

Medicare changes lower hospital use

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A recent study in Health Services Research based on 15 years of hospital data suggests that cuts in Medicare prices under the Affordable Care Act may slow the growth in total overall hospital spending.

"Our findings indicate that when Medicare tightly reins in its inpatient [hospital](#) prices, hospitals scale back overall capacity, resulting in less hospital use by nonelderly [patients](#), not just elderly patients," said Chapin White, Ph.D., lead author and senior policy researcher with RAND Corporation.

White added that this kind of "spillover effect" is important as it exemplifies the way that changes in Medicare prices can affect the health system broadly. Medicare is by far the largest payer of hospital

bills in the U.S., accounting for around 30 percent of total hospital revenues.

White analyzed [hospital discharge data](#) from 1995 to 2009 drawn from 116 metropolitan statistical areas (MSAs) in ten geographically diverse states. These MSAs include about one-third of the US population; 97 million residents overall in 2000, including 84 million nonelderly residents. They found that a 10 percent Medicare price cut was associated with around a 5 percent decrease in discharges among nonelderly patients and around a 6 percent decrease in hospital bed-days.

Some healthcare analysts have suggested that efforts to reduce healthcare [spending](#) in one area, such as lowering payments to hospitals, will result in higher costs elsewhere. The current findings indicate otherwise, instead suggesting that Medicare spending cuts will broadly slow hospital spending among all age groups.

Lauren Hersch Nicholas, Ph.D., assistant professor at the Johns Hopkins School of Public Health, who was not involved in the study noted, "Health economists believe that providers, such as physicians and hospitals, typically adopt a single practice style to treat all patients." So, she says, when one large payer incentivizes providers to offer more efficient care, all their patients receive that kind of care. In this vein, she surmises that the slowdown in Medicare costs anticipated due to Affordable Care Act reforms may bring about fewer admissions and fewer inpatient days for all patients.

Medicare is trying now to accomplish two important goals, to slow down growth in [health care spending](#) and to improve the quality of care for its beneficiaries, explained Nicholas. The study, she says, "suggest that benefits of these policies may extend to nonelderly patients, potentially reducing insurance costs and out-of-pocket healthcare spending for working-age populations."

Provided by Health Behavior News Service

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