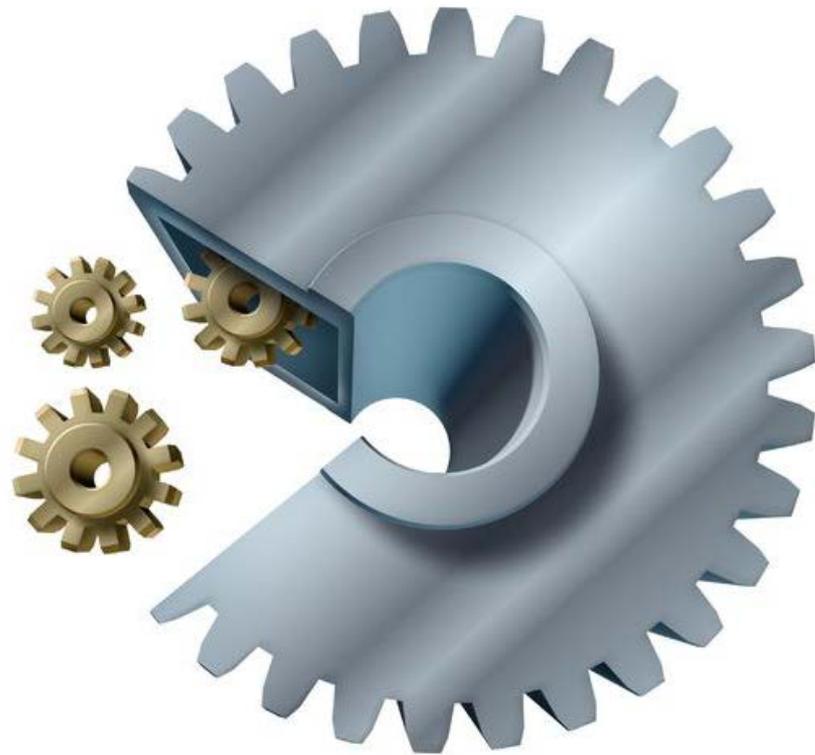


The New Consumerism

Chapin White

April 21, 2016

The views expressed are those of the author, not RAND or its funders.



The New Consumerism

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Preview

- Context
- Evidence on effects of cost sharing
- A New Consumerism

Cost Sharing: The Policy Spectrum

Proposal #1:
Universal public
coverage,
no cost sharing

Proposal #2:
Public and/or private plans,
income-based cost sharing

Proposal #3:
Catastrophic
coverage for all

T. Kennedy

Javits

Nixon

Long, Ribicoff

Conyers

Reich

Obama

Sanders

H. Clinton

Hagopian and
Goldman

Argument for Cost Sharing

Evidence

- Reduced “moral hazard,” less waste

Does Cost Sharing Reduce Waste?

- Yes, but ...

RAND Health Insurance Experiment (HIE)

- Cost sharing reduced episodes of care
 - reduced episodes of ineffective treatment
 - and, reduced episodes of highly effective treatments

RAND Health Insurance Experiment (HIE)

- Cost sharing reduced emergency dept. visits
 - 47% reduction for less urgent problems
 - and, 23% reduction for more urgent problems

RAND Health Insurance Experiment (HIE)

- Any cost sharing ($> \$0$) more important than amount

Pharmaceuticals

- Cost sharing reduces use of essential drugs
 - increased emergency department visits and hospitalizations
 - increases overall costs

Medicaid Expansions

- Reduce mortality
- Improve diagnosis and treatment of diabetes
- Improve mental health outcomes

Argument for Cost Sharing

- Reduced “moral hazard,” less waste

Evidence

- “A Blunt Instrument”

Argument for Cost Sharing

Evidence

- Reduced “moral hazard,” less waste

- “A Blunt Instrument”

