



# 1 INTRODUCTION AND HIGHLIGHTS OF FINDINGS

*Health and Health Care of the Medicare Population: Data from the 2000 Medicare Current Beneficiary Survey* is the ninth 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 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 2000 MCBS, for example, includes beneficiaries who were entitled to Medicare for all or part of the year, as well as beneficiaries who died in 2000. 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. Those services typically not covered by Medicare include purchases of prescription medicines, dental care, hearing aids, eyeglasses, and long-term care facility services. 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 financing 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 2002, 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 2001, 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 2000 sourcebook also uses data from previous PUFs. Chapter 2 contains information on emerging trends and patterns between 1992 and 2000. It has sections on the Medicare population, personal health care expenditures (PHCE) by Medicare beneficiaries, vulnerable populations, funding sources, PHCE by

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<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.

service category, and health 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 2000.

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.

## HIGHLIGHTS OF FINDINGS

### The Medicare Population

■ In 2000, 40.6 million beneficiaries were enrolled in the Medicare program, a growth of 0.7 percent over 1999. Much of the increase was driven by the rapid growth in the disabled population.

### Personal Health Care Expenditures (PHCE)

■ Medicare beneficiaries had PHCE of \$420 billion in 2000, a rise of 10.2 percent since 1999. Per capita PHCE for Medicare beneficiaries was \$10,328, a rise of 9.3 percent over the previous year. Both total and average expenditure growth accelerated between 1999 and 2000.

■ The observed growth in expenditures is attributed to the implementation of the Balanced Budget Refinement Act (BBRA), which eased provider payment reductions mandated by the Balanced Budget Act (BBA). It also is due to the considerable increases in private health insurance premiums that were meant to offset rising medical costs and restore insurer profitability.

Moreover, lagging enrollment growth and volatility in the Medicare managed care market may have contributed as well.

### Vulnerable Populations

■ Due to their greater healthcare needs, several subgroups of the Medicare population incurred higher than average per-capita PHCE, including full-year nursing-home residents, the oldest old, beneficiaries dually eligible for Medicare and Medicaid, and the disabled.

■ Selected groups within the Medicare population indicated very high total (and Medicare-financed) per capita health expenditures: beneficiaries with End Stage Renal Disease, those with at least one inpatient episode, and the deceased. These groups, while representing a small fraction of all beneficiaries, consume a disproportionate share of PHCE. Moreover, nearly 35 percent of all Medicare program spending is accounted for by the 24 percent that report having four or more chronic conditions. Yet many beneficiaries with chronic conditions have limited means to pay for healthcare; almost one in six beneficiaries with two or more conditions report incomes at or below \$10,000 per year.

### Funding Sources

■ About two-thirds of Medicare beneficiaries' PHCE was funded by public sources in 2000. Unlike its modest (0.8 percent) growth between 1998 and 1999, public funding grew rapidly between 1999 and 2000 (9.4 percent). Private funding also slightly accelerated from an annual growth rate of 9.3 percent to 9.8 percent.

■ In 2000, total Medicare payments were \$220 billion, a rise of 8.3 percent since 1999. Per capita Medicare payment was \$5,406, a rise of 7.4 percent. The implementation of the BBRA and shifts in the Medicare managed care market were the primary drivers of the observed growth.

■ In contrast to the relatively stable level evident between 1996 and 1999, Medicaid funding for the dual eligible population grew by a remarkable 15 percent between 1999 and 2000, reaching \$51 billion. Per capita PHCE by dual eligibles also rose for the first time since 1997 to \$18,733 in 2000.

■ Unlike its dramatic (19.5 percent) rise in 1999, funding by private health insurance moderated its growth to 9.0 percent in 2000. Out-of-pocket funding for PHCE grew by 10.3 percent in 2000, the highest annual growth observed since 1992. Evidently, third-party payers continued to shift an ever larger share of medical costs of covered services to Medicare beneficiaries.

### PHCE by Service Category

■ In 2000, healthcare expenditures by Medicare beneficiaries for inpatient services increased by \$7.4 billion, an annual growth rate of 6.7 percent. Its share of PHCE fell to 28.1 percent, continuing a decline evident since 1992. Between 1999 and 2000, inpatient cost per user rose by 6.1 percent, the highest rate observed since 1992.

■ Ambulatory services grew by \$13.4 billion in 2000, a 0.7 percent rise since 1999, maintaining the largest share of PHCE among all types of services (33.3 percent). This growth was primarily driven by the rise in medical provider/supplier services (by \$12.5 billion, a 13.8 percent annual rise). In fact, between 1999 and 2000, the cost per user of medical provider/supplier services increased 13.1 percent.

■ Spending on prescription medications (PM) grew by 18.8 percent, the highest annual rate among all service categories in 2000, rising by \$7.1 billion to reach a share of 10.6 percent of PHCE. Nearly 91 percent of all Medicare beneficiaries used PMs in 2000, and average cost per user reached \$1,267, a 16.9 percent rise since 1999.

Moreover, the average number of PMs per user grew by 10 percent over the previous year. Consumption expanded as the share of PM spending paid out-of-pocket declined over time, while the share paid by private health insurance and Medicaid simultaneously increased.

■ PHCE for nursing home services rose by \$8.5 billion in 2000, at an annual growth rate of 9.8 percent to reach a share of 22.6 percent of PHCE. This was driven by robust spending growth on long-term care services (\$8.6 billion or 11.7 percent since 1999). Largely on account of recent legislation (BBA and BBRA), spending on skilled nursing facility services dropped by 1 percent since 1999, mainly due to a sharp drop in its user rate.

■ In contrast to its steady decline since 1996, home health spending rose by \$1 billion or 11.7 percent between 1999 and 2000, maintaining a small but stable share (2.3 percent) of PHCE. Among noninstitutionalized beneficiaries, the cost per user rose by 16.4 percent between 1999 and 2000.

### Insurance Status

■ Although rates of coverage by private employer-sponsored health insurance remained steady from 1995 through 1999, some noninstitutionalized beneficiaries lost such coverage in 2000, when the coverage rate fell to 32.8 percent. During the same 4-year period, private individually purchased coverage steadily declined. However, coverage rose to 30.3 percent in 2000.

■ Reflecting the instability in the Medicare managed care market, enrollment of noninstitutionalized beneficiaries in Medicare HMOs was 19.4 percent in 2000, the same rate as in 1999. This occurred in light of numerous health plan withdrawals and reductions in service areas, increases in enrollee premiums, and reductions in benefits in response to Medicare+Choice reimbursement provisions of the BBA and BBRA.