

Oregon Health Summit 2008

The Economic Realities of Health Care Reform in Oregon

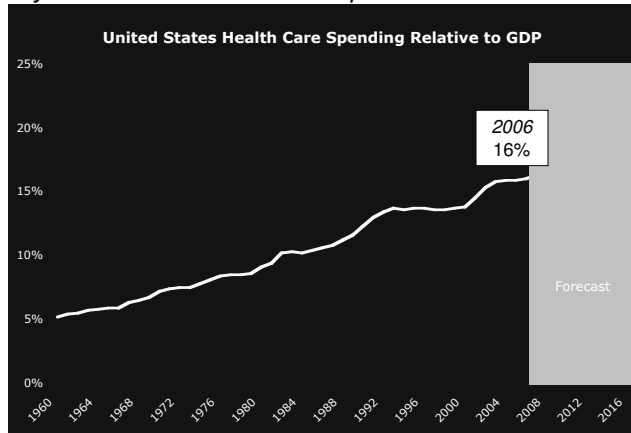
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Overview

- The symptoms: increasing cost and decreasing access
- The economic realities: incentives matter
- Evaluating Oregon's options

Symptoms: Increasing Cost

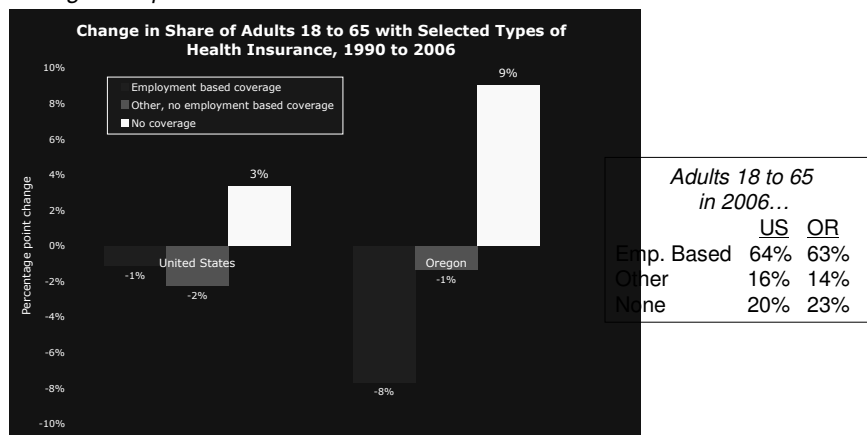
- *Cost containment is a question of efficiency - providing high-quality health care at the lowest possible cost*



Source: Based on data from U.S. Bureau of Economic Analysis, Centers for Medicare and Medicaid Services, and Congressional Budget Office

Symptoms: Decreasing Access

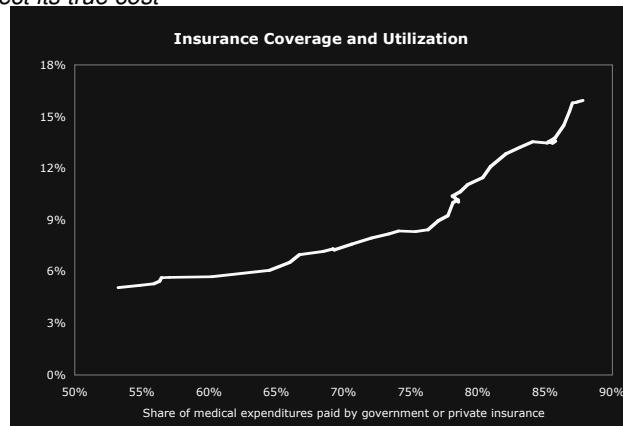
- *Addressing access is a question of rationing and of equity - who is the gatekeeper?*



Source: Based on data from U.S. Census Bureau, Current Population Survey

Economic Reality I: Price Illusion

- *Price illusion occurs when the perceived price of something does not reflect its true cost*



Source: Based on data from U.S. Bureau of Economic Analysis, Centers for Medicare and Medicaid Services, 1960-2006

Economic Reality II: The Risk Pool





- *Insurance is an efficient means of spreading risk only if covered events are insurable and the risk pool is sufficiently large*

Source: Based on Kaiser Family Foundation analysis. Figure and source data available at <http://www.kaisersfamilyfoundation.org/charts/112706.htm>.

Getting The Incentives Right

- What about catastrophic health events?
 - Mandatory catastrophic coverage
 - Guaranteed issue with limited rating factors
 - Plan selected by the consumer, not by employers
 - Coverage, deductibles, and co-insurance prescribed in regulation
- What about routine health care expenses?
 - Health savings accounts
- What about equity?
 - Subsidize low-income premiums and HSAs

Do the incentives work?

- Singapore 
- Switzerland 
- The Netherlands 
- Recent state reforms 

Health Care Reform in Oregon

- There is no magic bullet, but incremental and poorly conceived reforms do not solve the fundamental problems
- Incentives matter and appropriate economic incentives work
- *Recognizing these economic realities is central to understanding the true impact of policy options on health care cost and access*