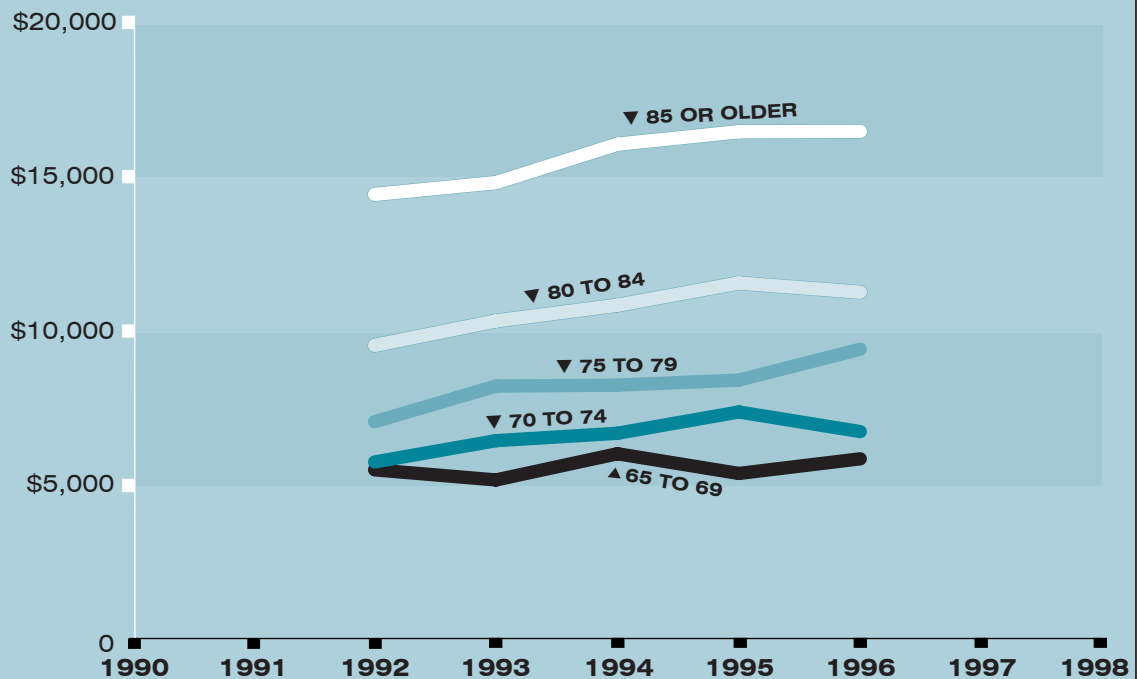


Health Care

Health Care Expenditures

Health care can be a major expense for older Americans, especially for individuals with limited income who have a chronic condition or disability. Expenditures on health care include the cost of physicians' services, hospitalizations, home health care, nursing home care, medications, and any other goods and services used in the treatment or prevention of disease.

Average health care expenditures among Medicare beneficiaries age 65 or older, in 1996 dollars, by age group, 1992 to 1996



Note: Data include both out-of-pocket expenditures and expenditures covered by insurance.
Reference population: These data refer to Medicare beneficiaries.
Source: Medicare Current Beneficiary Survey.

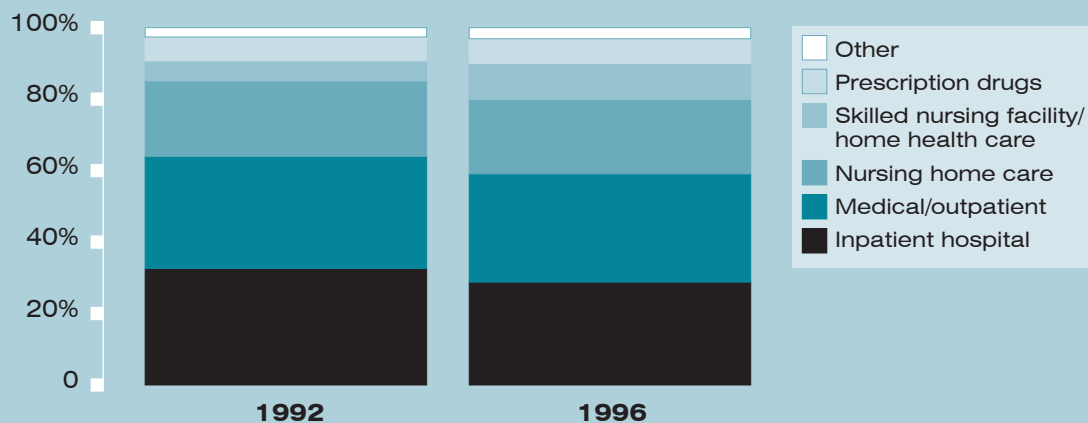
- In 1996, the average annual expenditure on health care was \$5,864 among persons ages 65 to 69, compared with \$9,414 among persons ages 75 to 79, and \$16,465 among persons age 85 or older.
- In 1996, older Americans living in institutions incurred \$38,906 in annual health care expenditures on average, compared with \$6,360 among older persons living in the community. Nursing home care accounted for 64 percent of the total expenditures of the institutional population.
- Between 1992 and 1996 there was a slight increase in average annual health care expenditures among older Americans in every age category.
- In a given year, health care expenditures tend to be concentrated among a relatively small group of individuals. In 1996, 1 percent of Medicare beneficiaries age 65 or older incurred 13 percent of the health care expenditures in that age group. The top 5 percent of enrollees with the highest expenditures incurred 37 percent of all health care expenditures.

