

STATISTICAL BRIEF #256

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Trends in Health Care Expenditures for the Elderly Age 65 and over: 2006 versus 1996

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Introduction

This Statistical Brief compares summary statistics on health care expenditures and expenditure distributions by type of service and source of payment for the elderly (age 65 and over) in 2006 relative to the elderly in 1996. The estimates are derived from data collected in the Medical Expenditure Panel Survey Household (MEPS-HC) and Medical Provider Components (MEPS-MPC) on the U.S. civilian noninstitutionalized population. Health care expenses in MEPS represent payments to physicians, hospitals, and other health care providers for services reported by respondents to the MEPS-HC. Estimates for 1996 were adjusted to 2006 dollars based on the GDP Price Index to remove the impact of medical inflation between 1996 and 2006 on comparisons (http://www.meps.ahrq.gov/mepsweb/about_meps/Price_Index.shtml). All differences between estimates noted in the text are statistically significant at the 0.05 level or better.

Findings

Summary expenditure statistics

The \$333.3 billion in total health care expenses for the elderly in 2006 was over \$100 billion higher than inflation-adjusted expenses for 1996 (figure 1). In each year, over 95 percent of the elderly had some expenses, but the average annual expense per person with an expense was about 30 percent higher in 2006 (\$9,080 versus \$6,989 in 1996 after adjusting for inflation).

In 2006, the median annual health care expenditure for persons age 65 and over was \$4,032 (figure 2), with about one-quarter of the elderly having no expenses or expenses under \$1,752 (25th percentile) and one-quarter having expenses over \$9,289 (75th percentile). These quartile levels were at least 50 percent higher than in 1996 (after adjusting for medical price inflation from 1996 to 2006).

Expenditures by type of service

For most service types, the difference between 1996 and 2006 in the percent of persons age 65 and over with expenses was not significant (figure 3). However, the proportion of the elderly with emergency room expenses was notably higher in 2006 (20.4 versus 13.2 percent in 1996) and the proportion with home health expenses was somewhat lower (10.7 versus 13.2 percent).

Highlights

- Among persons age 65 and over, average annual expenditures for those with expenses was higher in 2006 than in 1996.
- The proportion of the elderly with emergency room expenses increased substantially while the proportion with home health expenses declined slightly from 1996 to 2006.
- Prescribed medicines comprised a substantially higher proportion of total expenses for the elderly while home health comprised a markedly lower share in 2006 than 1996.
- The average expenditures per prescription medicine purchase and per physician office visit for elderly persons in 2006 were notably higher than the corresponding inflation-adjusted averages for 1996.
- As a consequence of the implementation of Medicare Part D in 2006, there was a substantial shift in source of payment distribution for prescribed medicines among the elderly toward Medicare and away from out of pocket and private insurance.

Among persons age 65 and over, the portion of total expenses accounted for by inpatient care declined between 1996 and 2006 (43.2 versus 37.2 percent) while the portion for ambulatory care increased (from 23.4 to 28.7 percent) (figure 4). Home health care and prescribed medicines showed relatively larger shifts, with prescribed medicines rising from 12.7 to 22.0 percent and home health care decreasing from 14.9 to 6.6 percent of total expenses for the elderly.

The average expenditures per prescription medicine purchase and per office physician visit for elderly persons in 2006 were notably higher than the corresponding inflation-adjusted averages for 1996 (\$174 versus \$105 and \$180 versus \$114, respectively) (figure 5). The average expense for a dental visit among persons age 65 and over was also significantly higher in 2006 (\$254 versus \$187 in 1996 after adjusting for inflation).

Expenditures by source of payment

Medicare paid for a larger proportion of total health care expenses for the elderly in 2006 than 1996 (60.9 versus 56.6 percent) while a smaller proportion was paid by private insurance (14.1 versus 18.8 percent) (figure 6). Moreover, the implementation of Medicare Part D in 2006 resulted in a dramatic shift in the distribution of payment sources for prescribed medicines. While Medicare paid for only about 4 percent of prescribed medicines for the elderly in 1996, it paid for nearly half of those expenses in 2006. Consequently, the share paid out of pocket by the elderly dropped from about half to around one-third and the proportion paid by private insurance declined from about 31 to 12 percent.

