

## The Outlook for Health Care

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## Is Montana Health Care Getting Healthy?

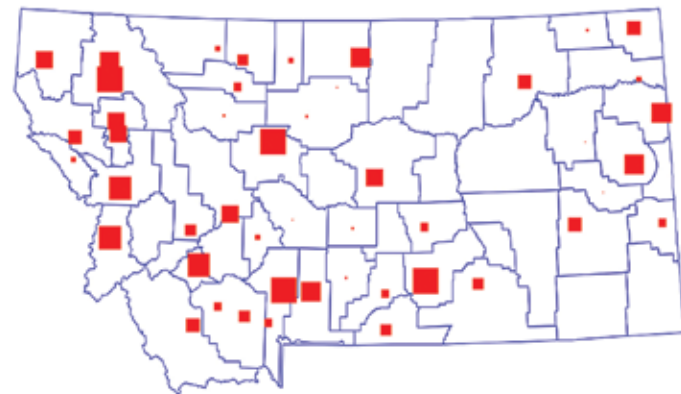
- COVID was hugely disruptive to most health care providers, and damaging to health outcomes
- Labor costs spiked, inflation pushed up costs, demand for discretionary care slumped
- Medical care price growth almost stopped
- Some regulatory innovations helped (cross-state licensing, tele-health)
- Pre-COVID trends in job/wage growth, medical inflation have now resumed
- Impacts of “great retirement” have persisted

## Health Care Employment Rank, 2023



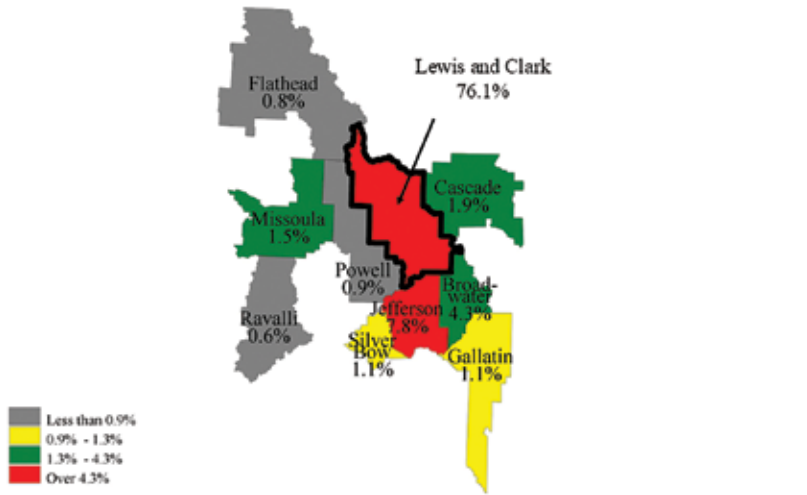
## Hospitals Are Major Employers Across Montana

Montana hospital employment by hospital, 2023



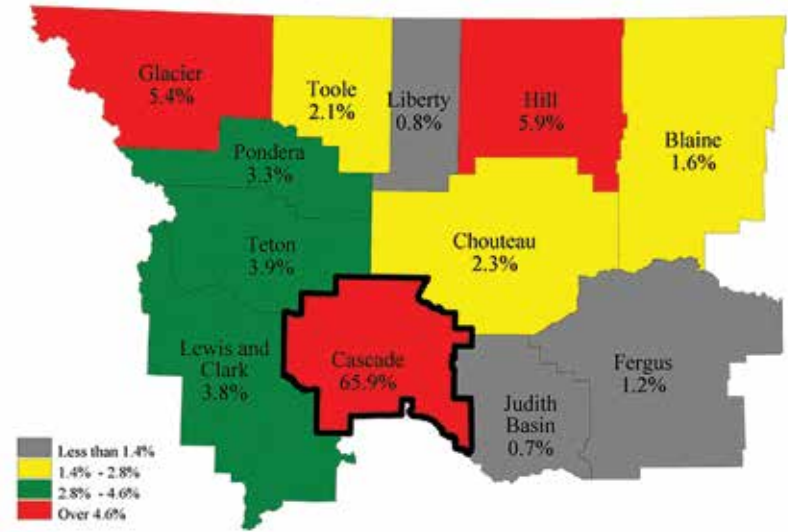
### Lewis and Clark County Hospital Charges

