

# Contents

## 1 Summary and Policy Implications 1

### Summary of Key Findings 3

#### General Findings 3

#### Findings for Specific Policy Areas 14

- Effects of Applying Government Cost Controls (chapter 2) 14
- Effects of Encouraging Market Competition and HMO Enrollment (chapter 3) 15
- Effects of Providing Coverage to uninsured People (chapter 4) 17
- Effects of Administrative Changes Under Reform (chapter 5) 17

### Policy Implications 18

#### Understanding and Communicating Uncertainty 18

- Sensitivity Analysis 18
- Documentation 18

#### Improving the Estimation Process 19

- Collaboration Between Analytic Organizations and the Larger Research Community 19
- Research and Data Collection 19

### Organization of This Report 19

## 2 Applying Government Cost Controls 21

### Key Government Cost-Control Strategies 23

#### Health Security Act (H.R. 3600/S. 1757) 23

#### American Health Security Act of 1993 (H.R. 1200 S. 491 ) 29

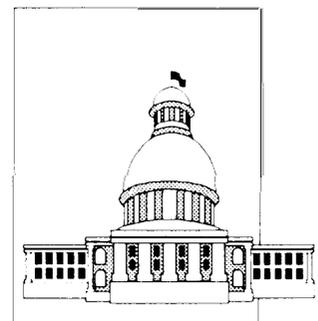
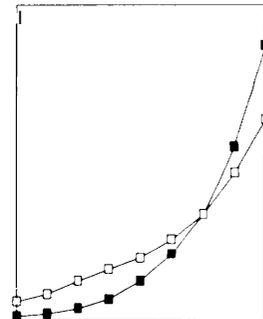
#### Health Care Cost Containment and Reform Act of 1993 (H.R. 200) 29

#### Summary 29

### Analysis of Reform Proposals 29

#### Analyses of the Health Security Act 32

- Clinton Administration's Analysis of the Health Security Act 32
- Lewin-VHI's Analysis of the Health Security Act 33
- CBO'S Analysis of the Health Security Act 33



- Analyses of the American Health Security Act of 1993 and the Universal Health Care Act of 1991 **38**
- = CBO'S Analysis of the American Health Security Act of 1993 **38**
- CBO'S Analysis of the Universal Health Care Act of 1991 39
- CBO'S Analysis of the Health Care Cost Containment and Reform Act of 1992 41
- Summary 41
- Review of the Evidence **42**
- Evidence on Expenditure Limits Applied to Large Sources of Funding **42**
- Evidence on Premium Limits **46**
- Evidence on Provider Payment Controls 47
- Hospital Payment Controls **48**
- Evidence on Physician Payment Controls 60
- Findings and Policy Implications **67**
- Findings **67**
- Policy Implications **68**

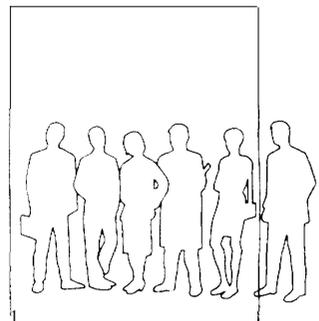
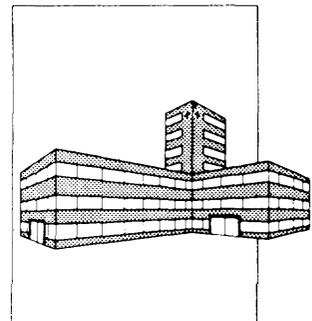
### **3 Effects of Managed Competition and HMO Enrollment 69**

- Analyses of Reform Proposals **72**
- Analyses of Managed Competition Proposals Without Government Cost Controls **72**
- Congressional Budget Office Analysis of the Managed Competition Act 75
- Economic and Social Research Institute Analysis of the Managed Competition Act 77
- Lewin-VHI Analysis of the Health Security Act Without Government Cost Controls **78**
- Analyses of Managed Competition Proposals With Government Cost Controls **80**
- Congressional Budget Office Analysis of the Health Security Act **80**
- Clinton Administration's Analysis of the Health Security Act **80**
- Lewin VHI Analysis of the Health Security Act **81**
- Summary **81**
- Review of the Evidence **81**
- Will People Join HMOS? **81**
- Evidence from Public Employee Insurance Programs Used as Examples of Managed Competition **83**
- Summary **86**

