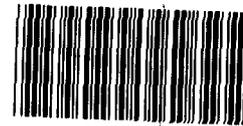


December 1992

MEDICARE

Millions in End-Stage Renal Disease Expenditures Shifted to Employer Health Plans



148207



Human Resources Division

B-243733

December 31, 1992

The Honorable Lloyd Bentsen, Chairman
The Honorable Bob Packwood, Ranking Minority Member
Committee on Finance
United States Senate

The Honorable John D. Dingell, Chairman
The Honorable Norman F. Lent, Ranking Minority Member
Committee on Energy and Commerce
House of Representatives

The Honorable Dan Rostenkowski, Chairman
The Honorable Bill Archer, Ranking Minority Member
Committee on Ways and Means
House of Representatives

The Omnibus Budget Reconciliation Act of 1990 (OBRA-90), Public Law 101-508, altered Medicare's coverage for some beneficiaries with kidney failure, also known as end-stage renal disease (ESRD). For these beneficiaries, the act extended the period of time for which employer-provided group health plans¹ would be expected to pay medical expenses before Medicare. The act also directed us to study the effects of this extension.

This interim report responds to three of our reporting requirements: (1) the number and geographical distribution of beneficiaries affected by the extension, (2) the amount of annual Medicare savings achieved, and (3) the effect of the extension on access to employment and employment-based health insurance. In lieu of attempting to determine the effect of the OBRA-90 extension of secondary payer status on employment and insurance difficulties, we focused on the effect of the secondary payer status in general. We assumed that the OBRA-90 extension could only exacerbate any adverse effect of secondary payer status.

OBRA-90 also required us to examine the effect of extending the Medicare secondary payer provision on out-of-pocket expenses for ESRD beneficiaries and on the amount paid for each dialysis treatment, and the implications of applying the extension to all group health plans. We will address these questions in our final report to be issued by January 1, 1995.

¹In this report, employer health plans include any group health insurance provided through employment, including a labor union health plan.

Background

Medicare covers over 150,000 people with ESRD, a condition that requires regular blood cleansing (dialysis) or a kidney transplant. Medicare paid more than \$4 billion in 1989 for the health care of ESRD beneficiaries, whose medical expenses were on average eight times higher than those of Medicare beneficiaries in general. Unlike most beneficiaries, who are not entitled to Medicare coverage until age 65, persons with ESRD can become entitled at any age.

For over 10 years, provisions in federal law have called for Medicare to act as secondary rather than primary payer for certain ESRD beneficiaries. In 1981, the Congress amended the Social Security Act to make Medicare the secondary payer for the first 12 months of treatment for certain ESRD beneficiaries also covered by employer group health insurance. The purpose of this provision was to reduce Medicare expenditures by shifting first-year treatment costs to private insurers and self-insuring employers. The provision applied to all employer health plans, regardless of the number of employees, if the beneficiary had become entitled to Medicare solely because of ESRD.² It also applied to employers providing health coverage to these beneficiaries through a working spouse or other family member.

OBRA-90 changed the period of this secondary payer provision from the first 12 months of treatment to the first 18 months of Medicare entitlement. Because of complexities in the law governing Medicare entitlement for ESRD, the length of the OBRA-90 extension varies from beneficiary to beneficiary. For most beneficiaries, the extension potentially lengthens the period of an employer's coverage by 6 to 9 months.³ At the end of this period, Medicare becomes the primary payer.

Scope and Methodology

In performing our study, we sent a questionnaire to 1,306 beneficiaries whose entitlement to Medicare began in May 1990 and was solely by reason of ESRD.⁴ We received usable responses from 82 percent of the beneficiaries. These beneficiaries were among the first to experience the extension's full effect, and Health Care Financing Administration (HCFA)

²The extension did not apply if the beneficiary was entitled to Medicare because of age or disability in addition to ESRD.

³The extension may be shortened by the beneficiary's becoming 65 years old, becoming entitled to Medicare because of disability, or dying.

⁴This number reflects all those who became eligible during the month after excluding persons who, because of death or other reasons, could not potentially be affected by the extension and persons who died before October 31, 1991—the latest date they could be affected by the extension.

officials indicated that this 1-month period would likely be representative of a typical month. As a control, we sent the same questionnaire to the 1,443 Medicare beneficiaries whose ESRD treatment began from January to June 1990 and whose Medicare entitlement was originally due to disability. We obtained a response rate of 82 percent. Our questionnaire asked for information about (1) the existence and nature of employer-provided health insurance and (2) any difficulties in obtaining or retaining a job offering health insurance coverage or in otherwise retaining employer health insurance coverage.

We also analyzed HCFA data to determine the demographic characteristics of beneficiaries to whom the extension applied, the amount of their health care costs, and the amount of the Medicare savings achieved by extending the secondary payer period. We also interviewed officials from HCFA and organizations representing ESRD patients and providers, employers, and the health insurance industry. A detailed discussion of our methodology is in appendix I. Summaries of our questionnaire responses are in appendixes II and III.

Results in Brief

Extending the Medicare secondary payer period for ESRD beneficiaries covered by employer group health insurance affects an estimated 8,200 beneficiaries annually. These beneficiaries represent nearly half of those completing 12 months of treatment whose entitlement to Medicare is solely based on ESRD and about 20 percent of all new ESRD entitlements. About 86 percent of the 8,200 with employer coverage have their health insurance coverage through an employer with 100 or more employees—a somewhat higher percentage than the general U.S. population with employer health insurance. The 8,200 beneficiaries are dispersed throughout the United States in much the same way as the general population.

The extension of the Medicare secondary payer period shifted an estimated \$56 million in medical care costs annually from Medicare to employer health insurance plans—a shift of slightly more than 1 percent of the over \$4.5 billion Medicare spent in 1989 for beneficiaries with ESRD. The amount of the shift is relatively small because the secondary payer provision does not affect ESRD beneficiaries who (1) are entitled to Medicare because of disability, (2) are at least 65 years old, or (3) lack employer health insurance. The 5-1/2-month average length of the extension also contributes to the relatively slight dollar impact.

The ESRD secondary payer provision appears to have negatively affected some beneficiaries' or their spouses' access to and retention of employment or employer health insurance. The number of beneficiaries affected, however, was small because of the relatively small numbers who seek or have employment. Officials of organizations representing ESRD patients and providers told us that they had received only occasional complaints of ESRD-related discrimination.

Extension Affects About Half of ESRD-Only Beneficiaries Completing 12 Months of Treatment

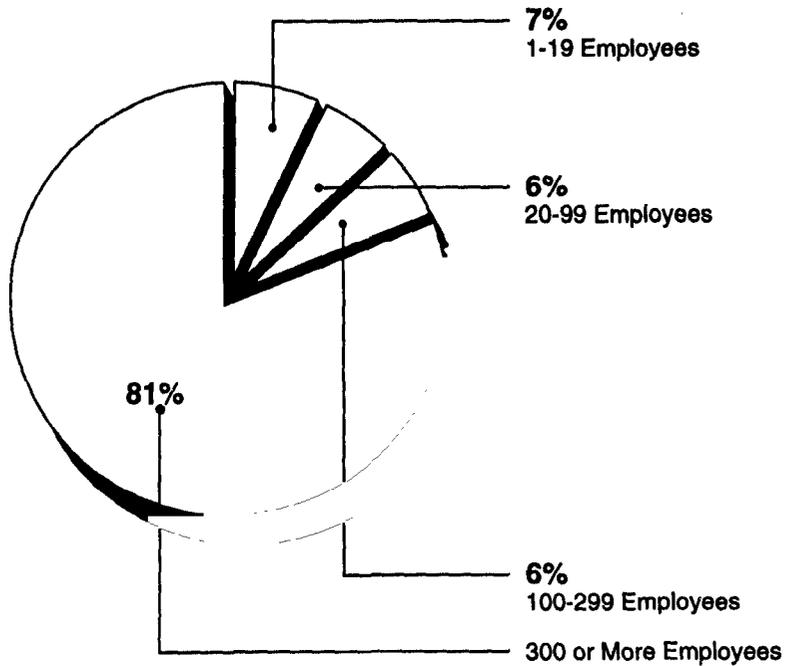
We estimate that the OBRA-90 provision extends the period in which Medicare is secondary payer for 8,200 ESRD beneficiaries annually whose entitlement to Medicare is solely based on ESRD. These beneficiaries represent nearly half of such beneficiaries who complete 12 months of treatment. They also represent about 20 percent of all new ESRD entitlements, including those already entitled because of age or disability; in 1990, there were about 41,000 new ESRD entitlements. In mid-1991, there were over 150,000 Medicare beneficiaries with ESRD. On average, OBRA-90 extended the period that their employer-provided health insurance acted as primary payer by about 5-1/2 months.

Slightly less than half of the respondents to our questionnaire reported having employer group health insurance on February 1, 1991—the point at which OBRA-90's extension of the Medicare secondary payer provision began to apply to most of them.⁵ Although we studied only a 1-month group of ESRD beneficiaries, we believe the results can be generalized to all such beneficiaries for two reasons. First, HCFA experts in ESRD research told us that any month could safely be regarded as typical of all. Second, our analysis of various HCFA demographic data showed that monthly variation in the percentage breakdown of characteristics was slight.

In general, the beneficiaries with employer coverage had it through a large employer (see fig. 1). About 86 percent of the responding beneficiaries with employer coverage reported having it through an employer of 100 or more employees. In the general U.S. population in 1990, about 72 percent with employer health insurance had the coverage through an employer of 100 or more employees. Roughly 81 percent of our beneficiaries reported having their coverage through an employer of 300 or more employees.

⁵Because of complexities in the law governing Medicare entitlement for ESRD, some of these respondents were not affected until May 1, 1991.

