



# 1 INTRODUCTION AND HIGHLIGHTS OF FINDINGS

*Health and Health Care of the Medicare Population: Data from the 2001 Medicare Current Beneficiary Survey* is the tenth 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 2001 MCBS, for example, includes beneficiaries who were entitled to Medicare for all or part of the year, as well as beneficiaries who died in 2001. 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 2003, 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 2002, 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 2001 sourcebook also uses data from previous PUFs. Chapter 2 contains information on emerging trends and patterns between 1992 and 2001. 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 insurance status of the Medicare population. Sections 1-5 in Chapter

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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.

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 2001.

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 2001, total Medicare beneficiaries grew to an ever-enrolled population of 41.2 million. The growth rate of the population (1.5 percent) was double that of 2000. The growth rate of aged beneficiaries increased, although still remaining far behind disabled beneficiaries.

■ Over the past 10 years, the Medicare population has become increasingly diverse. In 2001, the proportions of disabled beneficiaries, Medicare and Medicaid dual eligibles (DE), Hispanics, and beneficiaries of other race/ethnicity continued to grow.

### Personal Health Care Expenditures (PHCE)

■ In 2001, personal health care expenditures (PHCE) by Medicare beneficiaries reached \$464 billion, an annual growth of 10.5 percent. Per capita PHCE for the Medicare population amounted to \$11,247, a growth of 8.9 percent compared with 2000.

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

Medicare beneficiaries, who constitute 14.6 percent of the U.S. population, spent 37.5 percent of total U.S. PHCE.

■ Primary factors contributing to the accelerated growth in PHCE included rising Medicare expenditures as a consequence of the Balanced Budget Refinement Act's (BBRA's) effects of payment increases to Medicare providers, large increases in private payments, declines in Medicare managed care enrollment, and the overall sluggish economy.

### Funding Sources

■ Public funding in 2001, mainly Medicare and Medicaid payments, covered 64 percent of PHCE by the Medicare population, while private funding covered 32 percent. The annual growth rate of public funding increased in 2000 to 9.4 percent from less than 1 percent in 1999, and maintained this high rate in 2001 at 9.5 percent. The annual growth rate of private funding continued to increase in 2001 to 13 percent.

■ Total Medicare payments in 2001 amounted to \$242 billion, representing a growth of 10.5 percent over 2000. Per capita Medicare payment, \$5,866, grew 9 percent from 2000. Increases were spread among major service types. More substantial increases were observed in Medicare's payments on ambulatory care (12 percent) and skilled nursing facility (SNF) care (33 percent).

■ Medicaid spending on Medicare beneficiaries amounted to \$54.8 billion, representing a 7 percent growth from 2000. The expansions of the DE subgroup outpaced the growth of the Medicare population, contributing to the higher levels of Medicaid spending. The bulk of Medicaid expenditures concentrated on long-term nursing home care (75 percent) and prescription medications (PMs) (13 percent) for the DE population, amounting to \$41.3 and \$7.2 billion respectively.

■ Private health insurance (PHI) continued its double-digit growth since the mid-1990s, reaching \$59 billion in 2001. The accelerations were attributed to increasing levels of PHI coverage and shifting spending pattern of PHI funds. Over the past 10 years, the bulk of PHI funds were gradually moved toward PM and physician care.

### PHCE by Service Category

■ Medicare beneficiaries' PHCE shares of major service types underwent gradual shifting in the past decade. In 2001, ambulatory and PM care consisted of much larger shares of PHCE, compared with 1992.

■ In spite of gradual declines in the inpatient share of PHCE, the utilization level of inpatient services grew steadily, with a net growth of \$7.5 billion between 2000 and 2001. These increases were explained by higher user rates and higher mean episodes per user.

■ In 2001, total spending on ambulatory services increased by \$17 billion, representing a fast annual growth of 12 percent. The increase in ambulatory spending was attributed to increasing user rates and intensity of use in 2001.

■ Since the mid-1990s, PM spending has escalated at a fast rate. In 2001, PM spending maintained the fast growth, amounting to \$52 billion (a 17 percent growth and a net increase of \$7.5 billion from 2000). The bulk of PM spending was paid by Medicare beneficiaries out-of-pocket (OOP) and by PHI. Between 1992 and 2001, the OOP share of total PM spending declined from 58 percent to 37 percent; whereas PHI's share increased from 25 percent to 35 percent. Increased third-party PM coverage and continued new drug introduction fueled the higher levels of utilization of PMs.

■ In 2001, spending on SNF care surged by a third, most likely associated with Medicare's more generous payments mandated by BBRA. The surge was attributed to higher payments to providers as well as elevated utilization levels.

■ In 2001, total home health care spending by Medicare beneficiaries residing in community reached \$11.1 billion, an 18 percent increase from 2000. These increases were largely attributed to higher prices rather than increased utilization by beneficiaries.

### Insurance Status

■ In 2001, the rate of employer-sponsored PHI coverage among Medicare beneficiaries increased to 34 percent; and the rate of individually-purchased PHI also rose to 32 percent. The rising trend of PHI coverage suggests a shift from tightly managed, lower cost health maintenance organization plans toward plans that allow greater access to providers.

■ In 2001, enrollment in Medicare HMOs declined for the first time since the early 1990s. The total number of enrollees consisted of 17.3 percent of the noninstitutionalized Medicare population, a decline of 2 percentage points compared with 2000.