Data for this indicator can be found in Tables 25a, 25b, 25c, and 25d on pages 86 and 87.

Components of Health Care Expenditures

Health care expenditures can be broken down into different types of goods and services. The amount of money older Americans spend on health care and the type of health care that they receive provide an indication of the health status and needs of older Americans in different age and income groups.

Major components of health care expenditures among Medicare beneficiaries age 65 or older, 1992 and 1996



Note: Data include both out-of-pocket expenditures and expenditures covered by insurance. "Other" expenditures consist of dental and hospice expenses.
Reference population: These data refer to Medicare beneficiaries.
Source: Medicare Current Beneficiary Survey.

- The percentage of health care expenditures spent on inpatient hospital care declined from 33 percent in 1992 to 29 percent in 1996. Expenditures on skilled nursing facility care and home health care increased from 6 percent to 10 percent over the same period, and prescription drug expenditures remained stable, at approximately 7 percent.

- In 1996, about 46 percent of health care expenditures among persons age 85 or older went to nursing home care, compared with 7 percent among persons ages 65 to 69. Expenditures on skilled nursing facility care and home health care were also higher among persons age 85 or older. Older Americans under age 85 spent proportionately more money on inpatient hospital services, medical/outpatient services, and prescription drugs, although their absolute expenditure levels for these services were lower than those of persons age 85 or older.

- Patterns of health care expenditures also varied by income level. Persons age 65 or

older in the bottom fifth of the income distribution incurred proportionately higher expenditures for nursing home and skilled nursing facility or home health care, compared with higher-income individuals. In contrast, older Americans with lower income incurred proportionately lower expenditures for medical/outpatient services and prescription drugs.

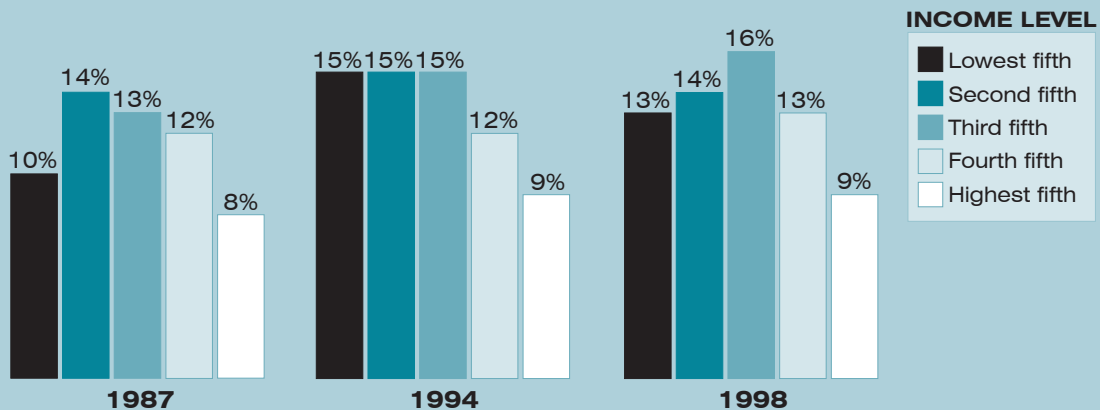
- In 1996, about 69 percent of all noninstitutionalized Medicare beneficiaries had prescription drug coverage through an HMO, Medicaid eligibility, a private Medicare supplement, or other sources. Beneficiaries who did not have prescription drug coverage had lower total drug expenditures (out-of-pocket expenses and expenses covered by insurance combined) than beneficiaries who had coverage. However, out-of-pocket expenditures for prescription drugs were 83 percent higher for beneficiaries who lacked coverage, on average, than for those who had drug coverage.³⁵

Data for this indicator can be found in Tables 26a and 26b on page 88.

