



**HOT
ISSUES
IN HEALTH
2017**

The Competition Conundrum

The Role of Competition in Improving the Affordability of Insurance

Edmond Toy, Ph.D, Director, CHI

DECEMBER 7, 2017



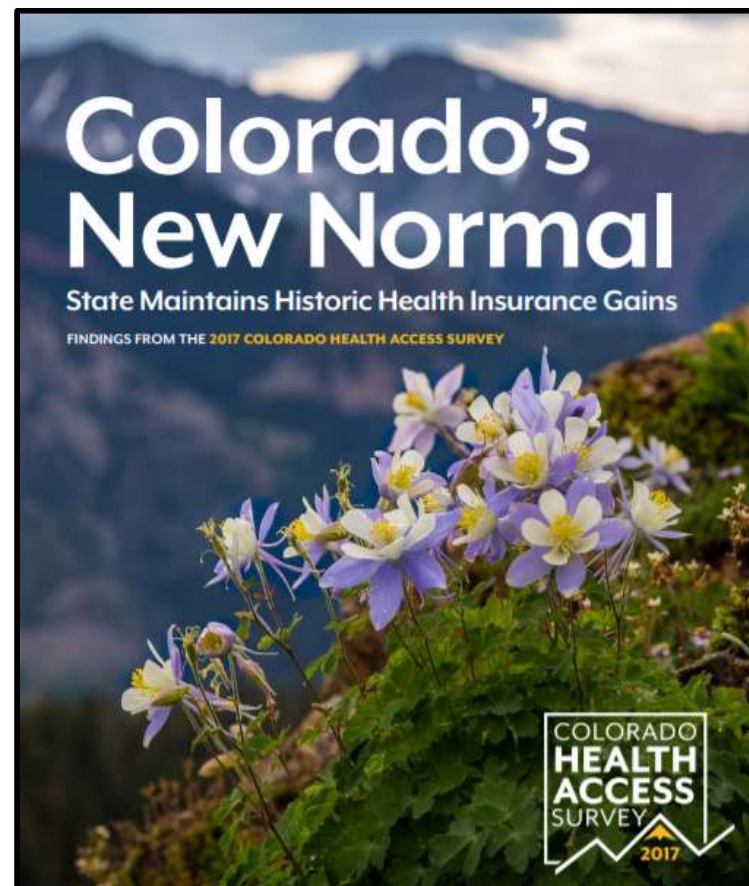
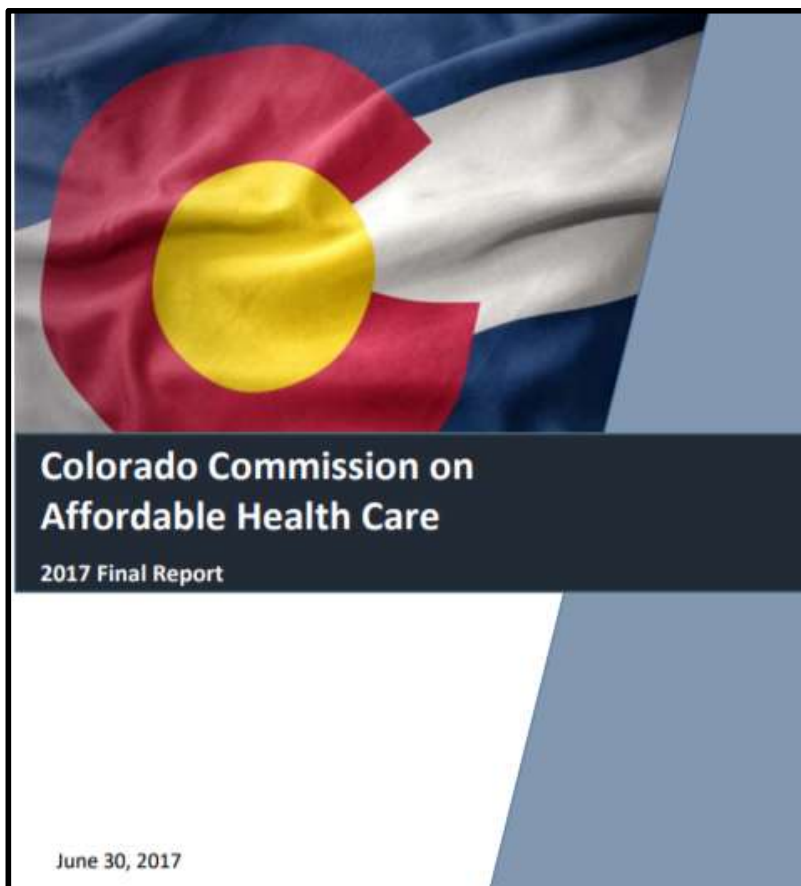
ABOUT US

We believe that sound evidence and solid analysis leads to better health policy, and that better health policy leads to healthier Coloradans.

