

How health care reform could affect cross border health care utilization?

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Outline

U.S. Health Care System

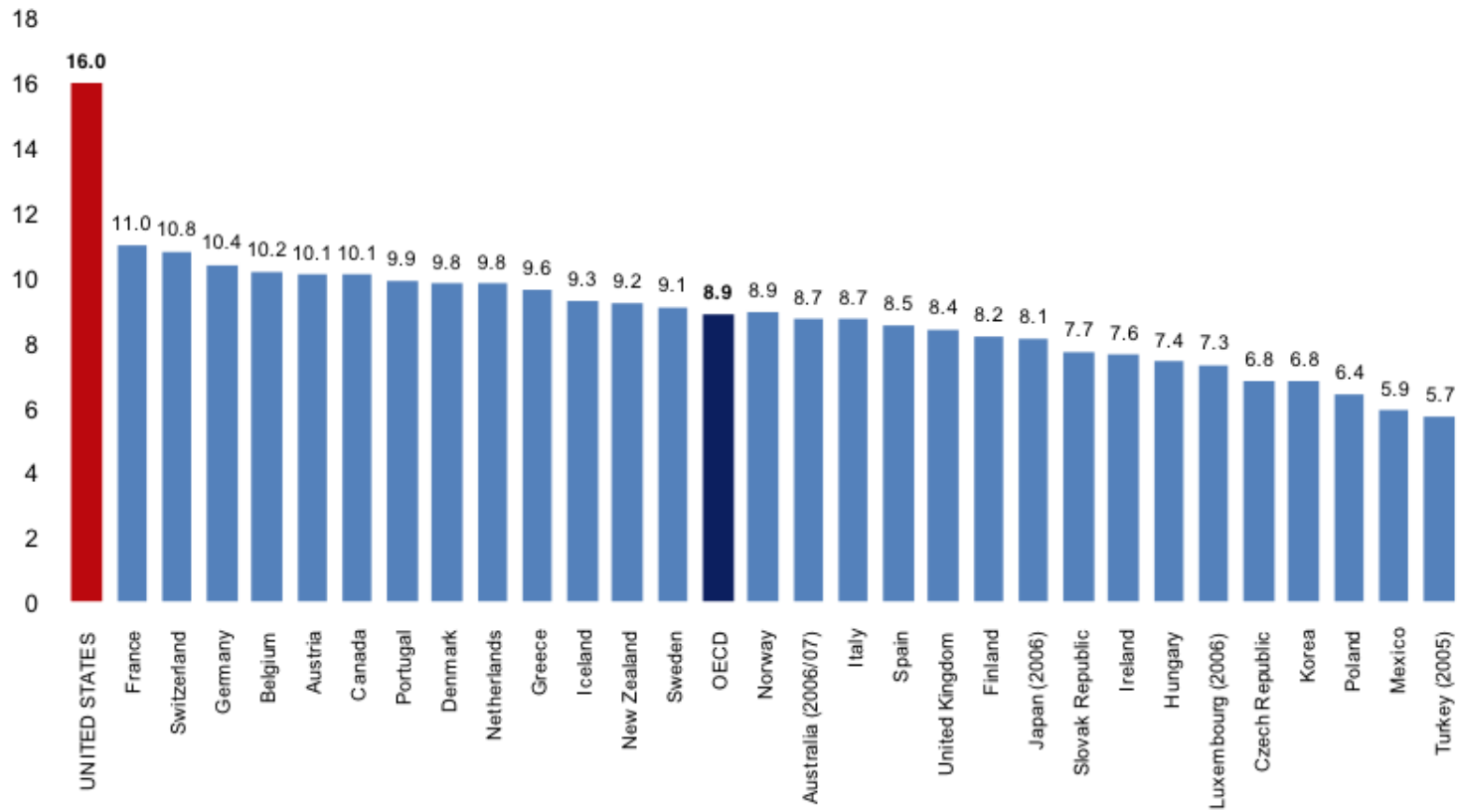
