Florida Center for Medicaid and the Uninsured
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SELF-DIRECTED CARE IN (MENTAL) HEALTH:
AN ECONOMIC PERSPECTIVE

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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
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
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
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
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
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.
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)
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)
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)
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
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
Implications for FL Medicaid Reform

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