Figure 1: Distribution of Beneficiaries With Employer Coverage by Size of Employer as of February 1, 1991



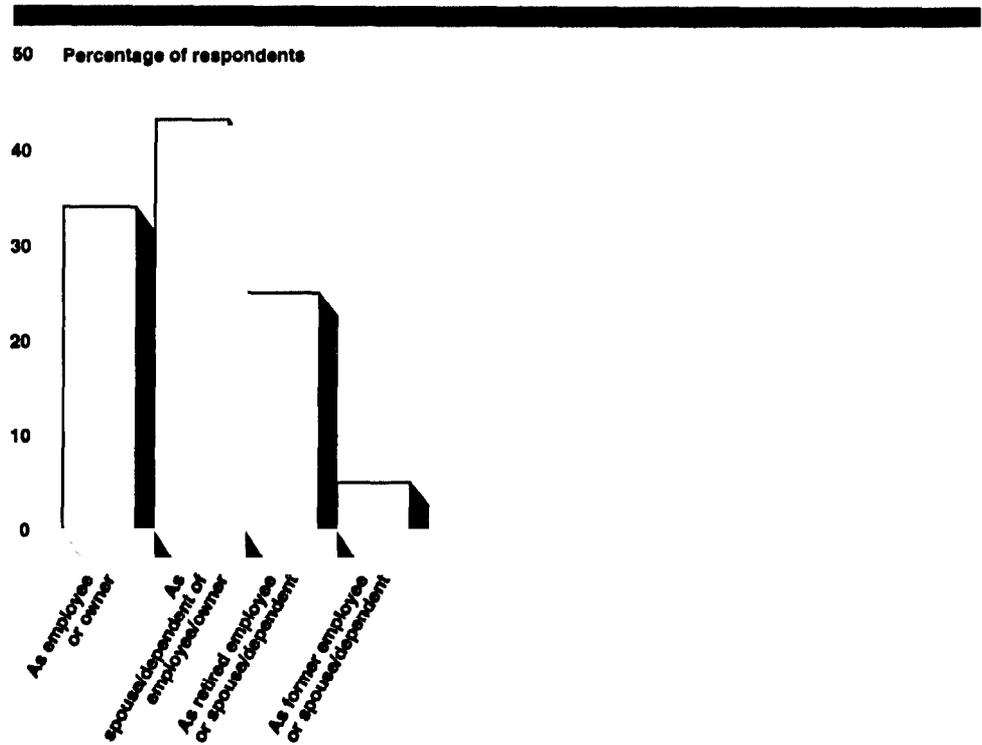
Note: N=514.

Most beneficiaries with employer coverage had it through someone's active employment (see fig. 2). Of responding beneficiaries with employer coverage, 34 percent reported having it as an employee or owner, and 43 percent, as the spouse or dependent of an employee or owner. Another 25 percent had coverage as retired employees or the spouses/dependents of retired employees, 5 percent had it under an extension of employer health insurance coverage for former employees,⁶ and 0.4 percent had some other linkage.⁷

⁶A federal district court in Texas recently reversed a HCFA ruling that employers had to continue such coverage after former employees become entitled to Medicare because of ESRD. HCFA is appealing the decision.

⁷These categories total more than 100 percent because 8 percent of the beneficiaries with employer coverage had more than one linkage to an employer group health plan.

Figure 2: Distribution of Beneficiaries With Employer Coverage by Working Relationship to an Employer



Notes:

1. N=514.
2. Percentages total more than 100 because some beneficiaries had more than one linkage to an employer group health plan.

These beneficiaries are dispersed throughout the United States in much the same way as the general population but in a somewhat different pattern than ESRD beneficiaries without employer coverage. Appendix IV presents this and other demographic information about the beneficiaries.

Extension Saves Medicare About \$56 Million Annually

Each year the OBRA-90 extension shifts an estimated \$56 million in medical costs from Medicare to employer group health plans (about \$30 per day per affected beneficiary). This shift is slightly more than 1 percent of the roughly \$4.5 billion Medicare spent in 1989 for beneficiaries with ESRD. The amount of the shift is relatively small because the secondary payer provision does not affect ESRD beneficiaries who (1) are entitled to

Medicare because of disability, (2) are at least 65 years old, or (3) lack employer health insurance. The 5-1/2-month length of the average extension also contributes to the relatively slight dollar impact. The overall savings to the federal government is about \$3 million less than the \$56 million shift because the government is the employer providing the health insurance coverage for some ESRD beneficiaries.

Effect on Employment and Health Insurance Coverage Is Limited

Because the extension shifted more Medicare costs to employers, concern exists that ESRD beneficiaries and their spouses could be adversely affected in their access to employment and employment-based health insurance. However, officials of organizations representing ESRD patients and providers said they had received only occasional complaints of ESRD-related discrimination.

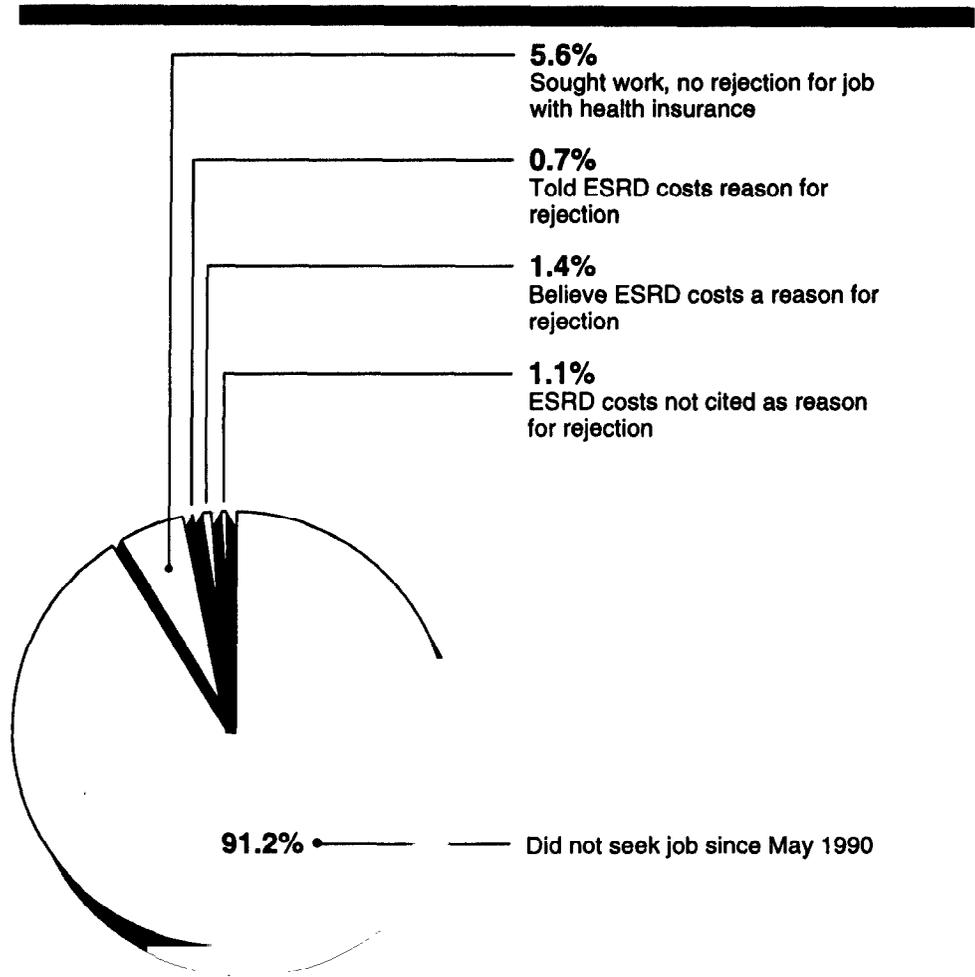
Although in our study few ESRD beneficiaries or their spouses had applied for a job after becoming entitled to Medicare, some reported incidents in which ESRD costs may have resulted in hiring rejections. In addition, a small portion of beneficiaries or spouses with jobs lost their jobs or health insurance coverage. However, factors other than ESRD costs may be involved in these reported incidents.

Obtaining Employment

The small number of beneficiaries and spouses for whom the ESRD secondary payer provisions may have made obtaining employment more difficult is due primarily to the small number who applied for a job after the beneficiary became entitled to Medicare. As shown in figure 3, only 89 out of 1,019 respondents (about 9 percent) applied for a job after becoming entitled to Medicare in May 1990. Within this group of 89 job seekers, however, 32 (36 percent) experienced at least one rejection for a job offering health coverage.⁸ Of the 32 people experiencing a rejection, 7 said they were told the rejection was due, at least in part, to the costs of their illness, and another 14 believed that to be the case. The person's illness itself also may have played a role in the rejection, as 12 of the 32 were told that a reason for the rejection was that the person's physical condition would affect his or her ability to work.

⁸This rejection did not necessarily mean that the beneficiary was unable to find work with health coverage. Of the 32 beneficiaries who reported failing to obtain one or more jobs with health coverage, 9 reported working at such a job during some part of their Medicare entitlement; 6 of the 9, however, also reported being fired or forced to resign.

Figure 3: Beneficiaries' Experience In Applying for Employment



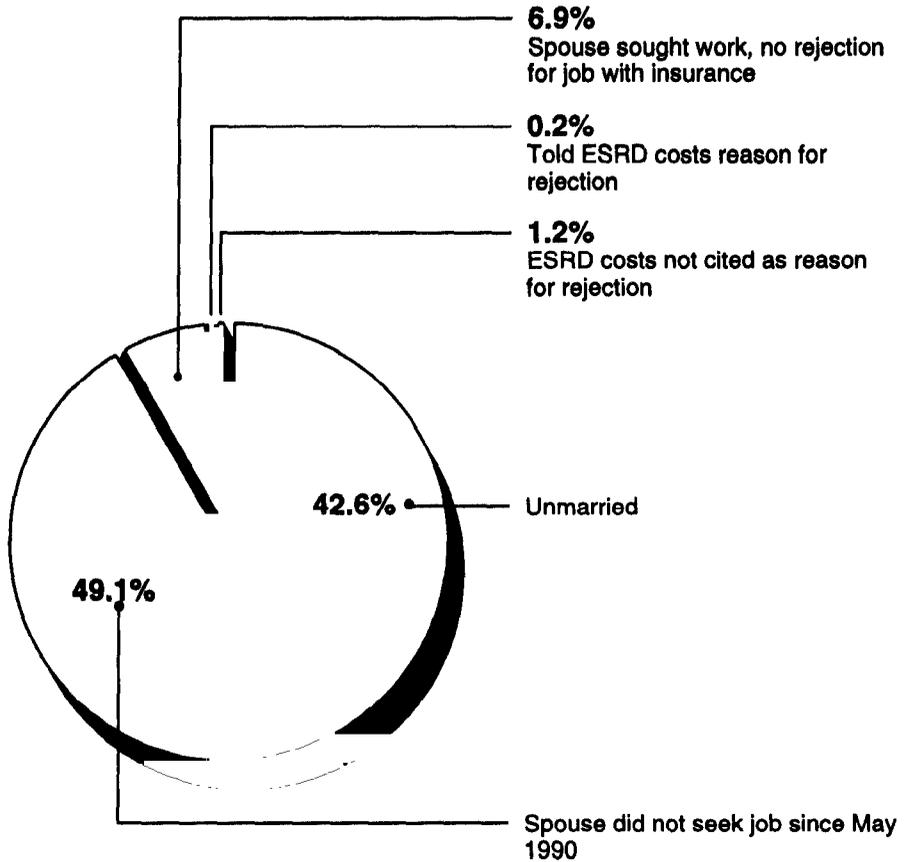
Note: N=1,019.

Beneficiaries reported that some spouses who applied for jobs also were rejected for jobs offering health coverage. To attempt to isolate the effect of the Medicare Secondary Payer (MSP) provisions, we compared the rate of rejection with the rate experienced by spouses of beneficiaries entitled to Medicare because of both ESRD and disability; the MSP provisions do not apply to these beneficiaries. The potentially high ESRD medical costs that an employer group health plan faces as either primary or secondary payer are likely to negatively affect those seeking a job with health insurance

coverage, but we would expect the much higher costs associated with being primary payer to produce a much greater negative effect. We found some evidence of this in that the spouses of our ESRD-only beneficiaries had a higher rate of employment rejection than the spouses of our ESRD-disabled beneficiaries. However, our sample was not large enough to permit us to conclude with reasonable certainty that the higher costs of being primary payer have a greater effect than the costs associated with being secondary payer.

