

# **MEDICARE ADVANTAGE? THE EFFECTS OF MANAGED CARE ON MEDICARE QUALITY, COSTS, AND ENROLLMENT**

**A dissertation by Lauren Hersch Nicholas of Columbia University, completed in 2008 as part of PhD requirements.**

## **Abstract**

This dissertation examines the quality, cost, and enrollment effects of managed care in the Medicare program between 1999 and 2004. Administrative enrollment, spending and inpatient hospitalization data are analyzed.

During the study period, Medicare managed care enrollees are healthier than those who remain in Fee-for-Service, with fewer total comorbid conditions and lower rates of several chronic conditions. I present a new econometric approach to correct for biased selection bias into managed care incorporating clinical information.

I find that Medicare managed care plans and traditional (Fee-for-Service) Medicare provide similar levels of quality and access to care on many measurements.

Managed care plans outperform Fee-for-Service in reducing rates of potentially preventable hospitalizations that can be avoided with timely antibiotic use.

Using an instrumental variables approach, I show that a one percentage point increase in Medicare managed care penetration increases total county-level Medicare spending by 1.1 percent, \$2.6 billion in 2004 dollars. Thus, the Medicare Advantage program transfers additional spending from sicker to healthier beneficiaries. Findings have important implications for policymakers considering further Medicare reforms as well as beneficiaries and their families choosing coverage options.