

**Florida Center for Medicaid and the Uninsured
University of Florida
4th Annual Medicaid Research Conference**

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***SELF-DIRECTED CARE IN (MENTAL)
HEALTH:
AN ECONOMIC PERSPECTIVE***

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**Tallahassee, FL
March 11, 2005**

Overview

- **What is consumer-directed care?**
- **What are the relevant economic issues?**
- **What is the general evidence on the role of the consumer in health care markets?**
- **What is the evidence in consumer-directed care?**
- **Implications for Medicaid reform in FL**

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What is Consumer-Directed Care?

- In general:
 - a. High cost-sharing (e.g. deductible) at point of service
 - b. Health reimbursement account to offset expenditures or rollover for future use
 - c. Catastrophic coverage beyond deductible
 - d. Decision-support tools for consumers on provider price and quality
 - e. Often one of several insurance options

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What is Consumer-Directed Care?

- **In FL Medicaid reform proposal:**
 - a. **A risk-adjusted premium for beneficiaries to purchase plans or services, catastrophic care, and enhanced benefits (i.e. flexible spending account)**
 - b. **Products offered by wide assortment of competitors (insurers, providers community-based systems)**
 - c. **Decision-support tools and choice counseling for beneficiaries**

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What are the relevant economic issues?

- **Insurance coverage leads to market inefficiencies**
 - a. Adverse Selection: Least healthy attracted to insurance**
 - b. Moral Hazard: Higher coverage (i.e. lower cost sharing) leads to increased utilization**

Adverse selection and moral hazard more likely occur when the need for care is more predictable and discretionary

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What are the relevant economic issues?

- **Production and consumption are inseparable**
 - a. **One reason health care markets tend to be local**
 - b. **In some cases, patient and physician collaborate in the production of health**

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What are the relevant economic issues?

- **The level of patient knowledge to collaborate as well as monitor the quality of physician service.**

Depends upon patient's:

- a. experience with health condition**
- b. severity of condition**
- c. ability to process health information obtained from other sources**

Thus, patients with chronic conditions may be particularly knowledgeable market participants

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What is the general evidence on the role of the consumer?

- **More knowledge leads to higher utilization (more collaboration?)**
(Kenkel, 1990; Hsieh and Lin, 1997; Parente et al., 2003; Smith, 2005)
- **More knowledge increases quality, but effect attenuated by increased utilization**
(Smith, 2005)
- **Consumers neither demand nor use data on quality of providers**
(Chassin et al., 1996; Hibbard and Jewett, 1996; Robinson and Brodie, 1997; Hibbard et al., 1997; Marshall et al., 2000; Erickson et al. 2000)

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What is the evidence in consumer-directed care?

- **Limited enrollment when other options available**
- **Healthier and higher-income more likely to enroll**
- **Tends to reduce utilization and expenditures (evidence is limited, though)**
- **Satisfaction and reenrollment are high**

(Lo Sasso et al., 2004; Parente et al., 2004; Christianson et al., 2004; Tollen et al., 2004)

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What is the evidence in Medicaid consumer-directed care?

Arkansas “Cash and Counseling” Demonstration
(also in FL and NJ)

- **Participants (i.e. treatment group) have:**
 - a. higher satisfaction with and more reliable caregivers**
 - b. fewer unmet needs**
 - c. no greater incidence of accidents or health problems**
- **Initially higher expenditures, but eventually offset by reduced nursing home and other Medicaid expenditures**

(Foster et al., 2003; Dale et al., 2003)

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Implications for FL Medicaid Reform

- **Importance and challenge of risk adjustment**
 - a. **Important because of adverse selection**
 - b. **Challenging because current methods are imperfect—especially for mental health**

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Implications for FL Medicaid Reform

- **Consumer direction may be minimally effective in driving quality**
 - a. **Consumer knowledge is perhaps necessary—but not sufficient**
 - b. **Unlike private sector, low cost sharing may dampen incentives to improve quality**

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Implications for FL Medicaid Reform

- **Importance of competition at the local level**
 - a. **The more players (insurers, providers, others) the better**
 - b. **Reward performance**

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