

STATISTICAL BRIEF #122

March 2006

Out-of-Pocket Expenditures on Health Care and Insurance Premiums among the Elderly Population, 2003

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Introduction

Health care costs continue to rise faster than the overall rate of inflation and are consuming a larger share of family budgets.¹ In examining the full impact of rising health care costs on families, it is important to capture out-of-pocket expenditures on premiums as well as out-of-pocket costs for health care treatments. Out-of-pocket premium costs can vary significantly by source of coverage. Furthermore, out-of-pocket premium costs are often related to the generosity of the plan, so that a higher premium means lower out-of-pocket spending on medical care and vice versa. Although expenses for health care are attributable to individuals, expenditures for health insurance premiums are attributable to all family members covered by the policy. For this reason, it is important to examine expenses at the family level.

This Statistical Brief presents estimates based on data from the Household Component of the Medical Expenditure Panel Survey (MEPS-HC) on how many elderly individuals (age 65 and over) in the U.S. civilian noninstitutionalized population lived in families with high levels of health-related spending in 2003. The brief also presents estimates on the percentage of individuals with high family-level out-of-pocket spending, by health insurance status, family type, and poverty status. All differences between estimates discussed in the text are statistically significant at the 0.05 level.

Findings

In 2003, there were approximately 37 million individuals aged 65 and above in the U.S. civilian non-institutionalized population. Among elderly individuals, 69.9 percent were living in families with out-of-pocket expenditures on health care and health insurance premiums exceeding \$2,000. At the same time, 29.3 percent were living in families with health-related out-of-pocket spending exceeding \$5,000, and 7.3 percent were living in families with health-related out-of-pocket spending exceeding \$10,000.

Out-of-pocket health-related spending, by insurance status

Among the elderly population, 39.7 percent had private group coverage and Medicare (14.6 million), 16.3 percent had private non-group coverage and Medicare (6.0 million), 10.2 percent had Medicare and other

Highlights

- About 29.3 percent of all elderly persons lived with family-level out-of-pocket spending on medical care in excess of \$5,000.
- As many as 7.3 percent of all elderly persons lived with family-level out-of-pocket spending on medical care in excess of \$10,000.
- Elderly persons with Medicare plus private non-group coverage, such as a Medigap plan, had the highest burdens. About 46.4 percent of elderly persons with Medicare plus other non-group coverage had family-level out-of-pocket spending in excess of \$5,000 while 13.9 percent had family-level spending in excess of \$10,000.

¹ Levit et al. Health Spending Rebound Continues in 2002. *Health Affairs*, 2004; 23(1):147-159.

public coverage (3.7 million), and 33.8 percent had Medicare only or Medicare HMO coverage (12.4 million) in 2003.²

Those with private non-group coverage, including Medigap plans, were the most likely to have high family-level health-related spending. Among individuals with Medicare and private non-group coverage, 46.4 percent had family-level spending exceeding \$5,000 compared to 35.1 percent of individuals with Medicare and private group coverage, 20.8 percent of the elderly with Medicare HMO/Medicare only coverage, and 7.4 percent of those with Medicare and other public insurance. Similarly, among individuals with Medicare and private non-group coverage, 13.9 percent had family-level spending exceeding \$10,000 compared to 8.4 percent of individuals with Medicare and private group coverage, 4.7 percent of the elderly with Medicare HMO/Medicare only, and 1.2 percent of those with Medicare and other public insurance.

Out-of-pocket health-related spending, by poverty status

In 2003, among the elderly population, 12.2 percent were poor (4.5 million), 25.7 percent were near poor and low income (9.4 million), 31.8 percent were middle income (11.7 million), and 30.3 percent were high income (11.1 million).

The high and middle income elderly were more likely to have high family-level health-related spending compared to the elderly with lower income. Among elderly persons with high income, 37.6 percent had family-level spending exceeding \$5,000 compared to 30.8 percent of middle income elderly, 22.9 percent of near poor and low income elderly, and 18.1 percent of poor elderly. Similarly, 8.7 percent of individuals with high income and 9.1 percent of individuals with middle income had family-level spending exceeding \$10,000 compared to 5.4 percent of near poor and low income elderly and 2.8 percent of poor elderly individuals. The difference in the probability of family-level spending exceeding \$5,000 and \$10,000 between the two lowest income categories was not statistically significant.

Out-of-pocket health-related spending, by family type

In 2003, among the elderly population, 46.1 percent were living in single adult families (16.9 million), 52.5 percent were living in adult couple families (19.3 million), and 1.4 percent were living with other relatives (0.5 million). Those living with other relatives have been excluded from the analysis due to sample size limitations.

Elderly individuals living in adult couple families were more likely to have high family-level health-related spending. Among individuals living in adult couple families, 45.3 percent had family-level spending exceeding \$5,000 compared to 11.2 percent of individuals living alone. Similarly, the percentage of individuals with family-level spending exceeding \$10,000 was higher among those living in adult couple families (11.7 percent) compared to those living alone (2.2 percent).

