

Contents

1 Summary 1

What is Patient Cost-Sharing? 2

Summary of Findings 3

Fundamental Issues Related to Cost-Sharing 4

- Does cost-sharing reduce utilization by promoting the use of more cost-effective, appropriate care and by discouraging the use of unnecessary services? 4
- Does cost-sharing have health effects? 5
- Does cost-sharing help to control expenditures? 8
- How are individuals with low incomes affected by cost-sharing requirements? 8
- Do coinsurance requirements affect children differently? 8
- How is the use of preventive services affected by cost-sharing? 8

Other Questions and Pending Issues 9

- Are there specific services that should be considered for possible exemption from cost-sharing? 9

If cost-sharing is required, how can individuals be shielded from the risk of financial hardship and catastrophic costs? 9

- Does cost-sharing help reduce premium requirements? 3

s Is it administratively feasible to base cost-sharing on income? 9

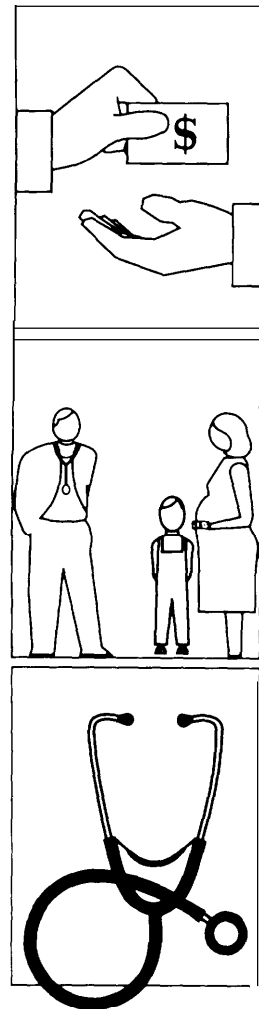
- Does cost-sharing improve the efficiency of the health care system? 10

Is cost-sharing equitable? 10

Is cost-sharing generally acceptable to the public? 10

- Should cost-sharing be required, what is the ideal arrangement? 10

Conclusions 10



2 Background 13

- Why Cost-Sharing? 13
- What Me the Out-of-Pocket Costs of Insured People? 14
- Current Trends in Patient Cost-Sharing 15

3 The Lessons and Limitations of the Rand Health Insurance Experiment (HIE) 23

- Description 23
- Limitations of the Rand HIE 26
- Key Findings 26
 - Does patient cost-sharing affect utilization of health care services? 26
 - Does coinsurance reduce utilization by promoting the use of more cost-effective, appropriate care and by discouraging the use of unnecessary services? 29
 - Does cost-sharing have health effects? 29
 - Does cost-sharing help to control overall expenditures? 34
 - How are individuals with low incomes affected by cost-sharing requirements? 34
 - Do coinsurance requirements affect children differently? 35
 - How is the use of preventive services affected by cost-sharing? 35

Boxes

- 1-A Other Publications in the Office of Technology Assessment's Series on Benefit Design in Health Care Reform 3
- 1-B Important Limitations of the Rand Health Insurance Experiment 6
- 2-A Health Insurance premiums 15
- 2-B Balance Billing 16
- 3-A The Sources of Information on Health Status Used in the Rand Health Insurance Experiment 31
- 3-B The Risk of Dying Related to Patient Cost-Sharing 33

Tables

- 1-1 Elements of Out-of-Pocket Spending in Employment-Based Health Coverage 4
- 1-2 Patient Cost-Sharing: Conventional Wisdom vs. the Evidence 5

- 2-1 State Medicaid Programs Requiring Copayments for
Basic Physician, Clinic, and Hospital Services 20
- 3-1 Selected Studies on the Effects of Cost-Sharing on
Utilization, Expenditures, and Health 24
- 3-2 Summary of the Significant Differences Between
Rand Health Insurance Experiment Plans in the
Predicted Probability of an Episode of Care 28
- 3-3 Medical Effectiveness Groupings Used in the Rand
Health Insurance Experiment 30

APPENDIXES

- A Overview of Technology, Insurance, and the Health
Care System 37**
- B Method of the Study 40**
- C Acknowledgements 41**
- D Selected Additional Research on the Effects of
Patient Cost-Sharing on the Use and Cost of
Health Care 43
- E Abbreviations and Glossary of Terms 47**

REFERENCES 51

INDEX 57