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Costs of expanding healthcare coverage partly offset by future Medicare savings

FINDINGS

The costs of universal coverage are partly offset by later savings in Medicare. New research found that individuals who lacked health insurance at some point between the ages of 51 and 64 cost Medicare more than those who had continuous coverage in the years prior to Medicare eligibility. On average, those who were previously uninsured cost Medicare an additional \$1,000 annually per person when compared with those who had been consistently covered. Had they been insured they would have likely cost Medicare less.

RELEVANCE

Typically, when the costs of covering the uninsured are calculated, analysts focus on the increased use of health care associated with gaining coverage but not the resulting health benefits. These health gains may be substantial, particularly for those with treatable medical conditions, and can lead to economic benefits if healthier adults require less health care for preventable complications. This is the first published study to use actual Medicare claims data to demonstrate how expanding health insurance coverage before age 65 may lead to lower Medicare spending after age 65.

PRINCIPAL INVESTIGATORS

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JOURNAL

Annals of Internal Medicine

FUNDING

The Commonwealth Fund

Boston, MA (Sep XX, 2009)—Expanding health coverage might not cost as much as policymakers assume.

New findings from researchers at Harvard Medical School demonstrate that individuals who were either continuously or intermittently uninsured between the ages of 51 and 64 cost Medicare more than those who had continuous insurance coverage in the years prior to Medicare eligibility.

On average, those who were previously uninsured cost Medicare an additional \$1,000 annually per person when compared with those who had been consistently covered. These increased costs were due primarily to complications resulting from cardiovascular disease and diabetes and from apparently delayed surgeries for arthritis.

Had these middle-aged adults been consistently covered, they would have likely cost Medicare less.

“Providing health insurance coverage to older uninsured adults may not cost as much as previously thought,” says lead author J. Michael McWilliams, Harvard Medical School assistant professor of health care policy and medicine and a practicing internist at Brigham and Women’s Hospital.

The study, published early online in the *Annals of Internal Medicine*, was funded by the Commonwealth Fund, a private foundation supporting independent research on health policy reform and a high performance health system.

In order to get a comprehensive picture of how coverage before age 65—or a lack thereof—affects Medicare spending after age 65, McWilliams and colleagues, including senior author John Ayanian, professor of health care policy and medicine at Harvard Medical School and Brigham and Women’s Hospital and professor of health policy and management at the Harvard School of Public Health, looked at two sources of linked national data.

First, they analyzed information from the Health and Retirement Study, a nationally representative longitudinal survey that collected health insurance and other information from a large sample of adults. Starting in 1992, when members of this sample group were between the ages of 51 and 61, survey information was collected every two years until 2006, tracking each person’s transition into Medicare. From these data they identified two separate groups, one group of 2951 adults who had been continuously insured before becoming eligible for Medicare at age 65, and another group of 1616 adults who were either intermittently or continuously uninsured before age 65.

Next, they analyzed Medicare claims data for these same individuals from age 65 until age 74, using rigorous statistical methods to ensure that the two groups of adults were evenly balanced for all recorded demographic and health characteristics before age 65.

Not only did they find that the previously uninsured cost the Medicare system substantially more than the previously insured (on average, \$5796 versus \$4773 per person annually), but they found that nearly two thirds of this increase was due to potentially preventable hospitalizations and delayed elective procedures.

“The bulk of the higher spending was explained by chronic conditions we know how to treat, which makes perfect clinical sense.” says McWilliams. “When uninsured adults do not receive adequate care for hypertension, heart disease, and diabetes before age 65, they develop complications that require costlier care after age 65.”

For example, after age 65 previously uninsured adults with cardiovascular disease or diabetes had a 48 percent higher risk of hospitalization for complications related to these conditions, complications such as heart attacks, heart failure, and strokes. Those who lacked insurance prior to Medicare and had arthritis were also 86 percent more likely to be hospitalized for hip and knee replacements, suggesting they delayed these surgeries that relieve pain and enhance quality of life until they gained Medicare coverage.

"The debate over health reform has focused on its costs rather than its benefits. This important study shows that closing the gaps in health insurance coverage for older adults can have important benefits in controlling chronic conditions early on—contributing to better health and lower cost once they reach age 65 and qualify for Medicare." said Commonwealth Fund President Karen Davis. "These findings point to the urgent need to act on comprehensive health reform to ensure secure and stable coverage for all Americans, and slow the rise in health care costs for employers, families, and government."

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The researchers estimate that filling in the coverage gaps for adults who are uninsured between ages 51 to 64 would cost \$197 billion due to greater health care utilization before 65. However, this increase in health care for this same group would potentially reduce subsequent Medicare spending by \$98 billion. Thus, the overall net cost would be \$99 billion.

According to Ayanian, “This study suggests that not only are there substantial health benefits to expanding coverage, but that the economic cost may not be as steep as previously thought. These potential economic benefits to the Medicare program are important to consider when evaluating proposals to expand coverage before age 65.”

Written by David Cameron