Health Care Reform in the US

Cross-Border Health Care Utilization

Outlook

U.S. Health Care System

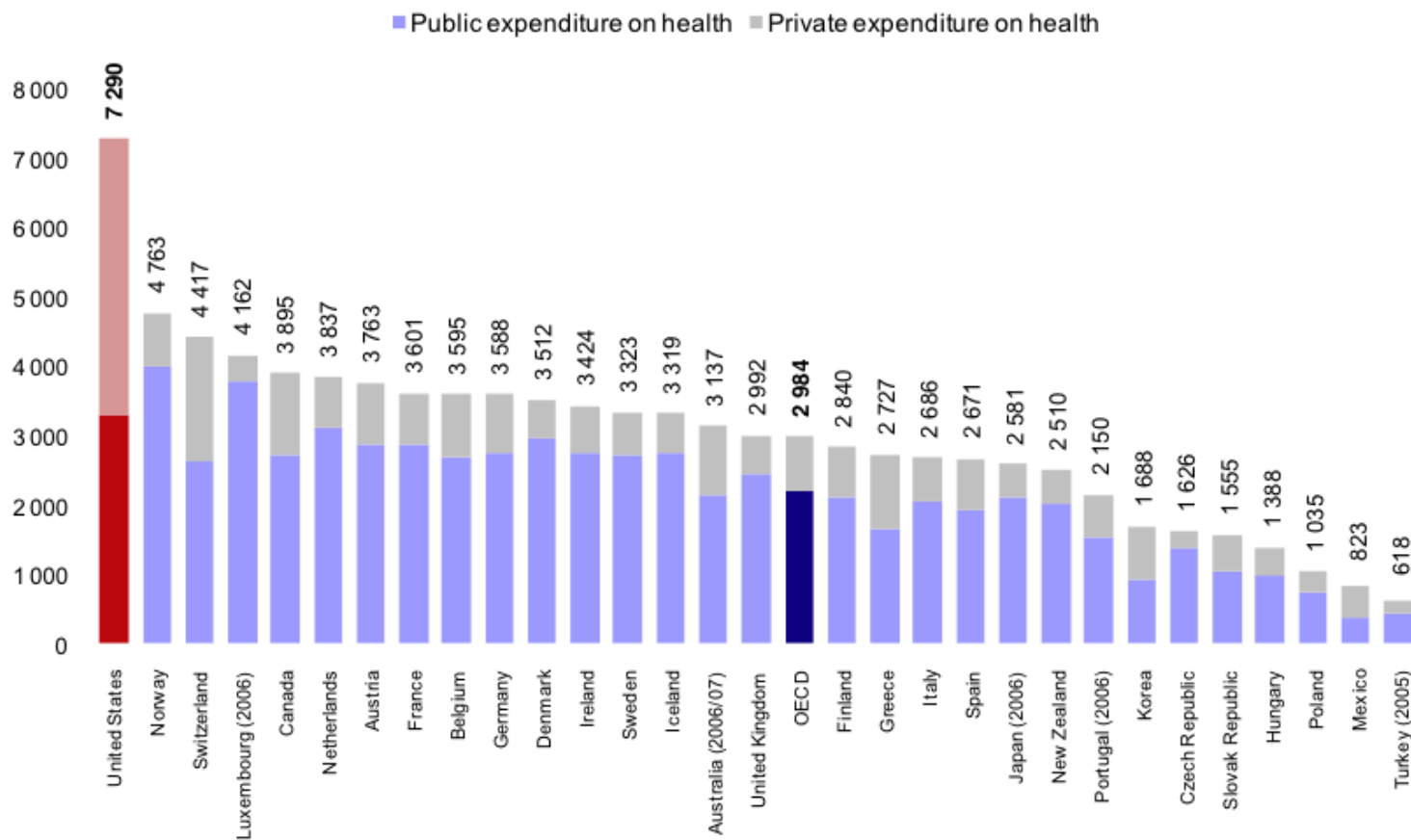
Health Expenditure % de GDP in OCDE countries:



Source: OECD Health Data 2009.

