PENT-UP HEALTH CARE DEMAND AFTER THE ACA

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AFFORDABLE CARE ACT (ACA)

Expanded health insurance access by:

- **Eliminating underwriting barriers**
  - No medical underwriting & pre-existing condition exclusions
  - Guaranteed issue
- **Subsidizing private insurance** for low-income individuals through Health Insurance Marketplaces (MNSure)
- **Expanding Medicaid eligibility**
  - MN 2011 expansion: nearly all adults earning <75% FPL
  - MN 2014 expansion: nearly all adults earning 75-138% FPL

ECONOMIC THEORY: UTILIZATION ↑

Moral hazard: Insurance: Price↓ Demand ↑

Adverse selection: High risk will flock to insurance

- Elimination of pre-existing condition exclusions
  - High utilizers will be a part of the risk pool
- Individual mandate
  - Healthy low utilizers will be a part of the risk pool too

MIXED LONG-TERM PROJECTIONS

High risk population will have high utilization long-term

BUT:

- Improved population health
- Reduction in inefficient use of medical resources
- Pent-up demand

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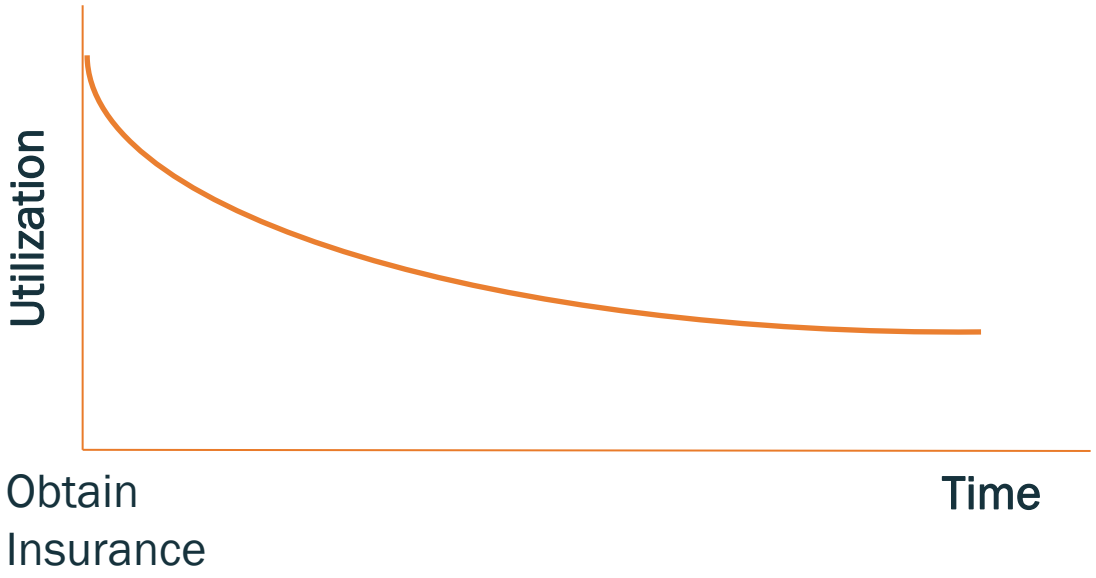
WHAT IS PENT-UP DEMAND?

Pent-up demand: delayed care while uninsured

→ utilization should stabilize



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PRIOR STUDIES

2006 Massachusetts reform

Long, Stockley & Dahlen 2012

2008 Oregon lottery-based Medicaid expansion

Finkelstein et al 2012

2009 Wisconsin public health insurance expansion

DeLeire et al 2013

2010 ACA dependent children <age 26 mandate

Mulcahy et al 2013

→Outpatient visits ↑

→ED use and inpatient admissions mixed

ED/hospital costs lower, but primary care costs also lower

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LIMITATIONS OF PRIOR STUDIES

- Based on self-reports or hospital data only
  - Claims data covers all utilization and is potentially more accurate
- Lack of comparison groups

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THIS STUDY

- Sample:
  - Minnesota adults age 18-64
  - Members of one regional health plan

- Study claims data on 2 groups for 6 months:
  1. Newly enrolled in Medicaid in Jan-Mar 2014
  2. Continuously enrolled in Medicaid

  Newly enrolled =not enrolled with this insurer in 2013

  Continuously enrolled =1+ month coverage in 2013 & covered Jan 2014

  Members with pregnancy claims in the 1st 3 months of the observation window are omitted.

