have settled on: Medicaid is so bad that people would actually be better off uninsured.

The rap on Medicaid as substandard insurance has always been a self-fulfilling complaint, as state lawmakers have left it chronically underfunded. Now those critiques have emerged in the lingering war against Obamacare, since the Supreme Court left it to states to decide whether to join one of the law's key programs: expanding Medicaid to all Americans with incomes below 138 percent of poverty.

Manhattan Institute senior fellow Avik Roy is a prime proponent of this anti-Medicaid position, and he's been at it again after the New England Journal of Medicine published a study on an unusual natural experiment offered by the state of Oregon. Roy writes 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."

Roy isn't alone in glossing over a key point: that Obamacare's authors recognized that Medicaid does show some evidence of second-tier care, largely because low reimbursement levels drive doctors away. To remedy that, Medicaid reimbursements are increasing this year to Medicare levels for nearly 150 primary-care services - an increase that would more than double the reimbursements for doctors in New Jersey,according to the Kaiser foundation. Roy's omission is especially strange because he recently reported that the increase has been slow to kick in.

But what about that Oregon study? It adds to our understanding of the value of health insurance, but you have to be an ideologue to see it as Roy does.

The story is that several years ago, Oregon decided to expand access to Medicaid to some of its uninsured via a lottery. That enabled researchers from Harvard and MIT to construct the equivalent of a randomized trial, comparing two years of experience among people with insurance against a similar group of the uninsured.

The results? The study showed major mental-health benefits in the Medicaid-covered group, who had a 30 percent lower rate of depression than the insured. It also showed a major benefit in financial well-being, which is one of the main purposes of any kind of insurance: covering the unexpected costs of accidents, illnesses, fires, and the like.

It didn't, however, show statistically significant benefits in physical health in the areas it quantified, including lood pressure, cholesterol, and blood sugar levels. The signs generally pointed in the right direction, but the differences were too small to pass statistical tests.

That's reason for disappointment to anyone who hoped to see clearer evidence that access to preventive care, and other obvious benefits from having health insurance, can quickly move the needle on chronic conditions such as hypertension and diabetes. But does it throw "a huge “STOP” sign in front of Obamacare’s Medicaid expansion," as the Cato Institute's Michael Cannon argued in his blog?

Of course not. On the evidenced-based side of the argument are health-care experts such as Austin Frakt and Aaron Carroll. Frakt and Carroll quote the study authors on their findings and the study's limitations. Not surprisingly, the authors see signs of effects that might be measurable in a larger group or over a longer period of time:

> Hypertension, high cholesterol levels, diabetes, and depression are only a subgroup of the set of health outcomes potentially affected by Medicaid coverage. We chose these conditions because they are important contributors to morbidity and mortality, feasible to measure, prevalent in the low-income population in our study, and plausibly modifiable by effective treatment within a 2-year time frame. Nonetheless, our power to detect changes in health was limited by the relatively small numbers of patients with these conditions; indeed, the only condition in which we detected improvements was depression, which was by far the most prevalent of the four conditions examined. The 95% confidence intervals for many of the estimates of effects on individual physical health measures were wide enough to include changes that would be considered clinically significant — such as a 7.16-percentage-point reduction in the prevalence of hypertension. Moreover, although we did not find a significant change in glycated hemoglobin levels, the point estimate of the decrease we observed is consistent with that which would be expected on the basis of our estimated increase in the use of medication for diabetes.

Frakt and Carroll also note the lack of a comparison point outside the study, because - big surprise! - we generally assume that health insurance is useful for a whole host of reasons. The result is that we don't have lots of randomized controlled trials - RCTs in medical jargon - to demonstrate what's obvious:

> What is reasonable to expect? How much does private insurance affect these values? Do we know? No. There is no RCT of private insurance vs. no insurance. No one claims we have to have one. We just “know” private insurance works.

Does health insurance make people healthier? Not all by itself, as we already knew. But the Oregon Medicaid study actually offers powerful evidence of its benefits as insurance against financial disaster, as Jonathan Cohn reports:

> The big news is that Medicaid virtually wiped out crippling medical expenses among the poor: The percentage of people who faced catastrophic out-of-pocket medical expenditures (that is, greater than 30 percent of annual income) declined from 5.5 percent to about 1 percent. In addition, the people on Medicaid were

> about half as likely to experience other forms of financial strain—like borrowing money or delaying payments on other bills because of medical expenses.
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> That may sound obvious — of course people with insurance are less likely to struggle with medical bills. But it's also the most under-appreciated accomplishment of health insurance: Whatever its effects on health, it promotes economic security. "The primary purpose of health insurance is to protect you financially in event of a catastrophic medical shock," Finkelstein told me in an interview, "in the same way that the primary purpose of auto insurance or fire insurance is to provide you money in case you've lost something of value." And while only a small portion of people will experience financial shock in any given year, over time many more will — which means many more will benefit from the protection that Medicaid provides. "Expenses in any given year are important to know," says [study co-author Katherine] Baicker, "but this is supposed to protect against those rare events that happen only once every five or ten or twenty years."

Studies like Finkelstein and Baicker's are valuable additions to our understanding of health and health insurance. One thing they aren't is evidence that anybody would be better off without coverage - even with the vague assurance that something better, like the purported benefits of health-insurance deregulation, is out there on the horizon.