

Medicare beneficiaries with higher medical spending have better health outcomes

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(Medical Xpress) -- A new study from George Mason University and the Urban Institute reveals that greater spending on medical services means better overall health for Medicare participants. Health Administration and Policy Professor Jack Hadley and his co-authors, Urban Institute researchers Timothy Waidmann, Stephen Zuckerman, and Robert Berenson, analyzed data from more than 17,000 Medicare beneficiaries to draw this conclusion.

Previous reports showed that Medicare spending varies greatly by geographic area, but with little to show for it-the health outcomes for people who live in expensive geographic areas are not necessarily better than those who live in less expensive geographic areas. As a result, policymakers have considered limiting Medicare payments in high-cost areas.

But, as described in their recent study, "Medical Spending and the Health of the Elderly," the research team found that spending more on Medicare medical expenses actually resulted in greater survival and a better overall health score, using an index that measures perceived health and activity limitations.

"The motivation for the study was a large body of research that's been done over the past ten years that typically has found that there is little or no relationship between how much Medicare spends and the health outcomes of elderly people," Hadley says.

But these studies looked at large swathes of populations, typically by geographic location, and used averages to draw their conclusions. "The implication was that higher spending was not contributing to better health," Hadley says.

He explains, "While that finding is very persuasive, it doesn't look at individuals and the amount of medical care that they each receive." So in this study, the research team used data from the Medicare Current Beneficiary Survey, which collects extensive information from Medicare participants over a three-year span, to determine whether a relationship existed between medical spending and better health.

"The surveys provide much richer information about the person's health condition than one can typically get from insurance claims data," Hadley says.

The full results of the study will appear in an upcoming edition of the journal [Health Services Research](#), which is published by the Health Research and Educational Trust and is an official journal of AcademyHealth.

"Over this three-year period-controlling for people's health when they first come into the survey and new diagnoses they may have had over the course of the three years-what was their health like at the end of the observation period? And did that vary with how much medical care they received as individuals?" Hadley asks.

The statistical analysis indicates that the individuals' health did vary with their [medical care](#) spending. Over a three-year span, for a 10 percent increase in [medical](#) spending, there was 1.9 percent increase in the patient's health score, called the Health and Activity Limitations Index and a 1.5 percent greater survival probability.

The researchers classify this finding as a "modest effect" but stress that "the key thing is that we did find a positive relationship as opposed to other studies which have suggested that there's no relationship between how much care a person receives and what their [health outcomes](#) are."

"This suggests that policymakers need to understand that across-the-board reductions in [Medicare](#) spending in a geographic area or on a national level could have harmful effects on beneficiaries' [health](#)," The Urban Institute's Timothy Waidmann explains. "To look for inefficiencies, you need to look more closely at specific conditions and diseases and how those are treated. Analysis from 40,000 feet just doesn't do that for you."

More information: Medical Spending and the Health of the Elderly, DOI: 10.1111/j.1475-6773.2011.01276.x

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