As shown in figure 4, few beneficiaries without disability entitlement to Medicare reported that their spouses had sought employment since May 1990. Of the 82 who reported that their spouses had sought employment, 12 (15 percent) said that their spouses had experienced at least one rejection for a job offering health coverage. Of the 12, 2 reported that their spouses were told that ESRD costs were a reason for the rejection; 3 others believed that ESRD costs were a reason.

Figure 4: Spouses' Experience In Seeking Employment



Note: N=1,020.

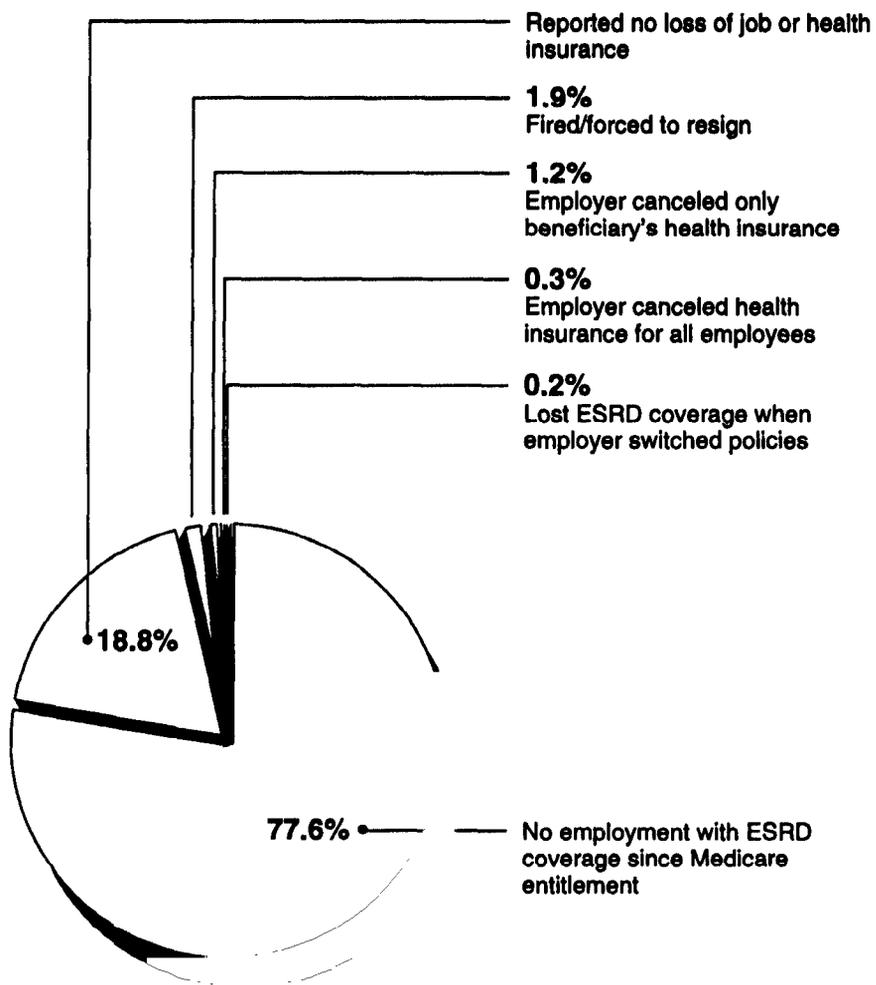
In contrast to the 15-percent rejection rate for spouses of ESRD-only beneficiaries, the rate for spouses of ESRD-disabled beneficiaries was 7 percent. The difference in these rates was not large enough that we can be at least 95-percent certain that it is due to something other than random variation.

Retaining Employment or Health Insurance

Some respondents reported difficulties in retaining employment as a potential result of the higher costs facing employer group health plans as primary payers. As reflected in figure 5, of the 1,020 responding beneficiaries with Medicare entitlement due to ESRD, 228 had held at least

one job with health insurance coverage since May 1990. Nineteen of the 228 reported being fired or forced to resign; of the 19, 1 reported that he was told this action was due to the medical costs of ESRD and another 9 believed that this was a reason.

Figure 5: Experience of ESRD Beneficiaries With Employment/Health Insurance



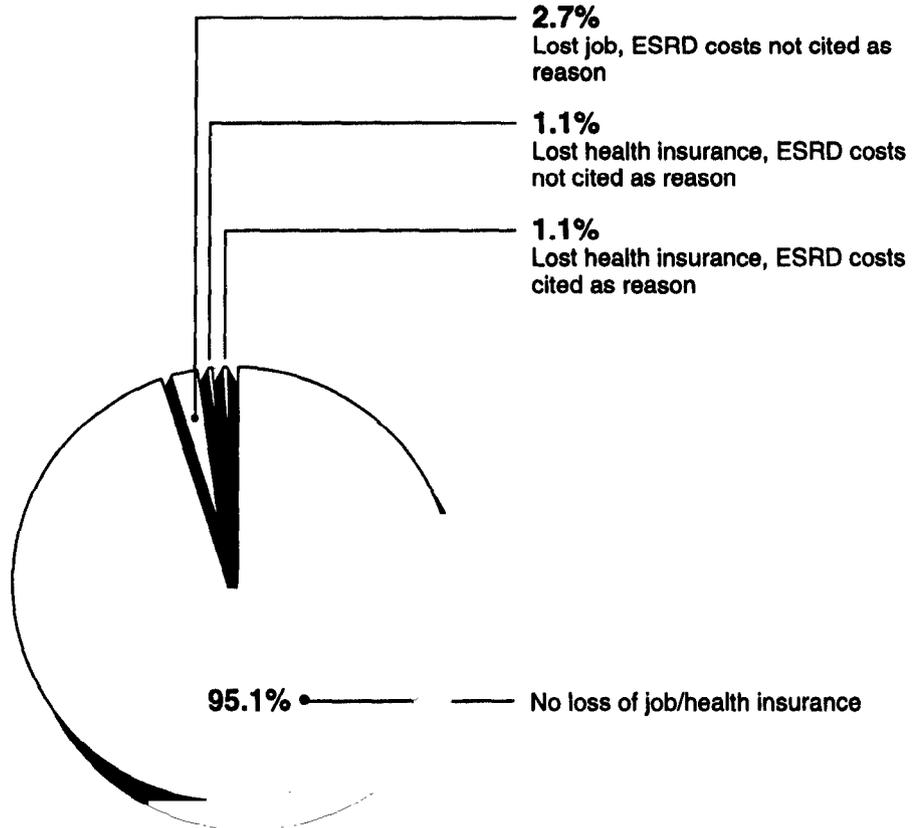
Note: N=1,020.

The number of beneficiaries reporting difficulties in retaining employer-sponsored health insurance was also small. Five reported having their health insurance canceled when the health insurance of other employees was retained. One of these was told the action was due to ESRD costs, and three others believed it to be a reason. Three other beneficiaries reported losing health insurance because the employer canceled health insurance for all employees due to ESRD costs. Two other beneficiaries reported that their employers switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began; in neither case was the beneficiary told or believed the action was due to ESRD costs.

Responses from ESRD beneficiaries regarding their spouses suggest, however, that factors other than medical costs may be contributing to these losses of beneficiary jobs and health insurance coverage. The employers of spouses of ESRD beneficiaries face similar medical costs, yet the respondents to our questionnaire reported that their spouses had few problems in retaining employment and health insurance. For example, as reflected in figure 6, only 5 of the 184 spouses who had jobs with health insurance coverage for the Medicare beneficiary had lost their jobs since the beneficiary became entitled to Medicare, and none of the 5 reported believing or having been told the action was due to medical costs.⁹

⁹For one of the five spouses, the beneficiary did not respond to the question, "Do you think that the impact of your ESRD on the employer's health insurance costs was a reason?"

Figure 6: Spouses' Experience With Employment/Health Insurance



Note: N=184.

Only two spouses were reported to have lost employer-sponsored health insurance while on the job due to ESRD costs. In one instance, an employer reportedly canceled the health insurance for the spouse, and in another, the employer switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began.

**Patient and Provider
Groups Report Few
Complaints**

Officials of organizations representing ESRD patients and providers told us they were unaware of any substantial level of discrimination related to the ESRD secondary payer provision. Further, none had received more than occasional complaints of such discrimination. In September 1992, the spokesman for a national hotline established to identify ESRD-related discrimination complaints stated the hotline had received no more than a dozen calls in the first 17 months of operation. Most of the calls concerned difficulties in obtaining health insurance.

We asked the Health Care Financing Administration to provide written comments on a draft of this report. In a December 18, 1992, letter, they said they had no comments on the report.

We are sending copies of this report to the Secretary of Health and Human Services, the Administrator of the Health Care Financing Administration, the Commissioner of Social Security, the Director of the Office of Management and Budget, and other interested parties. Copies also will be made available to others upon request.

Please call me on (202) 512-7119 if you or your staffs have any questions about this report. Major contributors are listed in appendix V.



Janet L. Shikles
Director, Health Financing
and Policy Issues

Contents

Letter		1
Appendix I		18
Scope and Methodology	Identifying Affected Beneficiaries	18
	Determining Medicare Savings	20
	Assessing Effect on Employment/Insurance	23
Appendix II		25
Questionnaire and Tally of Responses From Beneficiaries Entitled to Medicare Only by Reason of ESRD		
Appendix III		33
Questionnaire and Tally of Responses From Beneficiaries Entitled to Medicare by Reason of Disability		
Appendix IV		41
Demographics of ESRD Beneficiaries	Dispersion of ESRD Beneficiaries	41
	Comparison of ESRD Beneficiaries With and Without Insurance	43
Appendix V		49
Major Contributors to This Report		
Tables	Table IV.1: Dispersion of ESRD Beneficiaries Relative to U.S. and Medicare Populations	43

Table IV.2: Percentage of ESRD Beneficiaries With and Without Employer-Sponsored Health Insurance, by Region	44
--	----

Figures

Figure 1: Distribution of Beneficiaries with Employer Coverage by Size of Employer as of February 1, 1991	5
Figure 2: Distribution of Beneficiaries with Employer Coverage by Working Relationship to an Employer	6
Figure 3: Beneficiaries' Experience in Applying for Employment	8
Figure 4: Spouses' Experience in Seeking Employment	10
Figure 5: Experience of ESRD Beneficiaries With Employment/Health Insurance	11
Figure 6: Spouses' Experience With Employment/Health Insurance	13
Figure IV.1: HCFA's 10 Regions	42
Figure IV.2: Gender of ESRD Beneficiaries With and Without Employer-Provided Health Insurance	45
Figure IV.3: Age of ESRD Beneficiaries With and Without Employer-Provided Health Insurance	46
Figure IV.4: Ethnic Background of ESRD Beneficiaries With and Without Employer-Provided Health Insurance	47
Figure IV.5: Type of ESRD Treatment for Beneficiaries With and Without Employer-Provided Health Insurance	48

Abbreviations

ESRD	end-stage renal disease
GAO	General Accounting Office
HCFA	Health Care Financing Administration
MSP	Medicare Secondary Payer
OBRA-90	Omnibus Budget Reconciliation Act of 1990

Scope and Methodology

The Omnibus Budget Reconciliation Act of 1990 (OBRA-90) extended the Medicare secondary payer (MSP) provision for beneficiaries entitled solely because of end-stage renal disease (ESRD). The Congress first established a secondary payer provision for ESRD beneficiaries in 1981.