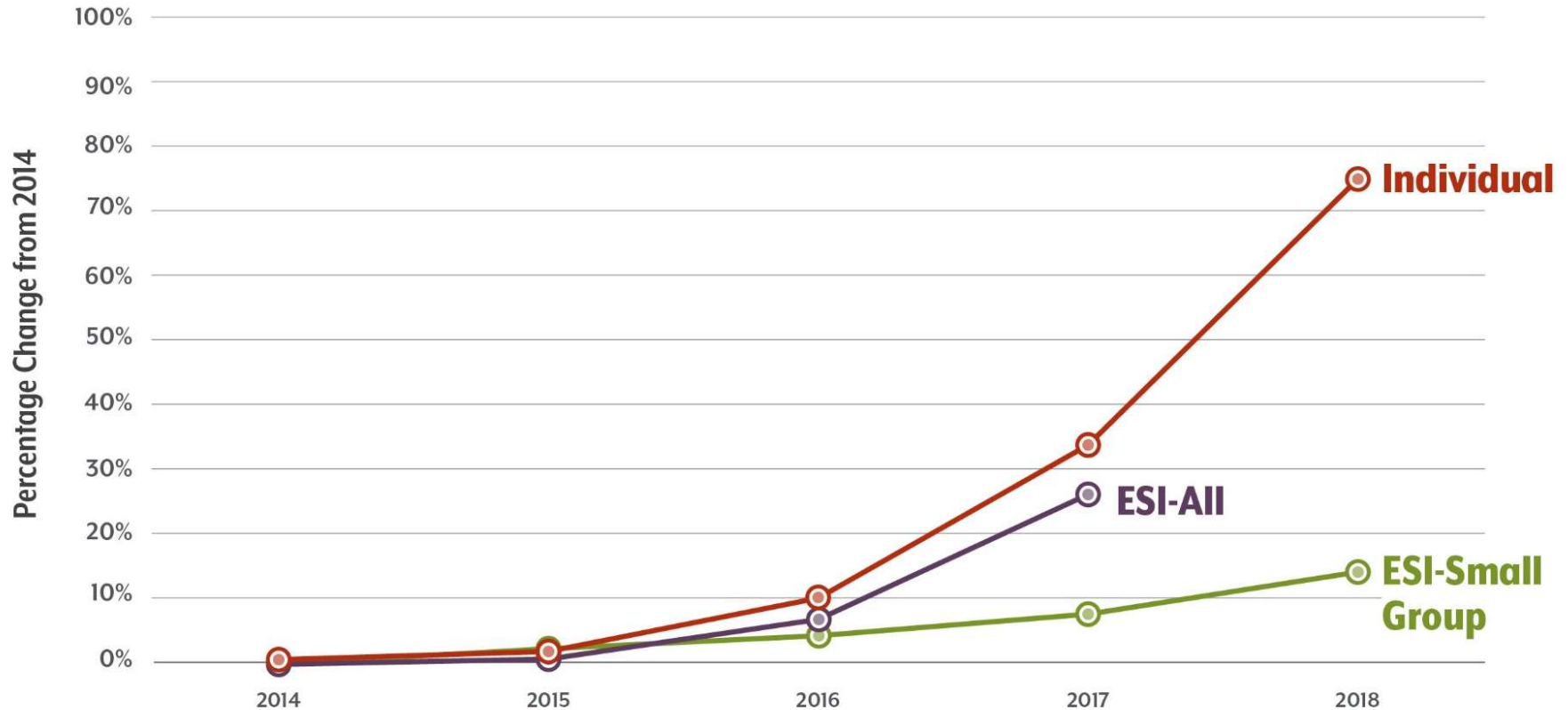
That is our work as Colorado's leading nonprofit and nonpartisan health policy research group.

And we are passionate about it.

A Perennial Problem: the Affordability of Insurance



Insurance Premiums on the Rise



Source: Colorado Division of Insurance final rates data for 2014-2018 for small group and individual market plans; Kaiser Family Foundation, 2017 Employer Health Benefits Survey.



Everyone Wants More Competition...



“I think we could make progress ... by increasing more competition by insurance providers.”

Senator Michael Bennet

“Americans are demanding real health care reform that will increase competition.”

