Medicare patients in poorest US counties more likely to incur higher out-of-pocket hospitalization expenses

25 October 2017

Credit: CC0 Public Domain

When Medicare beneficiaries are admitted to the hospital, their care is normally covered by Part A benefits with a fixed deductible. However, when the hospital stay is "for observation," Part B benefits take over, bringing with them cost-sharing and potentially large out-of-pocket expenses. In a study published in *The American Journal of Medicine*, researchers found that patients in low-income U.S. counties utilized observation care more commonly than those of wealthier counties, potentially exposing them to high out-of-pocket expenses.

"We know from prior work that multiple observation stays can lead to high out-of-pocket costs for Medicare beneficiaries," explained lead investigator Jennifer N. Goldstein, MD, MSc, a hospitalist with Christiana Care Hospitalist Partners and an assistant program director for Christiana Care's Internal Medicine Residency Program. "To our knowledge, this is the first nationally representative study to find that beneficiaries who are least able to afford it may be at greatest risk for incurring these high costs. Current Medicare cost-sharing policies related to observation care may place a disproportionate financial burden on low-income beneficiaries."

Using data from over 56,000,000 claims from a 2013 Medicare Part B Limited Data Set, researchers identified 132,539 observation stays representing 67,641 individuals. Publicly available income and poverty data from the U.S. Census Bureau were used to divide the beneficiaries into four groups depending on the poverty level of their county of residence, from Wealthiest, (poverty rate 19.1%).

This investigation determined that beneficiaries living in the poorest counties were almost 25% more likely to have multiple observation visits and that those in poor counties were 17% more likely to sustain high out-of-pocket costs compared to patients living in wealthier counties.

In 2013, the U.S. Centers for Medicare and Medicaid Services changed the definition of observation status. In contrast to previous policies that accounted for the patient's clinical condition, the new policy, called the "2-Midnight Rule," only accounts for the anticipated time required for the hospital stay: Patients with an anticipated stay of less than two midnights are hospitalized under observations status, regardless of how ill they may be.

The 2-Midnight Rule raises the stakes because it extends the cost-sharing responsibilities of Medicare Part B to a larger proportion of hospitalized patients. Costs incurred under observation status also are directly related to the services provided and increase dramatically with increased length of stay.

While this was a retrospective, observational analysis which cannot infer causality, and the income level of each individual patient was unknown and only estimated from county-wide data, investigators found similar trends regarding demographics and hospital use from studies that had access to more granular data.

"It is important to establish and maintain a relationship with a primary care provider and keep up with regular check-ups to manage chronic medical conditions," added Dr. Goldstein, also a clinical assistant professor at Sidney Kimmel Medical College. "If possible, it is also wise to obtain supplemental insurance, and if eligible, Medicaid, because this government health insurance program can reduce or eliminate out-of-pocket costs for observation care and other Part B services. If a patient is hospitalized under observation status, they should discuss their status and plan of care with their medical provider. Observation status does not mean that the patient is not sick and often the care provided in the hospital cannot be provided in the outpatient setting. However, each case and patient is unique, so it is worth the discussion."

More information: Jennifer N. Goldstein et al, Observation Status, Poverty, and High Financial Liability Among Medicare Beneficiaries, *The American Journal of Medicine* (2017). DOI: 10.1016/j.amjmed.2017.07.013

Provided by Elsevier