



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Durable Medical Equipment and Home Health Among the Largest Contributors to Area Variations in Use of Medicare Services

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Synopsis

A study of geographic variation in the use of health care by Medicare fee-for-service beneficiaries reveals that two service categories—durable medical equipment and home health care—are disproportionately responsible for that variation, a possible indication of fraud and abuse. Reforms to how providers are reimbursed and how insurance benefits are designed could promote more efficient use of health care resources.

The Issue

Researchers have documented large geographic variation in the cost of treating Medicare beneficiaries enrolled in the traditional fee-for-service program, with greater spending generally not associated with better clinical outcomes. But less attention has been paid to geographic variation in the use of specific types of medical services. In this Commonwealth Fund–supported study, researchers examined variations in the volume and intensity of services delivered to patients around the country to explore whether certain types of services disproportionately drive total service use. Using Medicare Part A and Part B claims data, the researchers defined 13 service categories encompassing primary care visits, inpatient care, home health care, diagnostic tests, and durable medical equipment, among other services.

“[Durable medical equipment and home health] may be particularly susceptible to fraud and abuse because physicians are unaccountable for utilization after the prescription is made.”

Key Findings

- Beneficiaries used an average of \$12,847 per year (in 2006 dollars) in standardized medical costs covered by Medicare. Hospital care constituted 40 percent of this total; other Part A services, including skilled nursing facilities and home health or hospice, represented an additional 17 percent.

Among Part B services, the largest component was hospital outpatient care, which accounted for 10 percent. Other physician services, including primary care inpatient visits and all specialist evaluation and management visits, accounted for 7 percent. Other service categories, such as diagnostic tests and major procedures, accounted for 2 percent to 4 percent of total utilization.

- Use of services in high-use geographic areas was not necessarily high across all categories of medical services examined, while use in low-use areas was similarly not low across all service categories.
- The mix of service categories differed even among sites with high or low total utilization levels.
- Use of some services varied considerably, far more than variations in total service use across areas. This suggests that different local markets employ different combinations of services to provide medical care.
- The greatest variation in use was seen in durable medical equipment, such as wheelchairs and diabetes care supplies, and physician-administered drugs covered by Part B, such as chemotherapy. Use of diagnostic tests and home health services also varied widely. Home health services and durable medical equipment were determined to be the biggest contributors to overall geographic variation.

Addressing the Problem

The variation in use in the durable medical equipment and home health categories is large enough to warrant further study and possibly policy interventions, the authors say. Both may be susceptible to fraud and abuse, in part, because physicians are not held accountable for utilization after the prescription is made. Patient cost-sharing could reduce inefficiencies in certain services, like home health. For others—including specialist visits and imaging—pay-for-performance, prospective payment systems, and value-based insurance designs may promote greater efficiency.

About the Study

The researchers examined variations in beneficiaries' use of 13 health care services (both hospital and physician services) in 60 communities to investigate: discernible patterns (i.e., high or low overall use); the extent of variation in service categories across sites; and which services vary to the extent that they account for disproportionate geographic variation in total use. They relied on three years of claims data (2004–06) from a sample of elderly beneficiaries enrolled in traditional fee-for-service Medicare.

Bottom Line

Significant variation for two service categories—durable medical equipment and home health—was greater than expected given their contribution to total Medicare costs. Further investigation is warranted.

Citation

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