By County Where Patients Reside, 2019



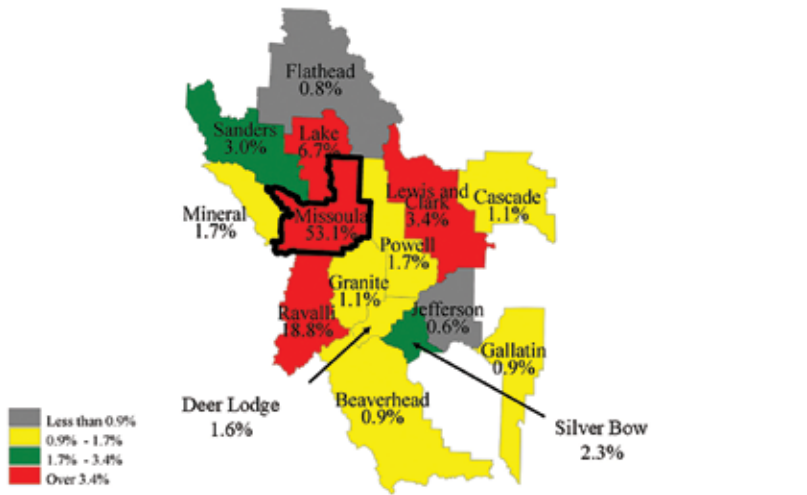
### Cascade County Hospital Charges

By County Where Patients Reside, 2019



