



Research Facts: Medicare Consumption Patterns

The Diabetes Care Project (DCP) has undertaken a series of studies to develop and examine a new paradigm for "knowing the Medicare beneficiary." A series of three issue briefs analyzing Medicare claims data will focus on better understanding how Medicare beneficiaries with chronic diseases like diabetes utilize their Medicare benefits and how that utilization impacts health outcomes and costs. The first analysis focuses more broadly on chronic disease, with subsequent analyses centered specifically on a cohort of Medicare beneficiaries with diabetes.

“Low Consumption and Higher Medicare Cost: Consumption Clusters in a Medicare Fee-for-Service Population”

The first study by the Diabetes Care Project analyzes the utilization of benefits and services by all Medicare beneficiaries over a six-year period. Results from this analysis show that beneficiaries who consume the least benefits and services – as evidenced by the level of reimbursement associated with their care – are more likely have health issues, costing the program significantly more in the short term.

Key Findings:

- Medicare beneficiaries may be clustered into five consumption groups (crisis consumers, heavy consumers, moderate consumers, light consumers and low consumers). This classification is based on how much Medicare reimbursed for services provided to beneficiaries in any year. These are dynamic clusters whose consumption rates vary significantly from one year to the next.
- The two most-costly clusters are crisis consumers and heavy consumers – representing only 11% of Medicare beneficiaries, but 65% of all costs.
- Each year, as a portion of the less-costly clusters (moderate consumers, light consumers, and low consumers) move into the two most-costly clusters (crisis consumers and heavy consumers), this drives cost increases in Medicare expenses.
- The study shows a potential correlation between the low Medicare reimbursement rate for the care of chronic diseases, the utilization of Medicare services and future high costs to the health care system.
- Low-consumer diabetics are the most likely to under-manage their disease, which leads to poor health outcomes and drives the need for additional care. As such, this group is likely to cost Medicare significantly more in the near term.

