

GAO Highlights

Highlights of [GAO-13-811](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

Why GAO Did This Study

Medicare provides coverage for the cost of many health care services. At the same time, because some services are not covered by Medicare, and because of cost-sharing such as copayments and deductibles, beneficiaries enrolled in Medicare FFS may have significant out-of-pocket expenditures. Most Medicare beneficiaries have some form of additional health care coverage—referred to as supplemental coverage—to help them pay for these costs. For example, Medicare FFS beneficiaries may have supplemental coverage from private insurance companies, called Medigap, or that they receive as retirees through a former employer, referred to as employer-sponsored coverage. This supplemental coverage may reduce any incentive that out-of-pocket costs creates for beneficiaries to be more cost-conscious in their use of services.

GAO was asked to provide information about how Medicare beneficiaries with supplemental coverage compare to Medicare beneficiaries without supplemental coverage with respect to total health care costs and the sources of payment for those costs. In this report, GAO compares average total health care expenditures and sources of payment for Medicare FFS beneficiaries with and without supplemental coverage. GAO analyzed data from the 2010 MCBS, the most recent MCBS data available at the time we conducted our analysis. GAO also reviewed original research studies published since 2008 to understand factors that could affect spending for Medicare beneficiaries with and without supplemental coverage.

View [GAO-13-811](#). For more information, contact John E. Dicken, (202) 512-7114, dickenj@gao.gov.

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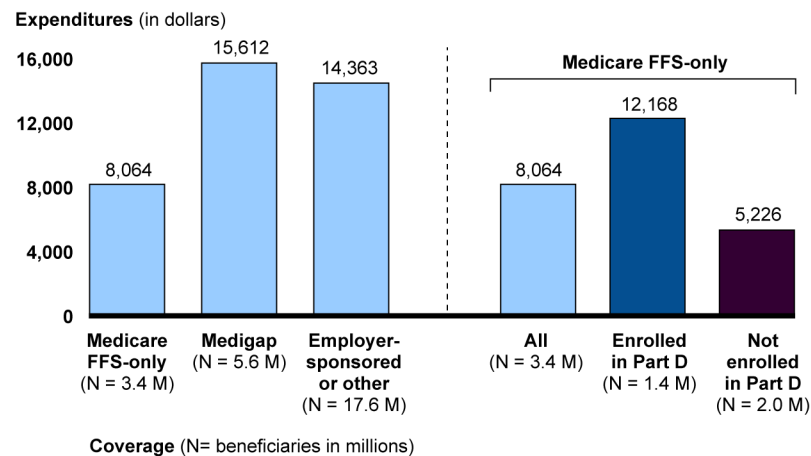
MEDICARE SUPPLEMENTAL COVERAGE

Medigap and Other Factors Are Associated with Higher Estimated Health Care Expenditures

What GAO Found

GAO's analysis of the Centers for Medicare & Medicaid Services' 2010 Medicare Current Beneficiary Survey (MCBS) showed that estimated average total health care expenditures were higher for beneficiaries with Medigap or employer-sponsored coverage than for beneficiaries with traditional fee-for-service (FFS) Medicare only. While estimated average expenditures were lower for beneficiaries with Medicare FFS-only, those who were enrolled in Medicare's Part D prescription drug program had higher average health care expenditures than those without Part D (see fig. below). Although some research has found similar patterns of higher health care expenditures for those with supplemental coverage, other studies have found that certain characteristics, such as health status and age, may influence the decision to purchase supplemental coverage, which could provide a partial explanation of the differences in expenditures. Furthermore, some studies suggest that increasing cost-sharing for those with supplemental coverage could decrease the utilization of (and associated health care expenditures for) certain types of health care such as physician visits, but increase the utilization of (and expenditures for) other types of health care such as inpatient hospitalizations.

Estimated Average Total Health Care Expenditures per Beneficiary by Supplemental Coverage Category and by Part D Enrollment for Medicare FFS-only, 2010



Source: GAO analysis of Medicare Current Beneficiary Survey Cost and Use Data, 2010.

Note: This analysis excludes beneficiaries residing in long term care facilities such as nursing homes.

When looking at the source of payment for health care expenditures, GAO's analysis of 2010 MCBS data showed that estimated average spending by Medicare for those with Medigap or employer-sponsored coverage was greater than for those with Medicare FFS-only. Average Medicare spending for beneficiaries with Medigap was more than twice as much as Medicare spending for beneficiaries with Medicare FFS-only. Similarly, out-of-pocket spending for beneficiaries with Medigap was greater than for those with Medicare FFS-only.

We provided a draft copy of this report to HHS for review. HHS provided technical comments and we addressed them as appropriate.