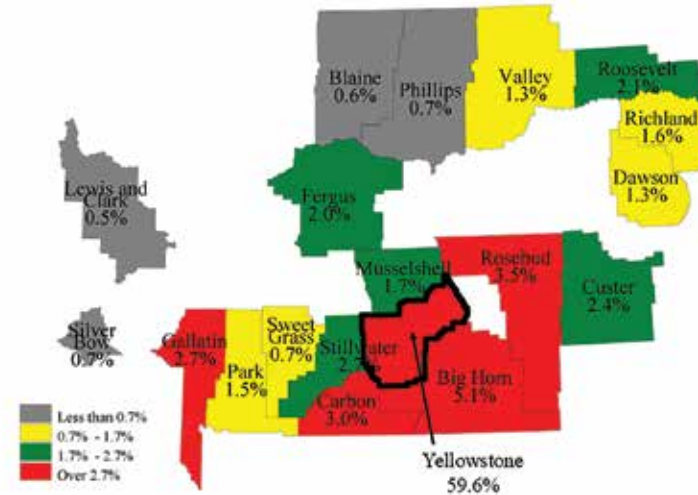
### Missoula County Hospital Charges

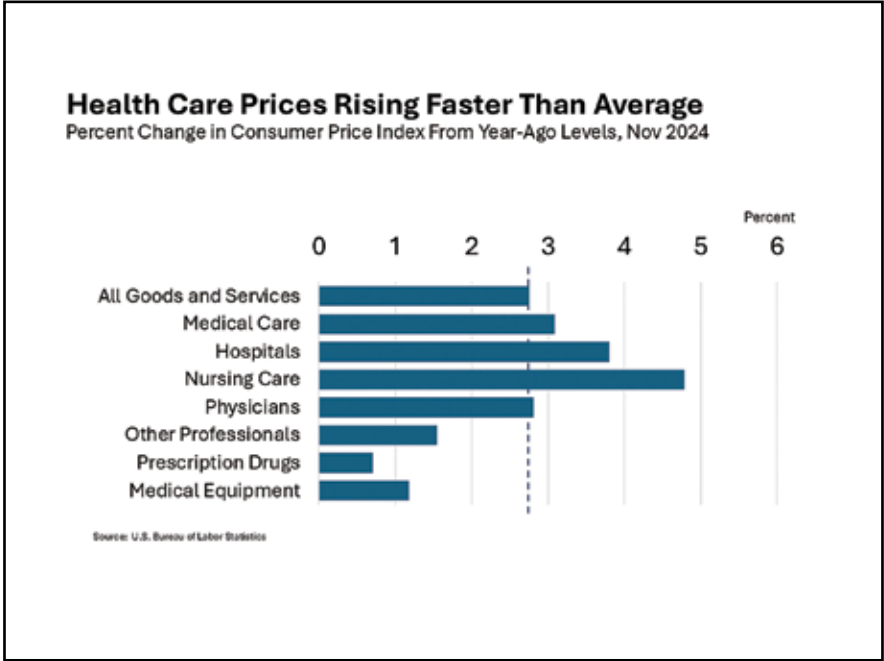