- Will Increasing HMO Enrollment Save Money? **86**
  - HMO and Non-HMO Expenditure Differences **86**
  - Generalizing to Health Reform 88
  - Summary **91**
- Will Managed Competition Have a Continuing Impact on the Growth Rate of National Health Expenditures? **91**
  - Summary **95**
- Findings and Policy Implications **95**

## 4 Effects of Providing Insurance to Uninsured People **97**

- Provisions for Providing Coverage for Uninsured People in Reform Proposals **99**
  - Proposals for Universal Coverage **99**
  - Proposals That Phase In Coverage 102
- Analyses of Reform Proposals 103
  - Overview of Basic Analytic Approaches 103
  - Analyses of Proposals for Uninsured Coverage **105**
    - CBO'S Analyses of Single-Payer Universal Coverage Proposals **105**
    - Analyses of Managed Competition Universal Coverage Proposals **110**
    - Summary of Analyses of Universal Coverage Proposals **118**
    - Analyses of Proposals That Phase In Coverage 118
  - Summary of Analyses 119
- Review of the Evidence 119
  - Evidence on Utilization with Expanded Coverage 119
    - Reviews 121
    - Studies **122**
  - Evidence on Expenditures with Expanded Coverage **125**
    - Spillman, 1992 **125**
    - Long and Marquis 128
    - AHCPH Analysis of NMES, 1987 **128**
  - Findings and Policy Implications **129**
    - Findings 129
    - Policy Implications 130



## 5 Effects of Administrative Changes Under Reform 131

- Analyses of Reform Proposals 133
  - Analyses of Single-Payer Proposals 133
    - CBO'S Analysis of the American Health Security Act **133**
    - Lewin-VHI's Analysis of a Single-Payer System 140
    - Economic and Social Research Institute Analysis of a Single-Payer System 141
    - Woolhandler and Himmelstein's Analysis of a Single-Payer System **141**
    - Grumbach et al. Analysis of a Single-Payer System **142**
    - GAO's Analysis of a Single-Payer System 142
  - Analyses of Proposals That Reform the Private Insurance Market 142
    - Lewin-VHI's Analysis of the Health Security Act 142
    - Clinton Administration's Analysis of the Health Security Act 143
    - CBO'S Analysis of the Health Security Act 144
    - CBO'S Analysis of Private Insurance Market Reform Proposals of the 102d Congress **144**
- Review of the Evidence 144
  - The Baseline Numbers 144
  - Evidence on Administrative Costs Under a Single-Payer System 145
    - Insurer Administrative Costs 145
    - Provider Administrative Costs 147
  - Evidence on Administrative Costs Under Private Insurance Market Reform 148
- Findings and Policy Implications 151

### Boxes

- 1-1 Analysts' Process of Coming to Estimates and OTA's Use of Empirical Research Literature **8**
- 1-2 Selected Critical Assumptions in Estimates of Policy Changes **10**
- 1-3 Implications of Uncertainty in the Estimates of National Health Expenditures Under Health Reform 11
- 2-1 Key Government Cost-Control Strategies 22
- 2-2 CBO'S Method and Criteria for Rating the Effectiveness of Expenditure Limits 34
- 2-3 Standards of Evidence 43

- 2-4 Measures of the “Effectivcnss” of Government Cost Controls 44
- 3-1 Managed Care and Health Maintenance Organizations **76**
- 4- I Information Required To Estimate the Effects of Extending Health Insurance to Uninsured People **104**
- 4-2 CBO’S Generic Approach to Projecting Costs of Covering Uninsured People in the Context of Calculating Premium Costs 111
- 4-3 HCFA and AHCPR Methods for Projecting Costs of Covering Uninsured People **113**
- 4-4 Why Clinton Administration Estimates of Costs of Covering Uninsured People Are Different from Other Estimates 116
- 4-5 CBO’S Approach to Estimating the Numbers of Newly Insured People Under Reforms Without Universal Coverage **120**

