

Summary and Key Results from Chicago Medicare Costs Analysis

Question: What types of practices in Chicago have the highest Medicare allowable amounts for services relative to the costs of those services?

Methodology: Using public Medicare data on medical providers and their services, we clustered providers and their services offered in Chicago into different groups based on:

- the provider's relative location within Chicago
- the types of service that being offered
- the average Medicare allowable amount for a service
- the average charge that a provider submitted for a service.

Key Insights:

- Evaluation type procedures tend to have the highest ratio of Medicare allowable amounts for services to the costs of the service. The ratio is around .388 for Evaluation services across most of Chicago. Medicine type procedures are a close second to Evaluation in terms of Medicare allowable amounts to cost of service with a ratio value of about .32.
- If these Evaluation and Medicine procedures are offered in zip codes in Chicago that begin with 600 or 601, they tend to have even better ratios than the rest of Chicago
- Although radiology services in Chicago don't have the highest ratio, they do tend to have the lowest total non-Medicare allowed costs factoring in the amount of times a service is being offered.

Recommendation:

Based on the results of our analysis, you will have the best success in avoiding low Medicare Allowed amounts on services (relative to the submitted charge for the service) in Chicago if you focus on offering Evaluation, Medicine, and Radiology type service. We recommend further location analysis on where there's a market need for these types services in Chicago to determine the specific location that'll be best for expansion.