

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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CONRAD WELCOMES CBO REPORT ON GEOGRAPHIC VARIATION Study Finds Regions With Higher Health Care Spending Not Getting Better Outcomes

Washington, DC – The Congressional Budget Office (CBO) today released a report, requested by Senate Budget Committee Chairman Kent Conrad (D-ND), showing that regions of the country with higher health care spending often have similar or worse health care outcomes than low-spending regions. The study's findings will help Congress as it examines options for health care reform and methods of addressing the rising cost of health care.

“The soaring cost of health care is the single biggest factor impacting our nation’s long-term budget outlook,” said Conrad. “The fact that some areas of the country are spending far more on health care, yet frequently getting the same, or even worse outcomes is stunning. This report should be a wake-up call to Congress and the health care community. By reducing geographic variation, we can stem the growth in health care costs and, ultimately, save taxpayer dollars.”

CBO’s report shows that there is significant regional variation in both Medicare spending and in overall health care spending. For example, Medicare beneficiaries in high-spending regions get about 30 to 80 percent more health care services than similar beneficiaries in low-spending regions, yet their health outcomes are often no better, or even worse. Less than half of this variation in health care spending can be explained by differences in prices, health status, or income. Instead, higher spending tends to occur where there is medical uncertainty about best practices; where there is a greater supply of physicians, hospitals, and other facilities; and where financial incentives encourage greater use of services.

CBO cited evidence that Medicare spending could be reduced by almost 30 percent if all regions spent what the lowest tenth percentile spends. A 30 percent reduction in Medicare spending would save approximately \$115 billion this year. But getting at those savings means making reforms to our overall health care system. CBO suggested several steps for Congress to consider, including: offering incentives to encourage providers to adopt best practices; reporting physician and hospital practice patterns; generating better evidence about what works through comparative effectiveness research; and increasing monitoring of how we spend our health care dollars.

CBO’s report on geographic variation can be found on the Senate Budget Committee website at: <http://www.budget.senate.gov/democratic/>.

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