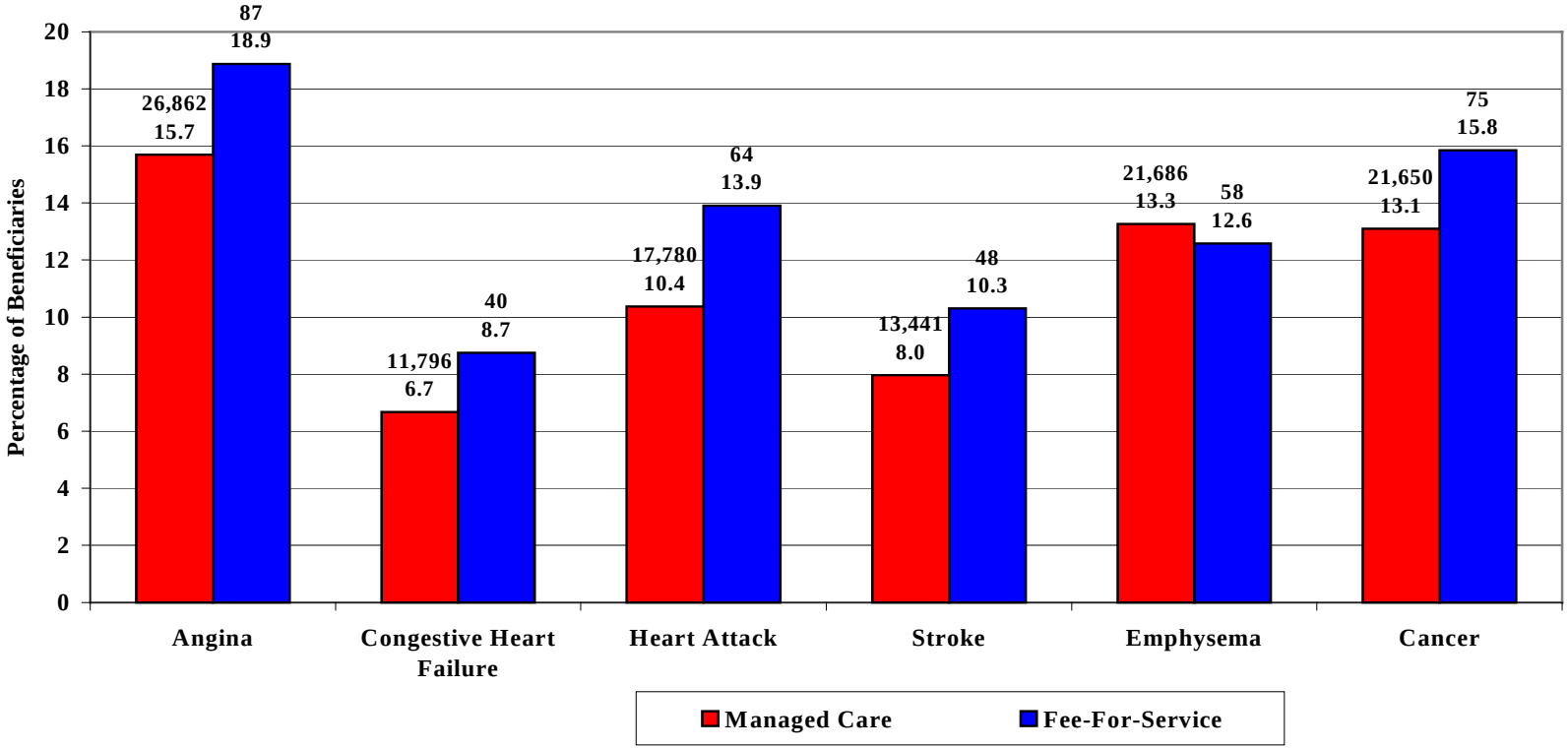
Executive Summary

In this report, Health Economics Research, Inc. compares the average health status of the Medicare managed care (MCO) and fee-for-service (FFS) populations, using the Round One Joint Managed Care (May-September 1998 data)/Fee-For-Service (June 1998-January 1999 data) Health Outcomes Survey (HOS) Database. The report presents a summary analysis of respondents to the baseline HOS for each population, including demographic characteristics, mean physical and mental health scores, distributions of scores, prevalence of chronic conditions, functional status, and self-reported general health status.