## Figures

- 1-1** National Health Expenditures, Nominal and Real Dollars, 1960-2000 **2**
- 1-2 National Health Expenditures as a Percent of GDP, 1960-2000 **3**
- 2-1 Average Annual Change in Total Health Care Expenditures Per Capita and in Medicare Expenditures Per Enrollee, 1980-92 **51**
- 2-2 Intlation-Adjusted Average Annual Change in Medicare Inpatient and Other Medicare Expenditures Per Enrollee, 1980-92 **51**
- 2-3 Hospital Expenditures Per U.S. Medicare Recipient by Place of Residence, 1974-82 54
- 2-4 Index of Hospital Expenditures in the Netherlands, 1976-85 59
- 2-5 Hospital Expenditures in the Netherlands, 1983-86 59
- 2-6 Index of Ambulatory Care in the Netherlands, 1976-85 60
- 2-7 Physician Expenditures Per Capita for Canada and the United States, 1960-91 64
- 3- I Projected HMO Market Share of Private Insurance for the Year 2000 in Various Analyses, 1980-2000 82
- 3-2 Comparison of U.S. and State of Wisconsin Growth Rates for Employee Premiums, 1983-93 93
- 3-3 Comparison of U.S. and State of Minnesota Growth Rates for Employee Premiums, 1983-94 **94**
- 5-1 Estimates of Savings in Administrative Costs Under Six Analyses of a Single-Payer System, 1991 135



## Tables

- 1-1 Various Analyses' Projected Changes in National Health Expenditures Under Health Reform Proposals Relative to Continuation of the Status Quo 4
- 1-2 Analyses of the Impact of Health Reform Proposals on National Health Expenditures Reviewed in This Report 7
- 1-3 Lewin-VHI's Detailed Estimate of NHE in 1998 13
- 2-1 Analyses of the Impact of Health Reform Proposals on National Health Expenditures Reviewed in This Report 24
- 2-2 Key Assumptions and Criteria for Judging Effectiveness of Expenditure Limits for Selected Health Care Reform Proposals 25
- 2-3 Approaches to Government Cost Controls in the Health Security Act (H.R. 3600/S. 1757) 28
- 2-4 Approaches to Government Cost Controls in the American Health Security Act of 1993 (H.R. 1200/S. 491) **30**
- 2-5 Approaches to Government Cost Controls in the Health Care Cost Containment and Reform Act of 1993 (H.R. 200) **31**
- 3-1 Features of Managed Competition in the Health Security Act and the Managed Competition Act of 1992 **70**
- 3-2 Analyses of the Impact of Health Reform Proposals on National Health Expenditures Reviewed in This Report 73
- 3-3 Key Assumptions in Estimates of Managed Competition and HMO Enrollment by Privately Insured Individuals in the Health Security Act and the Managed Competition Act of 1992 74
- 3-4 HMO Market Share of Public Employee Insurance Programs, 1992-93 84
- 3-5 Public Employee Insurance Programs as Examples of Managed Competition **85**
- 3-6 Estimates of Savings for Total Enrollment in HMOS from Selected Studies **89**
- 4-1 Analyses of the Impact of Health Reform Proposals on National Health Expenditures Reviewed in This Report **98**
- 4-2 Approaches to Expanding Coverage in Selected Health Care Reform Proposals 100
- 4-3 Summary of Estimates and Research Evidence of Incremental, Total, and Premium Costs of Providing Insurance for Uninsured People **106**
- 4-4 Key Assumptions in Estimates of Costs of Providing Insurance for Uninsured People and in Research Studies **108**

- 4-5 Incremental Costs of Covering Uninsured People as a Percentage of NHE **110**
- 4-6 Additional Methodological Details in Studies on Differences in Utilization of, and Expenditures for, Health Services by Insured and Uninsured People **126**
- 5-1 Analyses of the Impact of Health Reform Proposals on National Health Expenditures Reviewed in This Report 134
- 5-2 Key Assumptions in Estimates of Savings in Administrative Costs Under a Single-Payer System **136**

## **APPENDICES**

- A Acknowledgments 153**
  - B Method of the Study 158**
  - C Implications of Uncertainty in Selected Estimates of NHE Under Health Reform 163**
  - D Abbreviations and Glossary 168**
- References 183**
- Index 195**