

Comment on Grabowski, Ohsfeldt, & Morrisey

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Disclaimer

- The views presented here are my own and do not necessarily represent the views of the organizations with which I am affiliated.
- In particular, these views do not necessarily represent those of the FTC or any of its commissioners.

Relevance

- Research Question:

What effect do CON laws (and CON-like laws) have on Medicaid nursing home spending?

- Who Cares:

- Medicaid in 1999 spent about \$33 Billion on nursing homes
- CON is normally defended as a cost-control measure (in contexts where the market is not expected to provide proper discipline)

Data

- Data: Panel of States
 - Medicaid spending on nursing homes
 - Presence of CON laws
 - Other variables
 - 1981 – 1998
 - 882 observations

Method

● “Natural Experiment”

- Identify control group of States which did not change their policy
- Identify treatment group of States which repealed CON
- Compare spending growth between treatment and control in years surrounding policy changes

Results

- CON repeal has no statistically significant effect on spending
- This is interpreted as evidence that CON repeal has no or very little effect on spending

Things to like

- Important policy question
- Appropriate data and theory
- Simple, well-described, appropriate empirical approach
- Awareness of limitations and attempts to check robustness of results

Certainly Nothing or Nothing for Certain?

- In Table 1 GOM find that CON repeal increases spending by 3% with a standard error of 3%
- Thus, we can be 95% certain that spending increases by between -3% and +9% following CON repeal
- “Statistically insignificant” just means that 0% is in the range.

Certainly Nothing or Nothing for Certain?

- This means that a person could reasonably believe that CON has no effect
- But, it also means that a person could reasonably believe that CON reduces spending by 5% or by 8% or by 9%
- This is with the assumption that GOM do everything right

Treatment Group – definition

- Many of the States/Years in the treatment group may belong in the control group
 - IN repealed CON in 1996 only
 - Intensity of CON is probably a big deal: does CA belong in the treatment group, for example?
- Effect is to reduce the measured effect of CON repeal below the true effect

Treatment-Control Similarity

- Treatment group: States in which there was a repeal without a moratorium
- Treatment group:
CA, CO, ID, IN, KS, NV, NM, PA, UT, WY
- Are these representative of the whole?
- Does the fact that CON repeal in the West had no effect mean it would have no effect elsewhere?

Conclusion

- Well-done and presented analysis
- A contribution to our knowledge about an important policy question
- Evidence that CON probably does not reduce Medicaid nursing home spending by much more than 10% and may have no effect at all
- But is \$3 billion / year small potatoes?