Senator Cory Gardner



... But Will More Competition Improve Affordability?

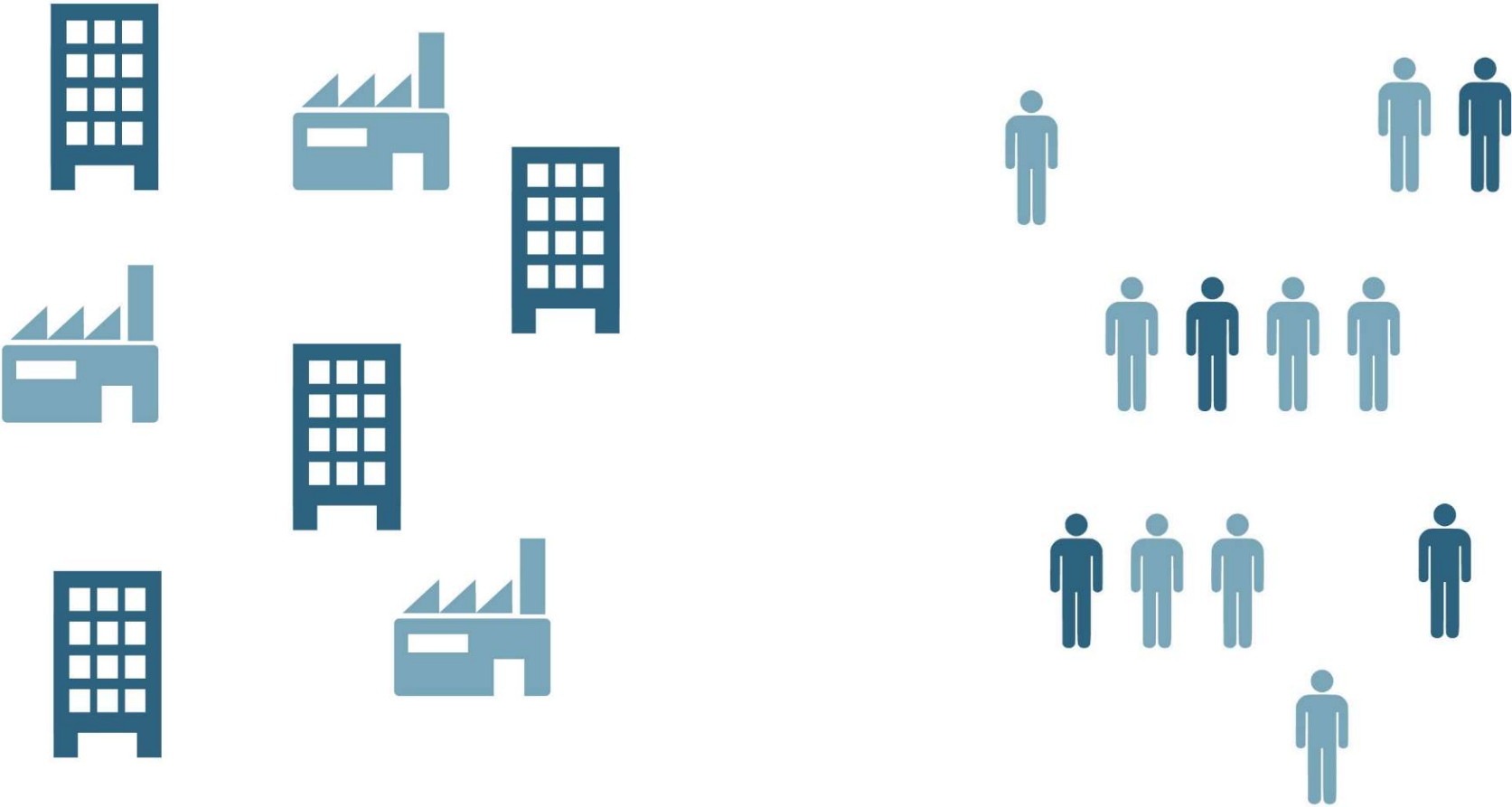
Key Takeaways

1. The market for health insurance is complicated.
2. Colorado counties with the fewest hospitals and insurance carriers have the highest premiums.
3. Increased competition alone might not bring down prices.
4. There are policies that could help encourage greater competition, but big challenges exist.