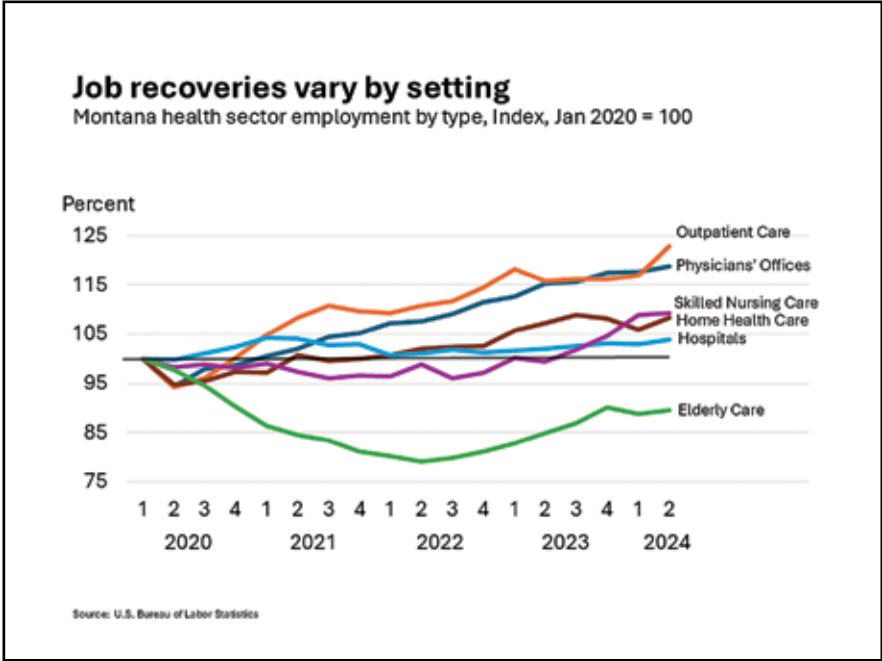
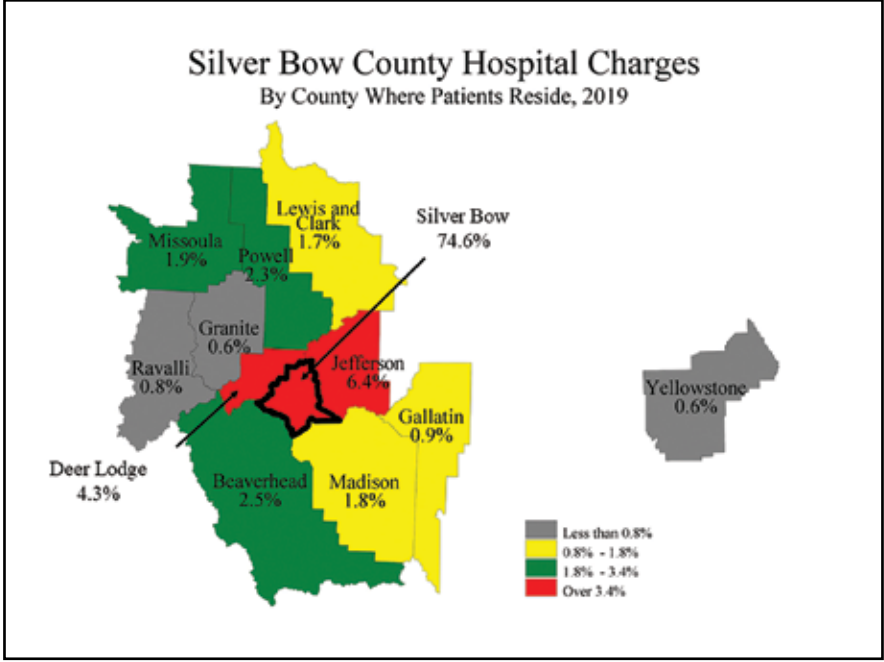
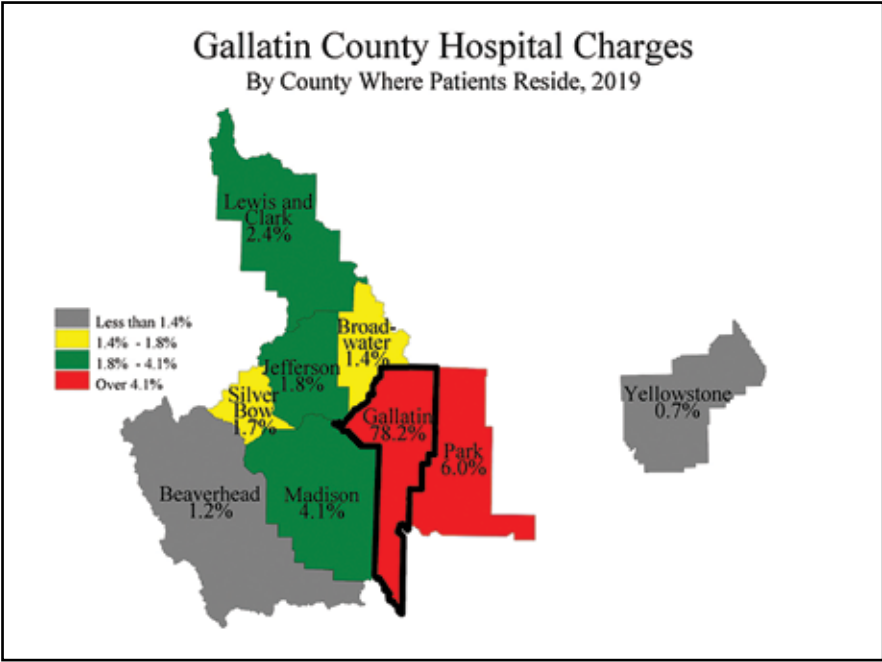
By County Where Patients Reside, 2019