Before OBRA-90, employer group health plan insurance acted as the primary payer for the first 12 months of treatment. OBRA-90 applied the provision to the first 18 months of Medicare entitlement. This change resulted in an additional 6 to 9 months in which Medicare would be secondary payer, depending on the dates treatment and Medicare entitlement begin. The extension of secondary payer status may be shorter than the 6 to 9 months because of the beneficiary's reaching age 65, becoming entitled to Medicare by reason of disability, recovering kidney function, or dying.

Identifying Affected Beneficiaries

To determine the number and geographic distribution of beneficiaries affected by the OBRA-90 provision, we studied selected Medicare beneficiaries whose Medicare entitlement on February 1, 1991 (the effective date of the OBRA-90 provisions) was based solely on ESRD, not age or disability combined with ESRD. To identify this beneficiary group and to determine the portion with employer coverage on February 1, 1991, and their demographic characteristics, we obtained data from HCFA's database of ESRD beneficiaries and used a beneficiary questionnaire.

Selection of Beneficiaries

Using the End Stage Renal Disease Program Management and Medical Information System database of ESRD beneficiaries, HCFA extracted the identification numbers and other data for 1,562 ESRD beneficiaries whose current entitlement to Medicare part A began in May 1990 and whose original basis for entitlement was solely ESRD. We assumed, and HCFA researchers concurred, that a group of beneficiaries from any month could be considered representative of the beneficiaries in all other months. In addition, our review of data on various demographic characteristics, such as race, gender, type of disease causing the ESRD, and age at onset of ESRD, showed that monthly variations in these characteristics were very small. The number of new ESRD beneficiaries in May 1990 represented **8.84 percent** of the new ESRD beneficiaries during 1990.

All the people who began their Medicare entitlement in May 1990 solely because of ESRD—whether they began ESRD treatment as early as February or as late as May 1990—experienced the full effect of the

OBRA-90 extension, which was effective for services rendered on or after February 1991.

We removed 256 of the 1,562 beneficiaries for the following reasons, leaving a group of 1,306 beneficiaries in our study:

- 61 who became 65 years old before February 1, 1991;
- 23 who became entitled to Medicare by reason of receiving Social Security disability payments for at least 24 months before February 1, 1991;
- 137 who died before February 1, 1991;
- 4 who were no longer entitled to Medicare as of February 1, 1991;
- 15 who had recovered kidney function before February 1, 1991; and
- 16 whose Medicare mailing addresses were outside the United States.

Our criteria may have excluded a few ESRD-only beneficiaries affected by OBRA-90 in that some of the 15 who no longer suffered from ESRD on February 1, 1991, may have had employer coverage and Medicare on that date because Medicare entitlement does not cease until the 12th month after the month in which kidney function is regained.

For each of the 1,306 people selected, we obtained a unique identification number (the Health Insurance Claim number), and detailed demographic and medical history information.

Beneficiary Questionnaire

We developed and pretested a beneficiary questionnaire concerning health insurance coverage from February to October 1991—the period in which any employer health insurance could be affected by the OBRA-90 extension. We mailed this questionnaire to each person in our sample (except for the 103 who had died during the potential study period, Feb. 1 to Oct. 31, 1991) and obtained an 82-percent response rate. The questionnaire included a pledge of confidentiality. Through use of the questionnaire, we determined whether the beneficiary had employer group health plan coverage as of February 1, 1991. We obtained data regarding each beneficiary's history of disability payments from the Social Security Administration to ensure that the basis for Medicare entitlement on February 1, 1991, was ESRD-only rather than ESRD-disabled.

For questionnaire nonrespondents (including those who had died during the study period), we assumed the same portion would have employer plan coverage as we found among the questionnaire respondents. For those who had died during the study period, however, we reduced by half

the portion of questionnaire respondents who were linked to an employer group health plan through their own active employment; we assumed that those near death would be less likely to be working than the ESRD population as a whole.

To determine the size of employers through whom beneficiaries had health coverage, in our questionnaire we included questions on employer size as of February 1, 1991, and whether a beneficiary's employer health plan was a labor union plan. We assumed that labor union plans would involve 300 or more employees. In addition, for most beneficiaries with employer coverage, we made our own determination of employer size either to verify the beneficiary's size estimate or because the beneficiary was unable to provide a size estimate. To make these determinations, we used various resource materials and telephone contacts. References we consulted included Dun's Marketing Services Million Dollar Directory, Standard and Poor's Register of Corporations, and the American Hospital Association Guide.

Determining Medicare Savings

To estimate the amount of annual savings to the Medicare program, we obtained cost information and further demographic information from HCFA for the ESRD-only group we identified. We then calculated and compared the actual mean cost per entitlement day for the subgroup with Medicare as secondary payer (MSP subgroup) with the cost expected in the absence of OBRA-90.

For the beneficiaries in our sample, HCFA provided us with medical and demographic information from the Program Management and Medical Information System database and detailed cost information from its Medicare Automated Data Retrieval System database for all services dated in 1991.

For each person we calculated total Medicare costs for two periods: (1) a study period composed of the additional months of entitlement in which employer coverage was primary payer for the MSP subgroup because of OBRA-90 and (2) a comparison period composed of 2 months (Nov.-Dec. 1991) when the secondary payer provision was no longer effective and Medicare was primary payer for all our beneficiaries. The length of the study period in entitlement days differed from beneficiary to beneficiary, depending on the dates treatment and Medicare entitlement started and on whether and when the beneficiary died during the study

period, reached age 65, or became entitled to Medicare for disability as well as ESRD.

Because the costs of ESRD individuals vary dramatically with their treatment category, we used medical history data from our questionnaire and HCFA to place each beneficiary in one of four treatment categories that reflected his or her transplant status during the study period. We similarly classified each beneficiary with regard to comparison-period treatment category based on the HCFA data.

We next calculated the mean Medicare cost per entitlement day for the beneficiaries in each treatment category of our MSP subgroup and of our non-MSP subgroup for both the study period and the comparison period. Within each study-period treatment category, we then calculated the ratio of the MSP subgroup mean for the comparison period to the non-MSP subgroup mean for the comparison period and applied it to the non-MSP subgroup mean for the study period to estimate what the MSP subgroup mean for the study period would have been in the absence of the OBRA-90 MSP provision. We then measured the difference between the estimated MSP subgroup mean for the study period and the actual MSP subgroup mean for the study period to obtain per-entitlement-day savings for ESRD-only patients due to OBRA-90's modification of the ESRD MSP provision. We multiplied this savings amount times the number of entitlement days for the MSP subgroup members in that study group treatment category. Finally we combined the results for the four study-period treatment categories.

To approximate the cost savings associated with the 30 beneficiaries who had a mix of MSP and non-MSP status during February-October 1991, we applied to them individually half the mean number of entitlement days we found for our MSP subgroup in the same treatment category during the study period and multiplied by the same per-entitlement-day savings.

To prevent biasing our study, we removed the nine beneficiaries (1) who told us on their questionnaire that they had received medical care in a federal veterans' hospital or military hospital or (2) whose HCFA record showed a federal hospital as the most recent dialysis or transplant provider. We were concerned that, particularly in our comparison group, Medicare costs for these beneficiaries would be artificially low because of services provided without any charges to Medicare. This would cause us to understate the full effect of OBRA-90.

In addition to calculating Medicare savings, we also calculated the somewhat lesser budgetary effect of OBRA-90 by reducing the savings associated with the 8 percent of the MSP group who were federal employees. In supporting the cost of its employee health plans, the federal government pays about 70 percent of the total premiums. We, therefore, assumed that 70 percent of the savings for federal employees would be passed on to the operating costs of the federal government. In using 70 percent, we ignored nonpremium costs borne by the federal employee in the form of deductibles and copayments.

Our procedure for ascribing cost savings for beneficiaries who did not respond to our questionnaire¹ was to calculate for each such beneficiary the number of days between February 1 and October 31, 1991, that the person would have been affected by OBRA-90 if he or she had coverage under an employer plan. We summed this number over all such beneficiaries to obtain a total number of potential days of impact. To estimate the portion of these days covered by an employer plan, we used the same portion as we found for questionnaire respondents on February 1, 1991. We applied to the nonrespondent group the savings-per-entitlement-day figure we estimated for questionnaire respondents.

We similarly ascribed cost savings for the 103 beneficiaries who died during our study period and thus did not receive questionnaires based on our findings for the beneficiaries who responded to our questionnaire. From HCFA data we determined for these persons how many days before they died they would have been affected by OBRA-90 if covered under an employer plan. We summed this number over all such persons to obtain a total number of potential days of impact. To estimate the portion of these days covered by an employer plan, we used the same portion as we found for questionnaire respondents on February 1, 1991, but reduced by half the portion of questionnaire respondents who were linked to an employer group health plan through their own active employment; we assumed that those near death would be less likely to be working than the ESRD population as a whole. Rather than simply applying to this group the savings-per-entitlement-day figure we estimated for questionnaire respondents, we adjusted this figure upward to reflect the higher costs associated with the months just before death. To do this we determined the costs per day for those who died and the costs per day for our questionnaire respondents; we then adjusted the savings-per-

¹Nonrespondents included beneficiaries who died between February 1 and October 31, 1991, and beneficiaries whose questionnaire mailing was returned by the U.S. Postal Service.

entitlement-day figure by multiplying it by the ratio of the costs per day (deceased beneficiary group) to the costs per day (respondent group).

To estimate total savings figures from our 1-month group, we multiplied by 12 to obtain annual dollar savings. The number of new ESRD beneficiaries in May 1990 represented 8.84 percent (slightly more than one-twelfth) of the new ESRD beneficiaries during 1990. Our overall cost estimate is somewhat understated because the HCFA database did not yet include all the costs for the study period.

Assessing Effect on Employment/ Insurance

To determine the effect on access to employment and employment-based health insurance for individuals with ESRD, we included over 20 questions on these topics in our questionnaire to ESRD-only beneficiaries. As a control, we sent the same questionnaire to the 1,443 Medicare beneficiaries whose ESRD treatment began from January to June 1990 and whose Medicare entitlement was originally due to disability. We obtained a response rate of 82 percent. We tested differences for statistical significance using a one-tailed test at the 0.05 level of significance.