U.S. Health Care System

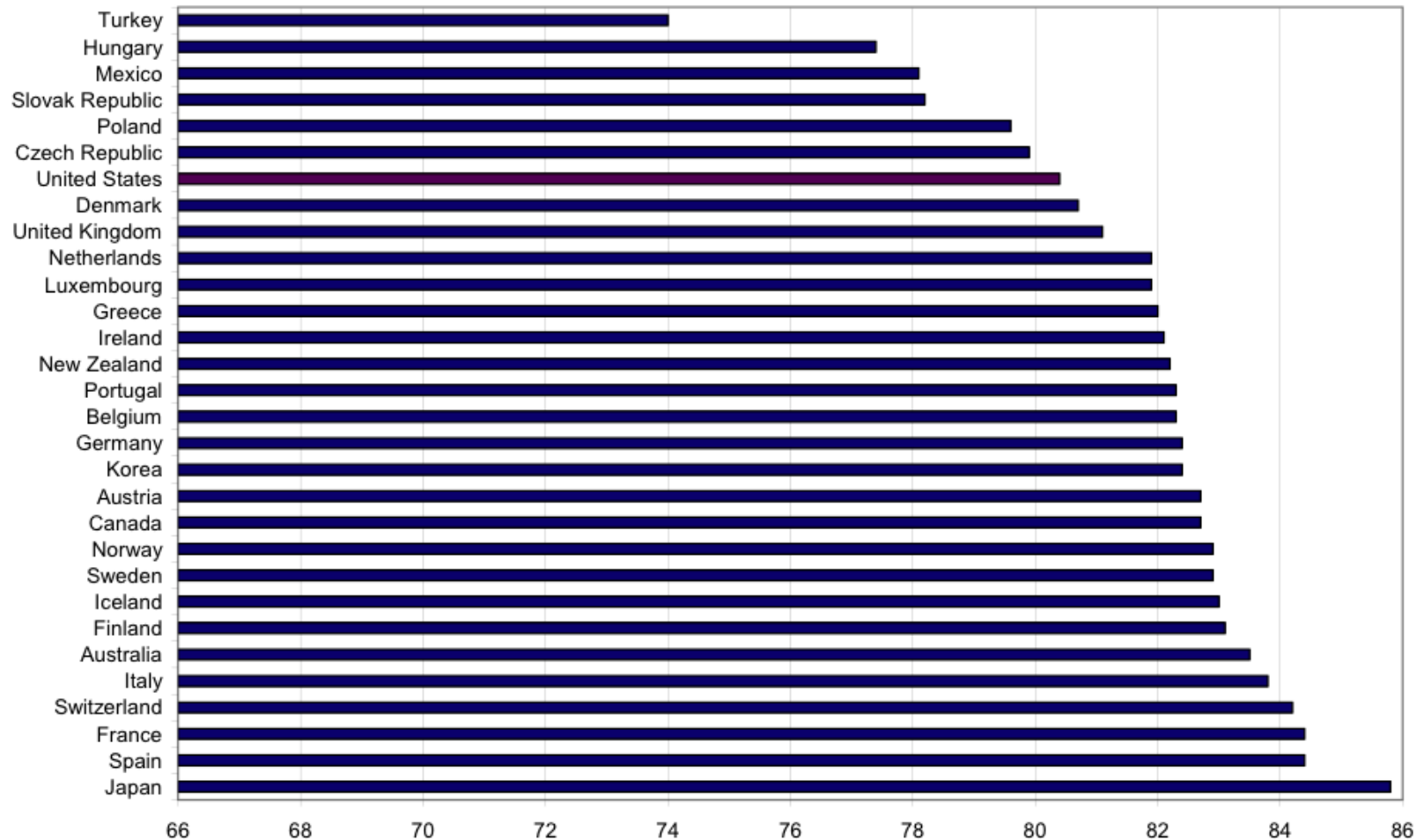
~55% is private expenditure:



Source: OECD Health Data 2009. Figures are adjusted to US\$ using Purchasing Power Parities - see Annex 2.

U.S. Health Care System

Female life expectancy:

