

Medicare: Cost and Prevalence of Chronic Conditions

Most people with Medicare have chronic conditions that require ongoing monitoring, treatment, and coordination of care among multiple providers to prevent or delay a decline in health status. The current Medicare program is not well designed to meet the needs of most current or future beneficiaries.

People with Medicare Are More Likely to Have Chronic Conditions

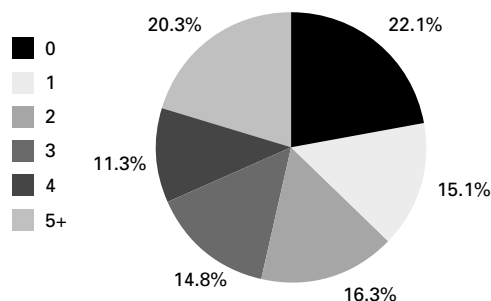
Medicare is a government-sponsored health insurance program for people ages 65 and older as well as younger people with disabilities, most of whom have chronic health conditions. Seventy-eight percent of people with Medicare have one or more chronic conditions, compared to 41 percent of privately insured people. Overall, 45 percent of all Americans have chronic health conditions.

Most People with Medicare Have Multiple Chronic Conditions

- More than 60 percent of people with Medicare have two or more chronic conditions.
- Twenty percent of people with Medicare have five or more chronic conditions.

Figure 1

Percent of People with Medicare by Number of Chronic Conditions



Source: Medicare Standard Analytic File, 1999.

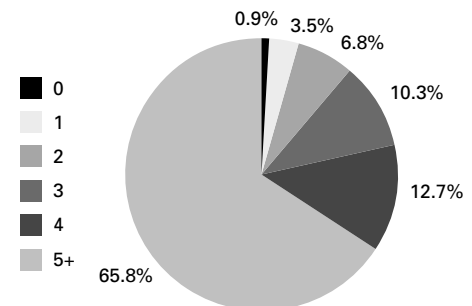
Almost All of Medicare Spending is for People with Chronic Conditions

- More than three-fourths of people with Medicare have at least one chronic condition, and 99 percent of program spending is on their behalf.

- Two-thirds of Medicare spending is on behalf of the 20 percent of people with Medicare who have five or more chronic conditions.
- The average annual spending in the Medicare program for a person with five or more chronic conditions is \$13,700 compared to \$1,750 for a person with two chronic conditions or \$980 for a person with one chronic condition.

Figure 2

Medicare Spending by Number of Chronic Conditions



Source: Medicare Standard Analytic File, 1999.

People with Medicare Who Have Multiple Chronic Conditions Use More Health Care Services

People with Medicare who have five or more chronic conditions:

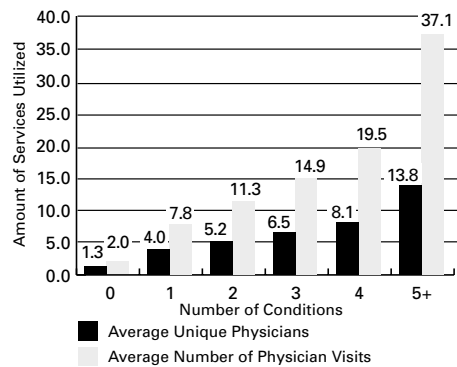
- Visit physicians more than four times as often as those with only one chronic condition;
- See more than three times as many physicians as those with only one chronic condition; and
- Receive almost five times the number of prescriptions as those with one chronic condition.

Multiple Chronic Conditions Can Lead to Poor Outcomes

People with Medicare who have multiple chronic conditions use far more health care services than other people with Medicare, although they often have worse outcomes.

Figure 3

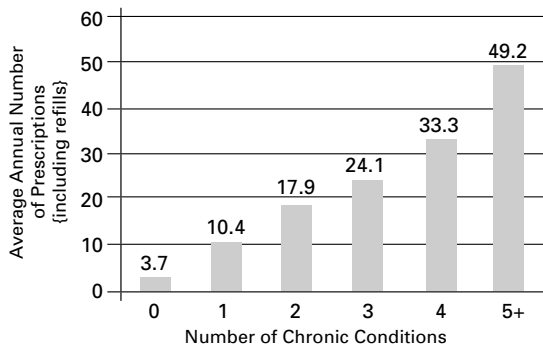
Outpatient Utilization by Number of Chronic Conditions



Source: Medicare Standard Analytic File, 1999.

Figure 4

Average Annual Prescriptions by Number of Chronic Conditions



Source: Medical Expenditure Panel Survey, 1996.

The more chronic conditions a person has, the greater the likelihood of hospitalization for medical conditions that could have been effectively treated on an outpatient basis before becoming acute. These conditions are known as ambulatory care sensitive conditions (ACSCs):

- Only seven out of 1,000 people with Medicare, age 65 and older, who have one chronic condition are hospitalized annually for an ACSC compared to 95 admissions for every 1,000 beneficiaries with five chronic conditions, and 261 admissions for every 1,000 beneficiaries with 10 or more chronic conditions.

Conclusion

Although Medicare is designed to provide coverage for episodic care, the majority of people with Medicare have one or more chronic conditions and would, therefore, benefit from coverage more oriented toward chronic care.

People who have 14 different doctors, visit physicians 40 times a year, and fill almost 50 prescriptions annually need their medical care coordinated. Currently, there is no incentive or support for physicians to provide such coordination.

Many people with Medicare also need access to supportive services such as home health care, personal care, and transportation in order to optimize their medical treatment. Medicare does not cover many of these services. There is no mechanism in the current Medicare program for physicians or other health professionals to leverage supportive services on behalf of their patients.

As policymakers consider changes to the Medicare program to fit the needs of current and future beneficiaries, they may want to consider the following options that can address issues related to care coordination for people with Medicare who have chronic conditions:

- General education for people with Medicare on the importance of having a medical home.
- A payment for complex care management available to physicians willing to take on a clinical coordinating role on behalf of people with Medicare who have multiple chronic conditions.
- A case management benefit in Medicare that would help beneficiaries leverage other non-Medicare covered services that can improve the effectiveness of medical treatment.

About Partnership for Solutions

Partnership for Solutions, led by Johns Hopkins University and The Robert Wood Johnson Foundation, is an initiative to improve the care and quality of life for the estimated 125 million Americans with chronic health conditions. The Partnership is engaged in three major activities: conducting original research and identifying existing research that clarifies the nature of the problem; communicating these research findings to policymakers, business leaders, health professionals, advocates, and others; and working with public and private programs to identify promising solutions to the problems faced by people with chronic conditions.

The Partners:

Alzheimer’s Association, American Academy of Pediatrics, American Diabetes Association, American Geriatrics Society, Family Voices, National Alliance for the Mentally Ill, National Chronic Care Consortium

Data sources

1996 Medical Expenditure Panel Survey for information about prescription drugs and information about the non-Medicare population.

1999 Medicare Standard Analytic File, which (except for information on ACSCs) includes the under age 65 Medicare population and excludes people who died during the survey year.