

Remain-in or Opt-Out: An Economic Evaluation of Medicare Opt-Outs in Orthopaedic Surgery

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INTRODUCTION:

As of January 2022, Medicare covered 65.1 million beneficiaries, and with a rapidly growing population of older adults, this coverage is projected to grow by over 12 million patients by 2032. This older patient population is particularly susceptible to serious orthopaedic conditions, representing 55.6% of inpatient admissions due to orthopaedic injury and 51.4% of orthopaedic surgery patients in the United States. As a result, the Medicare-driven demand for most common orthopaedic surgeries is projected to grow 10-20% annually. However, Medicare reimbursements for orthopaedic surgeries have consistently declined in past decades, raising concerns about surgeons opting-out of Medicare and reducing coverage for older adults. Thus, the primary aim of this study was to evaluate the financial characteristics of areas with orthopaedic surgeon Medicare opt-outs. Secondly, this study aimed to analyze the temporal trends of and demographic characteristics of areas with Medicare opt-outs by orthopaedic surgeons.

METHODS:

A retrospective economic evaluation study of charge-payment ratios was conducted. Using the Centers for Medicare and Medicaid Services (CMS) Opt-Out Affidavit January 2025 (OOA) dataset, we identified 333 orthopedic surgeons practicing across 189 unique zip codes who have opted-out of Medicare coverage as in the United States. From the OOA dataset, we extracted the zip codes and states from the primary practice address for each surgeon. We first identified the population demographics, including age compositions and rural-urban commuting area (RUCA) codes for each zip code using data from the 2023 American Community Survey provided by the United States Census Bureau. Then, using the 2022 CMS Medicare by Service and Provider Database, we identified orthopaedic surgeries and calculated the total number of surgeons, surgeries, and beneficiaries per zip code and state for all individual providers. We also calculated the weighted charge-payment ratios (CP-R) for each surgery across each zip code, calculating the ratio of the charge per service over total Medicare allowable amount in U.S. dollars. Charge amounts reflect the total amount that surgeons charged for that service and allowable amounts reflect the amount that Medicare deems reasonable for that service and is the maximal payment that Medicare-enrolled surgeons will receive for that service. The calculation of average CP-R weighed each reported charge and allowed amount by the number of services listed for each provider.

RESULTS: As of January 2025, 333 orthopaedic surgeons are opted-out of Medicare, representing 0.7% of all opted-out practitioners and 1.7% of 2022 Medicare-enrolled orthopaedic surgeons. The median charge-payment ratio for all orthopaedic surgeries is 18.3% higher in areas with these opt-outs compared to those without (95% CI- 11.7% to 30.1%, $p < 0.0001$) and 34.5% higher for joint replacement and reconstruction surgeries (95% CI- 9.2% to 51.9%, $p = 0.0003$). These opt-outs primarily occurred in high-cost regions, with approximately 70% of surgeons practicing in areas with regional price parities greater than 110% of the national average. Consequentially, Medicare opt-outs by Orthopaedic Surgeons have risen from 0.3 to 32.0 annually from 2002-2004 to 2022-2024. In 2022, there were 958 reported Medicare beneficiaries of orthopaedic surgeries per zip code in areas with opt-outs, 612 higher than in areas without opt-outs (95% CI- 277 to 629, $P < 0.0001$). The median proportion of Medicare-eligible individuals by age in areas with opt-outs is 35.8%, 18.1% higher than the national rate (95% CI - 16.3% to 19.3%, $P < 0.0001$).

DISCUSSION AND CONCLUSION:

Overall, this study demonstrates that Medicare opt-outs in Orthopaedic Surgery are rising over time and concentrated in high-cost areas with large disparities between charge and payment for surgeries. With most of these opt-outs also occurring in high-need areas with significantly older patient demographics, these findings demonstrate an emerging risk to the accessibility of care for Medicare patients and underscore the urgent priority for policymakers and advocates to address the decades of declining federal reimbursements for surgeries.