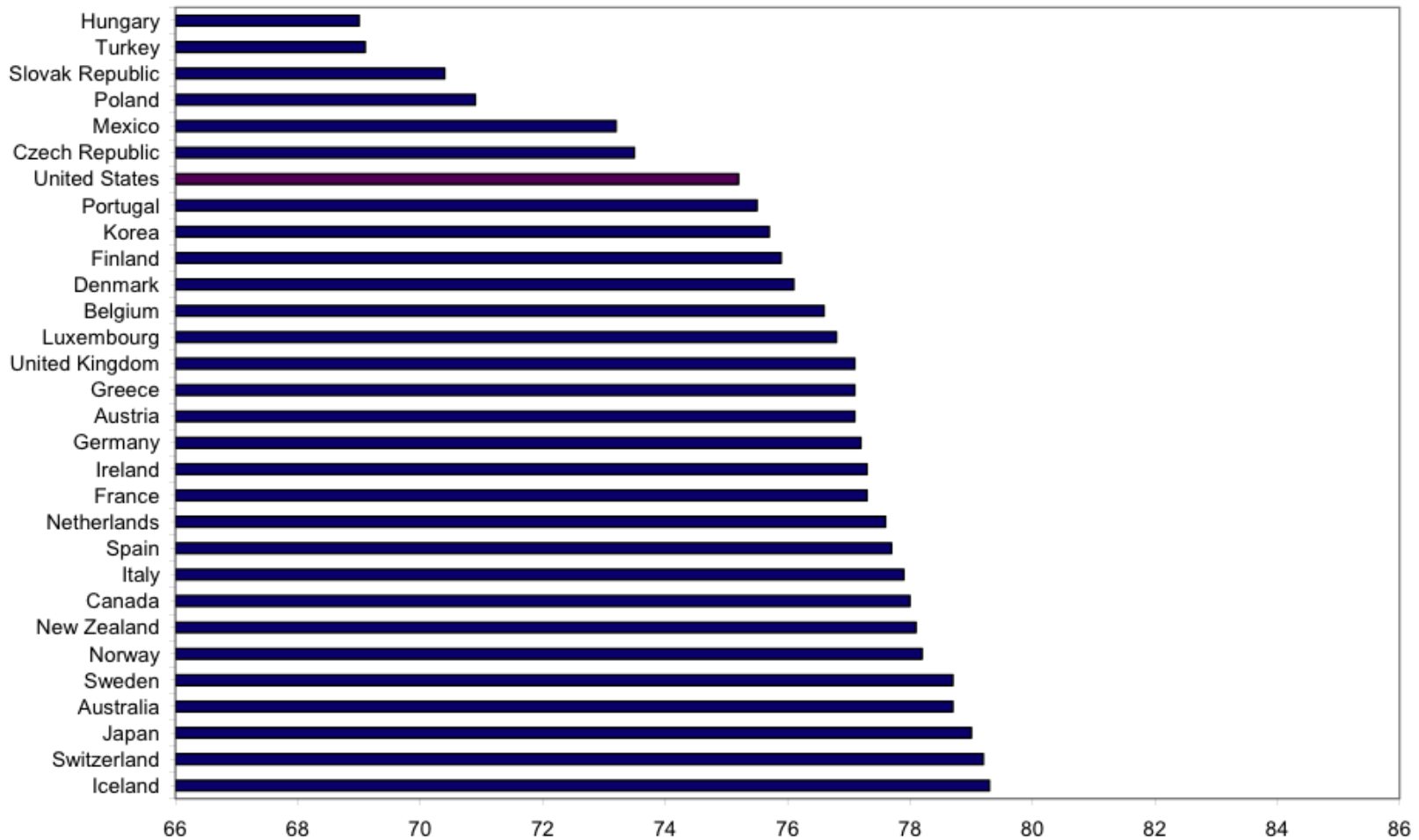


Source: Organization for Economic Cooperation and Development. OECD Health Data, 2008 (Paris: OECD, 2008).

Note: For countries not reporting 2006 data, data from previous years is substituted.

U.S. Health Care System

Male life expectancy:

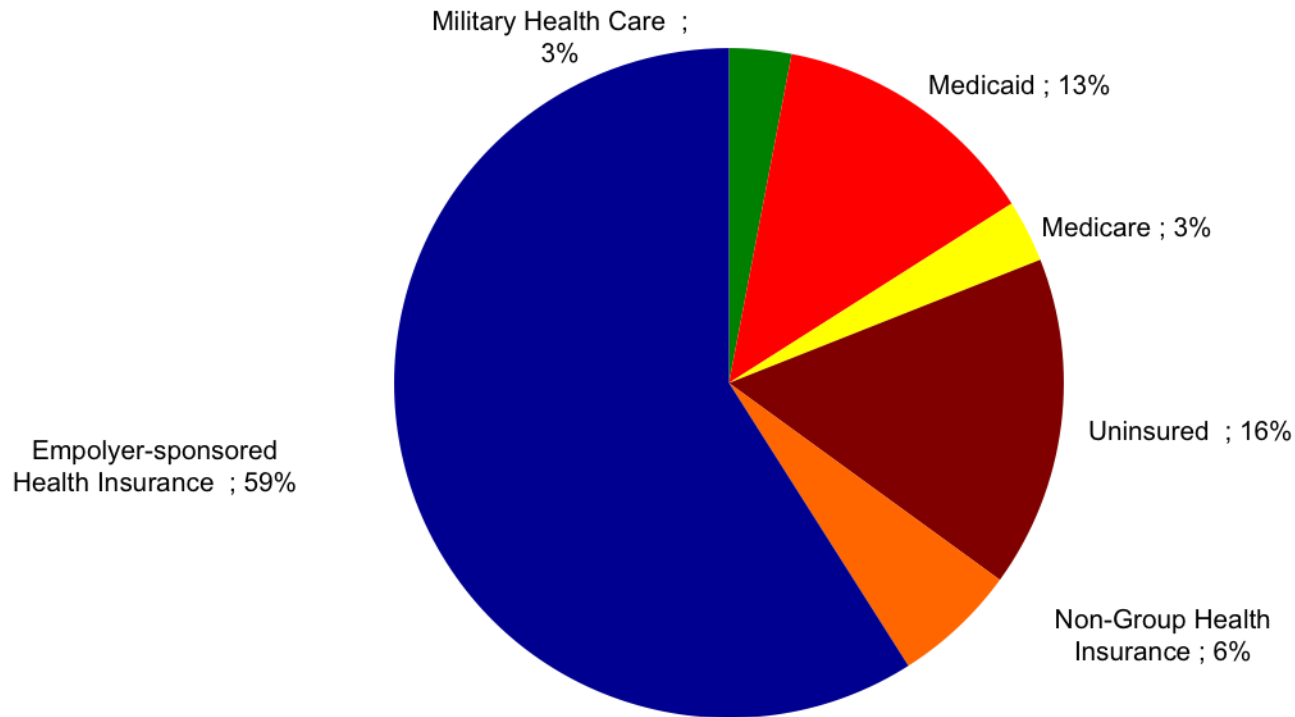


Source: Organization for Economic Cooperation and Development, OECD Health Data, 2008 (Paris: OECD, 2008).

Note: For countries not reporting 2006 data, data from previous years is substituted.

U.S. Health Care System

Currently ~85% of the population has health insurance:



Source: CEA(2009)

Health Care Reform

On March 23, 2010 President Obama signed the Patient Protection and Affordable Care Act, into Law.

Aims:

- Expand health insurance coverage
- Control health care costs
- Change insurance market rules

Health Care Reform

Expands health insurance coverage

- Mandate for U.S. citizens and legal residents (Penalty: \$695 in 2016)
- Creates health insurance exchanges to cover the self-employed and small firms – Subsidies for low-income individuals
- Requires employers with more than 50 employees to offer health insurance

Health Care Reform

Control health care costs

- Simplifies administrative rules (e.g. eligibility verification and claims status) but creates new ones
- Establish the Independent Payment Advisory Board (IPAB) to control cost increase in Medicare
 - The government will implement IPAB's proposals unless they are overridden by Congress
- New emphasis on programs that promote provider coordination (ACOs), preventive and quality care

Health Care Reform

Change insurance market rules

- Bans lifetime limits on the dollar value of coverage
- Prohibit insurers from rescinding coverage besides cases of fraud
- Bans pre-existing condition exclusions for children and expands dependent coverage for young adults up to age 26