Out-of-Pocket Health Care Expenditures

The proportion of out-of-pocket expenditures that is allocated to health care indicates the burden placed on older persons by health care expenses. Data on out-of-pocket health care expenditures by income level provide information on how this burden varies for households with different financial resources.

Percentage of total out-of-pocket expenditures allocated to health care costs in households headed by persons 65 or older, by income level, 1987, 1994, and 1998



Reference population: These data refer to the resident noninstitutional population.
Source: Consumer Expenditure Survey.

- In 1998, annual out-of-pocket expenditures on health care—which include expenditures on health insurance, medical services and supplies, and prescription drugs—ranged from 9 percent to 16 percent of total expenditures among households headed by older persons at different levels of income.

- Average dollar expenditures on health care increase with income. In 1998, households headed by older persons in the bottom fifth of the income distribution spent an average of \$1,654 per year on health care, compared with \$3,614 among households in the top fifth of the income distribution.

- Although dollar expenditures increase with income, the relative burden of

health care costs is much higher among lower-income households and households in the middle of the income distribution. In 1998, households in the bottom fifth spent an average of 13 percent of their expenditures on health care. Those in the middle fifth spent an average of 16 percent, and those in the top fifth spent 9 percent.

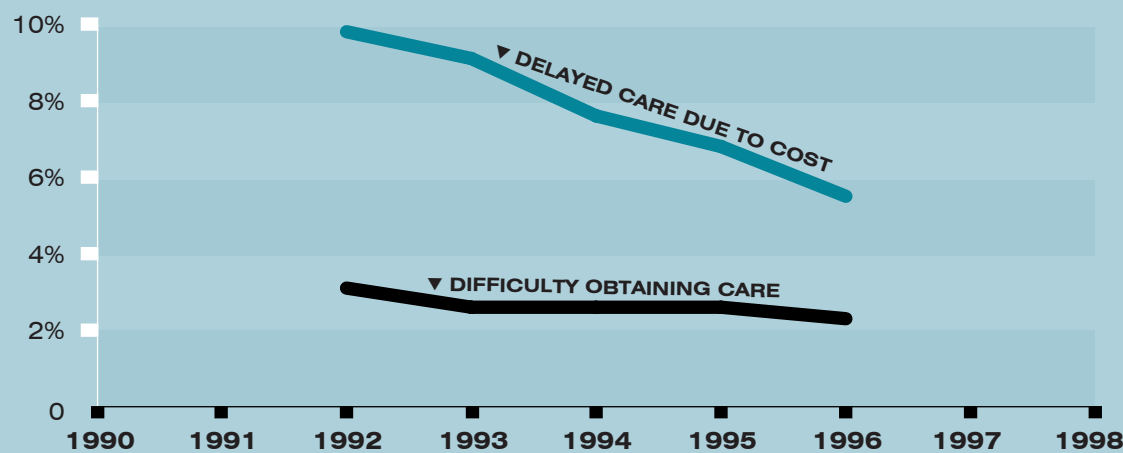
- Over the past decade, the share of out-of-pocket expenditures spent by the older population on health care increased slightly for all income groups.

Data for this indicator can be found in Table 27 on page 89.

Access to Health Care

Access to health care is determined by a variety of factors related to the cost, quality, and availability of health care services. Over 96 percent of older Americans are covered by Medicare, which provides affordable coverage for most acute health care services. However, health care users also require a reliable source of care that is provided without major inconvenience.

Percentage of Medicare beneficiaries age 65 or older who reported having had problems with access to health care, 1992 to 1996



Reference population: These data refer to noninstitutional Medicare beneficiaries.
Source: Medicare Current Beneficiary Survey.

- In 1996, only 2 percent of Medicare enrollees reported difficulty in obtaining health care, down from 3 percent in 1992. The percentage of Medicare enrollees who reported that they delayed using health care because of cost declined from 10 percent in 1992 to 6 percent in 1996.
- In 1996, about 7 percent of persons ages 65 to 74 reported delays in obtaining health care due to cost, compared with 5 percent of persons ages 75 to 84, and 3 percent of persons age 85 or older.