Data Source

The estimates in this Statistical Brief are based on data from the MEPS 2003 Full-Year Consolidated Data File: HC-079 and the MEPS 2003 Person Round Plan Public Use File: HC-076.

Definitions

Family

The definition of family is based on the MEPS health insurance eligibility unit (HIEU) and includes all members of the family that would typically be covered under a private insurance family plan. HIEUs include adults, their spouses, and their unmarried natural/adoptive children age 18 and under as well as children under age 24 who are full-time students.

Persons aged 65 and over who live in families with members below aged 65 were included in this analysis. In these instances, health care expenses for all family members were included in the measures of total family expense.

² Population estimates by insurance status are based on the people who were in the survey in the first half of the year.

Out-of-pocket health-related expenditures

Out-of-pocket costs across all members of the family were summed to calculate total out-of-pocket spending on health care services. Then out-of-pocket premium costs were summed across all health insurance policies covering family members. Private insurance premiums as well as Medicare Part B premiums were included. For example, for an elderly couple with retiree coverage, the retiree insurance premiums and Medicare Part B premiums were summed for each family member. Premiums were prorated to account for the number of months of coverage during the year.

Family type

Individuals were classified into two family types: single adults and married couples. Those who live with their children or other relatives account for only 1.4 percent of the elderly population; due to sample size limitations, results for this group were not reported separately.

Poverty status

Family income is defined in terms of poverty status, the ratio of the family's income to the Federal poverty thresholds, which control for the size of the family and the age of the head of the family (see the 2003 U.S. Department of Health and Human Services Poverty Guidelines at <http://aspe.hhs.gov/poverty/03poverty.htm> for more details). The following classifications were used:

- Poor: Persons in families with income less than 100 percent of the poverty line, including those whose losses exceeded their earnings, resulting in negative income.
- Near poor and low income: Persons in families with income from 100 to less than 200 percent of the poverty line.
- Middle income: Persons in families with income from 200 to less than 400 percent of the poverty line.
- High income: Persons in families with income at or above 400 percent of the poverty line.

Insurance status

Health insurance status is at the individual level. Health insurance status was hierarchically defined using insurance status as of the Round 1/3 interview:

- Medicare and private insurance: This category includes persons classified as Medicare beneficiaries and covered by a supplementary policy from a current or former employer.
- Medicare and private non-group insurance: This category includes Medicare beneficiaries without any employer-sponsored coverage but with a private non-group supplementary policy, such as a Medigap plan.
- Medicare and other public insurance: This category includes persons classified as Medicare beneficiaries who were not covered by private insurance at any point during the year and were covered by Medicaid or some other public hospital/physician coverage.
- Medicare HMO/Medicare only: This category includes persons classified as Medicare beneficiaries but not classified as having any additional private or public coverage. This group includes persons who were enrolled in Medicare HMOs and persons who had Medicare fee-for-service coverage only.

About MEPS-HC

MEPS-HC is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301-427-1656) or visit the MEPS Web site at <http://www.meps.ahrq.gov/>.

References

For a detailed description of the MEPS survey design, sample design, and methods used to minimize sources of nonsampling error, see the following publications:

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 2. AHCPR Pub. No. 97-0027. Rockville, Md.: Agency for Health Care Policy and Research, 1997.

Cohen, S. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care*, July 2003; 41(7) Supplement: III-5–III-12.

Suggested Citation

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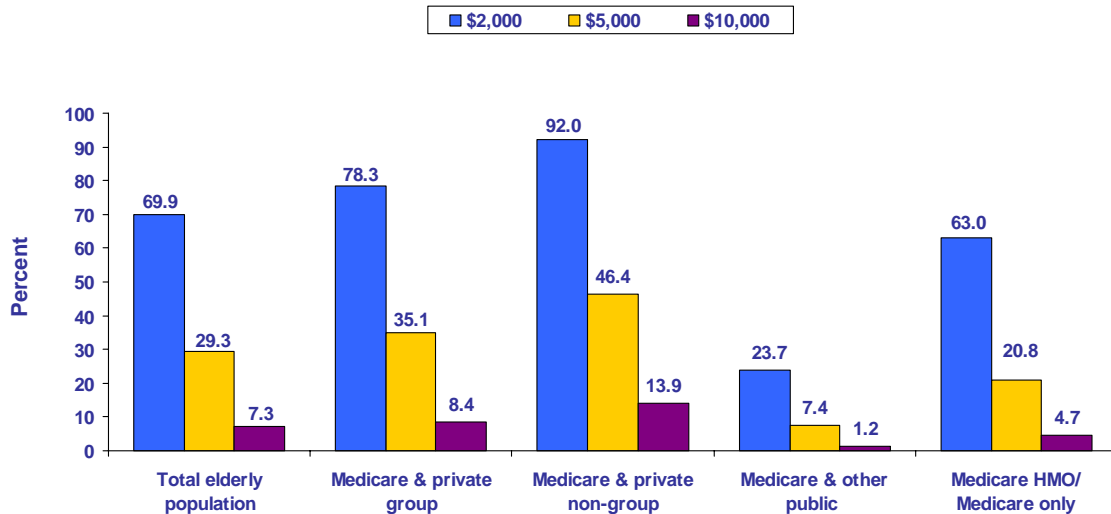
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please e-mail us at mepsd@ahrq.gov or send a letter to the address below:

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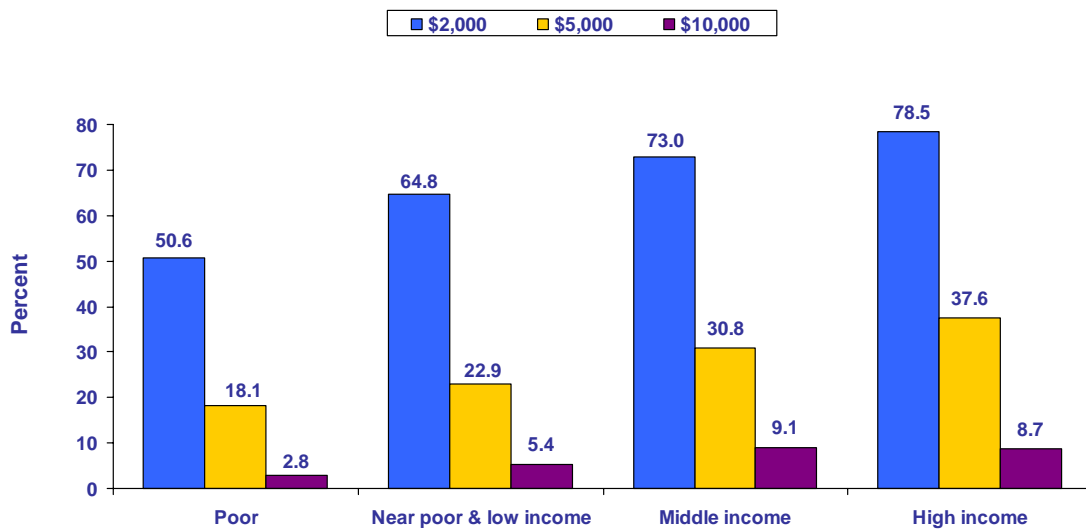
Figure 1. Percentage of elderly individuals living in families with health-related out-of-pocket expenditures exceeding \$2,000, \$5,000, and \$10,000, total population and by insurance status, 2003



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2003



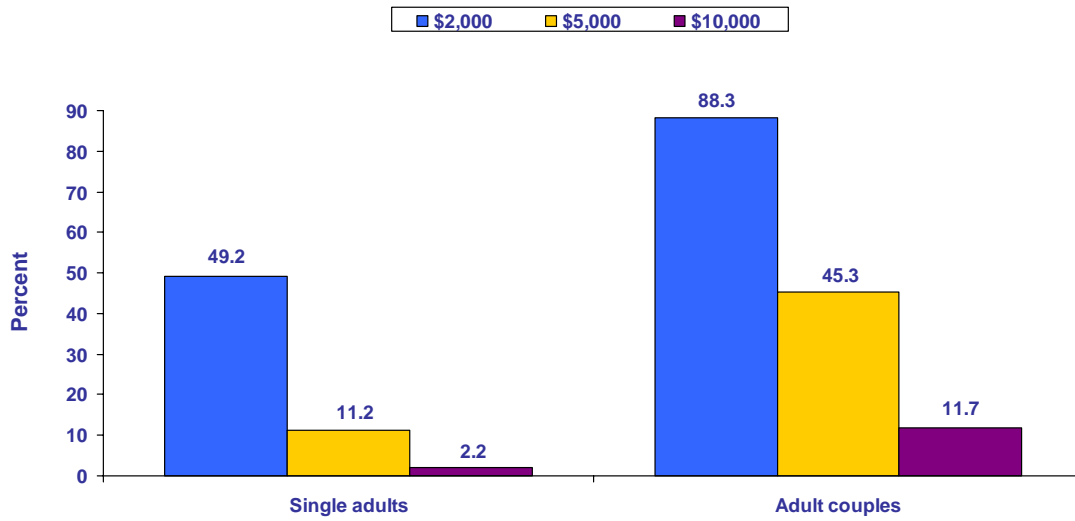
Figure 2. Percentage of elderly individuals living in families with health-related out-of-pocket expenditures exceeding \$2,000, \$5,000, and \$10,000, by poverty status, 2003



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2003



Figure 3. Percentage of elderly individuals living in families with health-related out-of-pocket expenditures exceeding \$2,000, \$5,000, and \$10,000, by family type, 2003



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2003