10 Years Later, McAllen's Healthcare Spending Has Declined

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By Ellen Chang, Contributor to Aunt Bertha

A town with a population of 143,433 based on the latest census estimates, McAllen gained notoriety in 2009 when Atul Gawande, a surgeon, chronicled the healthcare costs of the 21st largest city in Texas.

In his 2009 article for the New Yorker called "The Cost Conundrum," Gawande found that the border town was one of the most expensive places to receive healthcare despite being located in Hidalgo County, an area that reports some of the lowest household income in the U.S.

McAllen spent $15,000 per Medicare enrollee in 2006, an amount that was nearly the national average. On the other hand, the income per capita was extremely low at $12,000.

Gawande set out to determine why Medicare was spending $3,000 more than what each person earned per year on average.

*McAllen, Texas, is pictured in this photo, **"Dusk,"** by **Reil,** licensed under **CC BY-SA 2.0***

It wasn't just that the town had a high poverty rate because the residents didn't earn much money or that many had heart disease or diabetes; McAllen also did not deliver better health care, even though it spent more money, the article states.

Doctors were ordering unnecessary tests which often led to surgeries that cost significantly more. For instance, a gallbladder surgery nets an additional $700 for a doctor or hospital. In some instances, doctors said they could have waited for a patient to change his/her diet to a low-fat one, causing the pain to subside and avoiding a surgery altogether.

Symptoms such as chest pain were not chalked up to stress and a bad diet anymore. In previous decades, an EKG would rule out anything more serious. Back in 2006 in McAllen and in many other cities, it led to a round of tests – a stress test, an echocardiogram, a mobile Holter monitor, and probably a cardiac catheterization, the article reported.

After examining commercial insurance data, Gawande discovered that patients in McAllen received a lot more diagnostic testing and hospital care, which often led to additional surgeries and home care. The care ranged from treatments for minor ailments such as carpal-tunnel

syndrome to procedures for more serious diseases such as cardiac-bypass operations.

“The primary cause of McAllen’s extreme costs was, very simply, the across-the-board overuse of medicine,” he wrote.

The extra care and excessive testing did not necessarily mean that patients lived longer, healthier lives. “Nearly 30 percent of Medicare’s costs could be saved without negatively affecting health outcomes if spending in high- and medium-cost areas could be reduced to the level in low-cost areas,” said Peter Orszag, who was budget director under President Barack Obama when the article was published.

Gawande had compared McAllen’s overspending on its patients to people in El Paso, a city with similar demographics in terms of health and income. But, El Paso spent only half the per-capita Medicare costs and their results mirrored McAllen’s patients or were better in some instances.

McAllen’s residents received surgery 40 percent more of the time compared to people in El Paso and spending on their home health care was five times higher, according to the article.

In 2015, **Gawande returned to McAllen**.

Since his initial story that found that doctors were being rewarded for extra tests because they owned shares in facilities such as surgery, imaging, home healthcare and for-profit hospitals, reform had occurred between 2009 and 2012. Gawande found that McAllen was spending $3,000 less for each Medicare patient, a total savings of nearly $500 million by the end of 2014. Doctors were also spending more time diagnosing patients instead of immediately sending them to take another diagnostic test.

Hospital visits declined by 10 percent in that time period while home healthcare costs dipped by almost 40 percent. Even ambulance rides declined by nearly 40 percent.

In the aftermath of the original article, investigations took place and discovered that some doctors weren't just ordering one or two extra tests to reassure patients. Federal prosecutions found cases of extreme fraud and seven doctors wound up agreeing to pay $28 million in a settlement case because they allegedly took kickbacks for referring their own patients for specialty medical services.

A Brookings Institution article by Kavita Patel and Frank McStay found that one major factor in medical costs is that doctors do not always know all the pricing, such as how expensive home healthcare is. Another factor is that local doctors can promote better healthcare. McAllen's primary care doctors who "were simply practicing good by-the-book medicine" were able to shift away from the system that encouraged extra testing and spending.

Changes are being made elsewhere in the country with 20 percent of Medicare payments being directed to doctors who are part of alternative-payment programs or companies such as Wal-Mart that now use bundled payment for surgeries and expensive procedures.

Too many diseases and illnesses are being overdiagnosed and overtreated, Gawande concluded. A renewed focus on pervasive ailments such as high blood pressure or diabetes can better help patients.

"The medical system had done what it so often does: performed tests, unnecessarily, to reveal problems that aren't quite problems to then be fixed, unnecessarily, at great expense and no little risk," he wrote. "An entire health-care system has been devoted to this game. Yet we're finally seeing evidence that the system can change — even in the most expensive places for health care in the country."

Tags **doctors** **healthcare** **hospitals** **mcallen** **medicaid** **Medicare** **texas**

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