

The Effects of Medicare Beneficiaries' Secondary Insurance Coverage

Results From a June 2009
Report to MedPAC

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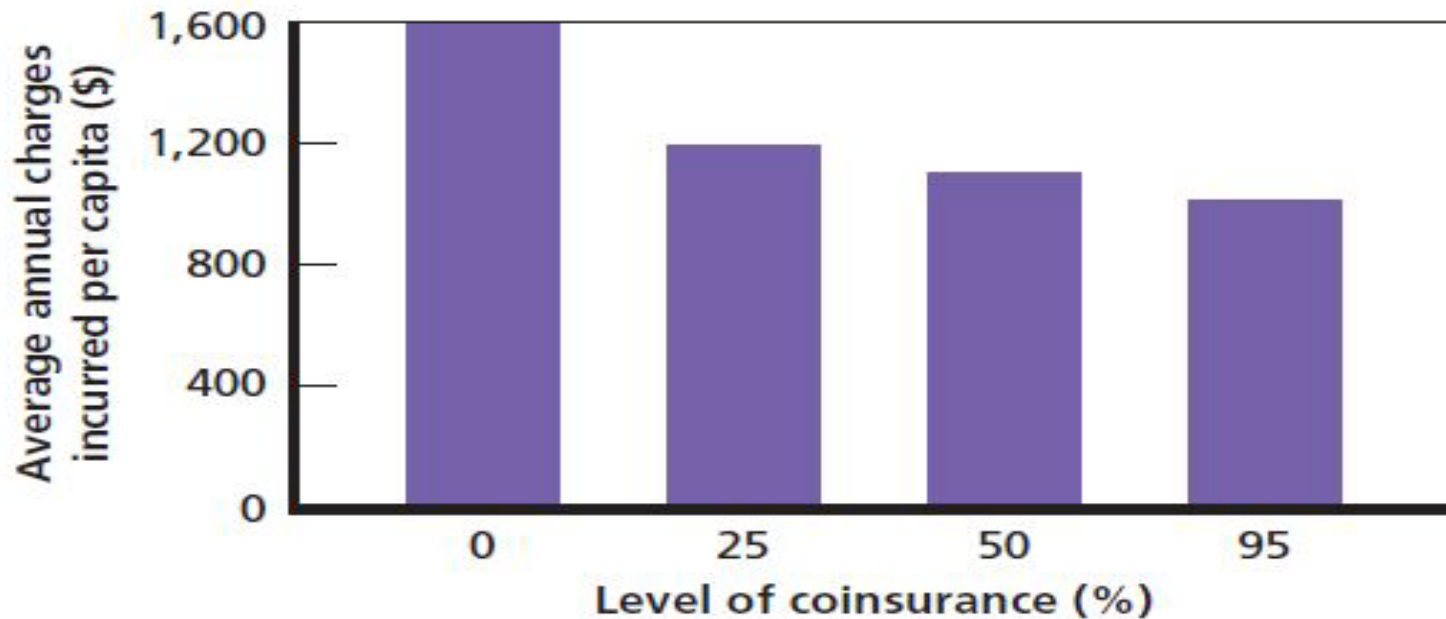
Outline of Talk

- Secondary coverage increases Medicare's costs.
- Impact varies by type of service
 - Larger: office, minor, elective, preventive.
 - Smaller: Inpatient, major, emergency services.
- Largely due to first dollar coverage.
- Effect on health status is a key question.
- Over-65 results parallel those for under-65.

National Health Insurance Experiment (NHIE)

Coinsurance and Spending, 1970s, Under 65

Source: RAND (www.rand.org/pubs/research_briefs/RB9174/index1.html)



SOURCE: Newhouse and the Insurance Experiment Group, 1993, Tables 3.2 and 3.3.

NOTES: Spending numbers include both adults and children. Spending numbers have been adjusted to 2005 dollars using all-items Consumer Price Index.

