

# Researchers find link between higher Medicare spending and joblessness

November 19 2012, by Suzanne Seurattan

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(Medical Xpress)—National economic events, like the Great Recession of 2007-09, can have a far-reaching ripple effect through the economy. In a recent study, researchers at the College of William & Mary found that healthcare is not immune. Their findings are featured in the November issue of *Health Affairs*.

In the study, researchers at the Schroeder Center for Health Policy linked increased [unemployment rates](#), common in times of economic

downturn, with rising [Medicare spending](#).

The study, "State Unemployment in Recessions During 1991-2009 was Linked to Faster Growth in Medicare Spending," noted that "a one-percentage-point rise in the unemployment rate was associated with a \$40 (0.7 percent) increase in Medicare spending per capita," or an increase of more than \$9 billion among all Medicare beneficiaries between 2008 and 2010.

Researchers compared state-level unemployment rates against Medicare spending and usage over nearly two decades, from 1991-2009, and found that increased hospital spending and utilization among Medicare beneficiaries dominate the increases in Medicare per capita spending associated with higher unemployment.

Researchers Melissa McInerney and Jennifer Mellor note one explanation for increased Medicare spending during an economic downturn may be the willingness for healthcare providers to take-on Medicare patients.

"When someone loses a job, they also lose their employer-provided health insurance. Without insurance and without wage income to cover medical care expenses, the unemployed may forego healthcare," said McInerney, assistant professor of economics.

The loss of these privately insured patients from the workforce may leave physicians with more room in their schedule to treat Medicare patients.

"In related research, we found that as state unemployment rates rise, physicians report increased willingness to accept new Medicare patients," she added.

So what happens when the economy rights itself?

"There's concern that one type of patient may be substituted for another," said Mellor, director of the Schroeder Center for Health Policy and the Margaret L. Hamilton Professor of Economics.

The researchers warn that if the pattern also holds as the [economy](#) improves, then when unemployment rates drop, and privately insured patients return, providers may pull back their services to Medicare patients.

"When privately-insured patients return to the marketplace, there is the potential that [Medicare patients](#) could get squeezed out if the healthcare system is at full capacity," Mellor added.

**More information:** [content.healthaffairs.org/content/.../31/11/2464.abstract](https://content.healthaffairs.org/content/31/11/2464.abstract)

Provided by The College of William & Mary

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