Data Source

The estimates in this Statistical Brief are based upon data from the 2006 Full Year Consolidated (HC-105) and Event Level Data Files (HC-102A, B, D, E, and G).

Definitions

Expenditures (expenses)

Expenditures include payments from all sources to hospitals, physicians, dental providers, pharmacies, and other health care providers for services reported in the MEPS Household Component of the survey, but does not include health insurance premiums. Expenditures for hospital-based services include those for both facility and separately billed physician services. Estimates for 1996 were adjusted to 2006 dollars based on the GDP Price Index (http://www.meps.ahrq.gov/mepsweb/about_meps/Price_Index.shtml). Health insurance premiums are not included as expenses.

Type of service

- *Office-based:* Includes expenses for visits to both physician and non-physician medical providers seen in office settings.
- *Hospital inpatient:* Includes room and board and all hospital diagnostic and laboratory expenses associated with the basic facility charge, payments for separately billed physician inpatient services, and some emergency room expenses incurred immediately prior to inpatient stays.
- *Hospital outpatient:* Includes expenses for visits to both physicians and other medical providers seen in hospital outpatient departments, including payments for services covered under the basic facility charge and those for separately billed physician services.
- *Emergency room:* Includes payments for services covered under the basic facility charge and those for separately billed physician services, but excludes expenses for emergency room services that are included in a hospital inpatient admission.
- *Prescribed medicines:* Includes expenses for all prescribed medications that were initially purchased or refilled during the year, as well as expenses for diabetic supplies.
- *Dental:* Includes payments for services to any type of dental care provider, including general dentists, dental hygienists, dental technicians, dental surgeons, orthodontists, endodontists, and periodontists.
- *Ambulatory:* Combines office-based, hospital outpatient, and emergency room expense categories described above.
- *Home Health:* Includes expenses for home care provided by agencies and independent providers.

- *Other*: Includes expenses for care in all categories not specified as a separate category including those for miscellaneous medical equipment and supplies.

Sources of payment

- *Out of pocket*: This category includes expenses paid by the user or other family member.
- *Private insurance*: This category includes payments made by insurance plans covering hospital and medical care (excluding payments from Medicare, Medicaid, and other public sources), Medigap plans, or TRICARE (Armed Forces-related coverage). Payments from plans that provide coverage for a single service only, such as dental or vision coverage, are not included.
- *Medicare*: Medicare is a federally financed health insurance plan for the elderly, persons receiving Social Security disability payments, and most persons with end-stage renal disease. Medicare Part A, which provides hospital insurance, is automatically given to those who are eligible for Social Security. Medicare Part B provides supplementary medical insurance that pays for medical expenses and can be purchased for a monthly premium.
- *Other sources*: This category includes payments from Medicaid/SCHIP, other miscellaneous Federal sources (Indian Health Service, military treatment facilities, and other care provided by the Federal government); various state and local sources (community and neighborhood clinics, state and local health departments, and state programs other than Medicaid/SCHIP); various unclassified sources (e.g., automobile, homeowners', or other liability insurance, and other miscellaneous or unknown sources); Medicaid/SCHIP payments reported for persons who were not reported as enrolled in the Medicaid or SCHIP programs at any time during the year; and private insurance payments reported for persons without any reported private health insurance coverage during the year.

About MEPS-HC and MEPS-MPC

The MEPS Household Component (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 U.S. civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

The MEPS Medical Provider Component (MPC) collects information on dates of visit, diagnoses and procedures, and charges and payments from a sample of medical providers who provided care to persons in the survey. The MPC data collected are generally used as the primary source of MEPS expenditure data and are also used to impute expenditure information not reported by household respondents.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301) 427-1406 or visit the MEPS Web site at <http://www.meps.ahrq.gov>.