**The Market for Health Insurance
is Complicated.**

Economics 101: Competition



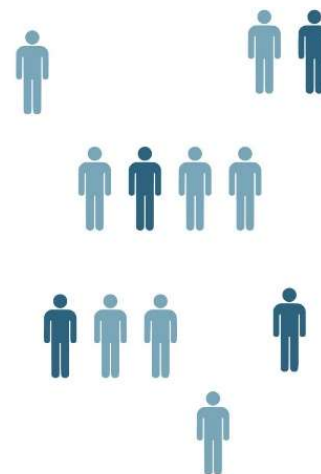
(Not to scale)

Economics 101: Market Power

Seller



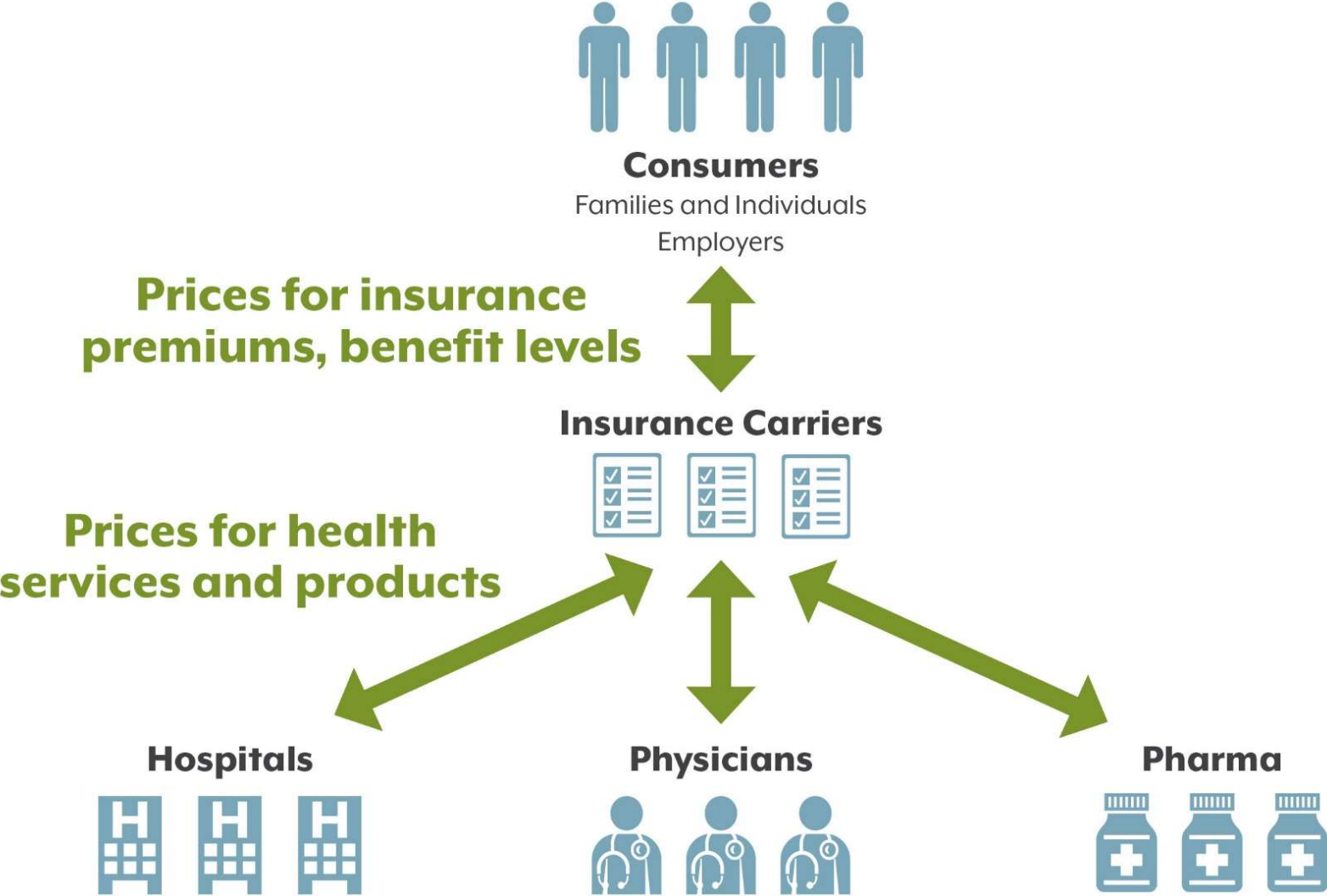
Buyer



