

CHALLENGES AND CHANGES IN AN AGING CONSUMER MARKET: A MEDICARE HEALTHCARE STUDY

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ABSTRACT

As the population of the United States continues to increase, the average age is rising with the aging of the “baby boomer” generation as a major contributing factor. A doubling of the “seniors” market in the next 30 years presents special challenges for public policy makers and opportunities for healthcare providers, particularly primary care physicians. Congress and the Health Care Financing Administration (HCFA) are currently confronted with limited resources for Medicare. Authorized Medicare physician expenditures will demand greatly increased funding. In turn, this increase will require more participating physicians and increased Medicare participation by current providers. In recent years, primary care physicians have received higher authorized fees, and have served an important role as “gatekeepers” for referrals to the more expensive nonprimary care. These physicians have experienced a change from a predominately consumer market (e.g., patient pay) to a more competitive business market (e.g., government, HMO). There still remains a substantial difference in the lower fees for a given service to government (Medicare, Medicaid) and the higher fees offered by private insurance payors.

The purposes for this research were: (1) to examine contributing factors to nonparticipating Medicare practices and operational means of attracting greater participation; and (2) to analyze physician characteristics and practice patterns of those participating and not participating in Medicare program as a service of healthcare marketing.

A federally provided data base was used for this study to empirically investigate physician practices. A stratified random national sample of physicians (N=3,505) was available by specialty and geographic location. For the purpose of this study, a subset of primary care physicians (N=1,297) was used. The primary care physicians were divided by level of Medicare participation. They ranged from nonparticipating (no revenue) to high participation (over 30 percent Medicare revenue). Nonparticipating physicians (N=109) offered an opportunity to benchmark high participating practices (N=534). This comparison identified the characteristics (variables) and significant differences between the two groups. The independent variables included physician attributes (i.e., age, gender, race, domestic or international medical degree, specialty, board certified or not, and hours worked) and practice characteristics (i.e., location, staff size and wages, productivity, market share by revenue source, and total sales, profits).

In terms of primary care healthcare marketing, nonparticipating practices were more profitable while achieving equivalent total sales. Their source of revenue strategy contributed to the earnings advantage. In addition to no Medicare revenue, these physicians have substantially less Medicaid market share and revenue, and less risk with fewer uninsured patients (self-pay). A greater percentage of nonparticipating practices was in urban and suburban locations than rural areas. Females were more likely to not participate in Medicare than their male colleagues. For public policy makers, Medicare participation was associated with inefficiencies and possibilities of lower qualifications of medical providers. Lower productivity was found in these practices with fewer patient visits per staff member and patient visits per physician. In addition, nonparticipating and high participating physicians have similar number of staff, but participating physicians have twice the staff wage expense. This may result from higher trained and higher paid staff to administer Medicare forms and other special requirements. Participating physicians were more likely to be an international medical school graduate or a minority, and less likely to be board certified. This group was slightly older and worked fewer hours. The findings indicate that the high participating Medicare physicians are burden with greater overhead costs, in part associated with Medicare procedures and paperwork.