



# DEMAND SUPPLY

*Opening Up Missouri's Healthcare Market*

Patrick Ishmael, Director of Government Accountability  
September 2016

# Markets Are People



# Pre-Obamacare

## Third Party Payer System Dominates

- Relic of post-World War II price controls
  - Compensation begins to tilt toward benefits
  - Tax advantages to employers
- Domination of insurance in health care is not typical of other markets
  - Home insurance market
  - Maintenance plan
  - Cell phone example



# Pre-Obamacare

- Not a substantively free market in health care
  - Third Party Payer System Dominates
  - Cost Problems
  - Broken Medicaid Program
  - Access Problems
  - Frequent Regulatory Restrictions to Competition



# Pre-Obamacare

## Cost Problems

- Kaiser Family Foundation study: from 2000 to 2010, average American individual premium doubled from \$2400 to over \$5000 per year; family premiums did likewise, from \$6400 to over \$13,000



# Pre-Obamacare

## Broken Medicaid Program

- Escalating costs
  - Combined state and federal spending doubled from 2000 to 2010 just over \$200 billion to over \$400 billion
- Poor health outcomes
  - Avik Roy
    - University of Pennsylvania: Colon cancer mortality
    - Columbia-Cornell: Vascular disease
    - Johns Hopkins: Lung cancer



# Pre-Obamacare

## Access Problems

- Primary care physician (PCP) shortages and maldistributions affect all
  - Pre-existing conditions and high risk pools
- Problem worse for Medicaid patients
  - 2008: 42% of PCPs were accepting new Medicaid patients, compared to 84% for the privately insured
  - Low reimbursement levels



# Pre-Obamacare

## Frequent Regulatory Restrictions to Competition

- Certificate of Need
- State-based Insurance Regulation
- Provider Licensing Restrictions
- Scope of Practice

Can undermine and disrupt market's ability to add supply to meet consumer demand





# Mistake Rushing ACA Through

“A delay is better than a disaster.”

-- fortune cookie wisdom  
kept by Capt. Chesley Sullenberger



# Post-Obamacare

- Not a substantively free market in health care
  - Third Party Payer System Dominates
  - Cost Problems
  - Access Problems
  - Broken Medicaid Program
  - Frequent Regulatory Restrictions to Competition



# Restoring Markets to Health Care

**Prices are signals, and yet too often we don't see them firsthand.**

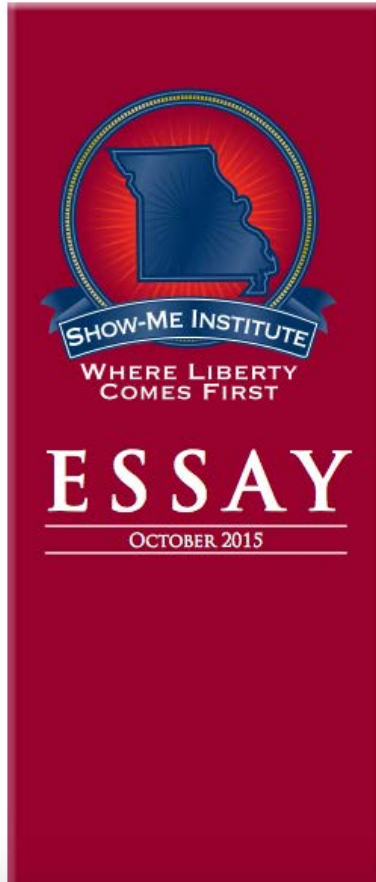


# Restoring Markets to Health Care

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# Third Party Payer System Dominates



## WHERE OBAMACARE LEAVES QUESTIONS, DIRECT PRIMARY CARE MAY OFFER ANSWERS

*By Patrick Ishmael*

### **ABSTRACT**

With its passage in 2010, the

### **INTRODUCTION**

What is a direct primary care



# Broken Medicaid Program



## MOVE MISSOURI'S MEDICAID PROGRAM FORWARD, NOT BACKWARD

By Patrick Ishmael

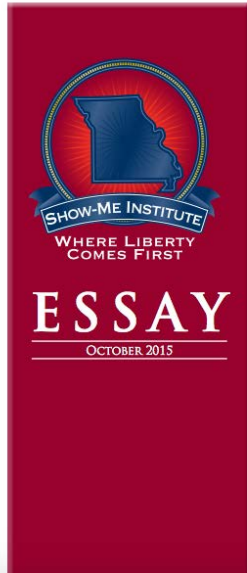
It was March 10, 2010, just days before the U.S. House of Representatives would give final approval to the Patient Protection and Affordable Care Act. With passage of his signature health care legislation on the horizon and on his mind, President Barack Obama arrived for a fundraiser and speech in downtown Saint Louis. Before a packed house at the Renaissance Grand Hotel, he hailed the Affordable Care Act (ACA) as an historic reform that would benefit both the middle class and the needy.