Relevant NHIE Findings

- Coinsurance impact was not linear
 - 25% coinsurance, 20% spending reduction.
 - 95% coinsurance, 30% spending reduction.
- Affected all types of care
 - Acute or chronic, highly effective or rarely effective.
- Quality of care?
 - “ ... cost sharing did not significantly affect the quality of care received by participants.”
- Health status?
 - “ ... In general ...cost sharing had no adverse effect on participants’ health. However ... **the poorest and sickest** 6 percent of the sample ... had better outcomes under the free plan ...”

What about Medicare?

(Genesis of this study)

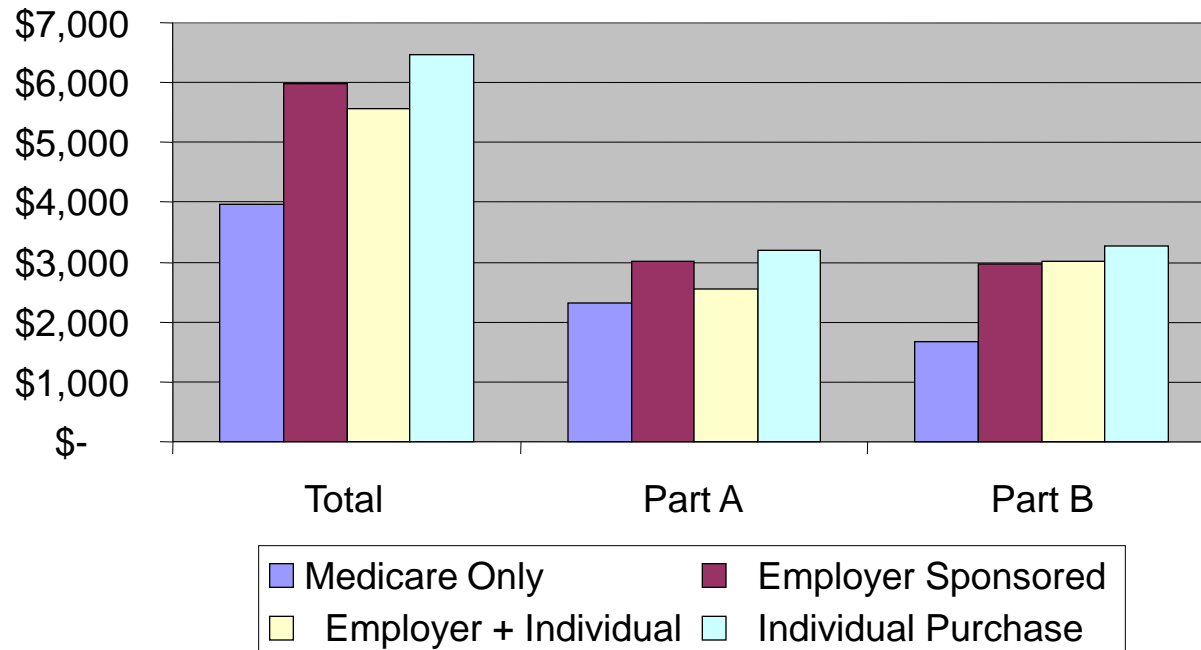
- CBO, PPRC: 1990s.
 - Different data sources, methods, time periods, adjustments.
 - Persons with secondary insurance spent ~25% more than others.
 - Impact highest for Part B; highest for Medigap
- Lemieux et al (2008) disagreed.
 - Prior estimates overstate due to VA coverage.
 - Corrected estimate much smaller.
- **MedPAC** asked for re-analysis, 2009.

Methods

- **Use MCBS 2003-2005, Aged (65+),** have Parts A&B, but not: institutionalized, VA, MA, Medicaid.
- **Define insurance** as MedPAC/CMS do.
- **Find ~1500 persons with no secondary insurance.**
- **Contrast** beneficiaries with and w/o secondary insurance.
- **Adjust** for age, health, disability, education, income.
- **Attribute** remaining \$ difference to insurance impact.
- **Ask: What do they spend it on?**
- **Ask: Impact of first-dollar coverage?**