We interviewed officials from HCFA, the health insurance industry (the Health Insurance Association of America, the Prudential Insurance Company, the Society of Professional Benefits Administrators, and the Blue Cross/Blue Shield Association), and groups representing ESRD providers or patients (the National Kidney Foundation, the American Association of Kidney Patients, the American Kidney Fund, the Renal Physicians Association, and National Renal Administrators Association). We also interviewed officials from groups representing employer interests (the Washington Business Group on Health, the National Association of Manufacturers, the Association of Private Pension and Welfare Plans, the Small Business Legislative Council, the ERISA Industry Committee, and the Business Roundtable).

To perform this study we obtained information from two large HCFA databases: (1) the End Stage Renal Disease Program Management and Medical Information System, which contains beneficiary data drawn from documents originating in Social Security offices and renal provider facilities and from inpatient and outpatient bills, and (2) the Medicare Automated Data Retrieval System, a database of claims, which is updated each month from processed Medicare bills. We drew additional data on disabled ESRD beneficiaries from the Master Beneficiary Record maintained by the Social Security Administration. Because of the

extensive time and resources required, we did not independently examine the internal and automatic data processing controls for these automated systems. With this exception, we performed our work from April 1991 through September 1992 in accordance with generally accepted government auditing standards.

Questionnaire and Tally of Responses From Beneficiaries Entitled to Medicare Only by Reason of ESRD

U.S. General Accounting Office

Questionnaire on Employer Health Insurance
Benefits For End Stage Renal Disease Patients

The United States General Accounting Office (GAO) is studying how recent changes in Medicare law affect end stage renal disease (ESRD) patients. As part of this study, we are surveying a group of ESRD patients, like yourself, who are entitled to Medicare.

We ask that you complete and return this questionnaire to us within the next two weeks. We will keep your responses strictly confidential. No one outside of GAO will know how you personally answered these questions.

You may return the completed questionnaire in the enclosed pre-addressed business reply envelope.

If you have any questions or comments about this questionnaire, please call Ike Eichner on (206) 287-4824. In the event that the business reply envelope is misplaced, you may return the questionnaire to:

U.S. General Accounting Office
Attn: Mr. Ike Eichner
Jackson Federal Building
Room 1992
915 Second Avenue
Seattle, WA 98174

1. Were you on kidney dialysis throughout the entire period from February 1, 1991 to October 31, 1991?

- 1. [326] No
- 2. [750] Yes

2. Have you ever had a kidney transplant?

- 1. [721] No--->GO TO QUESTION 8.
- 2. [355] Yes

3. At any time from February 1, 1991 to October 31, 1991, did you have a kidney transplant?

- 1. [220] No--->GO TO QUESTION 5.
- 2. [135] Yes

4. In what month did you have this transplant? (ENTER MONTH.)

- | | |
|---------|----------|
| Feb.-22 | July -11 |
| Mar.-17 | Aug. -15 |
| Apr.-17 | Sept.-14 |
| May -16 | Oct. -12 |
| June-11 | |

5. Have you ever had a kidney transplant failure?

- 1. [298] No--->GO TO QUESTION 8.
- 2. [57] Yes

6. At any time from February 1, 1991 to October 31, 1991, did you have a kidney transplant failure?

- 1. [39] No--->GO TO QUESTION 8.
- 2. [18] Yes

7. In what month did you have this kidney transplant failure? (ENTER MONTH.)

- | | |
|--------|---------|
| Feb.-2 | July -2 |
| Mar.-1 | Aug. -2 |
| Apr.-1 | Sept.-2 |
| May -1 | Oct. -1 |
| June-6 | |

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

- | | |
|--|---|
| <p>8. Are you a veteran of the U.S. Armed Forces?</p> <p>1. [916] No</p> <p>2. [159] Yes--->GO TO QUESTION 10.</p> | <p>Excluding any military health insurance coverage, did you have any health insurance coverage for ESRD under an employer group health plan at any time from February 1, 1991 through October 31, 1991?</p> <p>1. [563] No--->GO TO QUESTION 24, ON PAGE 4.</p> <p>2. [511] Yes</p> |
| <p>9. Are you a dependent of someone serving in or receiving retirement pay from the U.S. Armed Forces?</p> <p>1. [850] No--->GO TO QUESTION 11.</p> <p>2. [23] Yes</p> | <p>12. Excluding any military health insurance coverage, did you have health insurance coverage for ESRD under any employer group health plan on February 1, 1991?</p> <p>1. [5] No--->GO TO QUESTION 24, ON PAGE 4.</p> <p>2. [505] Yes</p> |
| <p>10. At any time from February 1, 1991 through October 31, 1991, did you receive any medical care at a Veterans Administration (VA) hospital, or a U.S. military hospital?</p> <p>1. [186] No</p> <p>2. [39] Yes</p> | <p>13. Excluding any military health insurance coverage, did you have health insurance coverage for ESRD under more than one employer group health plan on February 1, 1991?</p> <p>1. [466] No--->GO TO QUESTION 15.</p> <p>2. [38] Yes</p> |
| <p>11. In the following questions, we are interested in any health insurance coverage you had for ESRD under an employer group health plan. Employer group health plan coverage includes coverage you received as a non-military:</p> <p>-- employee or owner</p> <p>-- former employee,</p> <p>-- retiree,</p> <p>-- spouse (husband or wife) of an employee with coverage or</p> <p>-- dependent of an employee with coverage.</p> | <p>14. Excluding any military health insurance coverage, how many employers covered you for ESRD under their group health plans on February 1, 1991? (ENTER NUMBER.)</p> <p>2 employers - 38</p> |

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

15. How were you entitled to the employer coverage that you had on February 1, 1991? (CHECK ALL THAT APPLY.)

- 1. [88] As a retired employee
- 2. [34] As the spouse or dependent of a retired employee
- 3. [21] As a former employee
- 4. [5] As the spouse or dependent of a former employee
- 5. [174] As an employee or owner
- 6. [217] As the spouse or dependent of an employee or owner
- 7. [2] Other (PLEASE SPECIFY.)

16. On February 1, 1991, were you covered under a health insurance benefit program for federal government civilian employees?

- 1. [464] No
- 2. [40] Yes-->GO TO QUESTION 23.

17. On February 1, 1991, were you covered under a health insurance benefit program for state government employees?

- 1. [428] No
- 2. [35] Yes-->GO TO QUESTION 23.

18. On February 1, 1991, did you have employer health insurance coverage for ESRD from: (CHECK ONE FOR EACH.)

	<u>Yes</u>	<u>No</u>
	(1)	(2)
1. A private company or business	[328]	[92]
2. A local government	[33]	[369]
3. A college, university or school system	[42]	[364]
4. Other	[35]	[366]

19. Counting all locations, which employer that provided you with health insurance coverage for ESRD had the largest number of employees? (CHECK ONE.)

- 1. [356] Only had insurance from one employer
- 2. [32] The private company or business
- 3. [6] The local government
- 4. [13] The college, university or school system
- 5. [10] Other

20. Please enter the name of the employer through whom you had coverage on February 1, 1991. If you had coverage from more than one employer on that date, enter the name of the employer who had the largest number of employees. Then enter the city and state in which this employer is located.

Name: _____

City: _____

State: _____

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

29. At any time since May 1, 1990, did you have a spouse, that is, a husband or wife?
1. [488] No--->GO TO QUESTION 37.
 2. [620] Yes
30. At any time since May 1, 1990, did your spouse apply for a job?
1. [533] No--->GO TO QUESTION 35.
 2. [85] Yes
31. At any time since May 1, 1990, was your spouse turned down for a job that would have provided health insurance coverage for your ESRD?
1. [73] No--->GO TO QUESTION 35.
 2. [12] Yes
32. At any time since May 1, 1990, did an employer, or someone representing an employer, tell your spouse that your end stage renal disease (ESRD) was a reason your spouse was not hired?
1. [10] No--->GO TO QUESTION 34.
 2. [2] Yes
33. Did an employer, or someone representing an employer, tell your spouse that a reason your spouse was not hired was that your ESRD would increase the employer's health insurance costs?
1. [0] No
 2. [2] Yes--->GO TO QUESTION 35.
34. Do you think that the impact of your ESRD on an employer's health insurance costs was a reason your spouse was not hired?
1. [6] No
 2. [3] Yes
35. At any time since May 1, 1990, did your spouse have a job that provided health insurance coverage for your ESRD?
1. [425] No--->GO TO QUESTION 37.
 2. [194] Yes

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

36. In Part A, please indicate whether or not, at any time since May 1, 1990, each of the following happened to your spouse while he or she was working at a job that provided health insurance benefits for your ESRD.

For each "Yes" in PART A, in PART B please tell us whether or not the employer, or someone representing the employer, told your spouse that your ESRD was a reason why this happened.

Then, in PART C, please indicate whether or not the employer, or someone representing the employer, told your spouse that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

Last, in PART D, please indicate whether or not you think that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

	PART A Did this happen?		PART B Was spouse told that your ESRD was a reason?		PART C Was spouse told that the impact of your ESRD on the employer's health insurance costs was a reason?		PART D Do you think that the impact of your ESRD on the employer's health insurance costs was a reason?	
	No	Yes -->	No	Yes	No	Yes	No	Yes
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1. Your spouse was fired or forced to resign from a job that provided health insurance benefits.	189	5	4	1	5	0	4	0
2. Your spouse's employer canceled health insurance benefits for all employees.	192	2	2	0	2	0	2	0
3. Your spouse's employer canceled only your spouse's health insurance benefits.	193	1	0	1	0	1	0	1
4. Your spouse's employer offered to pay your spouse to drop his or her health insurance benefits.	193	1	1	0	1	0	1	0
5. Your spouse's employer encouraged your spouse to drop his or her health insurance benefits.	193	1	0	1	0	1	0	1
6. Your spouse's employer switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began.	193	1	1	0	0	1	1	0

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

37. At any time since May 1, 1990, did you have a job that provided you with health insurance coverage for your ESRD?

1. [846] No--->GO TO QUESTION 39.
2. [230] Yes

38. In Part A, please indicate whether or not, at any time since May 1, 1990, each of the following happened to you.

For each "Yes" in PART A, in PART B please tell us whether or not the employer, or someone representing the employer, told you that your ESRD was a reason why this happened.