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EVIDENCE OF PENT-UP DEMAND

H1: New enrollees will have higher utilization in first 6 months than ongoing:

- **A. Broad categories of use:** outpatient, ED, inpatient, prescriptions filled
- **B. Specific categories of use:** new patient visits, diagnostic procedures, new prescriptions filled

H2: Utilization will decline over time for new enrollees relative to ongoing.

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ANALYSIS

Logit & random effects logit with 0/1 outcomes

$$U_i = New_i\alpha_1 + MonthsCov_i\alpha_2 + X_i\alpha_3 + \epsilon_i$$

$$U_{it} = New_i\beta_1 + New_iMonth_t\beta_2 + X_i\beta_3 + \theta_t + \mu_i + \varepsilon_{it}$$

Controls include:

- age (& squared term)
- gender
- race/ethnicity
- neighborhood characteristics (poverty rate, minority rate, female headed household rate, uninsured rate, college grad rate)*

*Matched from ACS at the Census tract/block group level.

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GROUP CHARACTERISTICS

	2014 Medicaid Expansion	
	New	Ongoing
Sample size	4,252	21,556
Male	49.5%***	42.2%
Age in Jan	38.0***	36.4
Black	13.6%***	30.2%
Hispanic	4.0%	3.6%
Other	6.6%***	10.5%
N'hood Poverty Rate	14.9%***	11.8%
N'hood Minority Rate	21.0%***	18.0%

Significance tests relative to ongoing group.
***p<.001; **p<.01; *p<.05; +p<.1

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H1: HIGHER UTILIZATION

MARGINAL EFFECT OF BEING NEW ENROLLEE

2014 MEDICAID EXPANSION – FIRST 6 MONTHS

Office visit	ED visit	Inpatient stay	Script filled
-0.065***	-0.098***	-0.026***	-0.114***

New patient visit	Diagnostic procedure	New script
0.043***	-0.062***	-0.114***

→H1 mostly rejected (one exception)

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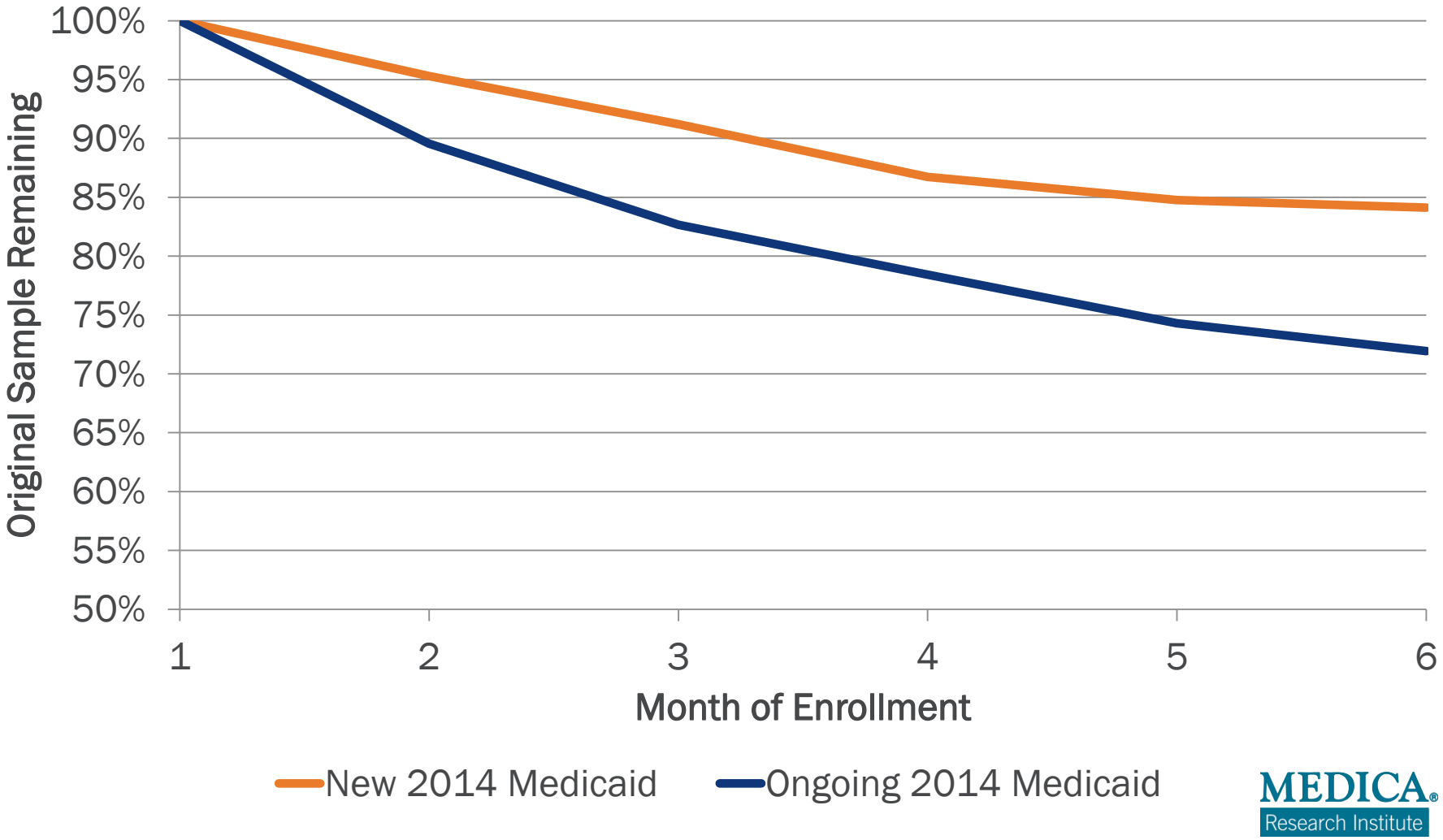
NOTE: MEDICAID CHURN



