

Regional variation in Medicare Part A, Part B, and Part D spending and service use

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Spending and service use are very different measures

- Spending (outlays by Medicare) variation is affected by prices, special payments (IME), volume, service complexity, health status
- Service use variation is affected by volume and service complexity; we remove effects of prices, special payments, and health status from spending
- Areas where spending is high do not always have high service use

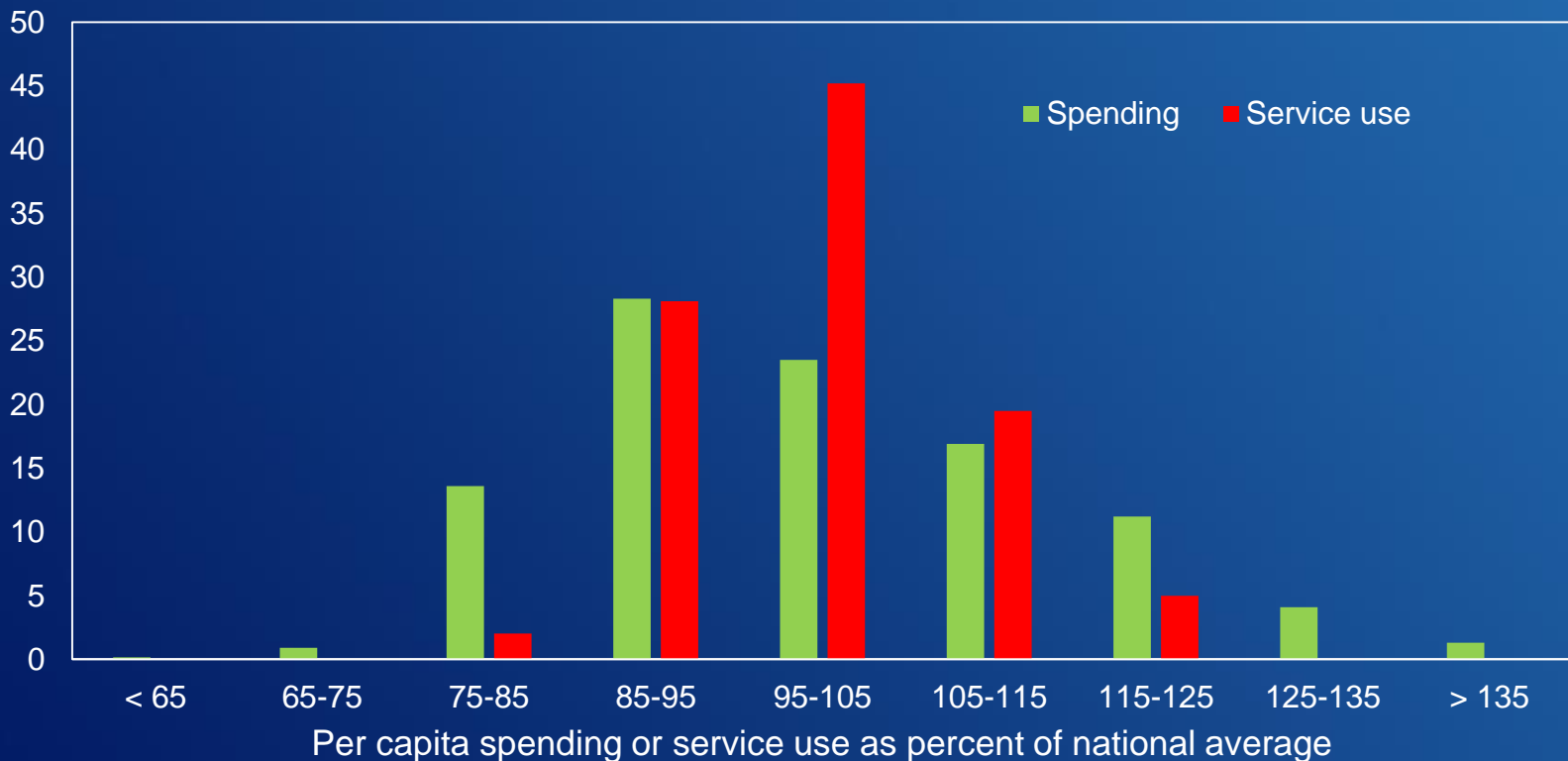
Overview

- Examine variation in Medicare spending and service use among
 - FFS population (Parts A and B)
 - FFS population with Part D (Parts A, B, and D)
- Compare our findings from this analysis to our findings from 2011 report

Method

- Spending: 2013, 2014 data from MBSF (claims summarized to beneficiary level)
- Service use
 - Adjusted spending for differences in HWIs, GPCIs, and add-on payments (IME, PCIP)
 - Used regressions to adjust for demographics and health (HCCs, institutional status, Medicaid status)
- Determined per capita spending and service use for 484 geographic areas (MedPAC areas)
 - Based on metropolitan statistical areas
 - Areas not in MSAs combined into statewide nonmetro

Variation in per capita Part A and Part B spending and service use, 2013-14



Source: MedPAC analysis of 2013 and 2014 beneficiary-level spending from Medicare Beneficiary Summary File and Medicare inpatient claims.