All population-based comparisons show that Medicare FFS enrollees are in poorer health status than managed care enrollees, although the magnitude of the difference varies depending on the particular measure. The prevalence of chronic disease is higher in the FFS population (Figure ES-1). In the FFS population, 18.9% report angina versus 15.7% in the managed care population; 8.7% in FFS report congestive heart failure versus 6.7% in managed care; 13.9% report previous heart attack in FFS versus 10.4% in managed care; and 10.3% in FFS report prior stroke versus 8.0% in managed care. The prevalence of some other chronic diseases is more similar among FFS and managed care enrollees, but only one of 13 chronic diseases is (slightly) more prevalent among managed care enrollees, and the one exception (emphysema) may result from random variation arising from small FFS sample sizes.

Figure ES-1

Percentage of Medicare Beneficiaries Reporting Selected Medical Conditions



SOURCE: Health Economics Research, Inc. analysis of the Round One Joint Managed Care (May-September 1998 data)/Fee-For-Service (June 1998-January 1999 data) Health Outcomes Survey (HOS) Database.

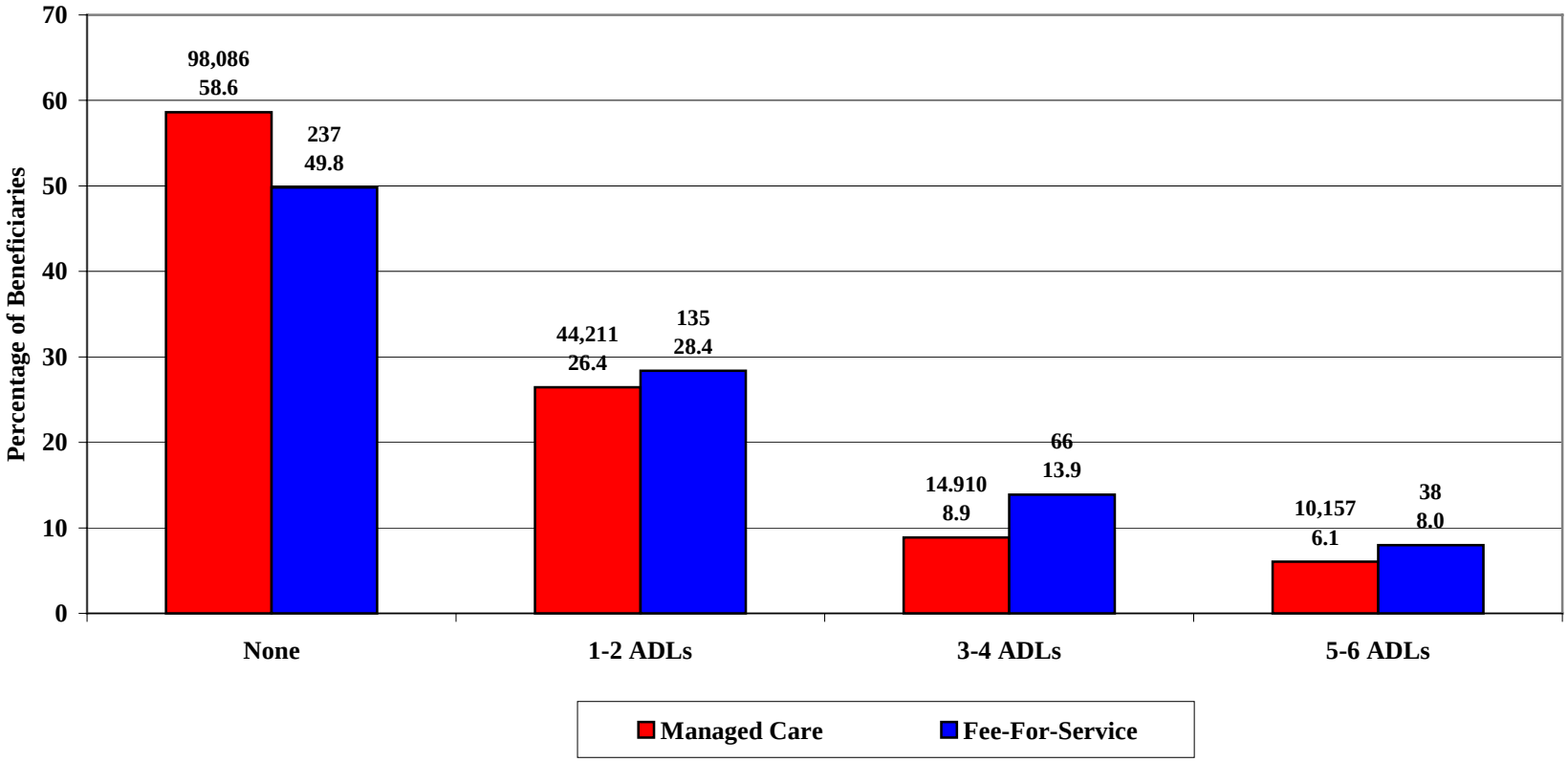
In terms of functional status (Figure ES-2), 59% of managed care enrollees have no limitations in any activities of daily living versus only 50% with no limitations in FFS. Eight percent of FFS enrollees have difficulty with 5 or 6 activities of daily living versus 6% of managed care enrollees with similar functional impairment. A full 41% of FFS enrollees have difficulty walking compared to 32% of managed care enrollees. Also, 41% of FFS enrollees report themselves to be in "poor" or "fair" health versus only 28% of managed care enrollees (Figure ES-3).