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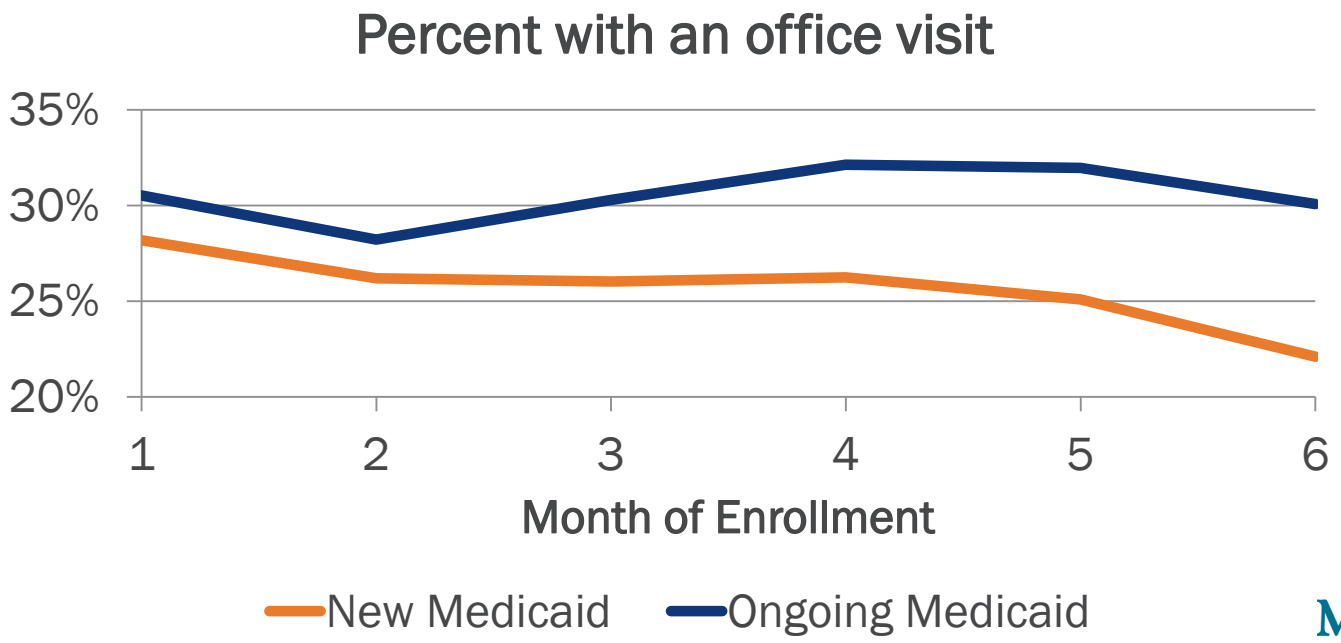
H2A: UTILIZATION DECLINES OVER TIME

2014 MEDICAID EXPANSION – 6 MONTHS MARGINAL EFFECTS

	Office visit	ED visit	Inpatient stay	Script filled
New	-0.012	-0.013***	-0.001**	-0.201***
New * Month	-0.013***	-0.002***	-0.000	0.003



