

Issues



in Labor Statistics

U.S. Department of Labor
Bureau of Labor Statistics

Health Expenditures and the Aging Population

One of the major demographic changes affecting the United States is the aging of the population. This trend will continue for the next several years as the "baby boomers" continue to age. The Bureau of Labor Statistics consumer expenditure data may be used to compare some of the trends in spending patterns for those 65 years of age and older and those under 65.

One important factor is the increasing proportion of the population accounted for by older consumer units.¹ The proportion of all consumer units whose reference person is older than 65 increased to 21.2 percent in 1995 from 19.8 percent in 1984. Given the growth of the population, this represents an average increase of approximately 816,000 consumer units per year, due mainly to the growing number of the most senior members of this group, that is, those aged 75 and older.

Consumer units whose reference person is at least 65 years old account for a significant portion of consumer spending. In 1984, this group accounted for \$1 in every \$8 spent. By 1995, for every \$7 spent, \$1 came from a consumer unit whose reference person was at least 65 years old. But what are the ramifications of this increase for less aggregated expenditures? Assuming that older consumers have different

tastes, preferences, or physical needs than younger ones, they will also have different expenditure patterns. Reflecting their changing physical condition, a major component of spending among the elderly is for health care. In general, those aged 75 and over are presumably at the greatest risk for incurring health care costs. The overall increase in real total health care expenditures from 1984 to 1995 is much higher for older consumers than for younger ones. Expenditures rose about 8 percent for the younger group, while the older groups each increased their health care expenditures by over 20 percent. This expenditure component also appears to be more volatile than other expenditures, at least for those aged 75 and older. Among all expenditures, those for medical services and supplies appear to vary the most from year to year. In the most extreme case, expenditures for medical services by those aged 75 and over fell from \$1,078 in 1986 to \$601 in 1987, and rose to \$1,099 in 1988.

The chart reveals some interesting patterns in spending on health insurance. Between 1984 and 1986, shares for health insurance for all groups decreased. They then began to increase and have done so more or less continuously. Although divergence in shares has existed for

the two older segments (65 to 74 years and 75 and older), both shares were at about 58 percent in 1995. The rate of increase in the share for the oldest group (75 and older) has been steeper than for the 65- to 74-year-old group in the last few years. However, the share for those aged 75 and older also fluctuates dramatically, so it is difficult to predict whether or not the share for them will soon go on to exceed the share for those aged 65 to 74.

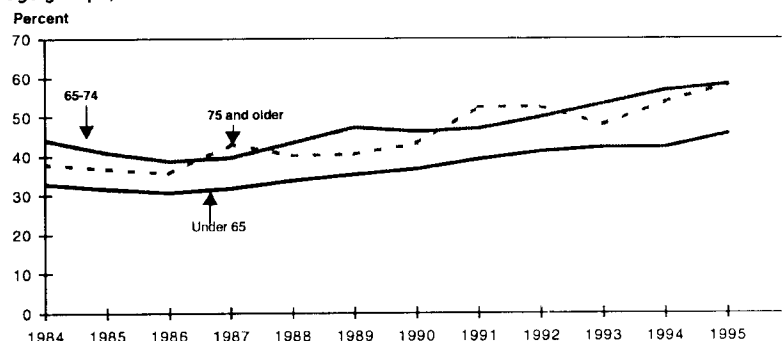
Shares of total health care spending going to medical services and medical supplies have decreased over time; medical services, however, have been less volatile than supplies.² Expenditures by the group aged 75 and older are still the most volatile for either category, but the pattern appears to fluctuate less for medical services than supplies. For all age groups, shares for medical services have declined since 1987.

Real expenditures for prescription drugs are fairly stable for younger consumer units, fluctuating in a relatively narrow band between \$200 and \$240 from 1984 to 1995. For older consumers, over the same period, these expenditures rose substantially, from \$402 to \$536 for those aged 65 to 74, and from \$420 to \$556 for those aged 75 and over. This constitutes an increase of about one-third in real dollars for each of the

¹ Consumer units are the standard unit of comparison for the Consumer Expenditure Survey. A consumer unit is defined as members of a household related by blood, marriage, adoption, or other legal arrangement; a single person living alone or sharing a household with others but who is financially independent; or two or more persons living together who share responsibility for at least two out of three major types of expenses—food, housing and other expenses. Students living in university-sponsored housing are also included in the sample as separate consumer units.

² Expenditures by the group aged 75 and older are still the most volatile for either category, but the pattern appears to fluctuate less for medical services than supplies.

Health insurance expenditures: Shares of all health care expenditures by age groups, 1984-95



NOTE: Percents are the percentage of health care expenditures allocated to health insurance.

Number of consumer units and real (1995 dollar) expenditures by age group, 1984-95

Characteristic	1984	1985	1987	1989	1991	1993	1995
Number of consumer units (000)	90,223	91,564	94,150	95,818	97,918	100,049	103,123
Under 65	72,357	72,919	74,378	75,496	77,216	78,189	81,330
65 to 74	10,761	11,302	11,578	11,848	11,935	11,934	11,933
75 and older	7,105	7,343	8,194	8,474	8,767	9,926	9,860
Percent of total consumer units							
Under 65	80.2	79.6	79.0	78.8	78.9	78.2	78.9
65 to 74	11.9	12.3	12.3	12.4	12.2	11.9	11.6
75 and older	7.9	8.0	8.7	8.8	9.0	9.9	9.6
Average annual expenditures	\$32,233	\$33,270	\$32,753	\$34,179	\$33,136	\$32,370	\$32,264
Under 65	35,134	35,983	35,707	37,104	36,113	35,147	34,949
65 to 74	23,237	25,407	25,339	25,966	25,248	25,002	25,277
75 and older	16,314	18,430	16,407	19,565	17,659	19,353	18,572
Percent of all consumer spending	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under 65	87.4	86.1	86.1	85.5	85.9	84.9	85.4
65 to 74	8.6	9.4	9.5	9.4	9.3	9.2	9.1
75 and older	4.0	4.4	4.4	5.1	4.8	5.9	5.5
Health care (average annual expenditures)	\$1,539	\$1,569	\$1,523	\$1,729	\$1,739	\$1,873	\$1,732
Under 65	1,378	1,372	1,339	1,488	1,528	1,591	1,487
65 to 74	2,178	2,336	2,265	2,435	2,574	2,753	2,618
75 and older	2,206	2,345	2,141	2,889	2,458	3,041	2,683
Percent of all health care	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under 65	71.8	69.6	69.5	67.8	69.3	66.4	67.7
65 to 74	16.9	18.4	18.3	17.4	18.0	17.5	17.5
75 and older	11.3	12.0	12.2	14.8	12.7	16.1	14.8

NOTE: Health care is defined to include out-of-pocket consumer expenditures only.

older groups.

Despite this increase in real dollars spent on drugs by older consumers, there has been little increase in total drug expenditures as a share of all health care. For all consumer units older than 65, the share of health care allocated to drugs rose from about 19 percent in 1984 to 21 percent in 1995. For those aged 65 to 74, drug expenditures peaked in 1990 and 1995, when the share reached 20.7 percent. Drug expenditures were at their lowest in 1991, 18.3 percent. For consumer units aged 75 and older, drug expenditures ranged from 17.4 percent in 1988 to 22.5 in 1990.

For more information about the data presented here, contact Geoffrey Paulin in the Division of Consumer Expenditure Surveys at (202) 606-6900. To find these data on the Internet, go to the Consumer Expenditure Surveys home page (address: <http://stats.bls.gov:80/csxhome.htm>). To obtain historical data from the Consumer Price Index, call (202) 606-7000.

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