References

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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 mepspd@ahrq.gov or send a letter to the address below:

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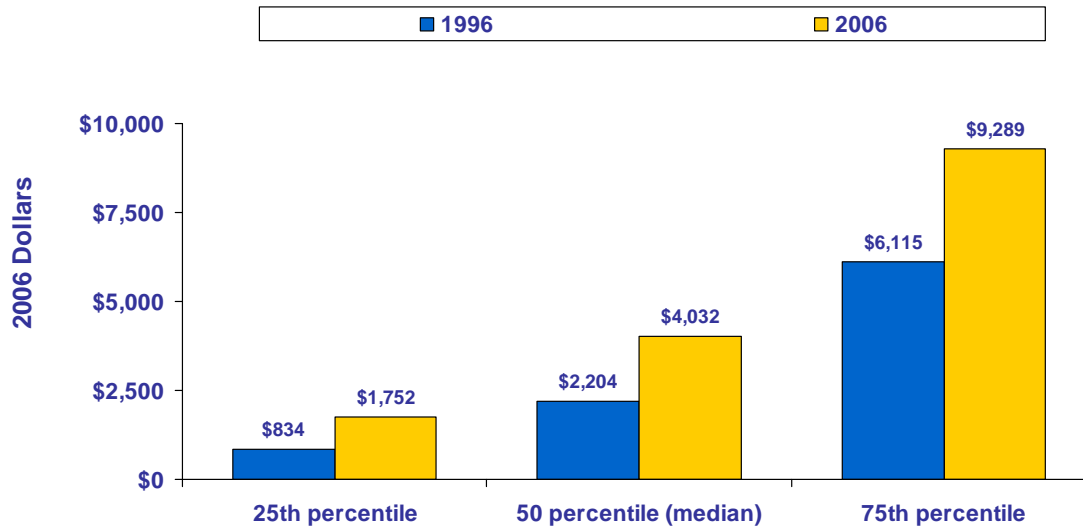
Figure 1. Selected summary expenditure estimates for persons age 65 and over, 1996 (adjusted to 2006 dollars) and 2006

Estimate	1996	2006
Number of persons (millions)	34.1	38.0
Total expenses (billions)	\$227.3	\$333.3
Percent with expenses	95.5%	96.7%
Average annual expenses (for those with expenses)	\$6,989	\$9,080

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006



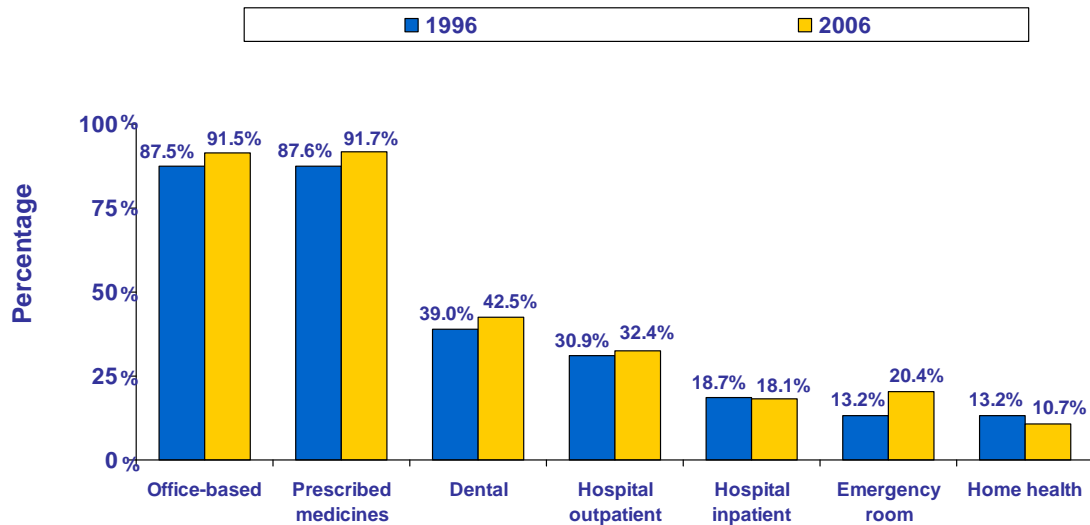
Figure 2. Total health care expenses by quartile for persons age 65 and over, 1996 (adjusted to 2006 dollars) and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006