Medicare



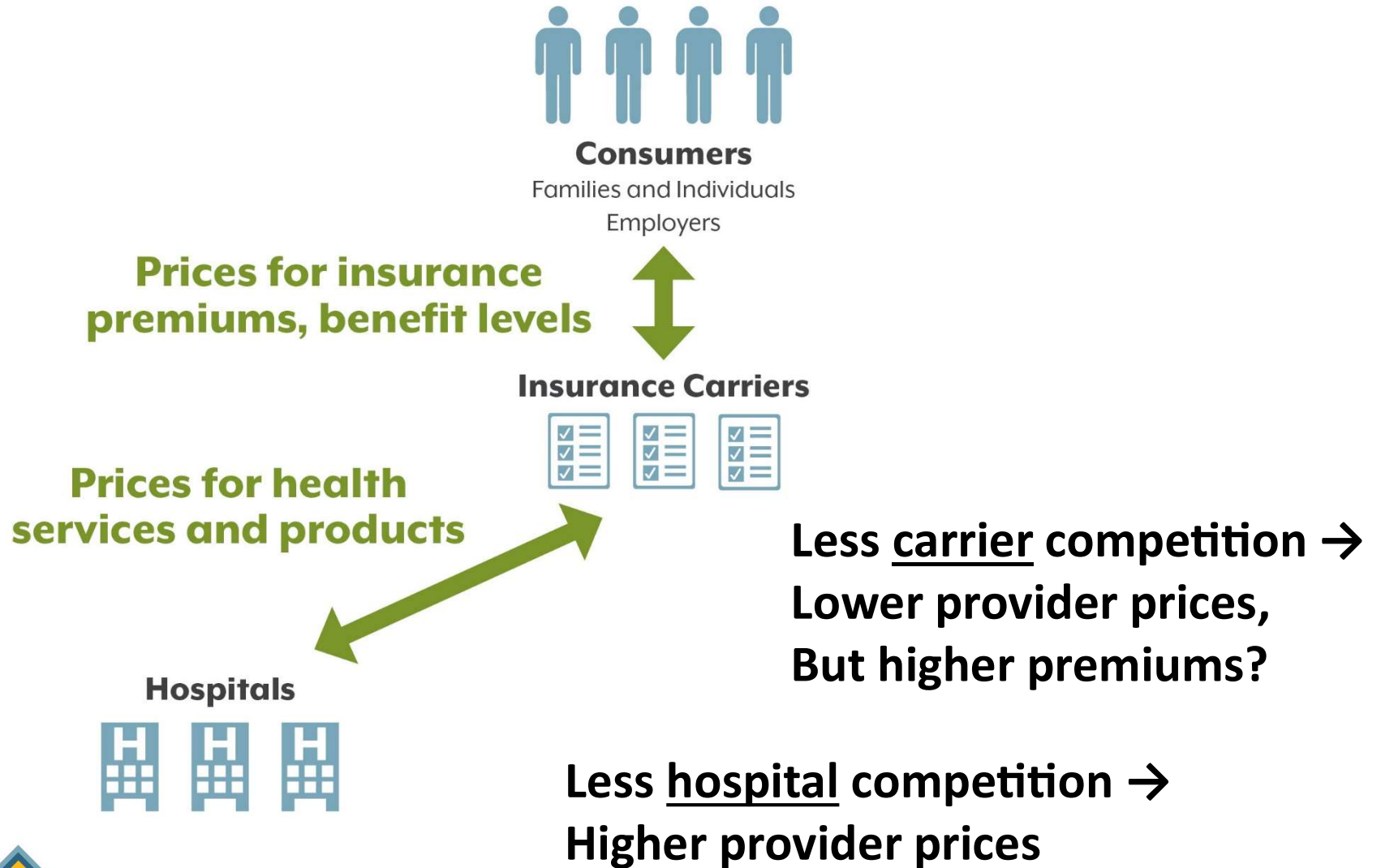
Economics 101: Health Care Markets



Economics 101: How Does Competition Affect Health Care Markets?

- Competition among **providers**.
- Competition among **insurance carriers**.