- Access to health care varied by race. In 1996, the percentage of older Americans who reported delays due to cost was highest among non-Hispanic black persons (10 percent), followed by Hispanic persons (7 percent), and non-Hispanic white persons (5 percent). About 2 percent of non-Hispanic white persons reported difficulty in obtaining health care, compared with 4 percent of non-Hispanic black persons and 3 percent of Hispanic persons.

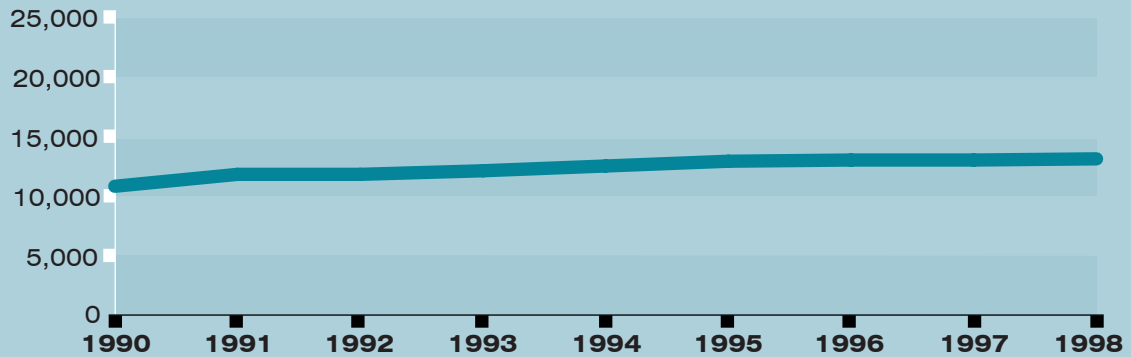
Data for this indicator can be found in Tables 28a and 28b on page 90.

Use of Health Care Services

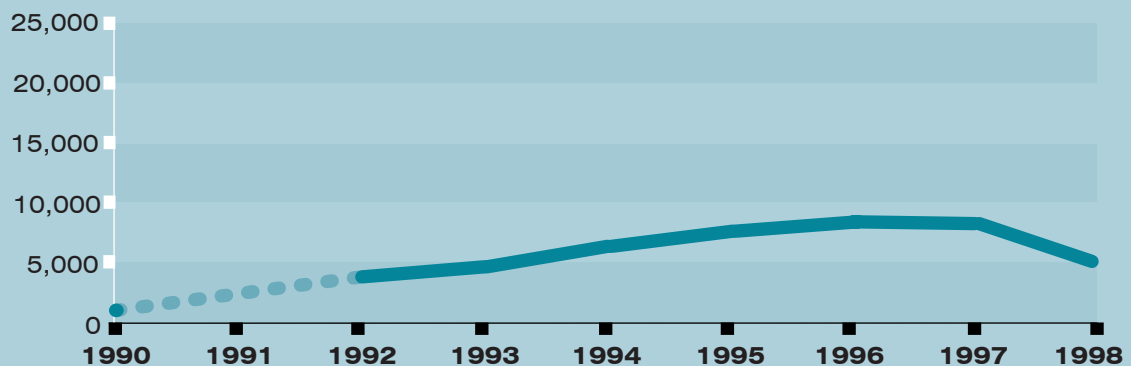
Most older Americans have access to health care through Medicare. Medicare provides access to a variety of services, including inpatient hospital care, physician care, outpatient care, home health care, and care at a skilled nursing facility. However, the types of health care services that older Americans receive under Medicare have changed over the past decade.

Rates of health care service usage by Medicare beneficiaries age 65 or older, 1990 to 1998 (per 1,000)

PHYSICIAN VISITS AND CONSULTATIONS



HOME HEALTH VISITS



Note: Dashed lines indicate years for which data are not available. Data for 1998 should be considered preliminary. For home health visits utilization rates for 1994-1998 exclude HMO enrollees from the numerator and denominator because utilization data are not available for this group. Prior to 1994, HMO enrollees were included in the denominator, causing utilization rates to be understated. Prior to 1994, HMO enrollees represented 7 percent or less of the Medicare population; in 1998 they represented 18 percent. For physicians visits, data on HMO enrollees are excluded for all years.

