



# **INTRODUCTION AND HIGHLIGHTS OF FINDINGS**

*Health and Health Care of the Medicare Population: Data from the 2002 Medicare Current Beneficiary Survey* is the eleventh in a series of Medicare beneficiary sourcebooks. The information presented here is drawn from the Medicare Current Beneficiary Survey (MCBS), a rotating panel survey of a nationally representative sample of aged and disabled Medicare beneficiaries. The MCBS is sponsored by the Centers for Medicare and Medicaid Services (CMS), under the general direction of its Office of Research, Development, and Information. Westat, a survey research organization with offices in Rockville, Maryland, has been collecting and disseminating data for the MCBS for more than 10 years of the survey.

The MCBS is a comprehensive source of information on the health status, health care service use and expenditures, health insurance coverage, and socioeconomic and demographic characteristics of aged and disabled Medicare beneficiaries. Survey data are collected three times each year over 4 years, regardless of whether the beneficiary lives in a household or a long-term care facility. The resulting data are disseminated in annual public use files (PUFs) that contain a cross-section of all persons entitled to Medicare during the year. The 2002 MCBS, for example, includes beneficiaries who were entitled to Medicare for all or part of the year, as well as beneficiaries who died in 2002. These data can be used for cross-sectional analyses, or linked to PUFs from previous years for longitudinal analyses of the Medicare population.

One of the strengths of the MCBS is its scope of information on personal health care utilization and expenditures. Respondents are asked about expenditures on Medicare-covered services and health services not typically covered by the Medicare program. Services such as dental care, hearing aids, eyeglasses, and long-term care facility services are typically not covered by Medicare. The MCBS also collects information on out-of-pocket (OOP) payments, third party payers, and use of health care services provided by such agencies as the Veterans Administration to more fully understand the financ-

ing of services not covered by Medicare. This information is used in conjunction with Medicare claims data to determine the amounts paid by Medicare, Medicaid, other public programs, private insurance, and households for each medical service reported by a beneficiary.

Annual data from the MCBS are released to the public in two different PUFs. The Access to Care PUFs, available for calendar years 1991 through 2004, contain information on beneficiaries' access to medical providers, satisfaction with health care, health status and functioning, and demographic and financial characteristics. The files include Medicare claims data for beneficiaries who were enrolled in Medicare for the entire calendar year and were community residents.<sup>1</sup> They provide a snapshot of the "always enrolled" Medicare population, and can be used to analyze characteristics of beneficiaries who were potential or actual users of Medicare-covered services during the entire 12-month period.

The Cost and Use PUFs, available for calendar years 1992 through 2003, are more comprehensive than the Access to Care PUFs. The Cost and Use PUFs include information on services not covered by Medicare, and the samples are chosen to represent all beneficiaries who were ever enrolled in Medicare at any time during a calendar year. The Cost and Use PUFs also contain detailed information on health insurance coverage, as well as health status and functional capacity. The data can be used to analyze total and per capita health care spending by the entire Medicare population, including part-year enrollees and persons who died during the year.

The MCBS sourcebooks include information from both sets of PUFs. The 2002 sourcebook also uses data from previous PUFs. Chapter 2 contains information on emerging trends and patterns between 1992 and 2002. It has sections on the Medicare population, personal health care expenditures (PHCE) by Medicare beneficiaries, vulnerable populations, funding sources, PHCE by service category, and health

<sup>1</sup> Beneficiaries who did not live in long-term care facilities for the entire year are referred to as community residents in the sourcebook.

insurance status of the Medicare population. Sections 1-5 in Chapter 3 contain the same set of the cross-sectional data from the Access to Care and Cost and Use PUFs as previous sourcebooks. Section 6 data tables highlight emerging trends in health and health care utilization between 1992 and 2002.

Appendix A provides a description of the sample design, survey operations, response rates, and structure of the MCBS PUFs. It also includes a discussion of procedures to calculate standard errors for cross-sectional statistics and estimates of net change over time. Appendix B contains a glossary of terms and variables used in the detailed tables. Appendix C contains references.