“Understand,” he told the audience, “the wealthiest

suggests that the President’s promises, intoned four short years ago, have not borne themselves out. As the meat of the law rolled out in 2013, millions of Americans found out that they would lose their health insurance because of the ACA,<sup>2</sup> and tens of millions more could lose their plans in the years ahead because of the law.<sup>3</sup> Millions of Americans have already seen their insurance rates rise dramatically rather than fall.<sup>4</sup> By the Administration’s own estimates, most small businesses will see higher, not lower, health care costs in the coming years.<sup>5</sup>



# Cost, Access and Regulation



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# Cost, Access and Regulation



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## ESSAY

OCTOBER 2016



## DEMAND SUPPLY: WHY LICENSING REFORM MATTERS TO IMPROVING AMERICAN HEALTH CARE

*By Patrick Ishmael*

INTRODUCTION

In large part, we focus on demand



# Demanding Supply

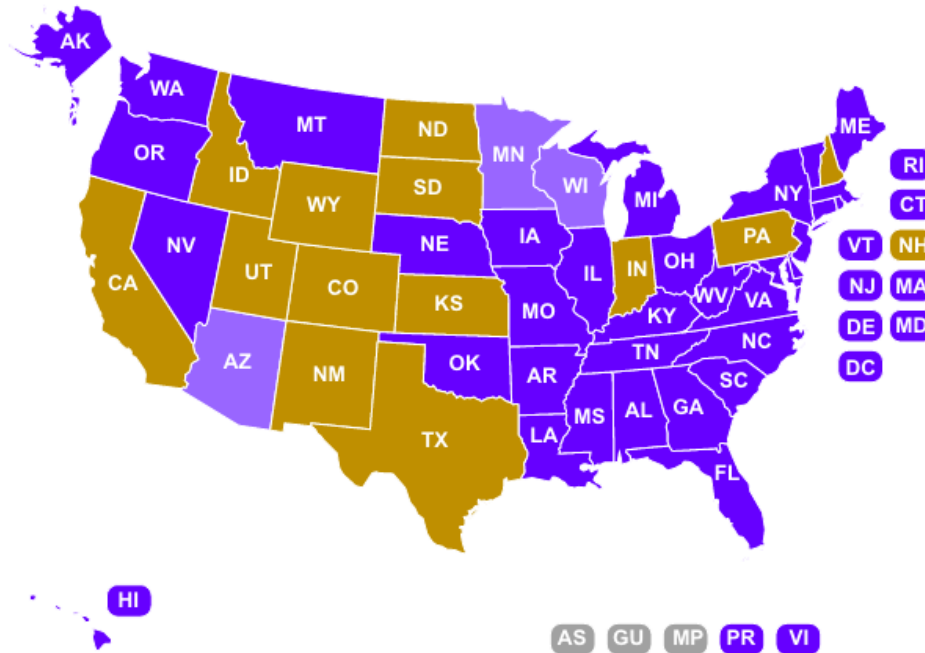
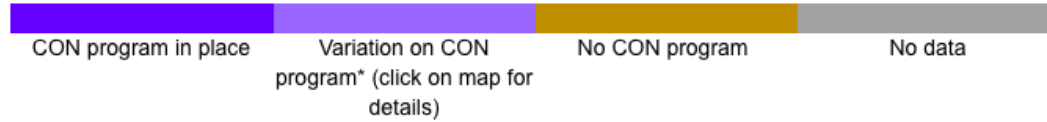
Expand supply of institutions offering care through certificate of need reform

- developed in 1960s to rein in costs through regional supply planning and prevention of duplicated services
- didn't work
- encompass lots of services, including MRIs, PET scans and overnight beds