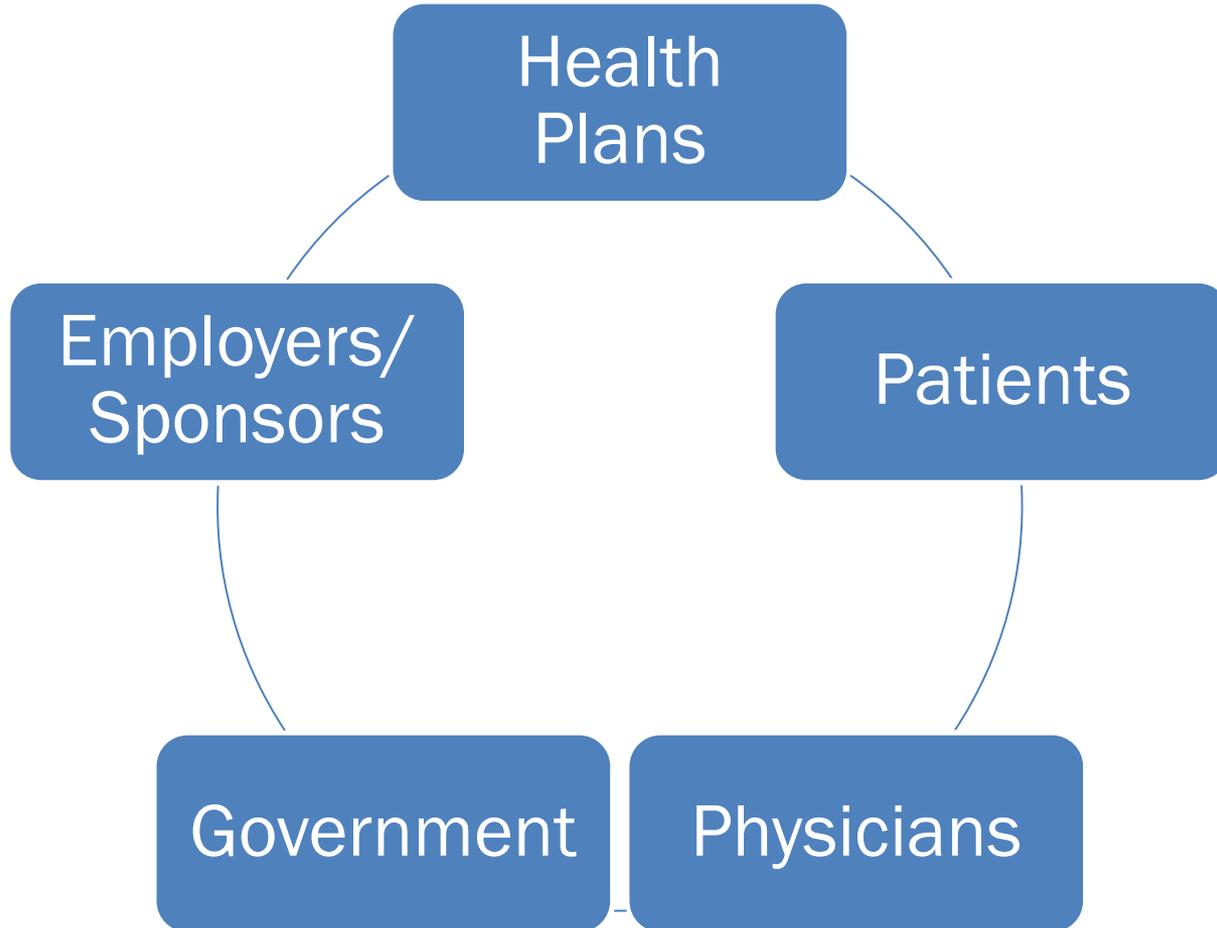
- Less redistribution



The New Consumerism

- Shopping for health care is a team sport
- Different players have different roles

The New Consumerism



The New Consumerism

- Shopping for health care is a team sport
- Different players have different roles
- What information do they need?
- Can better incentives can up their game?

The New Consumerism

- Info: price and performance benchmarking
- Incentives: Cadillac tax

Employers/
Sponsors

Health
Plans

- Info: physician profiles
- Incentives: community rating, no pre-ex

Patients

- Info: clinical trials
- Incentives: global budgets

Government

Physicians

- Info: simple cost sharing
- Incentives: tiered plans

- Info: pathways, benchmarking
- Incentives: bonuses

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