

Study finds inflated charges, significant variation in Medicare payment patterns

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UCLA researchers found inflated charges and significant variation in patterns of payments for surgical care by the Centers for Medicare & Medicaid Services (CMS). That charges were inflated compared with payments disproportionately affects the underinsured and uninsured, who often must pay for their care out of pocket.

Surprisingly, the study found that it's not what's happening in the operating room that is driving the payment variations, but procedures that are being done in outpatient clinics.

The findings add fire to the debate over whether Medicare's dollars are being well spent. This is particularly important to address as Medicare accounts for 16 percent of the federal budget and spending is projected to increase sharply in the coming decades, said study first author Dr. Jonathan Bergman, assistant professor of urology and family medicine at the David Geffen School of Medicine at UCLA and the Greater Los Angeles Veterans Administration.

Researchers found that charges are inflated compared with [payments](#), by a factor of three to one. That average payments are only a third of what Medicare charges may not affect insured individuals, but given that Medicare charges are used as a baseline by most insurance companies for their own charges, this inflation affects uninsured individuals and others who pay out of pocket.

The study appears this week in the early online edition of the peer-

reviewed journal *Surgery*.

"More than over 60 percent of bankruptcies in the United States are medical," Bergman said. "The inflated charges we noted in our study may contribute to the burden that health care expenses levy on individuals and families."

For the study, the researchers analyzed CMS public data for 2012, specifically the Medicare Part B provider utilization and payment data. The study found that cost and variation were driven by large-scale, office-based visits and procedures that were typically low-cost, a finding that contradicts the commonly held belief that high-intensity surgical care contributes most to inflated medical costs.

"While cost of surgical care in the United States is significant, our findings show that the most meaningful contributors to cost and variation are treatments that most frequently occur in a clinician's office," Berman said. "Opportunities for improved value within surgical care are important, but perhaps the most meaningful reform can be made by targeting office-based events and procedures rather than what happens in an operating room."

In Medicare's fee-for-service program, Bergman said, higher-earning clinicians achieved high reimbursement by ordering more services for each beneficiary treated. This suggests a misalignment of incentives in fee-for-service reimbursement, a payment model where services are unbundled and paid for separately. The findings suggest a need to consider broadening alternative payment models, such as Accountable Care Organizations or systems like the Veterans Administration, where clinicians are not financially incentivized to perform more procedures on each patient.

Both the Veterans Administration and the safety net have pursued

models in which physician reimbursement is separated from service billing, and outcomes at both the VA and safety net compare favorably with fee-for-service. Several policy mechanisms can be considered, including expanding bundled payments and Accountable Care Organizations, and moving away from fee-for-service payment models.

The reasons for the significant degree of variation noted aren't completely understood and warrant further investigation, but they do point to a need to consider whether the current incentive structure is ideal in the current care environment, Bergman said.

The study also noted significant variation in delivery of care by treatment location. Variation in spending and care delivery by geographic region reflects a potential misalignment of health care resources, as high use of resources is often associated with worse outcomes, suggesting the deleterious effects of certain diagnostic and treatment procedures. Reducing unwarranted variation in spending represents an important avenue for quality improvement, Bergman said, and holds promise in liberating resources that could be targeted to competing societal needs.

"We found significant variation in patterns of payments for surgical care in CMS. Improving our understanding of this variation, and implementing interventions to ensure that necessary care is delivered and unnecessary care is not, may help bridge the value gap that leaves the United States healthcare system as an outlier in cost and quality among industrialized countries," the study states.

Provided by University of California, Los Angeles

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