

Medicare beneficiaries face high out-of-pocket costs for cancer treatment

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Beneficiaries of Medicare who develop cancer and don't have supplemental health insurance incur out-of-pocket expenditures for their treatments averaging one-quarter of their income with some paying as high as 63 percent, according to results of a survey-based study published Nov. 23 in *JAMA Oncology*.

Researchers at the Johns Hopkins Bloomberg School of Public Health and the Johns Hopkins Kimmel Cancer Center say their study shows that a [cancer diagnosis](#) can be a serious financial hardship for many elderly and disabled who receive Medicare, with annual out-of-pocket [costs](#) ranging from \$2,116 to \$8,115, on top of what they pay to have health insurance. The research shows that hospitalizations are a major driver of out-of-pocket costs.

Cancer treatment contributes more to [health care costs](#) in the United States than treatment for any other disease, say the researchers.

"The spending associated with a new cancer diagnosis gets very high quickly, even if you have insurance," says one of the study's authors, Lauren Hersch Nicholas, PhD, MPP, an assistant professor in the Department of Health Policy and Management at the Bloomberg School. "The health shock can be followed by financial toxicity. In many cases, doctors can bring you back to health, but it can be tremendously expensive and a lot of treatments are given without a discussion of the costs or the financial consequences."

For their study, Nicholas and Amol K. Narang, MD, an instructor in the Department of Radiation Oncology and Molecular Radiation Sciences at the Johns Hopkins University School of Medicine and member of the Kimmel Cancer Center, examined data from more than 18,000 Medicare beneficiaries who were interviewed biennially between 2002 and 2012 for the Health and Retirement Survey. The survey is funded by the National Institute on Aging and includes data from seniors in the U.S. with wide geographic, socioeconomic and ethnic representation. Over the course of the study period, more than 1,409 people received a cancer diagnosis.

Medicare covers just 80 percent of outpatient health costs and has co-pays of \$1,000 for each hospital visit. In the study, 15 percent of participants had Medicare alone. Others had some type of supplemental insurance: 50 percent had a Medigap plan or were still receiving employer or retiree benefits; 20 percent participated in a Medicare HMO; nine percent received Medicaid (the federal plan for the poorest Americans); and six percent got benefits from the Veteran's Administration (VA). Each type of insurance covers a varying amount of the costs that Medicare doesn't cover.

The researchers found that the average annual out-of-pocket costs associated with a new cancer diagnosis were \$2,116 for Medicaid beneficiaries; \$2,367 for the VA; \$5,492 for those with employer-sponsored plans; \$5,670 for those with Medigap; \$5,976 for those with a Medicare HMO; and \$8,115 for those without supplemental insurance of any kind. There are no caps on how much Medicare beneficiaries can be asked to pay.

Survey respondents without supplemental insurance reported that their average annual out-of-pocket costs were one-quarter of their annual income and, of those, 10 percent reported that those costs were at least 63 percent of annual income.

"Cancer costs are high, and a significant segment of our seniors who don't have adequate insurance coverage can be hit hard by this," Narang says. "In addition to efforts aimed at lowering cancer costs, we need to think about how to offer our seniors better insurance coverage."

The researchers say one solution, though expensive, would be to cap the amount of out-of-pocket costs a patient can be charged each year. Many private insurance plans have such caps, known as catastrophic coverage. Congress would need to enact such a reform.

Narang and Nicholas found that inpatient hospitalizations accounted for between 12 percent and 46 percent of out-of-pocket cancer spending depending on whether and what type of supplemental insurance a patient had. Inpatient care can be necessary for surgical procedures and to handle severe side effects of treatment.

Narang says that doctors can help avoid hospitalizations with more intensive outpatient management of common side effects. He also points to the Kimmel Cancer Center's urgent care clinic which has reduced hospitalization rates in patients undergoing cancer therapy. For example, among those undergoing radiation, the average number of patients who were hospitalized during their course of treatment or within 60 days decreased from 35 per month to 18 per month after the clinic opened. Of note, 10 percent of hospitalizations over this time resulted in patient liabilities of more than \$2,000; among Medicare patients without supplemental insurance, 10 percent of their hospitalization-associated patient liabilities exceeded \$10,000.

The researchers say that the study's limitations include the potential for inaccuracies in survey respondents' answers, misclassification of data or incomplete reporting. For the study, the researchers provided ranges within certain survey questions when respondents could not identify a specific value.

Because the study did not identify specific information on the type of hospitalizations among survey respondents, Narang says that more research is needed to understand which of these hospitalizations are truly preventable.

"We should expect to spend some of our income on health care," Nicholas says. "But many people are unprepared to spend more than a quarter of their income treating a single disease. The physical disease is terrible and then you have to figure out how to deal with the economic fallout associated with paying to treat it."

"Out-of-pocket spending and financial burden among Medicare beneficiaries with [cancer](#)" was written by Amol K. Narang and Lauren Hersch Nicholas.

More information: *JAMA Oncol.* Published online November 23, 2016. [DOI: 10.1001/jamaoncol.2016.4865](https://doi.org/10.1001/jamaoncol.2016.4865);

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