### Yellowstone County Hospital Charges

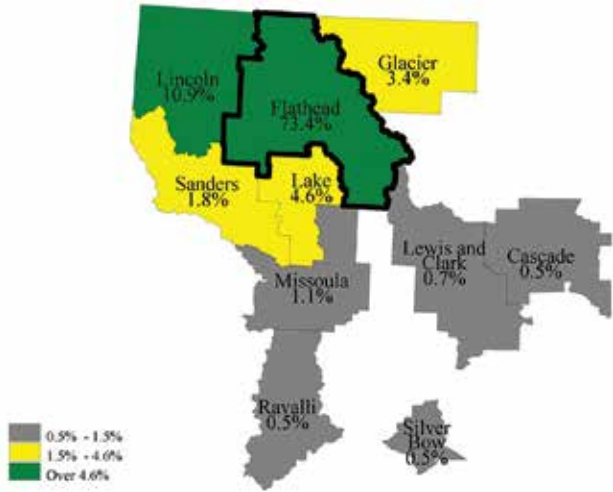
By County Where Patients Reside, 2019





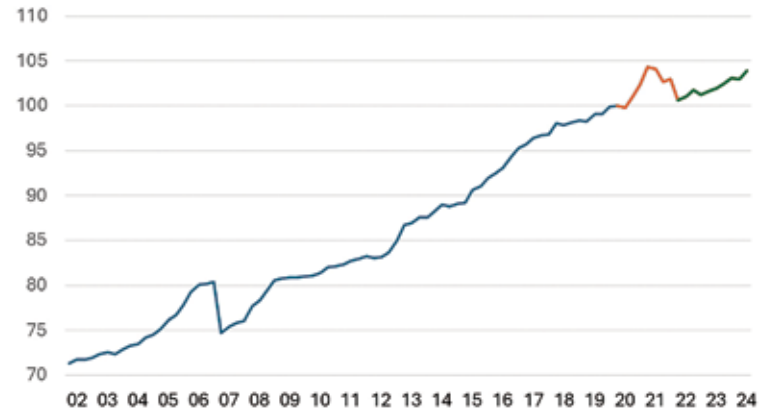
### Flathead County Hospital Charges

By County Where Patients Reside, 2019



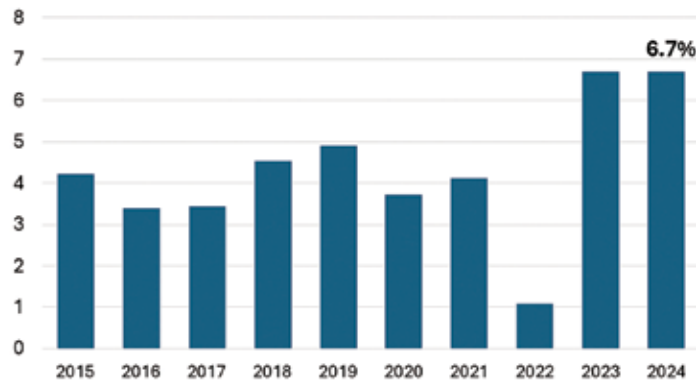
### Hospital Job Growth Has Resumed

Montana hospital employment, Index, Jan 2020 = 100



### Health Insurance Premiums Are Growing Again

Percentage Change in Employer Premiums, Family Coverage



Source: Kaiser Family Foundation

### Health Care Stock Prices Are in the Tank

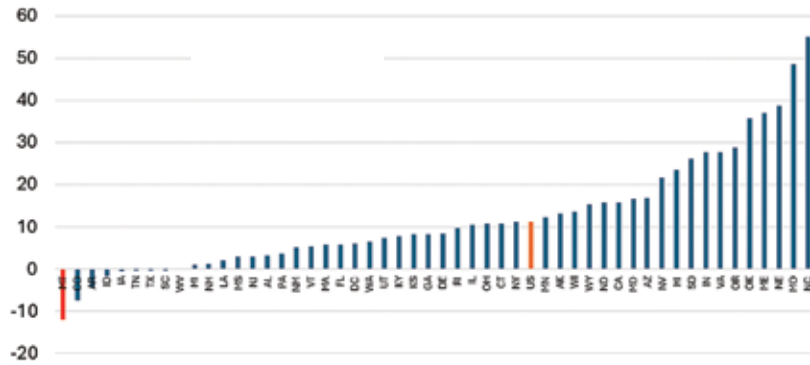
Health Care Index vs. S&P 500 Index Since Feb 2023



Source: FactSet

### Montana Has Shed More Medicaid Enrollees Than Any Other State Since Feb 2020

Cumulative Percentage Change in Medicaid Enrollees by State



Source: U.S. Center for Medicare/Medicaid Services

### Why Matter?

→ Large impacts of Medicaid

#### Providers:

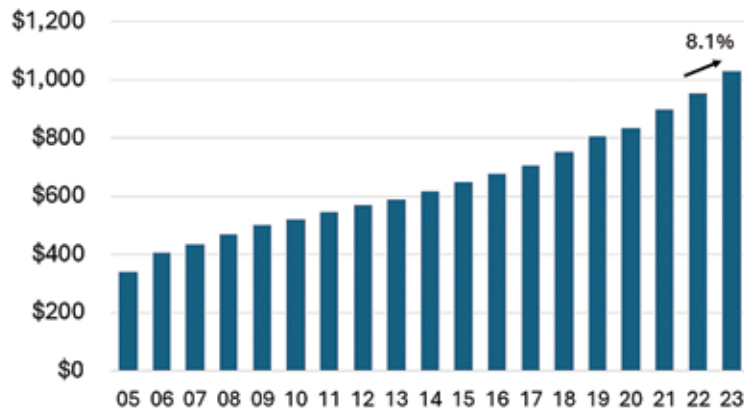
- Improved payer mix, less uncompensated care
- Improved financial performance of hospitals, particularly small and rural providers

#### Long run impacts on children:

- Reduces mortality and disability in adulthood, better mental health outcomes
- Increases adult employment, increases adult wages
- Raises college enrollment rates

