



Advising the Congress on Medicare issues

Measuring regional variation in service use

Dan Zabinski, Jeff Stensland, and David Glass
September 17, 2009

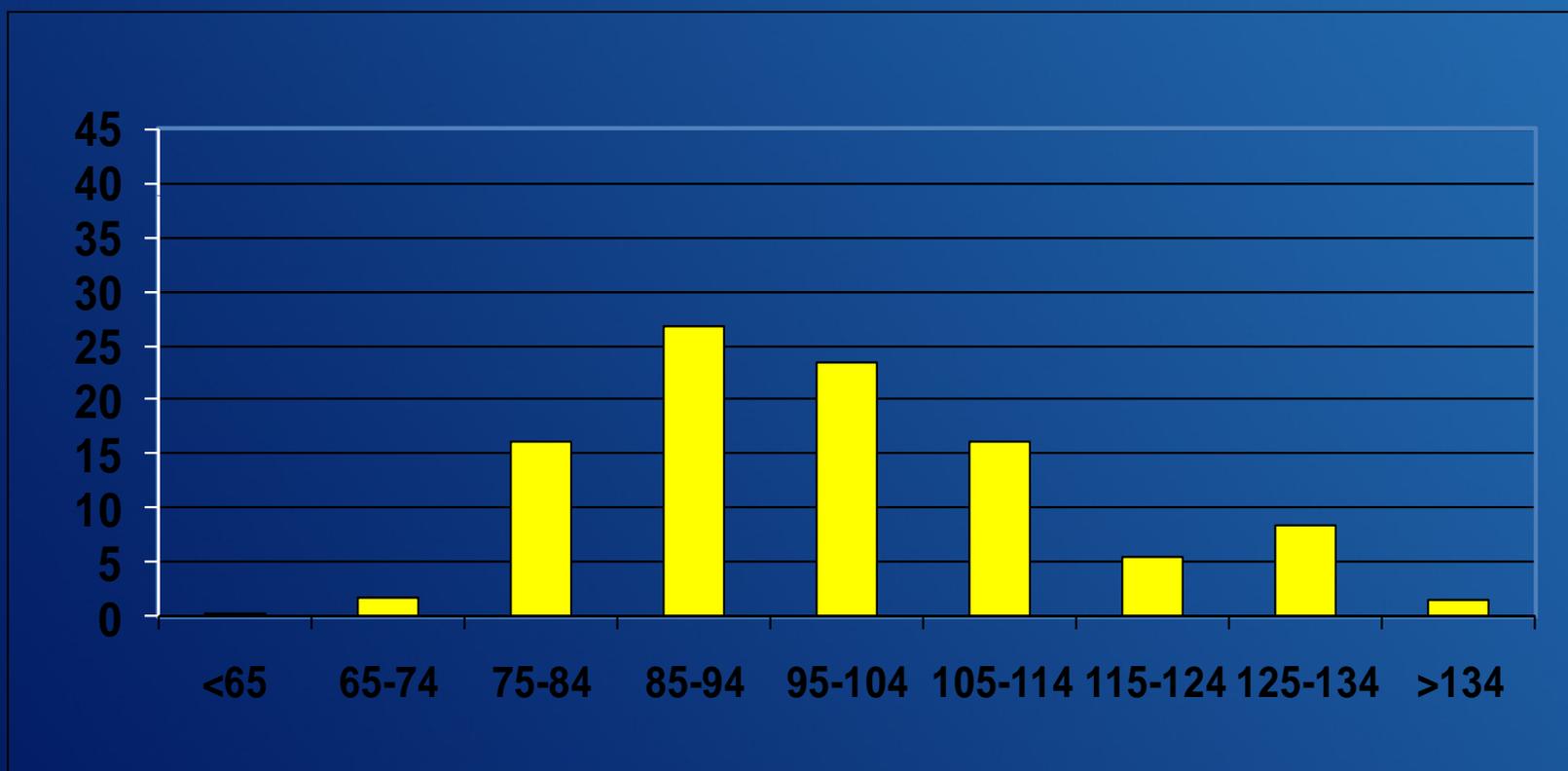
Key findings

- Regional variation in service use is not equivalent to variation in spending
- Levels of service use and rates of growth vary by region
- Spending growth can be high in both high-use and low-use regions
- Could focus on growth and levels of service use

Medicare spending levels vary significantly by MSA

Preliminary data subject to change

Percent of beneficiaries living in MSA with specified level of spending



Percent of national average Medicare spending in 2006

MSA = Metropolitan statistical area. We also include rest of state non-metropolitan areas