Reference population: These data refer to Medicare beneficiaries in fee-for-service only.

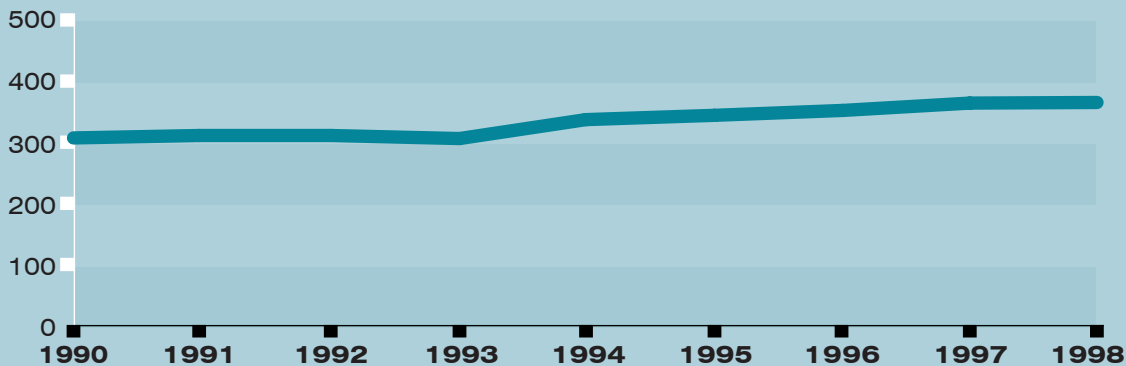
Source: Medicare claims and enrollment data.

- Physician visits and consultations increased from 10,800 per 1,000 beneficiaries in 1990 to 13,100 per 1,000 in 1998.
- Use of home health services increased substantially from 2,141 home health visits per 1,000 enrollees in 1990 to 8,227 visits per 1,000 in 1997. Home health care use increased during this period in

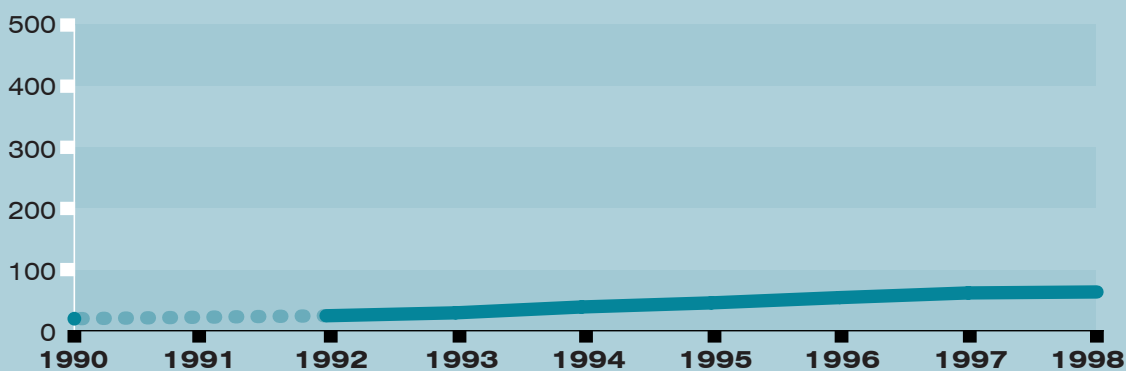
part because of an expansion in the coverage criteria for the Medicare home health benefit.³⁶ In 1998, home health visits from Medicare claims dropped to 5,058 per 1,000 beneficiaries, following implementation of the Balanced Budget Act, which changed Medicare payment policies for home health care services.

Rates of health care service usage by Medicare beneficiaries age 65 or older, 1990 to 1998 (per 1,000)

HOSPITALIZATIONS



SKILLED NURSING FACILITY ADMISSIONS



Note: Dashed lines indicate years for which data are not available. Data for 1998 should be considered preliminary. For hospitalizations and skilled nursing facility admissions, utilization rates for 1994-1998 exclude HMO enrollees from the numerator and denominator because utilization data are not available for this group. Prior to 1994, HMO enrollees were included in the denominator, causing utilization rates to be understated. Prior to 1994, HMO enrollees represented 7 percent or less of the Medicare population; in 1998 they represented 18 percent.

Reference population: These data refer to Medicare beneficiaries in fee-for-service only.

Source: Medicare claims and enrollment data.