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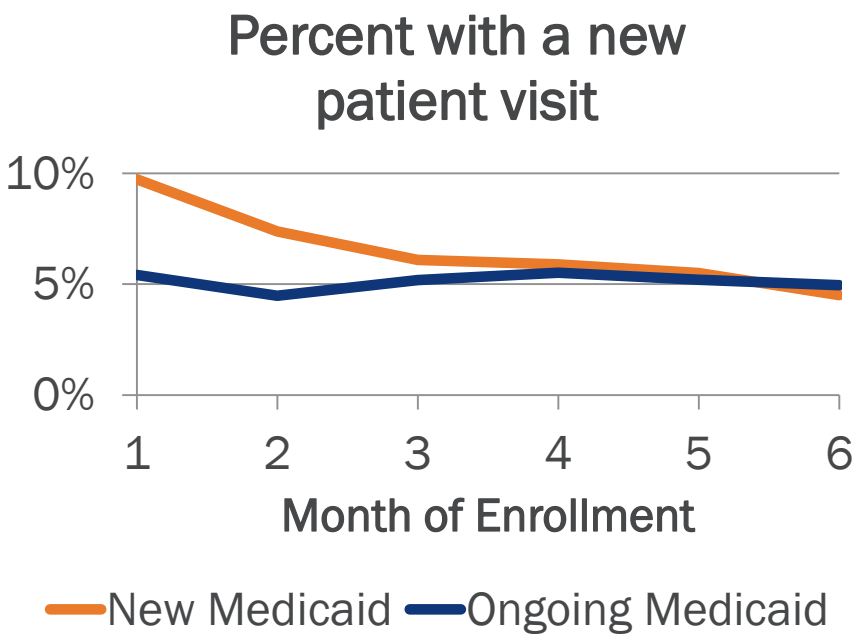
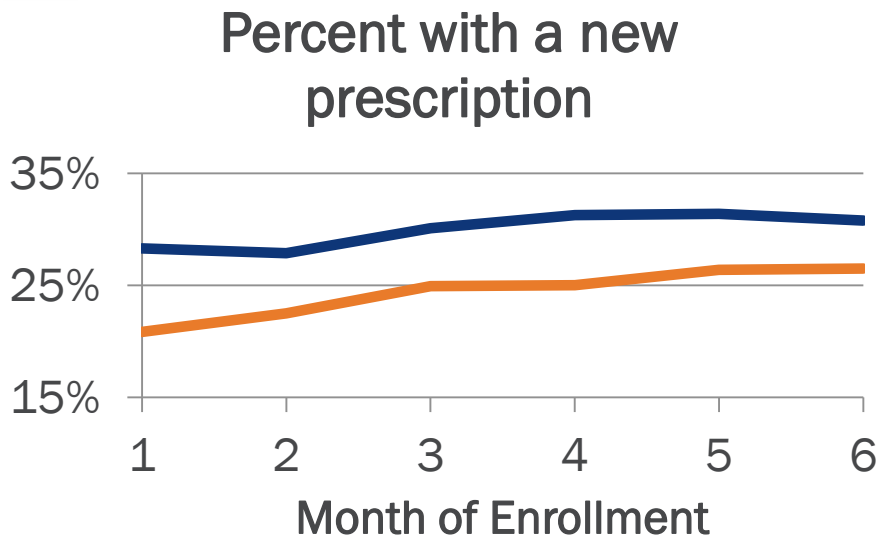
H2B: UTILIZATION DECLINES OVER TIME – SPECIFIC TYPES

2014 MEDICAID EXPANSION – 6 MONTHS MARGINAL EFFECTS

	New patient visit	Diagnostic procedure	New script
New	0.032***	-0.006	-0.148***
New * Month	-0.006***	-0.011***	0.011***





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SUMMARY OF FINDINGS

- Evidence of pent-up demand among new enrollees:
  - First 6 months: higher percentage with new patient visits
  - Utilization declines over time:
    - Office visit, ED visit
    - New patient visit, diagnostic procedure
  - Increase in new prescriptions over time

- *Lower* overall utilization of new Medicaid enrollees in first 6 months and over time

  → Evidence that new enrollees may have lower health risk

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LIMITATIONS

- “Newly” insured may have had insurance previously with another health plan
- Sample may not represent the rest of MN or US

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POTENTIAL IMPLICATIONS

- New Medicaid enrollees' utilization may fall after initial visits, testing, and treatment and disease management plans are put in place.
- The long-term costs of new enrollees may be lower than expected, placing less stress on federal and state Medicaid budgets.
- Higher rates of new patient visits and lower rates of ED visits suggests that new Medicaid enrollees are connecting with primary care providers.