Convenient summary measures of physical and mental health were calculated from the SF-36 or SF-12 questions included in the HOS. They summarize 8 health concepts--physical functioning, role limitations due to physical health problems, bodily pain, general health, vitality, mental health, role limitations due to emotional problems, and social functioning. Comparison of the summary SF-36 health scales show that the FFS population is in poorer physical and mental health than the managed care population, but the differences are relatively small (Figure ES-4). The SF-36 physical health summary score, the PCS, is 40.6 points on average for the managed care population versus 38.2 points for the FFS population, for a difference of 2.5 points.[1] This difference is statistically and clinically significant, but relatively small. Similarly, the mental health summary score (MCS) difference between the two populations is 2.9 points, 51.8 for managed care versus 48.9 for FFS. Again, this is a statistically and clinically significant difference, but a relatively small one.

[1] The difference is 2.5 rather than 2.4 because of rounding the MCO and FFS mean scores to one decimal place.

Figure ES-2

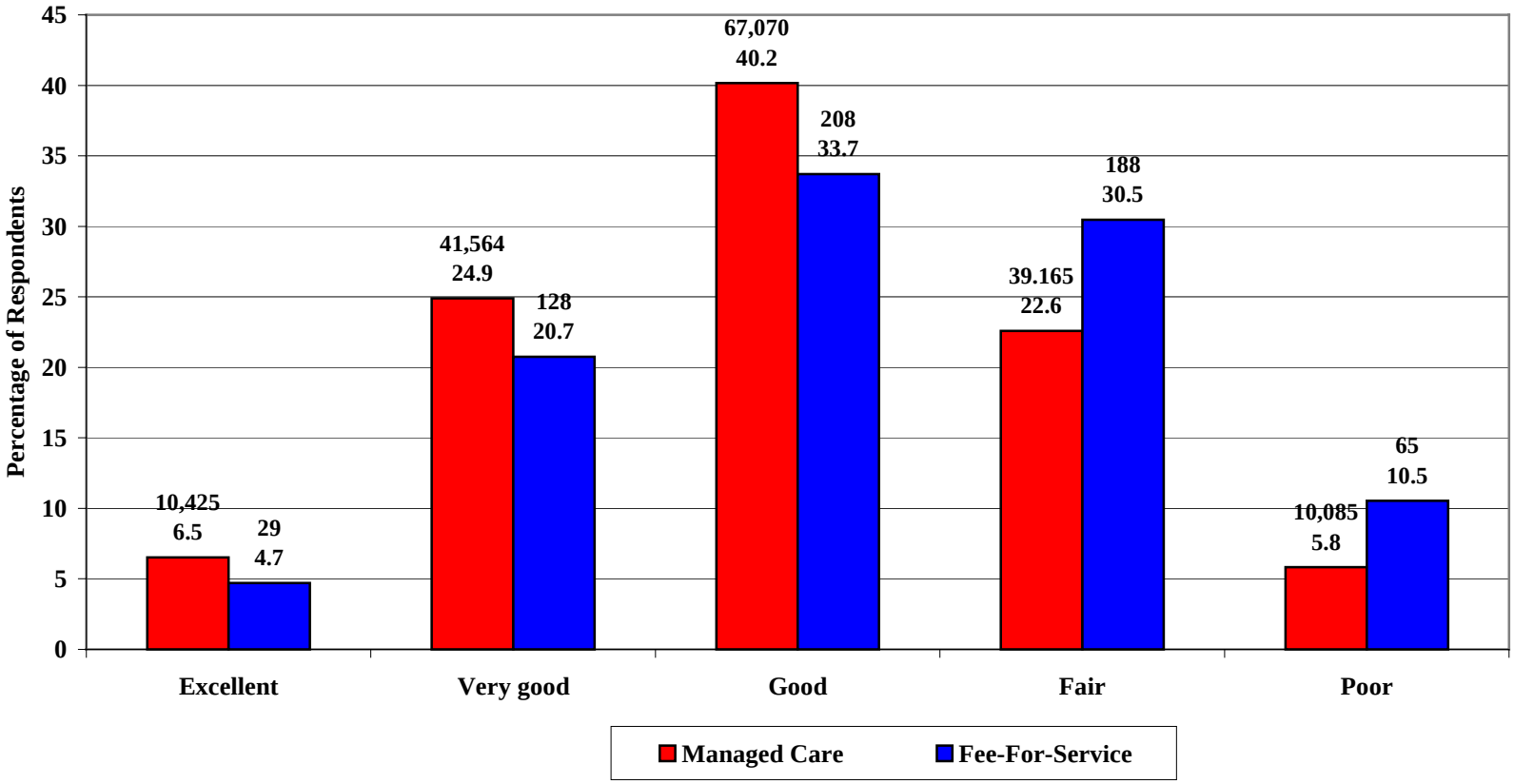
Percentage of Medicare Beneficiaries Who Have Difficulty Performing Activities of Daily Living (ADLs)



SOURCE: Health Economics Research, Inc. analysis of the Round One Joint Managed Care (May-September 1998 data)/Fee-For-Service (June 1998-January 1999 data) Health Outcomes Survey (HOS) Database.