■ Between 1990 and 1998, there was a moderate increase in the hospitalization rate from 307 hospitalizations per 1,000 Medicare enrollees in 1990 to 365 per 1,000 in 1998. Although the rate of hospital admissions increased, the average length of hospital stay declined from 9 days in 1990 to 6 days in 1998. (Note: Readers should use caution in comparing these trends with those shown on the facing page because of differences in the vertical scales. Physician visits and consultations and home health visits are much more common among persons age 65 or older than either hospitalizations or skilled nursing facility admissions.)

■ Skilled nursing facility admissions also increased from 23 admissions per 1,000 enrollees in 1990 to 69 per 1,000 enrollees in 1998.

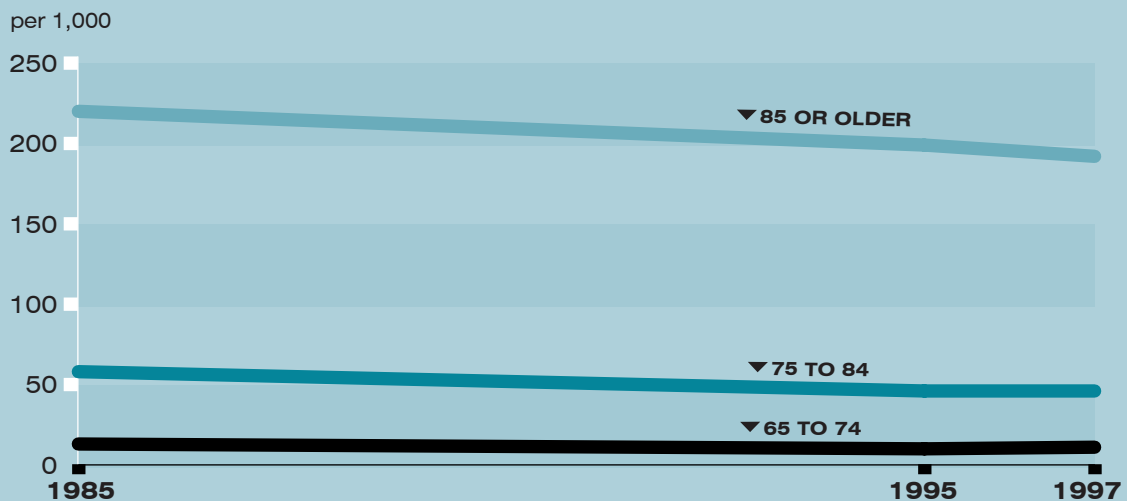
■ Use of home health care and skilled nursing facility care increased markedly with age. In 1998, home health agencies made 2,350 home health visits per 1,000 enrollees ages 65 to 74, compared with 12,709 among persons age 85 or older. Skilled nursing facility admissions per 1,000 were 27 for persons ages 65 to 74 and 200 for persons age 85 or older.

Data for this indicator can be found in Tables 29a and 29b on page 91.

Nursing Home Utilization

Residence in a nursing home is an alternative to long-term care provided in one's home or in other community settings. Recent declines in rates of nursing home residence may reflect broader changes in the health care system affecting older Americans. Other forms of residential care and services such as assisted living and home health care have become more prevalent as rates of nursing home admissions have declined. Declines in disability among the older population may also have contributed to this trend.

Rate of nursing home residence among persons age 65 or older, by age group, 1985, 1995, and 1997



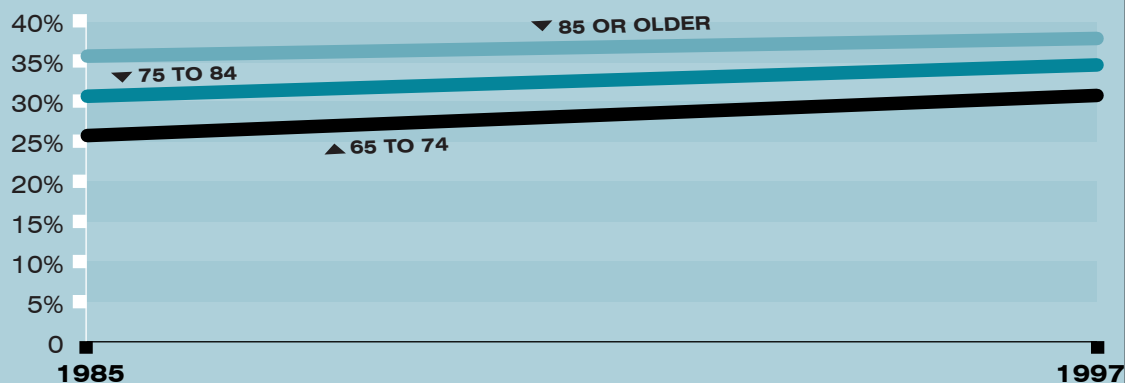
Note: In 1997 population, figures are adjusted for net underenumeration using the 1990 National Population Adjustment Matrix from the U.S. Census Bureau. Persons residing in personal care or domiciliary care homes are excluded.

