

Cheaper private health care prices mean more Medicare spending

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When private prices for health care services decrease, Medicare spending increases, according to a new study. The finding raises the possibility that physicians and hospitals may be shifting some services to Medicare when they stand to make more money by doing so—though further research will be needed to clearly identify the cause, according to the study's authors.

The study, conducted by the Leonard D. Schaeffer Center for Health Policy and Economics, is the first in a series of attempts to mine reams of [health care spending](#) data gathered by the Institute of Medicine in 2013.

"It turns out that what happens in private health care may not stay in private health care," said John Romley, research assistant professor at the USC Price School of Public Policy and lead researcher on the study. "If a private health plan manages to negotiate lower prices with [health care providers](#), they may make up the difference by providing additional health care to Medicare beneficiaries."

Romley collaborated with Sarah Axeen, Darius Lakdawalla and Dana Goldman of the USC Schaeffer Center as well as Michael Chernew of Harvard University and Jay Bhattacharya of Stanford University. The findings were published online by *Health Services Research* on Nov. 27.

The team examined data from more than 300 geographic regions covering the United States, exploring Medicare spending on inpatient

and outpatient care and prescription drugs for fee-for-service beneficiaries.

The researchers found that a 10 percent lower private price for health care is associated with a 3 percent increase in Medicare spending per member per year, and 4.3 percent more specialist visits.

Next, Romley plans to explore how mergers among insurers affect private health care prices, and ultimately Medicare utilization and spending.

"We've known for a long time that some parts of the U.S. have much higher Medicare spending than others, but not necessarily a higher quality of care. But Medicare is only 20 percent of U.S. health care spending, and we're only now beginning to understand how private [health care](#) differs throughout the U.S.," Romley said.

More information: The report can be found online here: onlinelibrary.wiley.com/enhanced/doi/10.1111/1475-6773.12262/

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