# Demanding supply: CON

## CERTIFICATE OF NEED STATE LAWS



Source: NCSL, August 2016



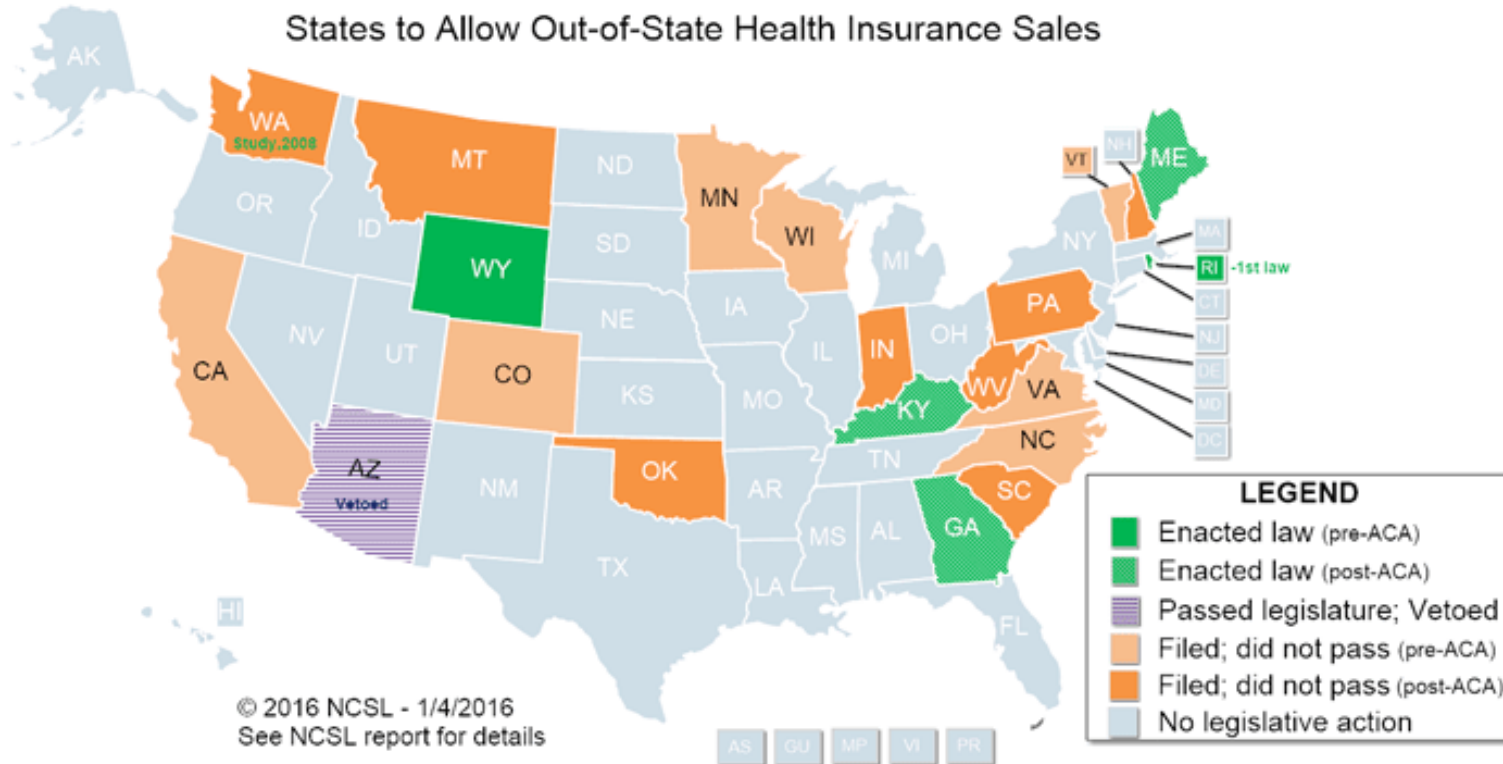
# Demanding supply

## Facilitating interstate insurance products

- Health insurance as maintenance plan and hospital network conduit
- National product with lower administrative costs
- Georgia: allows out-of-state insurance products but still requires state licensure