Reference population: These data refer to the resident population.

Source: National Nursing Home Survey.

- In 1997, only 11 persons per 1,000 ages 65 to 74 resided in nursing homes, compared with 46 per 1,000 persons ages 75 to 84 and 192 persons per 1,000 age 85 or older. About half of older nursing home residents in 1997 were age 85 or older.
- The total rate of nursing home residence among the older population declined between 1985 and 1997. In 1985, the age-adjusted nursing home residence rate was 54 persons per 1,000 age 65 or older. By 1997 this rate had declined to 45 persons per 1,000. Among persons ages 65 to 74, rates declined by 14 percent, compared with a 21 percent decline among persons ages 75 to 84, and a 13 percent decline among the population age 85 and older.
- Older women at all ages had higher rates of nursing home residence than men. In 1997, three-fourths of the nursing home residents were women.
- Assisted-living facilities can provide an alternative to long-term care in a nursing home. A recent national study of assisted-living facilities found that there were 11,472 assisted-living facilities nationwide, accommodating 558,400 residents.³⁷ Assisted-living administrators estimated that 24 percent of their residents received assistance with three or more activities of daily living, such as bathing, dressing, and mobility. They estimated that about one-third of the residents had moderate to severe cognitive impairment.³⁸

Percentage of nursing home residents age 65 or older who are incontinent and dependent in mobility and eating, by age group, 1985 and 1997



Note: Residents dependent in mobility and eating require the assistance of a person or special equipment. Residents who are incontinent have difficulty in controlling bowels and/or bladder or have an ostomy or indwelling catheter. Persons residing in personal care or domiciliary care homes are excluded. Reference population: These data refer to the population residing in nursing homes. Source: National Nursing Home Survey.

■ Over the past decade, there has been an increase in the percentage of nursing home residents with functional limitations. Between 1985 and 1997, the percentage of nursing home residents age 65 or older who were incontinent increased from 55 percent to 65 percent, the percentage who were dependent in eating increased from 41 percent to 45 percent, and the percentage who were dependent in mobility increased from 76 percent to 79 percent. The percentage who were limited in all three of these functions increased from 33 percent to 36 percent over this period.

■ In 1997, the percentage of nursing home residents who were limited in all three

areas was higher among women (36 percent) than men (34 percent); however, between 1985 and 1997, the increase in the percentage was greater among men (20 percent) than among women (6 percent).

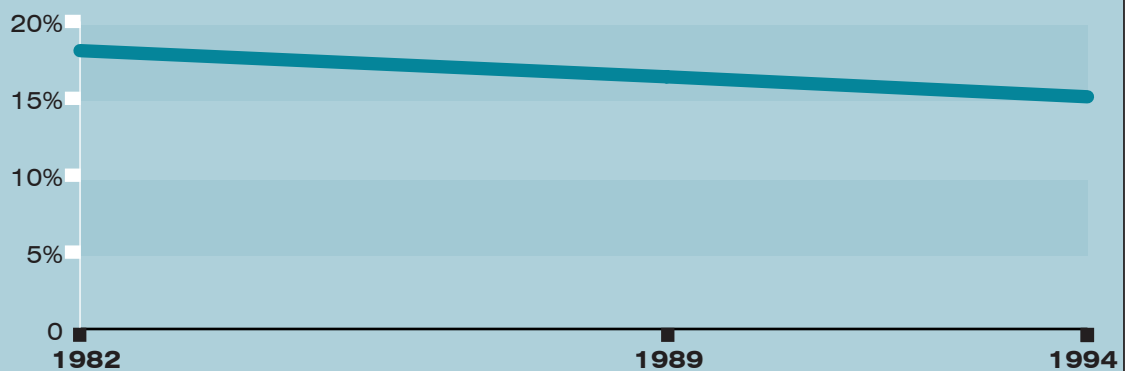
■ Between 1985 and 1997 the increase in rates of functional limitation in all three areas was also higher among nursing home residents ages 65 to 74 (19 percent) than among residents ages 75 to 84 (13 percent) or residents age 85 or older (6 percent).