Then, in PART C, please indicate whether or not the employer, or someone representing the employer, told you that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

Last, in PART D, please indicate whether or not you think that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

	PART A Did this happen?		PART B Were you told that your ESRD was a reason?		PART C Were you told that the impact of your ESRD on the employer's health insurance costs was a reason?		PART D Do you think that the impact of your ESRD on the employer's health insurance costs was a reason?	
	No	Yes ->	No	Yes	No	Yes	No	Yes
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1. You were fired or forced to resign from a job that provided health insurance benefits.	209	21	12	9	20	1	11	10
2. Your employer canceled health insurance benefits for all employees.	227	3	2	1	0	3	1	2
3. Your employer canceled only your health insurance benefits.	217	13	11	2	11	2	5	8
4. Your employer offered to pay you to drop your health insurance benefits.	228	2	0	2	0	2	0	2
5. Your employer encouraged you to drop your health insurance benefits.	228	2	0	2	0	2	0	2
6. Your employer switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began.	228	2	2	0	2	0	2	0

**Appendix II
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare Only by
Reason of ESRD**

39. Please enter a telephone number so we can contact you if we have any questions about the information you provide.

() _____

40. If you have any other comments about your experiences with employers as an ESRD patient, or any other issues raised in this questionnaire, please write them below.

Note: In some cases, the figures listed in this appendix may differ from those in the report because we excluded from our discussion of the effect of OBRA-90 on employment and health coverage beneficiaries who became entitled to Medicare due to age or disability during the study period.

Thank you.

Questionnaire and Tally of Responses From Beneficiaries Entitled to Medicare by Reason of Disability

U.S. General Accounting Office

Questionnaire on Employer Health Insurance Benefits For End Stage Renal Disease Patients

The United States General Accounting Office (GAO) is studying how recent changes in Medicare law affect end stage renal disease (ESRD) patients. As part of this study, we are surveying a group of ESRD patients, like yourself, who are entitled to Medicare.

We ask that you complete and return this questionnaire to us within the next two weeks. We will keep your responses strictly confidential. No one outside of GAO will know how you personally answered these questions.

You may return the completed questionnaire in the enclosed pre-addressed business reply envelope.

If you have any questions or comments about this questionnaire, please call Ike Eichner on (206) 287-4824. In the event that the business reply envelope is misplaced, you may return the questionnaire to:

U.S. General Accounting Office
 Attn: Mr. Ike Eichner
 Jackson Federal Building
 Room 1992
 915 Second Avenue
 Seattle, WA 98174

1. Were you on kidney dialysis throughout the entire period from February 1, 1991 to October 31, 1991?
 1. [77] No
 2. [1104] Yes

2. Have you ever had a kidney transplant?
 1. [1114] No---> GO TO QUESTION 8.
 2. [67] Yes
3. At any time from February 1, 1991 to October 31, 1991, did you have a kidney transplant?
 1. [41] No---> GO TO QUESTION 5.
 2. [26] Yes
4. In what month did you have this transplant? (ENTER MONTH.)

Feb.-3	July -6
Mar.-0	Aug. -0
Apr.-3	Sept.-3
May -4	Oct. -1
June-6	
5. Have you ever had a kidney transplant failure?
 1. [56] No---> GO TO QUESTION 8.
 2. [11] Yes
6. At any time from February 1, 1991 to October 31, 1991, did you have a kidney transplant failure?
 1. [8] No---> GO TO QUESTION 8.
 2. [3] Yes
7. In what month did you have this kidney transplant failure? (ENTER MONTH.)

Feb.-0	July -1
Mar.-0	Aug. -0
Apr.-1	Sept.-0
May -0	Oct. -1
June-0	

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

8. Are you a veteran of the U.S. Armed Forces?

1. [877] No
2. [305] Yes--->GO TO QUESTION 10.

9. Are you a dependent of someone serving in or receiving retirement pay from the U.S. Armed Forces?

1. [779] No--->GO TO QUESTION 11.
2. [25] Yes

10. At any time from February 1, 1991 through October 31, 1991, did you receive any medical care at a Veterans Administration (VA) hospital, or a U.S. military hospital?

1. [329] No
2. [72] Yes

11. In the following questions, we are interested in any health insurance coverage you had for ESRD under an employer group health plan. Employer group health plan coverage includes coverage you received as a non-military:

- employee or owner
- former employee,
- retiree,
- spouse (husband or wife) of an employee with coverage or
- dependent of an employee with coverage.

Excluding any military health insurance coverage, did you have any health insurance coverage for ESRD under an employer group health plan at any time from February 1, 1991 through October 31, 1991?

1. [904] No--->GO TO QUESTION 24, ON PAGE 4.

2. [276] Yes

12. Excluding any military health insurance coverage, did you have health insurance coverage for ESRD under any employer group health plan on February 1, 1991?

1. [3] No--->GO TO QUESTION 24, ON PAGE 4.

2. [273] Yes

13. Excluding any military health insurance coverage, did you have health insurance coverage for ESRD under more than one employer group health plan on February 1, 1991?

1. [263] No--->GO TO QUESTION 15.

2. [10] Yes

14. Excluding any military health insurance coverage, how many employers covered you for ESRD under their group health plans on February 1, 1991? (ENTER NUMBER.)

- 2 employers - 10

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

15. How were you entitled to the employer coverage that you had on February 1, 1991? (CHECK ALL THAT APPLY.)

- 1. [158] As a retired employee
- 2. [47] As the spouse or dependent of a retired employee
- 3. [8] As a former employee
- 4. [0] As the spouse or dependent of a former employee
- 5. [6] As an employee or owner
- 6. [59] As the spouse or dependent of an employee or owner
- 7. [8] Other (PLEASE SPECIFY.)

16. On February 1, 1991, were you covered under a health insurance benefit program for federal government civilian employees?

- 1. [254] No
- 2. [19] Yes--> GO TO QUESTION 23.

17. On February 1, 1991, were you covered under a health insurance benefit program for state government employees?

- 1. [233] No
- 2. [21] Yes--> GO TO QUESTION 23.

18. On February 1, 1991, did you have employer health insurance coverage for ESRD from: (CHECK ONE FOR EACH.)

	<u>Yes</u>	<u>No</u>
	(1)	(2)
1. A private company or business	[181]	[49]
2. A local government	[17]	[200]
3. A college, university or school system	[21]	[197]
4. Other	[18]	[196]

19. Counting all locations, which employer that provided you with health insurance coverage for ESRD had the largest number of employees? (CHECK ONE.)

- 1. [206] Only had insurance from one employer
- 2. [10] The private company or business
- 3. [3] The local government
- 4. [7] The college, university or school system
- 5. [0] Other

20. Please enter the name of the employer through whom you had coverage on February 1, 1991. If you had coverage from more than one employer on that date, enter the name of the employer who had the largest number of employees. Then enter the city and state in which this employer is located.

Name: _____
City: _____
State: _____

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

21. Counting all locations, about how many people were employed by this organization on February 1, 1991? (CHECK ONE.)

- 1. [5] 1 - 19
- 2. [12] 20 - 99
- 3. [14] 100 - 299
- 4. [106] 300 or more
- 5. [96] Don't know

22. Was the health coverage for ESRD that you received from this employer a labor union health plan? (CHECK ONE.)

- 1. [110] No
- 2. [76] Yes
- 3. [47] Don't know

23. Did you have health insurance coverage for ESRD from at least one employer group health plan throughout the entire period from February 1, 1991 through October 31, 1991?

- 1. [12] No
- 2. [261] Yes

24. At any time since May 1, 1990, did you apply for a job?

- 1. [1171] No--->GO TO QUESTION 29.
- 2. [9] Yes

25. At any time since May 1, 1990, were you turned down for a job that would have provided health insurance coverage for your ESRD?

- 1. [5] No-->GO TO QUESTION 29.
- 2. [3] Yes

26. At any time since May 1, 1990, did an employer, or someone representing an employer, tell you that your end stage renal disease (ESRD) was a reason you were not hired?

- 1. [2] No--->GO TO QUESTION 28.
- 2. [1] Yes

27. Did an employer, or someone representing an employer, tell you that each of the following was a reason that you were not hired? (CHECK ONE FOR EACH.)

	<u>Yes</u>	<u>No</u>
	(1)	(2)
1. Your physical condition would affect your ability to work	[1]	[0]
2. Your ESRD would increase the employer's health insurance costs	[0]	[1]

|-> GO TO QUESTION 29.

28. Do you think that the impact of your ESRD on an employer's health insurance costs was a reason you were not hired?

- 1. [5] No
- 2. [1] Yes

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

29. At any time since May 1, 1990, did you have a spouse, that is, a husband or wife?

1. [607] No--->GO TO QUESTION 37.
2. [573] Yes

30. At any time since May 1, 1990, did your spouse apply for a job?

1. [541] No--->GO TO QUESTION 35.
2. [30] Yes

31. At any time since May 1, 1990, was your spouse turned down for a job that would have provided health insurance coverage for your ESRD?

1. [28] No--->GO TO QUESTION 35.
2. [2] Yes

32. At any time since May 1, 1990, did an employer, or someone representing an employer, tell your spouse that your end stage renal disease (ESRD) was a reason your spouse was not hired?

1. [2] No--->GO TO QUESTION 34.
2. [0] Yes

33. Did an employer, or someone representing an employer, tell your spouse that a reason your spouse was not hired was that your ESRD would increase the employer's health insurance costs?

1. [0] No
2. [0] Yes--->GO TO QUESTION 35.

34. Do you think that the impact of your ESRD on an employer's health insurance costs was a reason your spouse was not hired?

1. [1] No
2. [1] Yes

35. At any time since May 1, 1990, did your spouse have a job that provided health insurance coverage for your ESRD?

1. [507] No--->GO TO QUESTION 37.
2. [65] Yes

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

36. In Part A, please indicate whether or not, at any time since May 1, 1990, each of the following happened to your spouse while he or she was working at a job that provided health insurance benefits for your ESRD.

For each "Yes" in PART A, in PART B please tell us whether or not the employer, or someone representing the employer, told your spouse that your ESRD was a reason why this happened.

Then, in PART C, please indicate whether or not the employer, or someone representing the employer, told your spouse that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

Last, in PART D, please indicate whether or not you think that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

	PART A Did this happen?		PART B Was spouse told that your ESRD was a reason?		PART C Was spouse told that the impact of your ESRD on the employer's health insurance costs was a reason?		PART D Do you think that the impact of your ESRD on the employer's health insurance costs was a reason?	
	No	Yes ->	No	Yes	No	Yes	No	Yes
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1. Your spouse was fired or forced to resign from a job that provided health insurance benefits.	65	0	0	0	0	0	0	0
2. Your spouse's employer canceled health insurance benefits for all employees.	64	1	1	0	1	0	1	0
3. Your spouse's employer canceled only your spouse's health insurance benefits.	62	2	1	1	1	1	0	2
4. Your spouse's employer offered to pay your spouse to drop his or her health insurance benefits.	65	0	0	0	0	0	0	0
5. Your spouse's employer encouraged your spouse to drop his or her health insurance benefits.	64	0	0	0	0	0	0	0
6. Your spouse's employer switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began.	61	3	1	2	1	2	1	2

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

37. At any time since May 1, 1990, did you have a job that provided you with health insurance coverage for your ESRD?

1. [1168] No--->GO TO QUESTION 39.

2. [12] Yes

38. In Part A, please indicate whether or not, at any time since May 1, 1990, each of the following happened to you.

For each "Yes" in PART A, in PART B please tell us whether or not the employer, or someone representing the employer, told you that your ESRD was a reason why this happened.