## HIGHLIGHTS OF FINDINGS

### The Medicare Population

■ In 2002, the Medicare population grew by 1.4 percent, reaching an estimated 41.8 million people. Aged beneficiaries totaled 35.9 million (86 percent) and disabled beneficiaries (beneficiaries under age 65) totaled close to 5.9 million (14 percent).

■ The Annual growth rate for the aged beneficiaries (1.4 percent) was twice the growth rates attained during the late 1990s.

### Personal Health Care Expenditures

■ In 2002, personal health care expenditures (PHCE) by Medicare beneficiaries reached \$500 billion, an annual growth of 7.9 percent. Per capita personal health care expenditures (PHCE) for the Medicare population amounted to \$11,966, an annual growth of 6.4 percent. The growth rate of both aggregate and per-capita PHCE declined, compared with 2001.

■ The Medicare population consumed health care resources in amounts disproportionate to their numbers in the U.S. popula-

tion. Medicare beneficiaries, who constitute 14.6 percent of the U.S. population, spent 39 percent of total U.S. PHCE.

### Funding Sources

■ In 2002, Medicare funded 53 percent of Medicare beneficiaries' health care expenditures while Medicaid funded 11 percent. The remaining 36 percent of their PHCE was funded by out-of-pocket payments (19 percent), private health insurance (13 percent), and other sources (4 percent).

■ Total Medicare payments amounted to \$263 billion, representing a growth of 9 percent over 2001. Per capita Medicare payment, \$6,301, grew 7.4 percent from 2001. Increases were spread among major service types. Medicare payments increased for inpatient hospital (9.2 percent) and home health care (18 percent), whereas growth declined for spending on skilled nursing facility (SNF) care (9.5 percent), outpatient services (11.5 percent), and physician/supplier services (6.7 percent).

■ Medicaid spending on Medicare beneficiaries amounted to \$57 billion, increasing by 3.6 percent since 2001. Growth in the dually-eligible (DE) population increased to 6 percent between 2001 and 2002. As in previous years, the bulk of Medicaid expenditures concentrated on long-term nursing home care and prescription medicines (PM) for the DE population.

■ The growth rate of private health insurance (PHI) payments declined to 12.2 percent between 2001 and 2002. The largest shares of PHI (32 percent) were spent on PM and hospital services.

■ Growth in out-of-pocket spending declined sharply to 3.2 percent between 2001 and 2002. The largest shares of OOP spending were for noncovered services, mostly nursing home care and prescription medicines.

## PHCE by Service Category

■ Inpatient spending by Medicare beneficiaries grew by \$11 billion between 2001 and 2002, a growth rate of 8.8 percent. This increase was due to the steadily rising average cost per inpatient stay (hospital costs inflation), as well as rising inpatient user rates (greater utilization).

■ Spending on ambulatory services increased by \$15.4 billion, an annual growth rate of 9.8 percent. Outpatient hospital services grew by 12.7 percent (an increase of \$5.1 billion), whereas medical provider/supplier services grew by 8.9 percent (an increase of \$10.3 billion). Ambulatory spending increased because of rising user rates and greater intensity of use for both medical provider/supplier and hospital outpatient services.

■ Spending on SNF care increased by 14 percent. The relatively high growth was the lingering effect of higher payments to providers mandated by the BBRA of 1999 and BIPA of 2000. A rise in both user rate and intensity of utilization, as well as modest increase in average payment per stay between 2001 and 2002, also accounted for the double-digit growth rate.

■ Spending on long-term facility care decreased by 1.9 percent (\$1.7 billion) between 2001 and 2002. This contraction was likely due to the lower average cost per stay.

## Insurance Status

■ Private health insurance coverage among Medicare beneficiaries remained high at 35 percent (for employer-sponsored PHI plans) and 32 percent (for individually-purchased PHI) respectively.

■ Medicare beneficiaries' enrollment in Medicare HMOs continued to decline, falling to 15 percent of the noninstitutionalized Medicare population, a decrease of 2 percentage points compared with 2001.