

Measuring Regional Variation in Service Use • December 2009

“Measuring Regional Variation in Service Use,” is part of an occasional series of stand-alone *Reports to the Congress* from the Medicare Payment Advisory Commission (MedPAC). This report was developed in response to interest from policymakers and members of the Commission who wished to better understand how to compare differences in the use of health care services in Medicare across the country.

Key Terms

Medicare spending is the amount the Medicare program spends per beneficiary in the traditional fee-for-service program. This amount differs by geographic area.

Service use is Medicare spending adjusted to remove the effects of differing wages, payment rates, and health status among geographic areas. The intent is to produce a standardized measure of service use to measure geographic variation across the country.

Key Findings

- Regional variation in service use is not equivalent to regional variation in Medicare spending. The two should not be confused.
- Medicare spending varies in part because of the factors Medicare uses to account for differing wages, payment rates, and health status. We must adjust for those factors to arrive at service use, but the appropriate levels of those payment factors are separate issues that deserve consideration in their own right.
- Although regional variation in service use is smaller than regional variation in Medicare spending, it is substantial: Service use in higher use areas (90th percentile) is about 30 percent greater than in lower use areas (10th percentile). The range between the extremes shows an almost twofold difference, but, at the high end, fraud and abuse may drive some of the highest reported service use.
- Areas that have high levels of service use are not always the areas with high growth rates.
- Service use varies at all geographic levels, including within states and among providers within MSAs.