Service use has less variation than spending; much variation remains

- Both spending and service use have large differences between the extremes, but spending has larger difference
 - Ratio of area at 90th percentile to area at 10th percentile is 1.47 for spending; 1.24 for service use
- Other variation measures show service use has less variation than spending, but large differences remain
- On average, per capita service use nearly equal in urban and rural areas

Post-acute care (PAC) is substantial source of variation

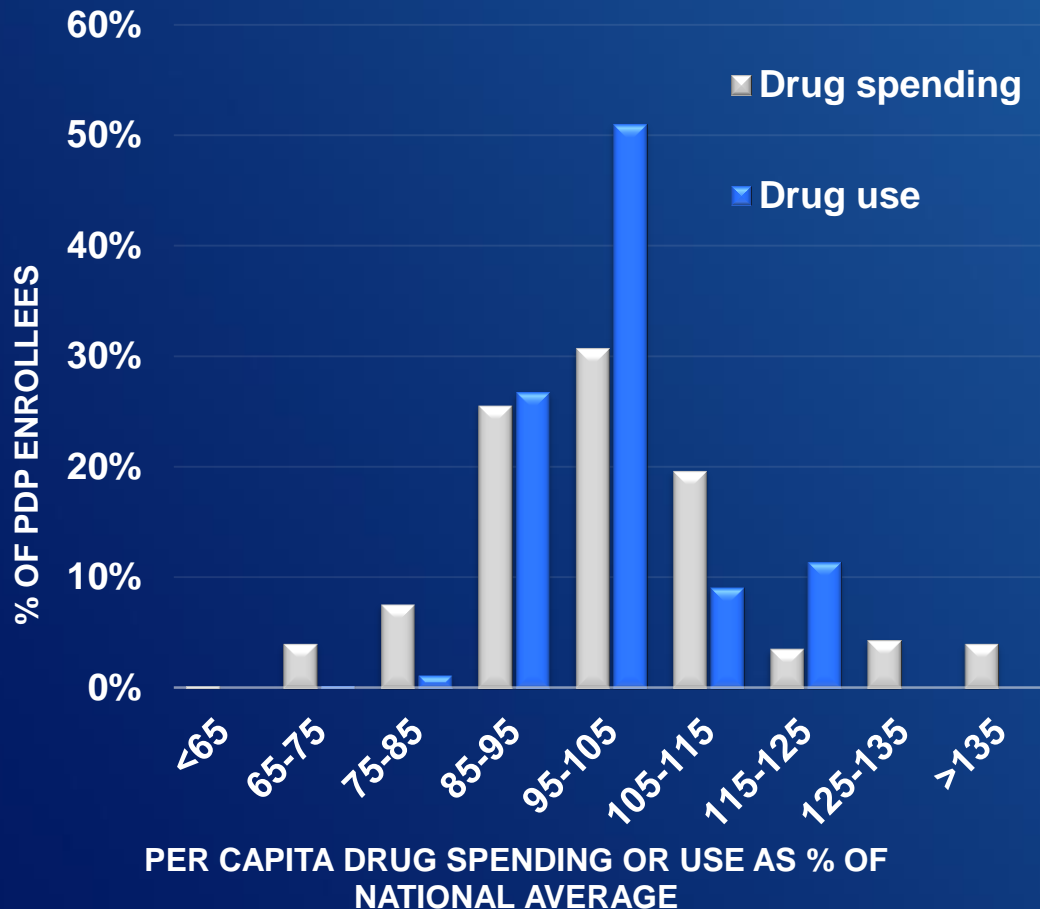
- Evaluated variation in service use in 3 broad sectors: Inpatient, ambulatory, and PAC
- PAC has much more variation than the other two sectors; 90th percentile to 10th percentile
 - 1.88 for PAC
 - 1.16 for inpatient
 - 1.20 for ambulatory
- High variation in PAC affects variation in total use; level of PAC use strongly related to level of total use

A subset of FFS beneficiaries with Part D drug coverage

- In 2014, 25.1 million (about 62% of FFS beneficiaries) enrolled in stand-alone PDPs
- PDP enrollees compared with FFS population
 - More likely to be female (58% vs. 54%), disabled under age 65 (22% vs. 20%)
 - Less likely to be age 65-69 (23% vs. 27%)
 - Have higher Parts A and B spending per beneficiary per month (\$1,060 vs. \$882)
 - Have higher prevalence of medical conditions

Among PDP enrollees, drug use varies less than spending

DATA ARE PRELIMINARY AND SUBJECT TO CHANGE



- Drug use is spending adjusted for variations in prices, demographic characteristics, and health status
- Within $\pm 5\%$ of national average
 - Drug use: 51%
 - Drug spending: 31%
- Ratio of 90th to 10th percentile
 - Drug use: 1.21
 - Drug spending: 1.38

Medical service use and drug use among PDP enrollees

- Drug use is more concentrated than medical (Parts A and B) service use
- Combined medical and drug use varies less than either component
- No systematic relationship between average drug use and average use of:
 - Total medical services, or
 - Separately, inpatient, ambulatory, or post-acute care servicesin a given geographic area.

Many of our findings are similar to our previous study

- Areas with high (low) spending may not have high (low) service use
- Service use varies less than spending, but large differences remain
- Much of the variation in medical services is due to variation in the use of PAC services
- Medical service use is positively correlated between sectors, but does not appear to be correlated with drug use
- Medical service use does not differ between urban and rural areas

Findings that are different from our previous study

- Variation in medical service use has declined slightly
- Variation in the use of PAC services – while still large – is lower
- Service use in areas that had the highest medical service use (Miami, FL and McAllen, TX) declined (though still higher than the national average)

Next steps

- Any questions or comments?
- Revisions based on Commissioner discussion
- A stand-alone report later in this summer