Economics 101: Health Care Markets



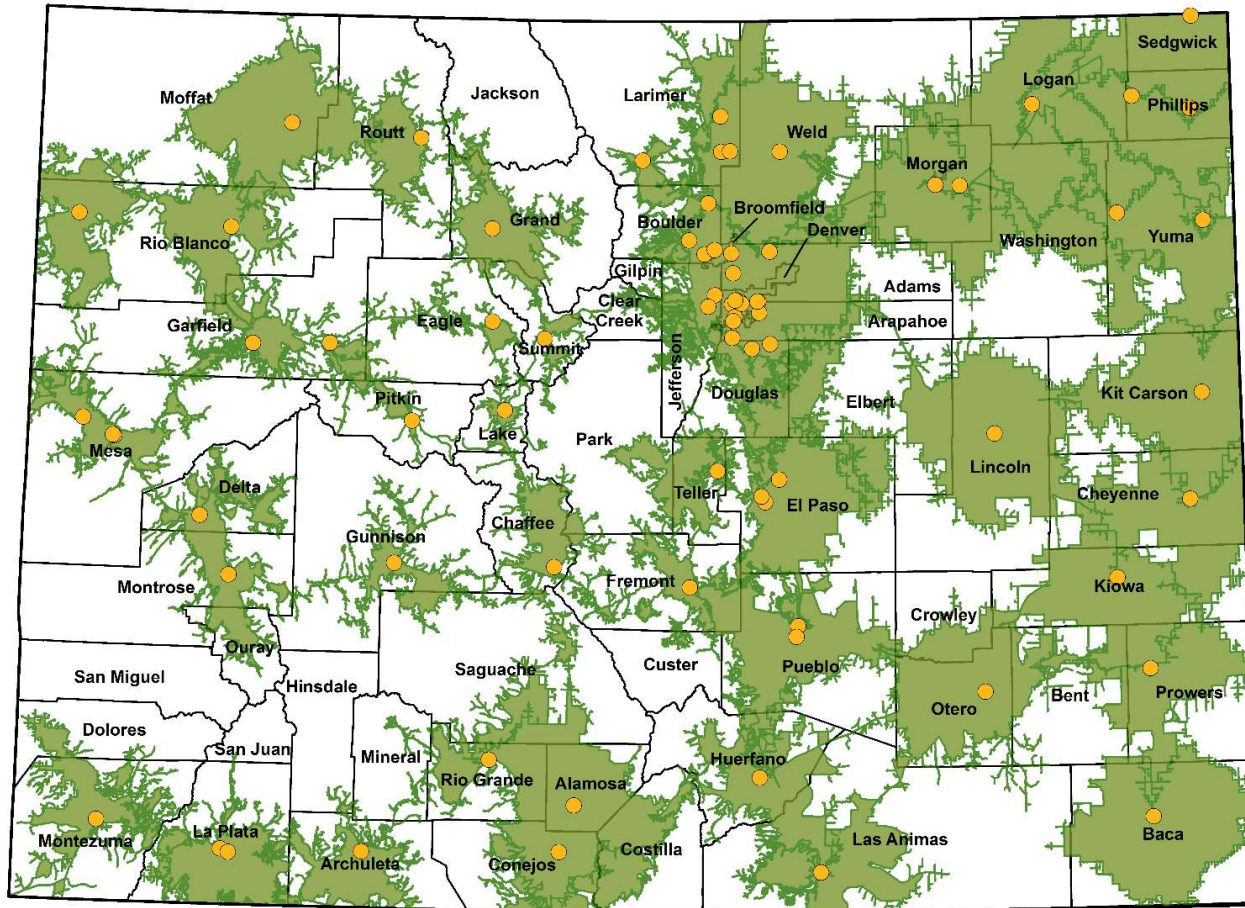


**Colorado Counties With the
Fewest Hospitals and Insurance
Carriers Have the Highest Premiums.**

How Much Competition is There in Colorado's Health Care Markets?