Un-adjusted: Spending is Roughly 50% Higher for Those With Secondary Coverage

Medicare Outlays by Secondary Insurance Status, 2003-2005 MCBS



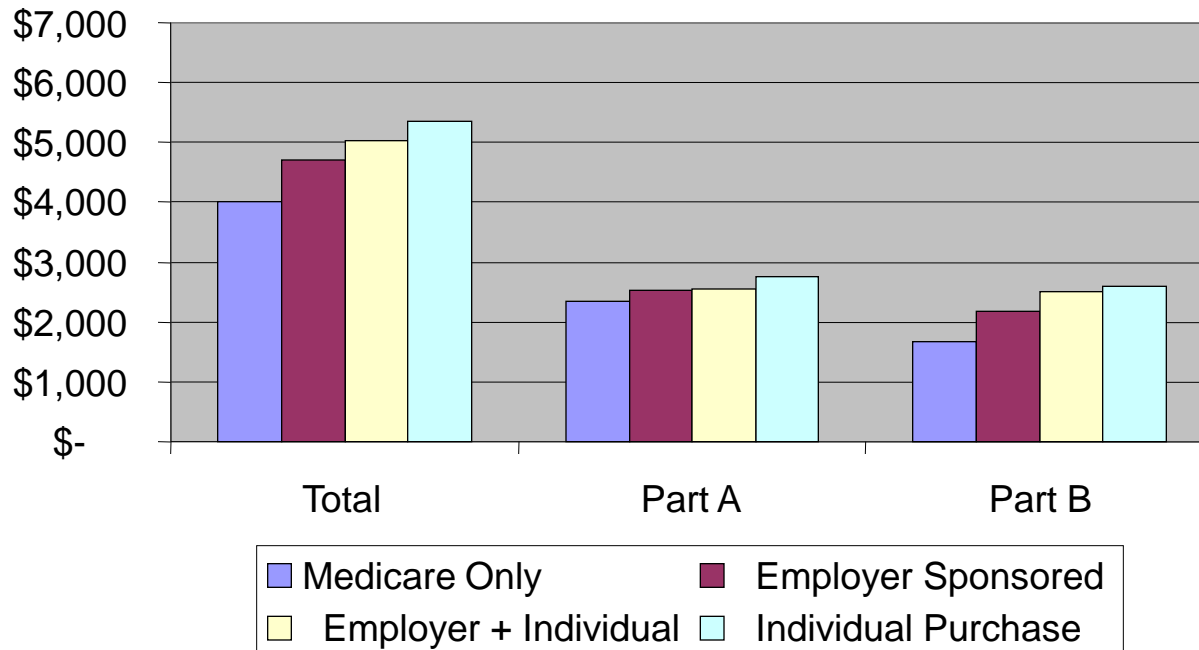
Beneficiaries With Secondary Coverage are Wealthier, Better-Educated, ...

	Medicare Only	Any Supplemental
Average Part B out-of-pocket %	29.7%	7.7%*
No Part B Use	20.0%	5.1%*
Age	73.9	75.3*
Male	47.8%	40.1%*
Married	43.9%	59.8%*
Caucasian	77.3%	92.5%*
High_School_Dropout	45.5%	20.7%*
Number of ADL limitations	51.3%	52.9%
Health very good or excellent	49.7%	49.1%
HCC risk score	91.7%	109.1%*
Currently_Working	17.4%	12.8%*
Income per Adult	\$ 14,711	\$ 22,676*

Source: MCBS 2003-2005 Pooled. "*" indicates $p < .05$, adjusted for MCBS design effects.

Adjusted: Spending is About 25% Higher After Accounting for Those Differences

Medicare Outlays by Secondary Insurance Status, REGRESSION ADJUSTED



What Services do They Use?

- Drill down by type of service.
- Everything regression-adjusted as before.
- CAVEATS
 - No standard way to do this
 - So these are “targets of opportunity”
 - Services come in episodes, not individually
 - Different slides show different services.
 - **Small sample**

Regression-Adjusted Spending Increase: Carrier (Physician) Spending by Site of Service

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Other Sites (not hospital, ASC, office)	\$ 127.29	23%	*
Inpatient	\$ 280.56	32%	**
OPD/ASC	\$ 260.67	33%	***
Office	\$ 643.44	75%	***
Notes: * = $p < .05$, ** = $p < .01$, *** = $p < .001$			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Carrier (Physician) Spending by Specialty