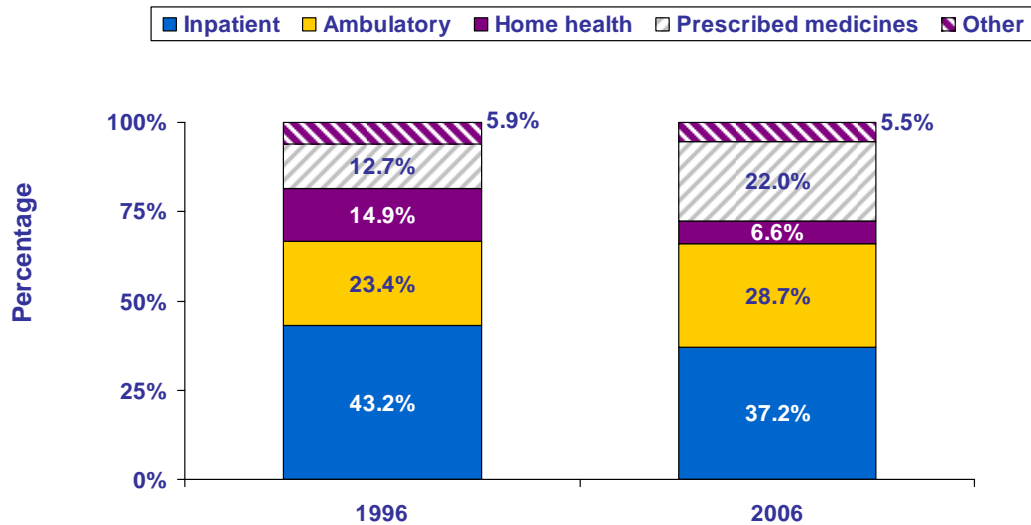
Figure 3. Percentage of persons age 65 and over with expenses by type of service, 1996 and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006



Figure 4. Distribution of total expenses for persons age 65 and over by type of service, 1996 and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006



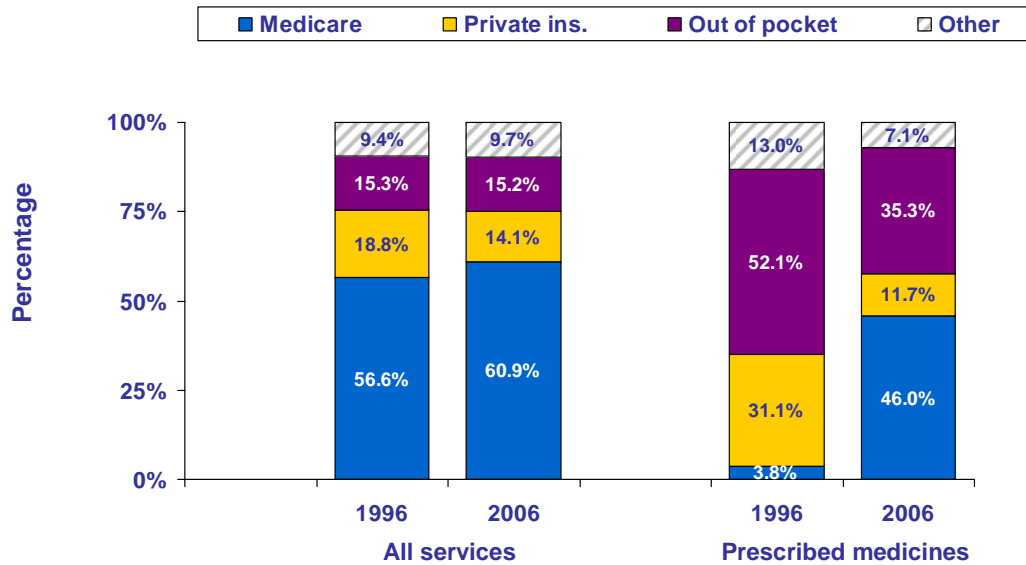
Figure 5. Average expenses per event for selected event types for persons age 65 and over, 1996 (adjusted to 2006 dollars) and 2006

Type of visit	1996 (in 2006 dollars)	2006
Office physician visit	\$114	\$180
Inpatient hospital average per diem	\$2,271	\$2,714
Emergency room visit	\$512	\$651
Dental visit	\$187	\$254
Prescription medication purchase	\$105	\$174

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006



Figure 6. Distribution of expenditures by source of payment for persons age 65 and over, all services and prescribed medicines, 1996 and 2006



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2006