DataBrief: Medicare Spending for Beneficiaries with Severe Mental Illness and Substance Use Disorder

Did you know...

Medicare spent 5 times more on beneficiaries age 65 and older with both a severe mental illness and substance use disorder than similar beneficiaries without these diagnoses?

About the data:

This analysis used 2010 Medicare claims data to compare average Medicare spending, after controlling for number of comorbidities, for 3 categories of Medicare beneficiaries aged 65+: no SMI, any SMI, and SMI and SUD (this group is a subset of the any SMI group).

Individuals were defined as having SMI if their Medicare claims had one or more International Classification of Diseases, Version 9 (ICD-9) codes associated with the following conditions as any diagnosis in any acute care setting: major depression, other mood disorders, and psychoses. We further identified beneficiaries treated for substance use disorders.

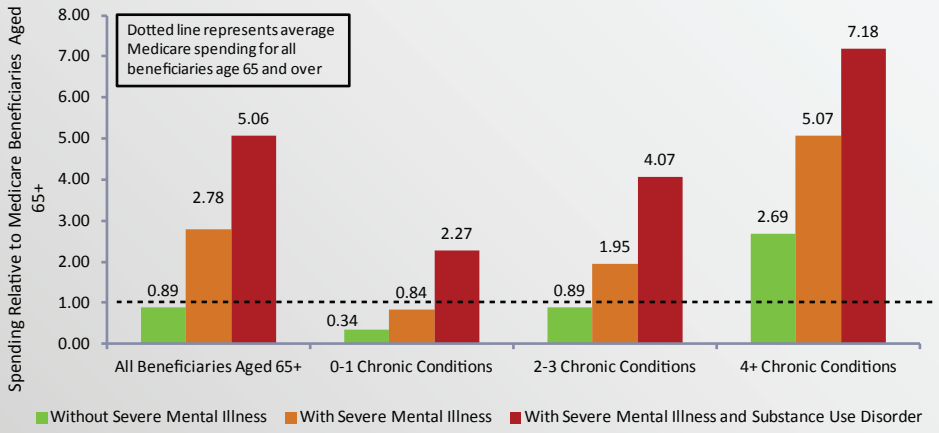
This analysis is limited to individuals aged 65+ enrolled in the fee-for-service, or traditional, Medicare program, and excludes beneficiaries who died in 2010.

Analytics powered by Avalere Health LLC

- Severe mental illnesses (SMI) "disrupt a person's thinking, feeling, mood, ability to relate to others and daily functioning" and can significantly reduce life expectancy. [1,2] For the purpose of this analysis, SMI is defined as major depression, other mood disorders, and psychoses.
  - Substance use disorders (SUDs) are among the most common and clinically significant comorbid disorders among adults with SMI.[3]
- Medicare fully covers inpatient care for SMI and SUD, but provides only partial coverage for outpatient behavioral care and psychotherapy.[4]
- SMI and SUD are associated with high healthcare costs. In 2010, Medicare spent $43,792 per beneficiary for beneficiaries aged 65+ with SMI and SUD compared to $8,649 for the average beneficiary aged 65+.[5]
- Older beneficiaries with SMI have a higher prevalence of chronic conditions than the general population, which likely contributes to the high costs of care for this group.[6]
- Researchers have found that most Medicare spending among older beneficiaries with SMI/SUD goes towards physical, not behavioral, healthcare.[7] It is likely that SMI affects adherence to treatment plans for medical conditions, resulting in exacerbations that require high-cost services.

Medicare Beneficiaries Age 65+ with SMI and Substance Use Disorder Had Significantly Higher Medicare Spending than Beneficiaries Without SMI

Relative Per Capita Medicare Parts A and B Spending For Medicare Beneficiaries Aged 65+, By Number of Chronic Conditions and Severe Mental Illness Status[1], 2010



Note: Spending is expressed as a multiple of the average Medicare spending for all beneficiaries aged 65+ with and without severe mental illness (SMI). Medicare Part A and B spending includes inpatient and outpatient hospital services, physician visits, home health, skilled nursing facility, durable medical equipment, hospice, and misc. services.
[1] N = 22,166,860 Medicare beneficiaries age 65 and over without SMI, 1,356,980 with SMI, and 12,100 with both SMI and substance use disorder.

A Clear Policy Connection

Medicare beneficiaries with SMI, and especially those with both SMI and SUD, require high utilization of medical services, and the costs of care for beneficiaries with SMI/SUD increase with the number of chronic conditions. Given the high prevalence of chronic conditions among beneficiaries with SMI,[8] this high spending population may provide a promising opportunity to reduce costs through more cost-effective and better coordinated physical and behavioral healthcare.

However, policymakers looking toward managed care as a way to control costs should acknowledge the complexities of caring for beneficiaries with SMI and ensure that providers and payers have incentives to coordinate and integrate all necessary care services. These goals could potentially be achieved through specialized case management services, residential treatment programs, and/or the co-location of physical and behavioral health providers.

[1] National Alliance on Mental Illness. "What is Mental Illness: Mental Illness Facts." http://www.nami.org/template.cfm?section=about_mental_illness
[2] Colton, Craig and Ronald Manderschied. "Congruencies in Increased Mortality Rates, Years of Potential Life Lost, and Causes of Death Among Public Mental Health Clients in Eight States." Preventing Chronic Disease 3(2) (2006). http://www.cdc.gov/pcd/issues/2006/apr/05_0180.htm
[3] Drake, Robert E., et al. "Implementing Dual Diagnosis Services for Clients with Severe Mental Illness." Psychiatric Services 52.4 (2001): 469-476.
[4] Centers for Medicare & Medicaid Services. Medicare and Your Mental Health Benefits Accessed at: http://www.medicare.gov/publications/pubs/pdf/10184.pdf
[5] Avalere Health, LLC analysis of 2010 Medicare Standard Analytic Files.
[6] The SCAN Foundation. DataBrief No. X: Prevalence of Chronic Illness Among Beneficiaries with Severe Mental Illness. INSERT DATE AND URL
[7] Husaini, B.A., et. al (2000). Prevalence and Cost of Treating Mental Disorders among Elderly Recipients of Medicare Services. Psychiatric Services, 51, 1245-1247.
[8] The SCAN Foundation. DataBrief No. 35: Prevalence of Chronic Illness among Beneficiaries with Severe Mental Illness. INSERT DATE AND URL