Then, in PART C, please indicate whether or not the employer, or someone representing the employer, told you that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

Last, in PART D, please indicate whether or not you think that the impact of your ESRD on the employer's health insurance costs was a reason why this happened.

	PART A Did this happen?		PART B Were you told that your ESRD was a reason?		PART C Were you told that the impact of your ESRD on the employer's health insurance costs was a reason?		PART D Do you think that the impact of your ESRD on the employer's health insurance costs was a reason?	
	No	Yes -->	No	Yes	No	Yes	No	Yes
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
1. You were fired or forced to resign from a job that provided health insurance benefits.	11	1	0	1	1	0	1	0
2. Your employer canceled health insurance benefits for all employees.	12	0	0	0	0	0	0	0
3. Your employer canceled only your health insurance benefits.	11	1	0	1	0	1	0	1
4. Your employer offered to pay you to drop your health insurance benefits.	12	0	0	0	0	0	0	0
5. Your employer encouraged you to drop your health insurance benefits.	11	1	0	1	0	1	0	1
6. Your employer switched to a new health insurance policy that provided coverage for ESRD only if it was diagnosed after the new policy began.	12	0	0	0	0	0	0	0

**Appendix III
Questionnaire and Tally of Responses From
Beneficiaries Entitled to Medicare by
Reason of Disability**

39. Please enter a telephone number so we can contact you if we have any questions about the information you provide.

() _____

40. If you have any other comments about your experiences with employers as an ESRD patient, or any other issues raised in this questionnaire, please write them below.

Thank you.

Demographics of ESRD Beneficiaries

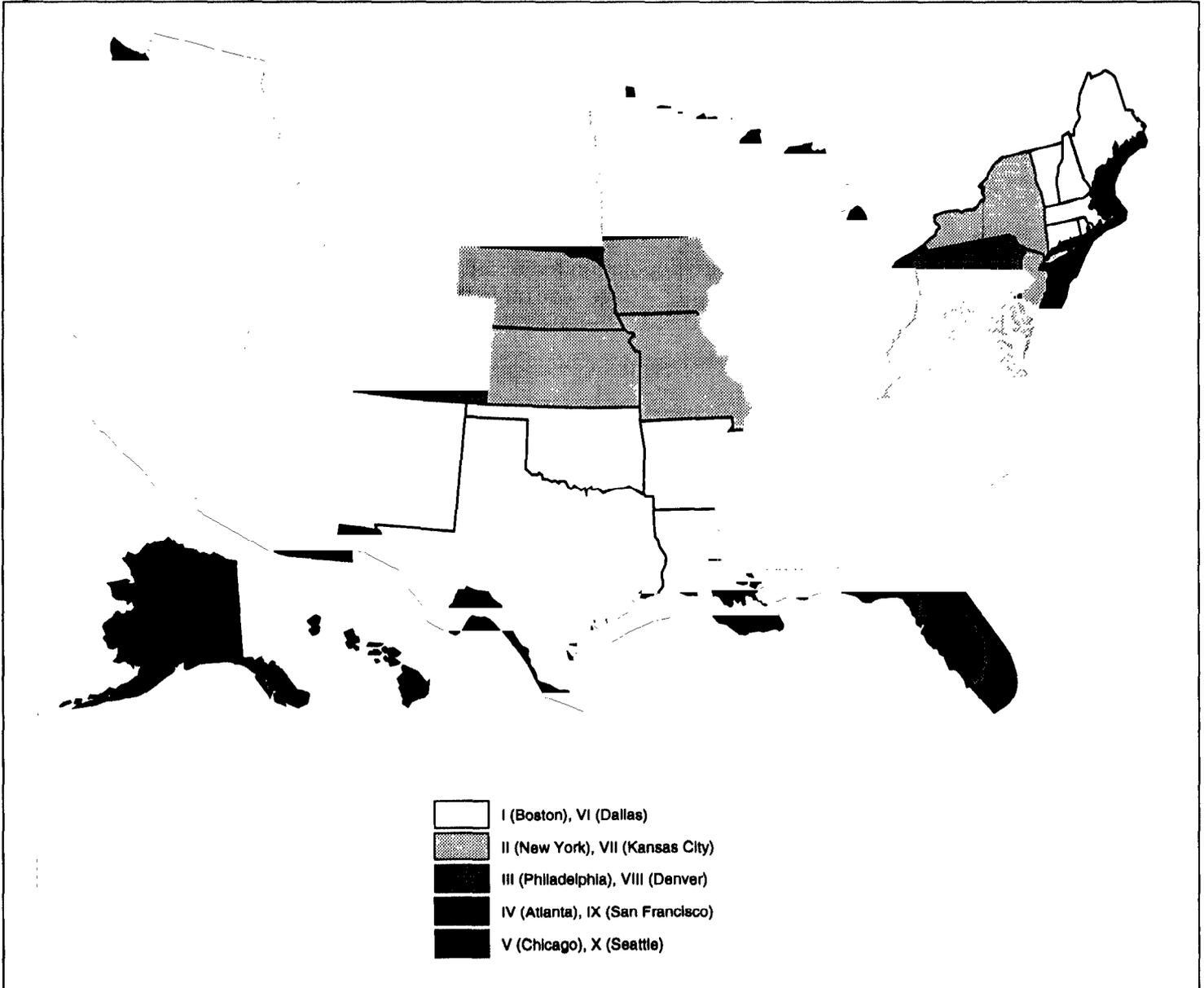
This appendix presents information on the geographic dispersion, gender, age, ethnicity, and type of ESRD treatment for ESRD-only beneficiaries.

Dispersion of ESRD Beneficiaries

ESRD beneficiaries who had employer-provided health insurance were dispersed in the 10 HCFA regions (see fig. IV.1) throughout the United States in much the same way as the general population or the population of Medicare beneficiaries in general. A most noticeable difference lies in HCFA Region 9, composed of Nevada, Arizona, California, and Hawaii. That region has over 14 percent of the resident population and 12 percent of the Medicare population but about 10 percent of the ESRD beneficiaries with employer coverage (see table IV.1).

**Appendix IV
Demographics of ESRD Beneficiaries**

Figure IV.1: HCFA's 10 Regions



**Appendix IV
Demographics of ESRD Beneficiaries**

Table IV.1: Dispersion of ESRD Beneficiaries Relative to U.S. and Medicare Populations

Region	Percentage of ESRD beneficiaries with employer insurance (Feb. 1, 1991)	Percentage of 1990 U.S. resident population	Percentage of 1989 Medicare enrollment (preliminary estimate)
I (Boston)	4.7	5.3	5.7
II (New York)	12.1	10.3	10.9
III (Philadelphia)	13.4	10.4	11.0
IV (Atlanta)	17.1	18.0	19.6
V (Chicago)	21.4	18.7	19.1
VI (Dallas)	8.8	11.4	10.1
VII (Kansas City)	5.6	4.8	5.5
VIII (Denver)	2.3	3.1	2.7
IX (San Francisco)	10.3	14.4	12.0
X (Seattle)	4.3	3.7	3.6

Note: Percentages do not add to 100 due to rounding.

Comparison of ESRD Beneficiaries With and Without Insurance

In age and sex the 514 beneficiaries in our study who had employer coverage on February 1, 1991, and were thus subject to OBRA-90 were similar to the 578 beneficiaries who did not have employer coverage on that date. The two groups were very different in other respects, however, including ethnicity, ESRD treatment, and residence.

There were substantial differences in dispersion patterns between ESRD beneficiaries who had employer-provided health insurance and those who did not. As table IV.2 shows, beneficiaries in Region X (Seattle) were more likely to have employer coverage, while those in Region II (New York), Region IV (Atlanta), Region VI (Dallas), and Region IX (San Francisco) were less likely to have such coverage.

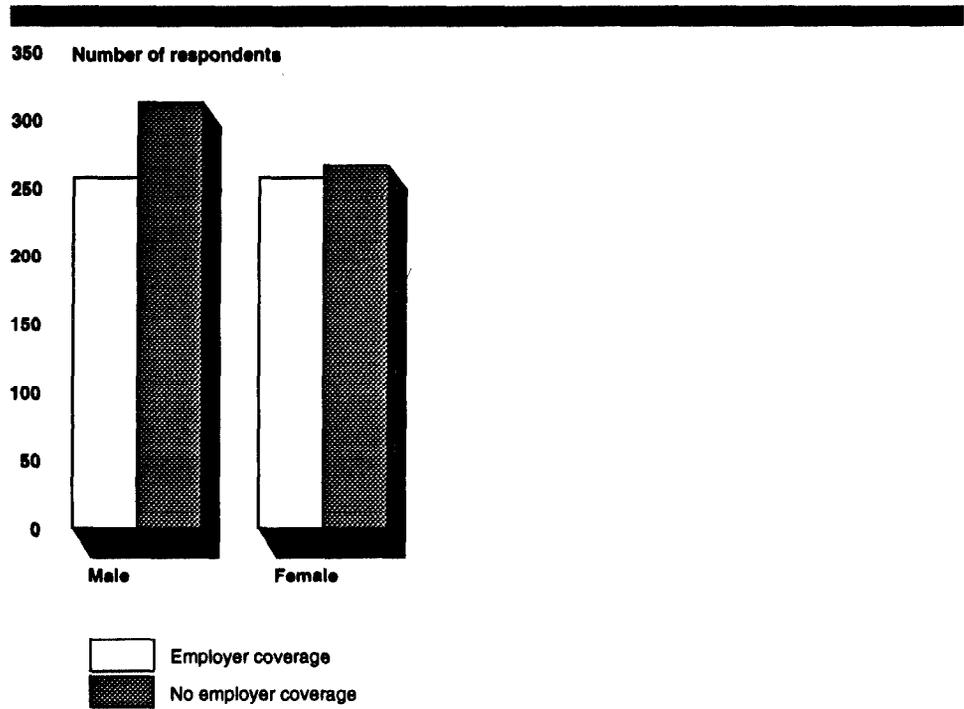
Appendix IV
Demographics of ESRD Beneficiaries

Table IV.2: Percentage of ESRD Beneficiaries With and Without Employer-Sponsored Health Insurance, by Region (Feb. 1, 1991)

Region	Percentage of ESRD beneficiaries with insurance	Percentage of ESRD beneficiaries without insurance
I (Boston)	55	45
II (New York)	30	70
III (Philadelphia)	52	48
IV (Atlanta)	40	60
V (Chicago)	57	43
VI (Dallas)	31	69
VII (Kansas City)	59	41
VIII (Denver)	55	45
IX (San Francisco)	40	60
X (Seattle)	69	31

The percentage of men and women who were ESRD beneficiaries with employer health insurance coverage or without was almost equal. (see fig. IV.2).

