

Geographical Variation in Health Spending Across the US Among Privately Insured Individuals and Enrollees in Medicaid and Medicare

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Summary: A new paper by researchers at Yale, Stanford, and Dartmouth brings together data on the health spending of hundreds of millions of individuals covered by three main funders of health care in the US – Medicare, Medicaid, and private insurers – to study regional variation in health spending.

The Question: The researchers are focused on analyzing whether there are regions in the US that have simultaneously low or high health spending by each of the three major payers of health care in the US – Medicare, Medicaid, and private insurers – or if instead, distinct factors drive health spending variation for each payer.

The Context: The US spends 18% of gross domestic product – \$3.8 trillion annually – on health care. Health care services in the US are funded by three main payers: Medicare (a federally run program that covers individuals aged 65 years and older and individuals with disabilities) covers 14.2% of the population, Medicaid (a state-run program funded by states and the federal government that covers individuals under certain income thresholds that vary by state) covers 19.8% of the population, and private insurers (which provide both individual and employer-sponsored coverage and are subject to state and federal regulations) cover 49.6% of the population. By most accounts, the US health system is inefficient compared to the health systems in other countries. The question is how to go about reform.

Why Study This Question: It's vital to know whether similar factors drive variation in spending on Medicare beneficiaries, Medicaid beneficiaries, and the privately insured. If similar factors drive spending across the three payers simultaneously, it suggests that there is scope for single policies to meaningfully reduce health spending for large swaths of the population.

What The Study Found: There are very few regions that have simultaneously low (or high) spending across all three payers. There is very little correlation in regional spending among Medicare, Medicaid, and private insurance. While utilization of care is correlated across the payers, the factors that drive spending variation are distinct across payers. Just three regions (Boulder, Colorado; Bloomington, Illinois; and Olympia, Washington) are in the lowest spending quintile for all three insurance programs; four regions (the Bronx, New York; Manhattan, New York; White Plains, New York; and Dallas, Texas) are in the highest quintiles for all three payers. Regions with high spending on the privately insured tend to have higher provider prices. Regions with high spending on Medicare beneficiaries tend to have more specialist physicians per capita. Regions with higher Medicaid spending tend to have more hospital beds per capita.

What Does This Mean for Policy: Successfully raising the productivity of the US health system will require payer-specific policies. For example, the [1% Steps for Health Care Reform Project](#) identified 16 payer-specific and evidence-based policy interventions, like increasing organ donation, reducing home health fraud, increasing federal antitrust enforcement budgets, and automatically assigning Medicaid beneficiaries to the best private plans, that would meaningfully lower health spending in the US.