period. METHODS: The 5% Medicare national sample Parts A, B, & D (n=1,229,698) was used to estimate ordinary least squares regression models for prospective community payment to predict year-2 (2008) annualized medical (CMS-HCC) and pharmaceutical expenditures from year-1 (2007) demographic, clinical, and financial model inputs, and the MEM. Gamma-distributed, log-linked generalized linear models were estimated for zero-inflated medical expenditure outcomes. OLS models were estimated using truncated and transformed expenditure outcomes. RESULTS: The CMS-HCC model (OLS R²=0.0698) was only marginally improved by the addition of MEM (R²=0.0706). The CMS-RxHCC model (R²=0.1485; Grouped R²=0.3969) was markedly improved by the addition of MEM (R²=0.2489; Grouped R²=0.5670). Further, the predictive ratios for pharmacy expenditure deciles show that the MEM-RxHCC+MEM model more accurately predicts in 8 out of 10 deciles compared to the CMS-RxHCC alone. CONCLUSIONS: Although adding MEM to the CMS-HCC model did not help to predict medical expenditures, the MEM-RxHCC+MEM model did help to predict medical expenditures. The MEM-RxHCC+MEM model performs better than its individual components. Given that the MEM-RxHCC+MEM model incorporates previous work used to predict medical expenditures and that the MEM-RxHCC+MEM model performs better than its individual components, implementing the MEM into Medicare Part D risk-adjustment models is a promising avenue for improving the performance of Medicare Part D risk adjustment.

PHP76 SORING THE GERMAN BENEFIT ASSESSMENT WAVE

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OBJECTIVES: The German Pharmaceutical Market Restructuring Act (AMNOG) was implemented January 2011 and heralded as one of the most important European health care reforms to impact the pharmaceutical industry. Two years into its implementation the industry is still adapting and learning to navigate the new process effectively. This research assessed the impact of the AMNOG reform since January 2011 to inform new product development and launch strategies.

METHODS: To identify the criteria for successful benefit assessment outcomes and their relative importance in justifying price premiums, the benefit assessment dossiers submitted to-date were analysed in a systematic approach. Findings were triangulated through in-depth interviews with national level stakeholders.

RESULTS: As of January 2013, 29 products have been launched in Germany since the AMNOG reform: five achieved a considerable additional benefit, ten received a minor additional benefit and three received an unquantifiable additional benefit. However, almost half of the products submitted for benefit assessment were not granted any additional benefit, indicating that two years after the implementation of the AMNOG reform, many dossiers are not aligned to the clinical evidence for successful benefit assessment. Our key findings remained the same across all estimations: 1) the costs of hospital inpatient stays registered to physicians with more experience is lower than those of hospital inpatient stays registered to physicians with less experience; 2) the costs of hospital stays registered to physicians with more experience is lower when compared to physicians with less experience; and 3) there is substantial variation in costs of hospital inpatient stays across board certified physician specialties, where surgeons and cardiologists are generally associated with higher costs of hospital inpatient stays. CONCLUSIONS: Our findings demonstrate that physician’s characteristics have a significant impact on the costs of hospital inpatient stays.

PHP79 DID MEDICAL LITIGATION AGAINST PHYSICIANS INCREASE INPATIENT HOSPITAL COSTS?

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OBJECTIVES: This study empirically investigates “medical litigations” against physicians facing medical litigations and the spillover effects on other physician colleagues. METHODS: We employ generalized linear models to estimate the impact of medical litigation against an individual physician on hospital inpatient costs. We also estimate the spillover effects of the medical litigation against an individual physician on the costs of hospital inpatient stays registered to colleagues with no medical litigation. RESULTS: Among patients with medical litigation, we find that medical litigation against an individual physician was associated with higher costs of hospital inpatient stays. We also find that medical litigation against an individual physician was associated with increased hospital inpatient costs among physicians with no medical litigation. CONCLUSIONS: Medical litigation against an individual physician may lead to increased costs of hospital inpatient stays among physicians with no medical litigation.