# Demanding supply: Insurance



# Demanding supply

## Scope of practice

- Allowing qualified nurse practitioners and physician assistants to perform more services
- Variance in reimbursement levels for same procedures for nurse practitioners vs. doctors not based on quality
- Studied and responsible reforms would benefit patients



# Interstate Medical Licensing



# Interstate Medical Licensing

**ouch!**





# Interstate Medical Licensing

A medical doctor licensed and in good standing to practice in any state in the US should be able to practice anywhere

- Physician licenses should be more like driver's licenses
- Decision to enter state can often be about barriers that may prevent it



# Interstate Medical Licensing

Volunteer Health Services Act (VHSA) passed in Missouri in 2013

- Allows licensed out-of-state doctors (and other health professionals) to provide care for free to Missouri residents
- Remote Area Medical



# Interstate Medical Licensing

## Physical presence

- Rendering medical care by virtue of your home state license

## Telemedicine

- Rise of the virtual house call
- One of the biggest opportunities for raising physician supply

## Unilateral vs. bilateral reciprocity



# Interstate Medical Licensing

Physicians with an Active License by State

Physicians with an Active License by State* and the District of Columbia, 2014	Licensed Physicians	Population Counts*	Physicians Per 100,000 Population
United States	916,264	318,857,056	287
Alabama	16,064	4,849,377	331
Alaska	3,786	736,732	514
Arizona	24,928	6,731,484	370
Arkansas	9,529	2,966,369	321
California	143,427	38,802,500	370
Colorado	19,897	5,355,866	371
Connecticut	16,678	3,596,677	464
Delaware	5,268	935,614	563
District of Columbia	10,623	658,893	1,612
Florida	71,024	19,893,297	357
Georgia	34,163	10,097,343	338
Hawaii	9,136	1,419,561	644
Idaho	5,687	1,634,464	348
Illinois	43,835	12,880,580	340
Indiana	27,206	6,596,855	412
Iowa	11,224	3,107,126	361
Kansas	9,002	2,904,021	310
Kentucky	17,645	4,413,457	400
Louisiana	16,346	4,649,676	352
Maine	6,364	1,330,089	478
Maryland	28,976	5,976,407	485
Massachusetts	33,965	6,745,408	504
Michigan	45,703	9,909,877	461
Minnesota	21,855	5,457,173	400
Mississippi	9,951	2,994,079	332
Missouri	25,926	6,063,589	428
Montana	4,765	1,023,579	466
Nebraska	8,598	1,881,503	457
Nevada	8,111	2,839,099	286
New Hampshire	6,346	1,326,813	478
New Jersey	35,842	8,938,175	401
New Mexico	8,691	2,085,572	417
New York	91,744	19,746,227	465
North Carolina	33,266	9,943,964	335
North Dakota	3,769	739,482	510
Ohio	44,981	11,594,163	388
Oklahoma	12,491	3,878,051	322
Oregon	14,092	3,970,239	355
Pennsylvania	55,443	12,787,209	434
Rhode Island	4,105	1,055,173	389
South Carolina	17,442	4,832,482	361
South Dakota	3,607	853,175	423
Tennessee	21,151	6,549,352	323
Texas	72,601	26,956,958	269
Utah	9,891	2,942,902	336
Vermont	3,171	626,562	506
Virginia	36,041	8,326,289	433
Washington	26,517	7,061,530	376
West Virginia	7,493	1,850,326	405
Wisconsin	25,774	5,757,564	448
Wyoming	3,360	584,153	575
<b>State and D.C. Totals*</b>	<b>1,227,500</b>	<b>318,857,056</b>	<b>385</b>

a. State counts are based on physician data recorded by the FSMB using state medical board license files from 2014 and reflect the number of physicians with a full and unrestricted license. Resident physician licenses were excluded when such licenses could be identified.

b. U.S. Census Bureau, Population Division, July 2014

c. Physician counts do not add up to 916,264 because some physicians maintain active licenses in more than one U.S. jurisdiction.

Source: 2014 FSMB Census of Licensed Physicians.



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Source: Federation of State Medical Boards



# Health Care: Not Just About Insurance

- Health care policy isn't just about insurance and the demand side of the price equation
- Must also be aware of supply side factors, many of which are well within the control of states
- Interstate licensing is low-hanging fruit with potentially powerful opportunities for patients
- Markets are people; empower them.





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