



The Business Case for Expanded Coverage: The Evidence

Executive Summary

Report overview

In the ongoing public policy debate about publicly-financed health care coverage for low-income people, there has been little attention paid to its implications for employers. To address this issue, the Pacific Business Group on Health (PBGH), supported by a grant from the California Health Care Foundation, conducted a literature review and convened a panel of experts to assess the evidence on the effect that coverage expansion, or reduction, can have on employers.

The objective was to determine whether there is a “business case” for expanded coverage, i.e., quantifiable benefits to employers. The full report, “The Business Case for Expanded Coverage: The Evidence,” which includes the published evidence for the findings and sources for the statistics, can be found at pbgh.org.

How the report can be used

The purpose of the report is to summarize the existing evidence that can inform employers' discussions and positions as they consider whether and how to engage on these important issues at the Federal and state level.



California Health Care Foundation



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Findings

There are four ways in which changes in coverage can affect the health of employees and their overall health care costs.

1 Is there a "cost shift"?

There is a widely-held belief that hospitals raise their commercial prices when the number of uninsured patients increases, commonly referred to as "cost-shifting". If coverage were expanded and the number of uninsured patients decreases, there would be an opportunity to reduce commercial prices.

Hospital executives and industry experts generally agree that cost-shifting occurs, although academic research has not found strong evidence of cost-shifting. Hospitals in consolidated markets are often able to use their market power to raise prices more than hospitals in competitive markets.

2 Will there be a reduction in pent-up demand?

New employees who previously had coverage are less likely to have increased utilization (aka "pent-up demand") during their first year on the job.

Based on Medicare data, those who did not previously have coverage incurred 51% more in total medical expenses than those who did have coverage.

Continuous coverage tends to avoid pent-up demand for chronic medical conditions such as cardiovascular disease and diabetes that are amenable to early intervention and management, as well as "preference-sensitive" elective procedures such as joint replacement and back surgery.

3 Will employers see productivity gains?

Workers with insurance miss significantly fewer work days and have higher productivity than uninsured workers.

Medicaid expansion enrollees who were unemployed but looking for work reported that being covered made it easier to look for work, and employed expansion enrollees reported that enrollment made it easier to continue working.

4 Can a broader coverage base accelerate system reforms?

Medicaid has adopted innovative value-based payment and care models that have led to greater alignment of public and private payer strategies, and coverage expansion has facilitated greater spread and impact of payment and delivery system reforms.

Alignment of public and private purchasers in the use of value-based payment and care models can lead to wider adoption by providers.

In conclusion, the evidence affirms that coverage expansion does create favorable impacts for employers by reducing uncompensated care in hospitals and potential attendant cost-shift, reducing avoidable utilization and costs associated with deferred care, improving the health of new workers and the potential workforce, and contributing to system-wide improvements in the delivery of care.