### Medicare Spending Growing Faster Than Economy

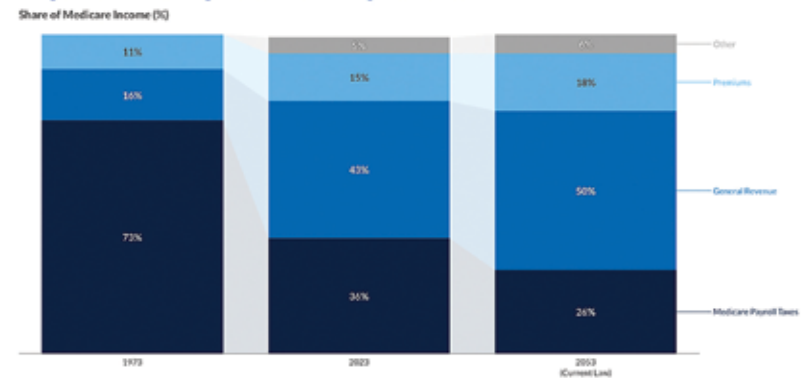
Medicare Spending, 2005-2023, \$ Billions



Source: CMS

### Trust Fund Depletion is Not the Biggest Medicare Challenge

The general fund is the largest source of financing for Medicare





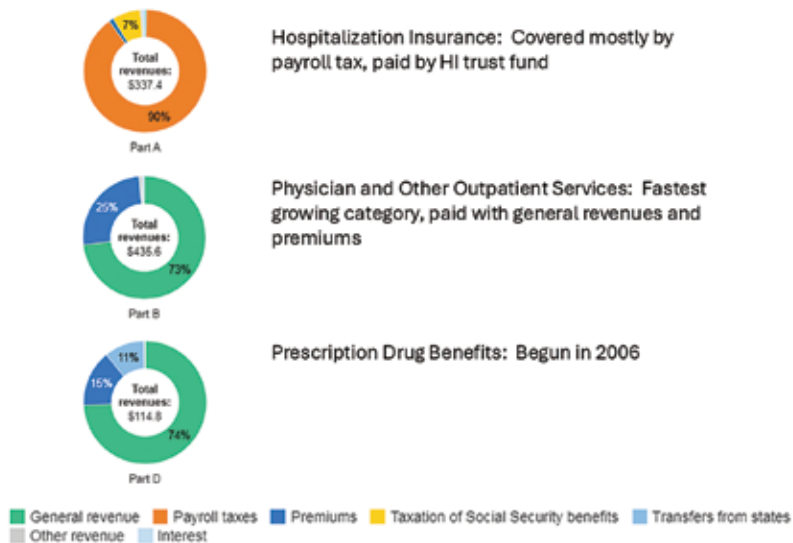
### Why Are Medicaid's Impacts on Health So Hard to Find?

- Oregon Medicaid experiment in 2008 failed to show difference in health care outcomes for those with and without Medicaid
- Similar findings (not as robust) have been found for all health insurance, not just Medicaid
- Lifestyle choices (hypertension, diabetes, obesity) are dominant factors in health
- Those who lack insurance still have access to medical care

### Montana Has a Huge Stake in the Financial Sustainability of Medicare

- In 2021, there were 244,107 Montanans enrolled in Medicare
- That 22% share of the total population was the fifth highest of all states
- In many parts of Montana, 50% or more of health expenditures come from Medicare spending
- Medicare actuaries project that the Hospital Insurance trust fund will be exhausted by 2036 (ten years later than projected in 2019)

Three Spending Categories of Medicare



### Implications for the Future

- HI trust fund will be insolvent "soon." Solvable with a small increase in the payroll tax rate. Easier if this is done sooner
- Burdens on federal budgets and individual premiums are not as easily solved.
- Politically popular actions (price controls) have not proved practical or sustainable
- Pressures continue to expand Medicare

## Two Paths for Reform

- Administrative approach:
- Implicitly accepts basic structure of the program, government pays for health care that providers deliver
- Cost control from a top-down approach
- Change program parameters, including tax rates, eligibility age
- Similar actions taken in the past have a mixed track record (e.g., electronic medical records)

## Two Paths for Reform

- Market-based approach:
- Politically toxic, “third rail”
- Addresses health care cost growth with market forces rather than administrative actions
- Most proposals replace open-ended coverage with a cash benefit, packaged with insurance for catastrophic costs
- Can a 60-year old program really be changed?