The Power of Healthcare Providers to Set their Prices

Hadly Baldwin*
Editorial Office, Health Economics and Outcome Research, Brussels, Belgium

*Corresponding Author**

Hadly Baldwin
Editorial Office,
Health Economics and Outcome Research Brussels, Belgium
E-mail:economics@journalinsight.org

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Abstract

Health care costs fluctuate in almost unfathomable ways that are unrelated to quality, making it more and more costly for both individuals and companies. Market failures brought on by insurer and provider consolidation call for government action. Due to a federal government shutdown, health care costs are rising in marketplaces with no competitors. In this article, we go over a variety of approaches available to politicians to more directly regulate healthcare costs:

1. Establishing a benchmark for cost-growth.
2. Development of a public option.
3. Establishing criteria for affordability that would allow the insurance commissioner to reject agreements including excessive rate increases.
4. Setting a default out-of-network payment rate or capping it for medical services.
5. Developing a payment scheme based on population.
6. Establishing a population-based payment system.
7. Tiering permitted rate adjustments and restricting excessive pricing.

Keywords: Healthcare •Policymakers •Medicai d • Cost-growth

Introduction

There are many signs that many healthcare markets are not functioning efficiently, including the fact that health care costs have increased much more quickly than inflation, commercially insured patients' costs have increased much more quickly than those for Medicare and Medicaid, and higher costs are not always associated with higher quality. The quick and relentless consolidation of providers into big health systems is a major contributor to these market issues. Research demonstrates that any savings from decreased health care pricing are not passed on to consumers or businesses in markets where insurers have the negotiating leverage to lower prices. The dominant providers and insurers can collect and split excess earnings that result from their combined market strength when both the provider and insurer markets are highly consolidated. Increased antitrust enforcement (at the state and federal levels) might prevent future mergers, but it doesn't do much to counter the market dominance of existing healthcare monopolies. Political divisiveness at the federal level makes it unlikely that comprehensive action to address healthcare costs would pass, despite the fact that policymakers at all levels are searching for a strategy. Therefore, state officials should fill the gap created by federal inaction and think about ideas for policies that would reduce excessively high and rising healthcare costs and enhance overall access to healthcare. States are big purchasers of healthcare services through state Medicaid, CHIP, and state employee health benefit plans. States also have the jurisdiction to regulate health insurance and the delivery of healthcare inside their borders. Additionally, state officials might be better at bringing together a variety of stakeholders to collaborate on policy solutions than their federal counterparts. Because of this, state policymakers may be in a unique position to identify the root causes of the current market dysfunction and develop strategies to address it.

A few governments have recently undertaken first attempts to control prices that show promise, but most have not been as successful as they could have been. We categorise these initiatives into a range of possibilities and offer state legislators a road map for starting to solve provider price issues. We analyse seven policy alternatives, starting with the ones that require the least amount of regulatory interference and have the least direct impact on pricing and spending and ending with the ones that have the tightest control over overall spending: Creating global budgets for hospital-based care, pricing, capping excessive prices and tiering allowed rate updates, creating a public option, capping or establishing a default out-of-network payment rate for health care services, creating affordability standards that allow the insurance commissioner to reject contracts with excessive rate increases, creating a population-based payment model. Depending on the particular political and health market characteristics in a given state, these alternatives provide state policymakers strategies to restrict the development of health care prices and expenditures that have proven successful and/or are practicable to adopt at the state level. Global budgets and population-based payment models, two of our suggested approaches, can also be utilised to restrain the rise in health care costs brought on by rising demand for care.

There are many possibilities, which allows policy solutions to be adjusted to particular market circumstances, political environments, and state ideologies, but there is also a risk of decision paralysis, where legislators can debate policy options and design decisions indefinitely. This article presents a road map to facilitate strategy creation and considerations for state officials when weighing their options in order to mitigate that potential danger. Depending on the state of the market, a combination of models that reinforce one another might work well.

Conclusion

Investment on health care stifles wage growth and displaces spending on other priorities. State legislators can choose from a variety of solutions that can be adjusted to the state's political climate, particular market circumstances, and important policy objectives. In this paper, we outline the forerunner states' experiences and provide suggestions for other states looking to learn from them. It is still unclear whether relatively small-scale interventions like the public option, OON caps, and affordability standards can effectively address particular market inefficiencies or failures to control prices or whether more administratively complex models like global budgets, price caps, and price updates, or PBPs, can foster or refocus competition on factors other than costs, such as quality and patient experience. However, there is a critical need for policymakers to take action. Instead of idly weighing their alternatives, policymakers should pick the rate regulation models that best match their objectives and the current political environment, then modify them when the market environment shifts.

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