Health Care Reform

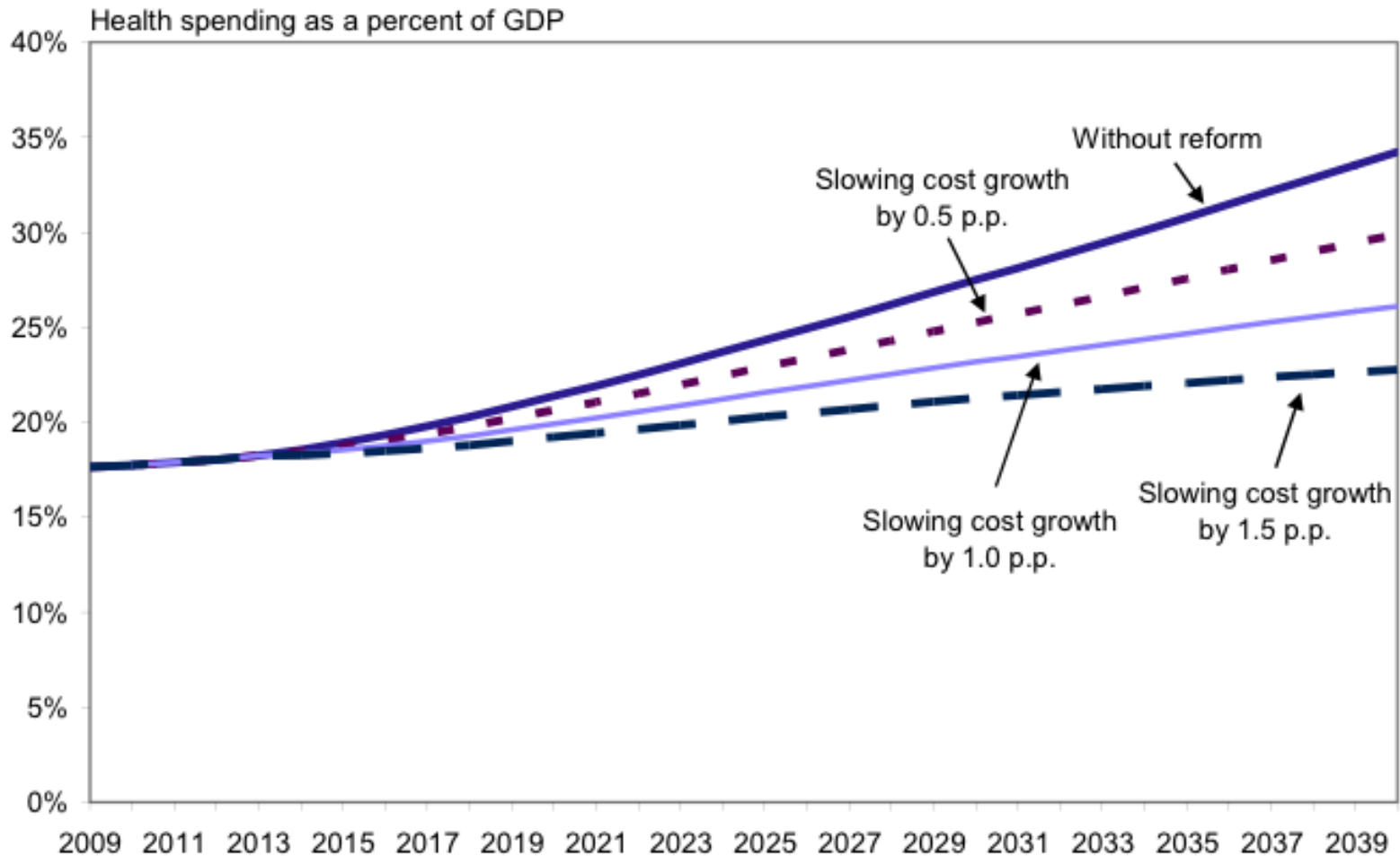
- The Congressional Budget Office (CBO) estimates:
 - 1) Provide coverage to 32 million of the currently 45 million who are uninsured
 - 2) Fully implemented by 2019
 - 3) It will cost \$938 billion over ten years

Health Care Reform

Financing:

- Combination of savings from Medicare and Medicaid and new taxes and fees
- CBO also estimates that health reform will reduce the deficit by \$124 billion over ten years

Health Care Reform



Source: CEA calculations.

Cross-Border Health Care Utilization

According to Wallace et al (2001):

- An estimated 1 million California adults used medical, dental, and/or prescription services in Mexico
- Approximately 500K were Mexican immigrants
- Predictors of use include:

Need, no insurance, delay seeking care, more recent immigration and limited English, Living closer to the border increased use

Scenario 1: Health care reform is effective:

- Cross-border health care utilization could decrease among newly insured population
- Uncertain effect among those who currently have insurance and travel abroad for health services

Opportunity to expand cross-border health insurance among US retirees in Mexico:

- Independent Payment Advisory Board (IPAB) will develop proposals to cut Medicare spending: Medicare coverage in Mexico one possibility

Outlook

- Health plans in the exchange will compete based on price. Cross-border coverage could allow insurers to offer more competitive rates
- Whether or not it could be offered would depend on state health insurance regulations
- Regardless of the ACA it will continue to be an option for self-insured employers

Scenario 2: Health care reform is ineffective:

- Cross-border health will continue to have a supporting role among vulnerable populations, even if unregulated
- Very likely to be an option even among insured population more sensitive to cost
- State governments will have more incentive to look for cheaper coverage to reduce costs

Outlook

In both scenarios:

- Mexican immigrants in the U.S. are willing to pay for binational coverage (54%). PIMSA study showed the following:
 - Quality of the product is the most important
 - Followed by cost
 - Need and distance to Mexico are relevant but less important
 - Those with dependents in Mexico who used public services are more interested

References

“The Economic Case for Health Care Reform” Council of Economic Advisor, The White House, 2009

“Health Care Report: 2009” OCDE

“Side-by-Side Comparison of Major Health Care Reform Proposals”, The Henry Kaiser Family Foundation

Vargas-Bustamante et al “Willingness to Pay for Cross-Border Health Insurance”, Health Affairs, 27(1).

Wallace et al “Heading South”, Medical Care, 47(9).

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