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Private insurance and the utilization of chemical dependency treatment

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Abstract

This study examines how different types of health coverage influence the likelihood of entering treatment for an alcohol problem, and the extent that people in treatment are able to use their insurance to help cover the costs of care. Survey data are analyzed from a sample of problem drinkers drawn from the general population and chemical dependency treatment programs in the same community. We find that, in comparison to being on Medicaid and being uninsured, having private coverage does not significantly alter the odds of treatment entry. Being in a private managed care plan, as compared to traditional indemnity coverage, also does not appear to impact the chances of treatment entry. However, having private coverage, as compared to being on Medicare, doubles the odds of treatment entry. For problem drinkers who obtain treatment, those with private coverage are as or more likely than other insured groups to report that insurance helped to pay treatment expenses. Even so, 10% of those privately insured report having paid for all of their treatment costs out of pocket. We conclude that, while prior studies have rarely found that having insurance significantly impacts alcohol treatment entry, the type of coverage one possesses may matter in some cases. Our results concerning Medicare coverage may point to potential problems with making treatment affordable to some problem drinkers outside the private insurance system.

Keywords: Alcohol treatment; Addiction treatment; Insurance; Health coverage; Medicaid; Medicare; Managed care

1. Introduction

Health care financing in America involves a complex mixture of public and private funds. As compared to the financing of care for other health problems, more chemical dependency treatment funding comes from the public sector, through government block grants as well as public insurance programs such as Medicaid and Medicare. Even so, about one third of the nation's chemical dependency treatment costs are financed from private sources (Rogowski, 1992; Schmidt, Piroth, & Weisner, 1998), making private insurance a potentially important enabler of treatment access for many people in America. This paper addresses the impact of private coverage, relative to other forms of coverage, on the utilization of treatment for an alcohol problem. We profile the extent of health coverage in a population with a defined need for alcohol treatment, examine how much people in treatment actually use their insurance to help defray treatment costs, and how much having private coverage, as opposed to public or no coverage, impacts the overall likelihood of treatment entry.

There are important differences in the benefit designs, cost sharing, and management of public and private insurance plans that could impact access to chemical dependency treatment. First, there are differences in the degree to which managed care has penetrated the private and public insurance markets (Shore, 1996). Studies show that, today, more than 90% of privately insured Americans are in managed care plans (Bureau of Labor Statistics, 2003), and that the transition to private-sector managed care has contributed to tangible reductions in inpatient care, to shorter lengths of stay, and to relative declines in private-sector spending on chemical dependency services (Buck & Umland, 1997; Hay Group, 1999; Iglehart, 1996; McKusick

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et al., 1998; Mechanic & McAlpine, 1999). In contrast, while more than half of Medicaid beneficiaries are in managed care plans, far fewer Medicare beneficiaries are in the managed care portions of that public plan (Fox & Garris, 1999; Rowland & Hanson, 1996; United States Center for Health Statistics, 1999). Furthermore, public and private insurance plans attempt to control costs in different ways through benefit design and cost sharing (Rogowski, 1992). For example, Medicaid plans tend to limit benefits and provider reimbursements to control costs. In contrast, many private purchasers are currently shifting costs onto beneficiaries through higher co-payments, deductibles, and co-insurance (Regopoulos & Trude, 2004).

So far, we have very limited research on the roles that different types of health coverage play in alcohol treatment utilization. The private health insurance system in America is exceedingly complex, with each purchaser using its own approach to structuring alcohol treatment benefits. Consequently, comprehensive data on private insurance, and its role in access to care, are difficult to obtain. Much of what we know about private coverage for chemical dependency comes from national surveys that ask employers about the benefits and structure of their employee health plans. From these data, we know the majority of private health plans cover alcohol and drug detoxification (94%) and outpatient rehabilitation (85%), with HMOs placing more emphasis on outpatient, as opposed to inpatient, coverage (Bureau of Labor Statistics, 2003). Employer surveys provide important aggregate-level information on the extent to which diverse private health plans cover substance abuse services and how those benefits are changing over time. But they are less helpful for understanding how insurance impacts treatment utilization. This is because they do not include independent assessments of patient characteristics—most notably, problem severity—that are needed controls if we want to understand the independent effects of insurance coverage on utilization.

We also have studies based on claims data from private health plans. They provide valuable evidence of how specific changes in private benefits—such as increasing copayments or introducing new forms of managed care—can impact access to care (e.g., Brisson, 2000; Goldman, McCulloch, & Sturm, 1998; Schoenbaum, Zhang, & Sturm, 1998; Sturm, 2000). On the whole, these studies suggest that managed care affects utilization by diverting patients away from high-intensity inpatient settings, and sometimes also by reducing lengths of stay (for reviews, see Galanter, Keller, Dermatis, & Egelko, 2000; Mechanic, Schlesinger, & McAlpine, 1995; Thompson, Burns, Goldman, & Smith, 1992). They also suggest that, as private purchasers increase out-of-pocket costs through higher co-payments and co-insurance, individuals may prove less likely to seek care for alcohol and drug problems (Frank & McGuire, 1986, 1995; Stein, Orlando, & Sturm, 2000; Wells, Manning, Duan, & Ware, 1982; Zuvekas, Banthin, & Selden, 2001). Studies of insurance claims data provide important insights into how private policies are impacting access to care. But they are often confined to isolated populations of plan beneficiaries where data are available, and provide little basis for drawing comparisons with public insurance plans.

Finally, surveys of alcohol problems in general and treatment populations have also informed our understanding of insurance and treatment entry. These studies have largely focused on whether having any insurance coverage at all affects the utilization of care (e.g., Booth, Kirchner, Fortney, Ross, & Rost, 2000; Booth & McLaughlin, 2000; Grant, 1997; Weisner, Matzger, Tam, & Schmidt, 2002). Notably, they have seldom shown that having insurance has a strong effect on treatment entry for a substance abuse problem. Researchers have interpreted this to mean that public sector funding through Medicaid, Medicare and block grants is providing an effective "public safety net" that allows the uninsured to readily access care (Rogowski, 1992; Weisner et al., 2002). Population-based studies are useful because they allow researchers to compare the effects of different types of insurance coverage and because these data often provide a basis for assessing the role of insurance independent of other factors in treatment entry. Yet these studies face problems with collecting reliable self-report data on coverage for alcohol and drug treatment. This is because people participating in surveys seldom know whether their insurance policy includes a chemical dependency benefit unless they have had the occasion to use it.

While several types of studies inform questions about private insurance for alcohol treatment, we still lack a complete understanding of how this form of coverage influences the utilization of care. This paper uses a population-based approach to examine how having private coverage, as opposed to public or no coverage, impacts the likelihood of entering treatment for an alcohol problem. Our data come from survey interviews with a representative sample of problem drinkers in the household population and substance abuse treatment programs of the same community. We begin by profiling the extent of health coverage in this population, and then examine how much people with private insurance and other forms of coverage actually use their benefits to cover the costs of care. As noted, researchers cannot count on survey participants to accurately report whether their insurance policies include a specific benefit for alcohol treatment. By asking the sub-sample of our population in treatment if insurance covered the costs of care, we are able to shed some light on this issue. The final portions of this analysis examine whether having private coverage, as compared to being on Medicare, Medicaid or being uninsured, impacts the likelihood of chemical dependency treatment, controlling on other factors such as problem severity. This analysis also considers, for those with private coverage, whether being in a managed care plan, as opposed to having traditional indemnity coverage, influences the likelihood of obtaining care.