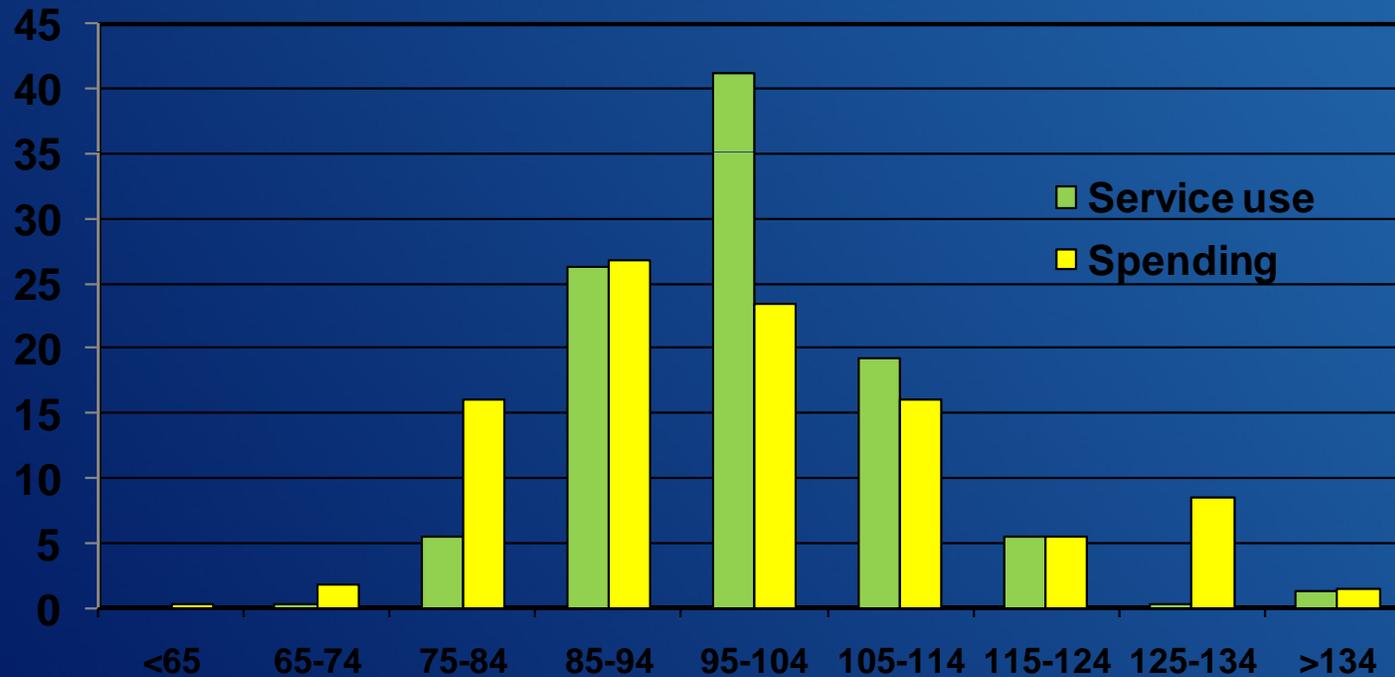
This analysis focuses on service use— not raw spending

- Adjust spending for differences in:
 - Regional prices
 - Health status
 - Special payments (IME, DSH, GME, rural hospitals, HPSA, PSA)
 - Part A/Part B enrollment
- We are interested in service use resulting from differences in practice patterns and care decisions

Service use varies less than unadjusted spending, but substantial differences remain

Preliminary data subject to change

Percent of beneficiaries living in MSA with specified level of service use



Percent of national average

MSA = Metropolitan statistical area. We also include rest of state non-metropolitan areas

Service use is estimated as spending adjusted for input prices, health status and special hospital payments

Low level does not mean low growth

Preliminary data subject to change

MSA	Relative per capita service use, 2004-2006	Relative annual growth 2000-2006	Relative expected per capita increase
A	0.73	1.09	0.79
B	0.84	0.73	0.62
C	0.89	1.41	1.26
D	0.98	0.70	0.68
E	1.12	1.69	1.89
F	1.14	0.56	0.64
G	1.36	1.35	1.84
Nation	1.00	1.00	1.00

Service use per capita is estimated by adjusting CMS data on Medicare spending for differences in health status, local wages, and certain special hospital payments. Growth is computed from 2000 to 2006.

Unique factors may contribute to service use in outlier regions

- 30% difference in service use between MSAs at the 10th and 90th percentiles
- Outliers
 - Unique characteristics may contribute to low service use in Hawaii
 - The Office of Inspector General has raised concerns that fraud and abuse contribute to high service use in Miami

Large differences between Dade and other South Florida counties

County	Count of FFS beneficiaries	2006 Spending per beneficiary	
		DME	Home health
Collier	60,112	\$220	\$330
Monroe	11,025	260	350
Broward	141,283	430	1,150
Dade (Miami)	183,754	2,200	2,800
National avg.	37,285,752	250	370

Source: Acumen compilation of fee-for-service (FFS) Medicare claims data (100% sample) . Spending are annualized for beneficiaries with either Part A or Part B coverage for at least one month during 2006

Methods and data issues

- Methodological choices
 - We examined spending on aged and disabled; others may focus only on aged
 - We grouped beneficiaries based on where they live; others use where they get care
- Data limitations
 - County-level data on beneficiaries, spending, and risk
 - Results are preliminary - refinements possible
- Medicare and non-Medicare utilization

Summary

- Service use varies less than spending, but substantial variation in service use exists
- Some high-use areas have low growth; some low-use areas have high growth
- General agreement:
 - Regional variation exists, and is not fully explained by prices or health status
 - Spending growth is too high