Data for this indicator can be found in Tables 30a, 30b, and 30c on pages 92 and 93.

Home Care

Although most long-term care spending in the United States is for nursing home and other institutional care, the majority of older persons with disabilities live in the community and receive assistance from spouses, adult children, and other family members. Most of this care is informal and unpaid, although there is an increasing number of older Americans with disabilities who are relying on a combination of informal and formal long-term care. The aging of the population will increase the demand for long-term care in the community and raises important questions about who will provide this care and how it will be financed.

Percentage of Medicare beneficiaries age 65 or older receiving home care for a chronic disability, 1982, 1989, and 1994



Note: Home care refers to paid or unpaid assistance provided to a person with a chronic disability, living in the community.

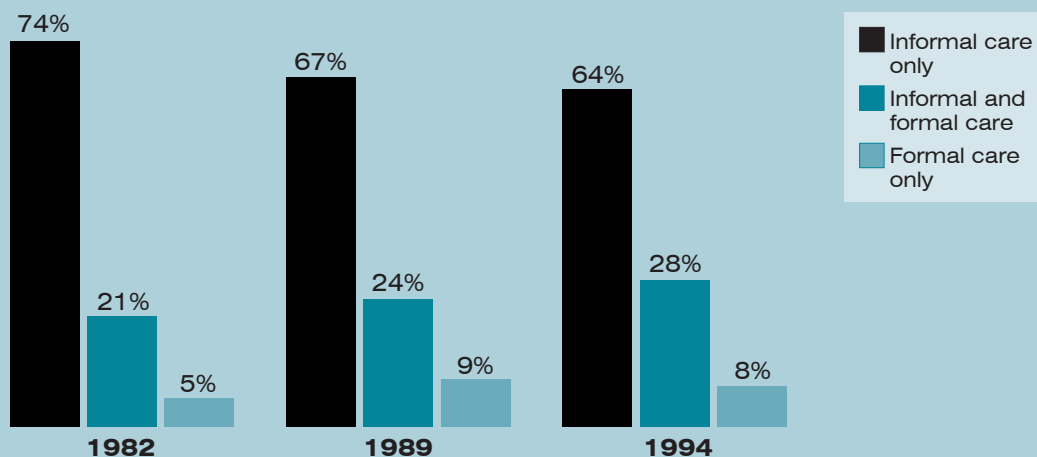
Reference population: These data refer to Medicare beneficiaries.

Source: National Long Term Care Survey.

- The percentage of older Americans who received community-based care for a disability declined from 18 percent in 1982 to 15 percent in 1994. This occurred even though there was a slight increase in the number of older Americans who received assistance (from 4.6 million to 4.7 million).
- Possible reasons for the decline in long-term care in the community include

improvements in the health and disability of the older population, changes in household living arrangements (e.g., the move toward assisted living and other residential care alternatives), and greater use of special equipment and assistive devices that help to maintain older disabled persons' independence in the community.³⁹

Distribution of Medicare beneficiaries age 65 or older receiving home care for a chronic disability, by type of assistance, 1982, 1989, and 1994



Note: Home care refers to paid or unpaid assistance provided to a person with a chronic disability, living in the community.

Reference population: These data refer to Medicare beneficiaries who are receiving community-based care for a disability.

Source: National Long Term Care Survey.

- Although most of the home care received by older persons with disabilities is unpaid, the use of informal care as an exclusive means of assistance is declining. The percentage of older Americans with disabilities who received only informal care declined from 74 percent in 1982 to 64 percent in 1994, while the percentage of older persons who received both informal and formal care increased from 21 percent to 28 percent over this period.
- The increase in the use of a combination of informal and formal services was greatest among older Americans with

the most severe disabilities.⁴⁰

- The increase in the use of paid care may reflect changes in the health of the older population, increases in the financial resources of older Americans, greater preference to supplement health care with formal services, and programmatic changes in Medicare (e.g., liberalization of coverage rules under the home health benefit) and Medicaid (e.g., expansion of home and community-based services).⁴¹

Data for this indicator can be found in Tables 31a and 31b on pages 94 and 95.