Figure ES-3

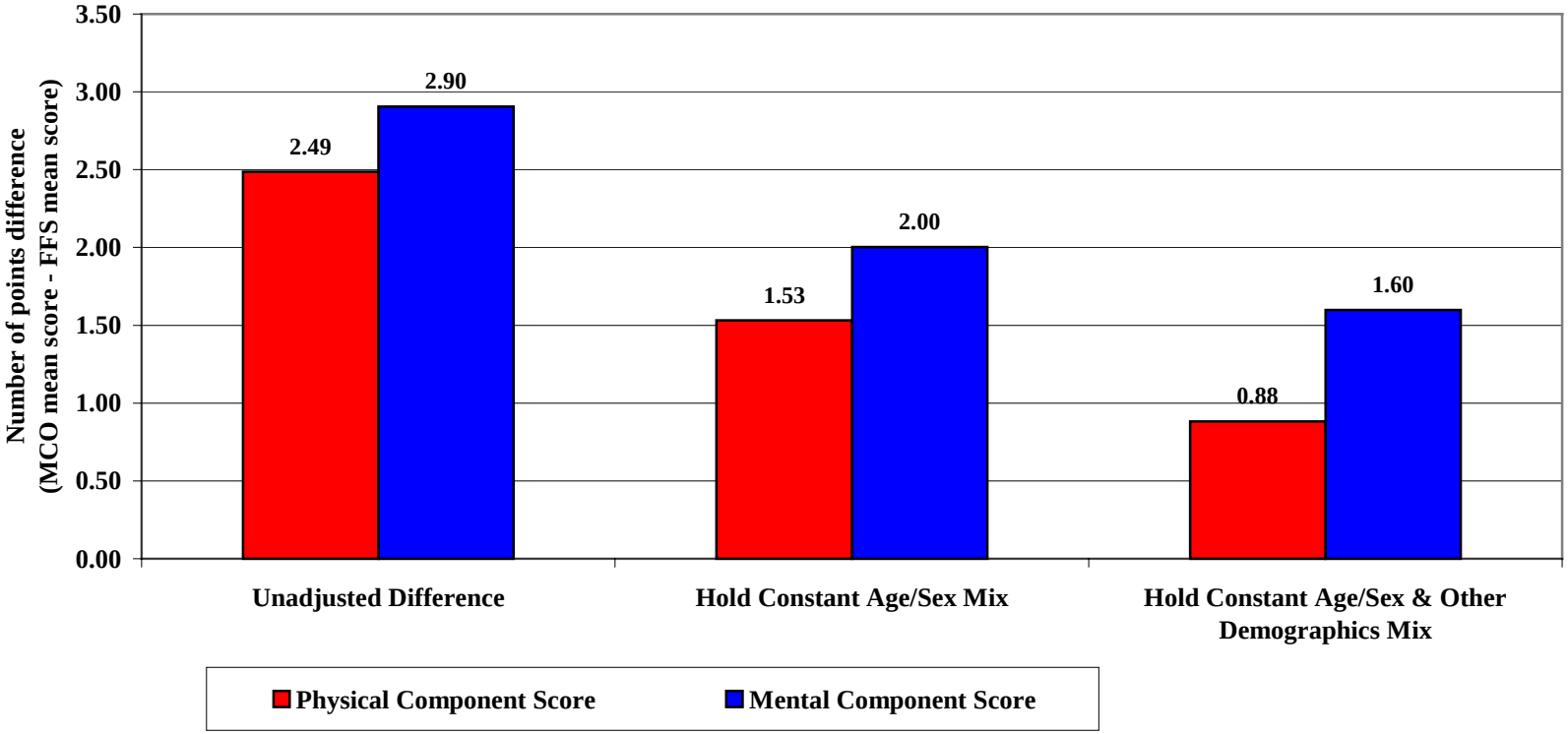
Self-Reported General Health Status of Medicare Beneficiaries



SOURCE: Health Economics Research, Inc. analysis of the Round One Joint Managed Care (May-September 1998 data)/Fee-For-Service (June 1998-January 1999 data) Health Outcomes Survey (HOS) Database.

Figure ES-4

Difference In Mean SF-36 Health Summary Scores Between Managed Care and Fee-For-Service Medicare Enrollees



SOURCE: Health Economics Research, Inc. analysis of the Round One Joint Managed Care (May-September 1998 data)/Fee-For-Service (June 1998-January 1999 data) Health Outcomes Survey (HOS) Database.

Moreover, much of the FFS/managed care differences in summary physical and mental health scores disappear when adjustments are made for the demographic mix of the two populations (Figure ES-4). Holding constant the age, sex, race, poverty status (Medicaid enrollment), and original entitlement by disability mix of the two populations eliminates about two-thirds of the mean FFS/managed care difference in physical health score and half of the mean difference in mental health score. The remaining difference in physical health scores between the two populations is neither statistically nor clinically significant; the remaining difference in mental health score is statistically, but not clinically significant. If we focus on the SF-36 PCS and MCS summary physical and mental health results, the impression that the Medicare FFS population is, on average, in much worse health than the Medicare managed care population is not borne out.

The major limitations of our analysis are survey nonresponse bias, small FFS sample size, and limited analysis of demographic and other factors possibly accounting for FFS/managed care differences. Also, differences in FFS and managed care enrollees' health status are subject to interpretation and different results from alternative measures. There is no absolute consensus on what constitutes a "large" or "small" difference in health status between two populations on a single health status measure. Moreover, health is multi-dimensional and the magnitude of the difference between two populations may appear larger or smaller when comparing different dimensions of health, or when developing alternative summary measures of health with variant weightings of individual dimensions.