

Regional variation in health-care spending and utilization higher in Medicare than private sector

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In the latest *Health Policy Outlook* from the American Enterprise Institute and the Schaeffer Center for Health Policy and Economics at USC, Schaeffer Center researchers investigated whether geographic variations in utilization of health services and spending differed between Medicare and the private sector.

A large body of literature has documented regional variation in Medicare spending and the amount of care provided, leading some to suggest that "high-use" areas such as Miami should be modeled after "low-use" areas such as Minneapolis.

However, a comparison between Medicare and the private sector reveals that this regional variation is often two to three times more pronounced in [Medicare](#) than for the private sector, according to the new study by Darius Lakdawalla, director of research at the Schaeffer Center and associate professor in the USC School of Policy, Planning, and Development; Dana Goldman, director of the Schaeffer Center and Norman Topping Chair in Medicine and Public Policy at USC; and coauthor Tomas Philipson of the University of Chicago.

"What we have shown is that high-use versus low-use is not about geography, as has been asserted. Rather, it has to do with the type of insurer. This suggests the importance of exploring private-sector models for managing utilization," Lakdawalla said.

The results provide a new perspective for improving efficiency in the [Medicare program](#): adopting [private-sector](#) utilization management models in order to allocate health care resources efficiently.

More information: The AEI Health Policy Outlook is available here: www.aei.org/outlook/100975

Provided by University of Southern California

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