

Medicare spending linked to longer life, better health in elderly

May 23 2011, By Katherine Kahn

In 2009, Medicare spending grew about 8 percent to over \$502 billion and projections indicate growth at an average rate of nearly 6 percent per year through 2019. Powerful debates are under way in Washington on how to reduce Medicare spending. However, findings of a new study suggest that cutting Medicare spending across the board could result in poorer health outcomes for the elderly.

“What our study finds is that [Medicare](#) beneficiaries who receive more medical care do, in fact, have better [health](#) outcomes,” said lead author Jack Hadley, Ph.D.

Hadley is a senior health economics researcher and associate dean for finance and planning at George Mason University. He co-authored the study with researchers from the Urban Institute, a nonpartisan think tank for economic and social policy research. The study appears online in the journal *Health Services Research*.

The researchers looked at data from 17,438 Medicare beneficiaries who entered the program from 1991 to 1999, and followed them for a three-year period. At baseline, about 22 percent of participants reported fair to poor health, and 30 percent reported having some limitation in daily living skills such as personal hygiene, feeding oneself or walking.

Over 95 percent of beneficiaries survived to the end of the three-year observation period. However, a 10 percent increase in medical spending ? including Medicare payments and out-of-pocket expenses ? was

associated with a 1.2 percent to 1.7 percent greater chance of being alive than for those who spent less. In addition, health status and daily living skills significantly were better for individuals who had 10 percent more medical costs.

These findings appear to contradict recent research that finds that geographic areas of the country where Medicare spending is highest do not show improved health in the elderly when compared to areas with less Medicare spending. Consequently, some experts believe that reducing spending in high-cost areas would both save Medicare money and not have any adverse effect on health.

“We’re not saying there is no inefficiency in the Medicare program, but that if one is looking to reduce inefficiency it should be done at the level of care by looking at particular medical conditions and how they are treated, rather than making across-the-board cuts in geographic regions or nationally,” Hadley said.

Michael Malone, M.D., vice chair of the public policy committee of the American Geriatrics Society’s and medical director for senior services at Aurora Health Care in Milwaukee, cautioned that the new findings should not be taken to mean that more Medicare spending equals better [health outcomes](#).

“Frailty and disability among seniors are strongly associated with increased health costs,” Malone said. “But there is a lot of variability in individuals’ health as they age. I have difficulty in interpreting the information in this study that looks at populations and then interpreting that information when I take care of individuals.”

More information: Hadley J, et al. Medical spending and the health of the elderly. *Health Services Research* online, 2011.

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