Hospitals

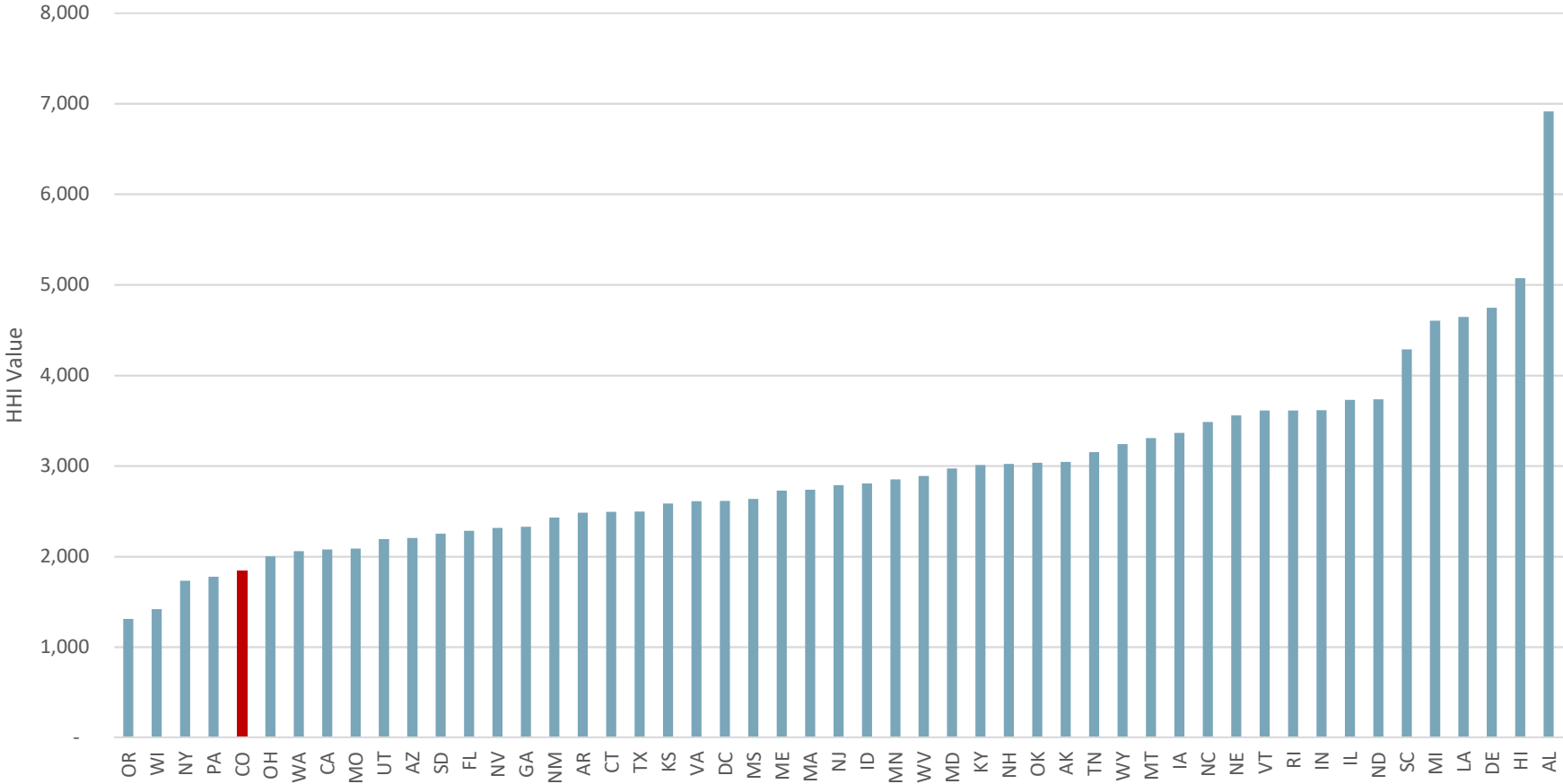


For each county, identify which hospitals are competing

Source: US CMS Medicare Cost Reports; ARCGIS.