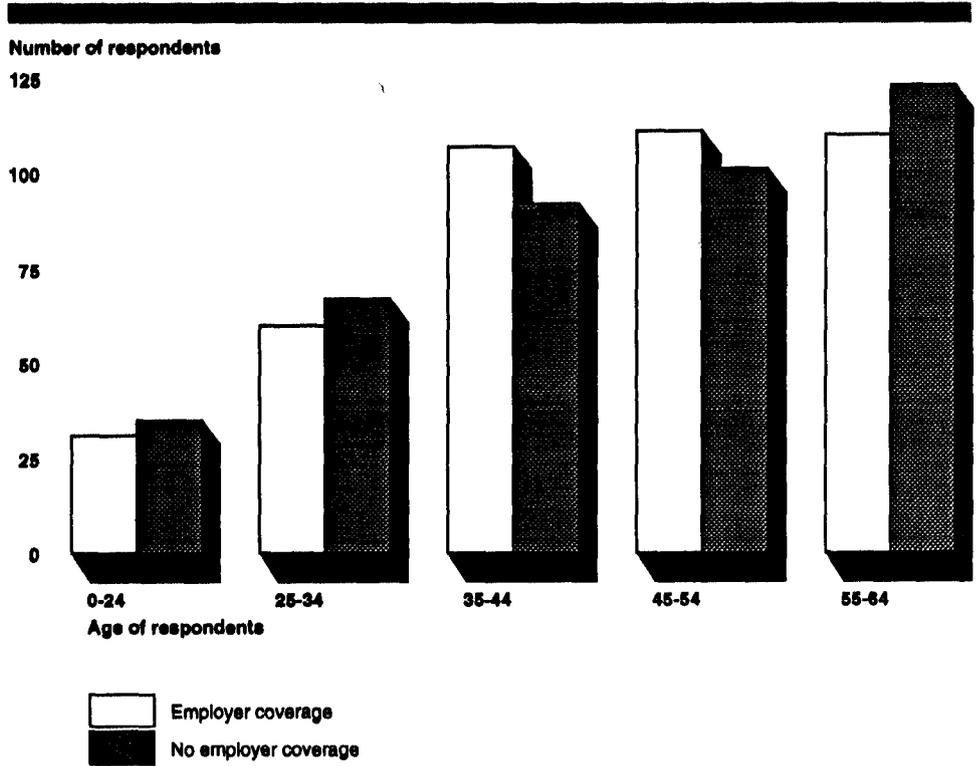
Figure IV.2: Gender of ESRD Beneficiaries With and Without Employer-Provided Health Insurance (Feb. 1, 1991)



**Appendix IV
Demographics of ESRD Beneficiaries**

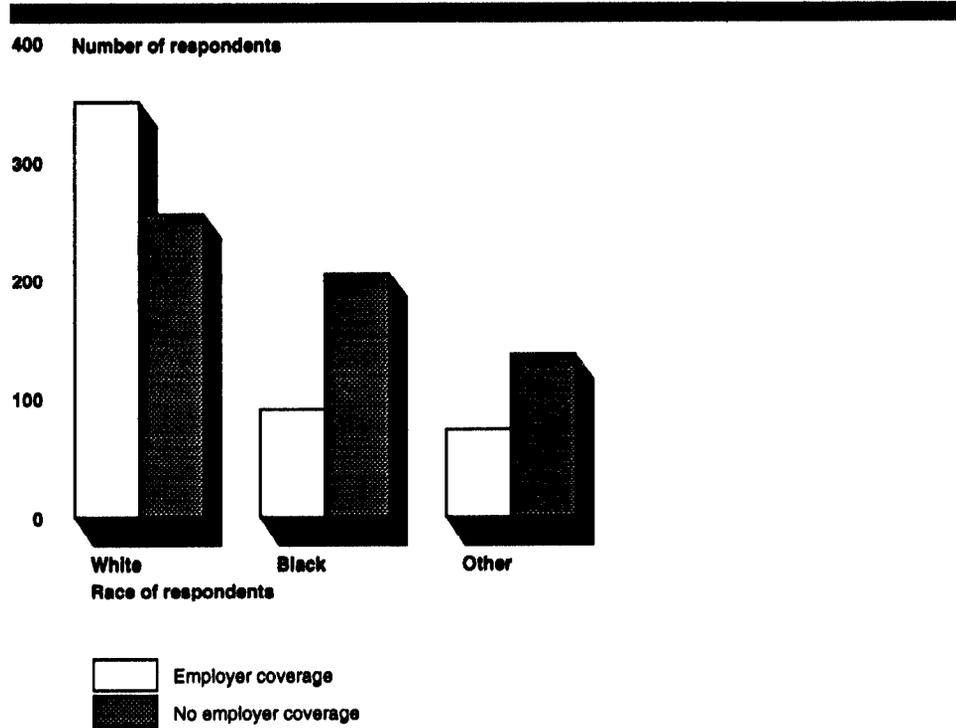
The two groups were very similar in age characteristics (see fig. IV.3).

**Figure IV.3: Age of ESRD Beneficiaries
With and Without Employer-Provided
Health Insurance (Feb. 1, 1991)**



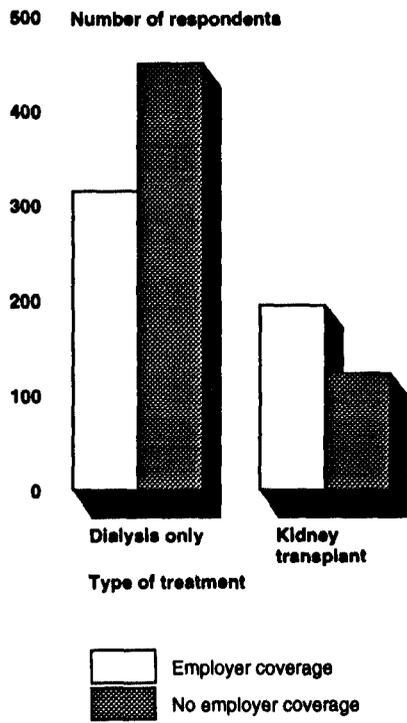
The ethnic composition of the two groups was very different, with blacks and other minorities representing 59.0 percent of the group without employer coverage but only 31.8 percent of the group with employer coverage. See figure IV.4 for a more detailed analysis.

Figure IV.4: Ethnic Background of ESRD Beneficiaries With and Without Employer-Provided Health Insurance (Feb. 1, 1991)



Employer coverage also appeared to be related to treatment received for ESRD. A substantially higher proportion of the group with employer coverage on February 1, 1991, received a transplant during our study period or continued to be sustained by a transplant received before our study period (see fig. IV.5).

Figure IV.5: Type of ESRD Treatment for Beneficiaries With and Without Employer-Provided Health Insurance (Feb. 1, 1991)



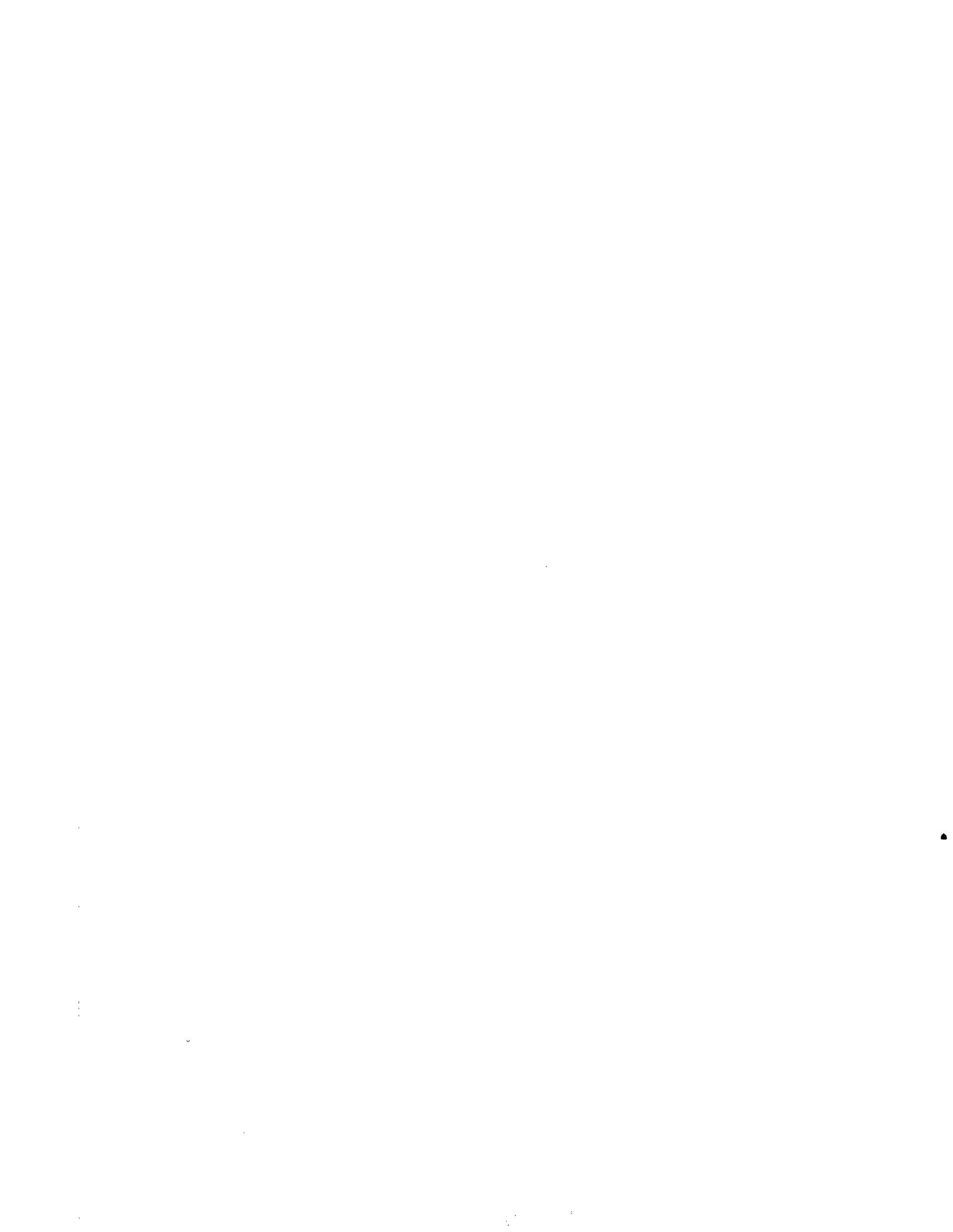
Major Contributors to This Report

**Human Resources
Division,
Washington, D.C.**

**John C. Hansen, Assistant Director, (202) 512-7114
Joel I. Grossman, Social Science Analyst**

**Seattle Regional
Office**

**Frank C. Pasquier, Assistant Director—Health Issues
W. R. Eichner, Evaluator-in-Charge
Evan L. Stoll, Jr., Computer Specialist
Robert J. Bresky, Jr., Evaluator
Theotis E. Gentry, Evaluator
Jenny M. Hicks, Computer Specialist**



Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100