Medicare Trend Affecting Healthcare

Kip Klingman, Southern Nazarene University
Medicare Trend Reshaping Healthcare

Summary:

More and more we hear of physicians dropping and or not accepting patients who have Medicare. Medicare is the government-backed insurance for U.S. citizens who are 65 years of age or older or are disabled. Why are physicians reducing their number of patients with Medicare? According to an article by David Olmos with Bloomberg (Olmos, 2012) by accepting Medicare, the Mayo Clinic is losing money. As stated by Heim, a physician out of Laurinburg North Carolina, “If you know your business costs and you are losing money, it doesn’t make sense to do more of it.”

Relation to Managerial Economics in Healthcare:

From a healthcare management perspective, how can healthcare providers continue to see Medicare patients at a loss? In 2008, 92% of family physicians participated with Medicare. Moreover, only 73% of these physicians are accepting new patients who have Medicare. When private insurance pays 50-100% more than Medicare allows for a given DRG it is no wonder that physicians believe that Medicare’s payments are inadequate and causing a shortfall for any healthcare provider that accepts Medicare. Given that physicians are discontented in regards to the amount of Medicare payment that they receive per DRG, it is no wonder that there is a recent trend of physicians no longer accepting Medicare patients.

Impact Statement with Managerial Response:

Considering the impact that participation in Medicare has on healthcare providers and their patients, Michael Yardley, a spokesperson for Mayo said, “We firmly believe that Medicare needs to be reformed.” In order to be able to understand this problem fully managers of healthcare providers must know their costs and their acceptable margin. Managers cannot wait for Medicare to be reformed. Managers must take a proactive role in deciding the benefits or the shortfall to their healthcare organization in order to make a prudent judgment as what to do about accepting Medicare or not. Furthermore, the manager must make an ethical decision regarding the community and their Medicare patients whether to remain with the status quo of accepting Medicare and continue the losses, gradually decrease Medicare patients by not accepting new patients, or to change the provider as to not accept Medicare. The choices made in this regard will have long-lasting effects on the healthcare provider and the community it serves as well.

Reference

http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aHoYSI84VdL0