Insurance Carriers: Competition in Metro Areas



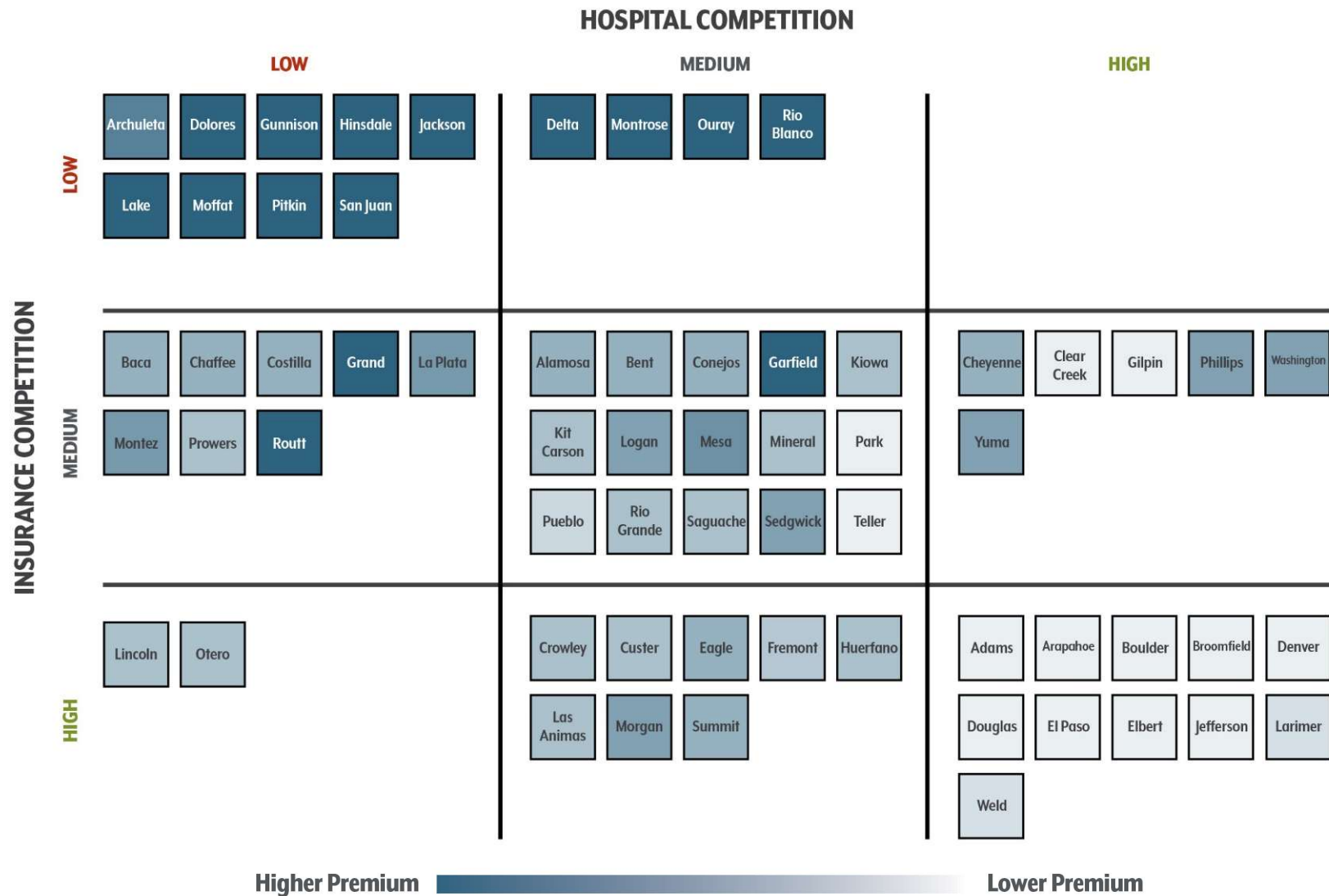
More Competitive States

Less Competitive States

Source: AMA, Competition in Health Insurance, 2016 Update.



Competition and Premiums



Insurance premium data provided by Connect for Health Colorado.





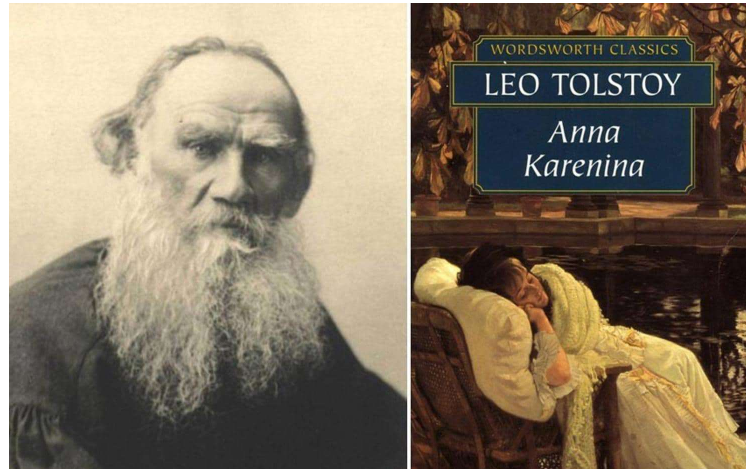
**Increased Competition Alone
Might Not Bring Down Prices.**

**There Are Policies That Could Help Encourage
Greater Competition, but Big Challenges Exist.**

Is More Competition the Key?

- Correlations, not causation
- Alternative explanations
 - Differences in utilization
 - Sectors besides hospitals and insurance

“All happy families are alike;
each unhappy family is unhappy in its own way.”



Challenges for Improving Competition



Small populations



Churn



More risk for carriers

What Can Be Done to Encourage More Carriers to Enter the Individual Market?

- Re-insurance: insurance for insurers
- Reduce churn by tightening enrollment rules
- Quality, not quantity
- Additional policies...

Key Takeaways

1. The market for health insurance is complicated.
2. Colorado counties with the fewest hospitals and insurance carriers have the highest premiums.
3. Increased competition alone might not bring down prices.
4. There are policies that could help encourage greater competition, but big challenges exist.



Edmond Toy

@CHI_EdmondToy

Toye@coloradohealthinstitute.org 720.382.7080



COLORADO HEALTH INSTITUTE

coloradohealthinstitute.org   @COHealthInst