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Radiologists	\$ 118.79	30%	
Generalists	\$ 315.50	36%	***
Surgical specialists	\$ 328.97	50%	***
Medical specialists	\$ 341.39	89%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Carrier (Physician) Spending by BETOS Category

Betos Category	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Emergency Visits (M3)	\$ 57.84	0%	
Major Procedures, Cardiovascular (P2)	\$ 74.20	30%	
Office Visits (M1)	\$ 243.84	45%	***
Imaging, Standard (I1)	\$ 92.10	55%	***
Imaging, Advanced (I2)	\$ 77.59	62%	***
Specialist Visits (M5)	\$ 56.63	78%	***
Minor procedures (P6)	\$ 92.84	89%	***
Endoscopy (P8)	\$ 53.63	100%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Inpatient (Facility) Spending by Admission Type

	Per-capita spending, no secondary insurance	% Increase With Supplemental Insurance	
Emergency	\$ 1,220.59	-6%	
Urgent	\$ 404.89	6%	
Elective	\$ 405.17	90%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

Regression-Adjusted Spending Increase: Screening and Preventive Services *2003-5*

	Per-capita spending or use rate, no secondary insurance	% Increase With Supplemental Insurance	
Preventive services payments	\$ 21.30	97%	***
Fraction with some preventive svc.	0.37	60%	***
Notes: * = p < .05, ** = p < .01, *** = p < .001			
Source: Analysis of MCBS 2003-2005 Cost and Use files.			

What Services do They Use, Summary

Effect of Secondary Insurance	
Bigger Effect	Smaller Effect
Office	Hospital inpatient
Elective admissions	Emergency admissions
Office visits	Emergency visits
Medical specialists	Primary care physicians
Minor procedures	Major procedures
Preventive services	

Increase in Spending by Presence of Chronic Condition and Decedent Status

Spending Increase With Secondary Insurance					
Beneficiary Category	Total		Part A		Part B
Diabetes	6%		-4%		22% **
Cancer	13%		-1%		32% **
Cardiovascular Other Than CHF	14%		4%		34% ***
Congestive Heart Failure (CHF)	20%		13%		36% ***
Chron. Obst. Pulm. Dis.	23%		13%		41% ***
Decedents	25%		20%		44% **
None of the above	67%	***	51%		76% ***
Notes: * = p < .05, ** = p < .01, *** = p < .001					
Source: Analysis of MCBS 2003-2005 Cost and Use files.					
Note: This is total spending for beneficiaries with these conditions					

First-Dollar Coverage Analysis

- Information only revealed by spending, not by details of insurance plan.
- **CAVEAT: This is FAR FROM IDEAL from a statistical standpoint (data censored at low spending levels).**
- But, more “signal” than “noise” if restricted to persons with higher spending.
- Cut the data by total Medicare B spending level to eliminate some of the “noise”.

Increased Medicare Spending by Effective Coinsurance Rate (Bottom Line is “First Dollar Coverage”)

Part B Spending Relative to Beneficiaries With No Secondary Insurance						
For various cutoffs on Medicare Part B reimbursement						
Observed Coinsurance Rate	\$1000 cutoff		\$3000 cutoff		\$5000 Cutoff	
(No Coverage)	\$0		\$0		\$0	
20% or more	-\$88		\$365		\$480	
10% to 20%	-\$295		\$165		\$247	
5% to 10%	\$60		\$599		\$960	
Under 5%	\$1,131	***	\$1,496	***	\$1,962	***
Notes: *** = statistically significant, p < .001						

Conclusions

- Elderly today appear no different from under-65 (NHIE) or from elderly in the past (CBO, PPRC).
- Secondary insurance raises Medicare's costs substantially.
- First-dollar coverage appears key.
- Largest effect for non-emergency, preventive, minor, medical specialist, ...
- But affects use even for those with serious chronic illness.
- I cannot address the medical impact of that.

Afterthought:
Proposed Further Research for MedPAC

- MedPAC is discussing these issues.
- Main research interests appear to be:
 - Potential degeneration of health status for those without secondary insurance.
 - Populations faring poorly without secondary insurance.