

### Did you know...

In 2006, Medicare spent almost three times more per capita on seniors with chronic conditions and functional impairment than on seniors with chronic conditions alone?

### About the data:

This analysis is based on the 2006 Medicare Current Beneficiary Survey (MCBS) Cost and Use file, an annual, longitudinal survey of a representative sample of all Medicare enrollees. The MCBS collects information on Activities of Daily Living (ADLs), Instrumental Activities of Daily Living (IADLs), health services utilization, and health spending.

In this analysis, individuals who indicated that they had ever been diagnosed with any of the following conditions, were considered to have chronic conditions: arthritis, Alzheimer's Disease, broken hip, cancer (excluding skin), congestive heart failure, depression, diabetes, hypertension, mental illnesses (excluding depression), myocardial infarction and other heart conditions, osteoporosis, Parkinson's Disease, pulmonary diseases such as emphysema, asthma and Chronic Obstructive Pulmonary Disease, and stroke.

Individuals who indicated that they received help or standby assistance with one or more ADLs and/or three or more IADLs were considered to have functional impairment.

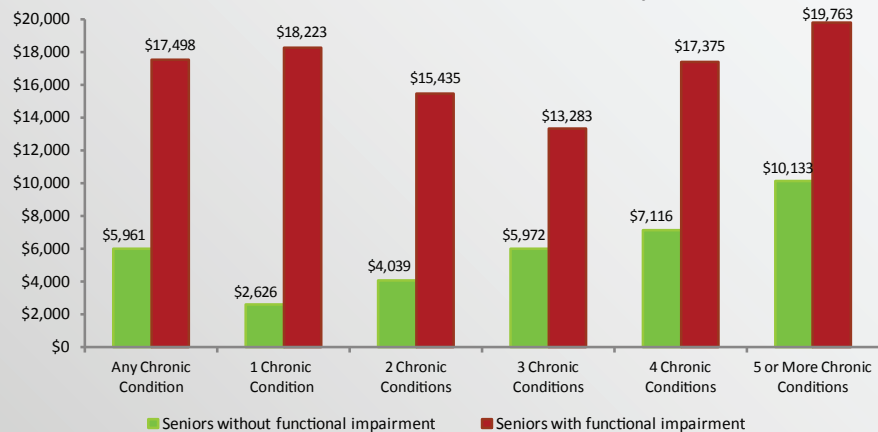
This analysis is limited to individuals age 65 and older who are enrolled in the fee-for-service, or traditional, Medicare program. It excludes beneficiaries who had any Medicare Advantage spending and those who died during the year.

Analytics powered by Avalere Health LLC

- In 2006, 25.7 million Medicare beneficiaries age 65 and older, or 93%, had at least one chronic condition, and 5.8 million beneficiaries, or 21%, had five or more chronic conditions.<sup>1</sup>
- That year, Medicare spent \$198 billion on beneficiaries age 65 and older.<sup>2</sup> Medicare beneficiaries with multiple chronic conditions accounted for higher per capita spending (\$8,222) than beneficiaries with no chronic conditions (\$2,153).<sup>1</sup> The rise in the prevalence of multiple chronic conditions has significantly contributed to Medicare's spending growth.<sup>3</sup>
- 3.6 million Medicare beneficiaries with chronic conditions (about 14%) also had functional impairment, meaning they received help with one or more daily activities such as bathing, eating, and meal preparation.
- Seniors with chronic conditions and functional impairment have higher Medicare spending than seniors with only chronic conditions. In 2006, Medicare spent approximately \$17,498 per capita on seniors with both chronic conditions and functional impairment as compared to about \$5,961 on seniors with one or more chronic conditions and no functional impairment.<sup>1</sup>

### Medicare Spends More, Per Capita, on Seniors with Chronic Conditions and Functional Impairment than Seniors with Only Chronic Conditions

Annual Per Capita Medicare Spending in 2006, by Number of Chronic Conditions and Presence of Functional Impairment<sup>4</sup>



### A Clear Policy Connection

Per capita Medicare spending is higher for seniors with chronic conditions and functional impairment than for seniors with chronic conditions alone. Seniors with chronic conditions and functional impairment require acute care and long-term services and supports (LTSS) from systems that are fragmented. The lack of coordination between acute care and LTSS may contribute to the unnecessary utilization of health services and higher spending on this population.

The Affordable Care Act authorizes a number of opportunities to improve the coordination of acute care and LTSS. One of these opportunities is the medical home pilot program for Medicare beneficiaries with chronic conditions. Medical homes are a model of care in which an entity is responsible for the coordination of an individual's full array of health care services. Care is delivered using a team-based approach. The pilot program is scheduled to begin in January of 2013 and run through 2016, with the possibility of being extended beyond this date based on the program's success. To improve the overall quality of care and reduce the unnecessary utilization of high-cost services, it is critical that medical homes in the pilot partner with community-based LTSS providers to provide these vital services to seniors with chronic conditions and functional impairment.

<sup>1</sup> Avalere Health, LLC. Analysis of the 2006 Medicare Current Beneficiary Survey, Cost and Use file. Excludes beneficiaries who died during 2006.

<sup>2</sup> The SCAN Foundation. DataBrief No. 24: Medicare's Highest Spenders. 2011. Accessed on September 28, 2011 at: <http://www.thescanfoundation.org/foundation-publications/databrief-no-24-medicare-highest-spenders>.

<sup>3</sup> Thorpe, K and Howard, D. "The Rise in Spending Among Medicare Beneficiaries: The Role of Chronic Disease Prevalence and Changes in Treatment Intensity." Health Affairs, 25(5): 2006.

<sup>4</sup> N = 22,104,694 with any chronic conditions and no functional impairment, N = 3,562,347 with any chronic conditions and functional impairment. Excludes beneficiaries who died during 2006.