

MAKING SENSE OF ELDERLY HEALTH CARE

Presented by

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This paper will provide background information on the health and socio-demographic make up of Wisconsin's population 65 and older and their use of the health care system. What are the health needs of the elderly, who pays for the services they receive? While this paper does not provide a solution to the health care financing dilemmas of our day, it will inform the discussion with factual information about the state's Medicare population.¹

THE AGING POPULATION

Between 1960 and 1990 Wisconsin's 65 plus population increased by 62%. Much of the current concern about maintaining economic security for older adults in the future stems from the knowledge that the population age 65 and older grew 62% between 1960 and 1990, and is expected to surge much higher after the year 2010 when the so-called "baby boom" begins to turn 65. Currently, 13% of Wisconsin's people are age 65 and older, and 17% are age 60 or older.² While much of this growth is due to fertility and migration patterns early in the century, recent decreases in aged mortality also play a factor. Since 1970 most of the increases in life expectancy have occurred because of reduced mortality in the middle and upper age groups. The annual number of deaths in Wisconsin per 1,000 population age 65 and older has decreased from 59 in 1970 to 51 in 1989. Among those people who reached age 65 in 1989, women could be expected to live to age 84 on average, while men were expected to live to about age 80.³ Consequently the state has seen major increases in the proportion of the population age 85 or older. By 1995 there will be nearly 85,000 Wisconsin residents over the age of 85. Between 1990 and 2010 the population age 85 and older will increase 56%.⁴

Characteristics: The proportion of the older population that is female has been increasing. In 1960 53% of the population age 65 and older were women, now the figure has grown to 60%. Among the "oldest old" (those 85 and older) nearly three-quarters are women, and 80% of those women are widows.

Increasingly older people live alone. One in ten Wisconsin households is an elderly person living alone. Older women are more likely than older men to live alone. Thirty-nine percent of women 65 and older live alone while only 18% of the men do so.

USE OF HEALTH SERVICES BY THOSE 65 AND OLDER

Older people are heavy users of the health care system. In Wisconsin, most older people in the community report seeing a doctor in the past year (87% according to the Wisconsin Family Health Survey) and a third have seen a doctor 4 times or more during

the year. Older people account for nearly a third of all hospitalizations and nearly 20% of older people spend at least one night in a hospital per year. 70% of home health clients are older people and 7% of the elderly use home health each year.⁵ 90% of nursing home clients are age 65 or older and 47% are 85 or older.⁶ According to the 1990 U.S. Census 31% of Wisconsinites age 85 and older are living in nursing homes.⁷

Paying for Health Care

The elderly spend more in actual dollars and proportionately on health care than the nonelderly. Households under 65 spend 4% of their expenditures on health care versus 11 % for those 65 and older. Health care for people 65 and older as a whole is paid for from a variety of sources. Medicare pays for 45% of the nation's elderly health care costs, Medical Assistance (or Medicaid) pays for 12%.⁶, other government funds pay for 6% and private sources pay for 37%.⁸

Medicare has contributed greatly to the well-being of Americans age 65 and older. It is funded and administered entirely by the federal government and is the major source of insurance for acute health care for the elderly. Services covered by Medicare include hospital services, doctor visits, and short term recuperative nursing home and home health care. Medicare does not cover prescription drug costs, hearing aids, glasses, dental care or long term care. Despite the substantial medical benefits under the Medicare system, due to the increased cost and intensity of services and therapies prescribed today, after adjusting for inflation elderly families now spend over 50% more on out of pocket health care costs than they did before the passage of Medicare.⁹

Medicaid provides comprehensive health insurance for people 85 or older who have very low incomes. The program is paid for partly by the federal government and partly by states. The state government administers Medicaid under federal regulations. Medicaid eligibility levels range a great deal across states. In most states (including Wisconsin) people who are eligible for Supplemental Security Income (SSI) are automatically eligible for Medicaid. Nationally about 70% of the Medicaid dollar for the elderly goes to pay for nursing home care; 8% each goes to pay for prescription drugs, home health, hospitals and other expenses and only 1% goes to physicians. This is because Medicare pays physician costs first and Medicaid pays for costs not covered by Medicare.¹⁰

Supplemental Private Insurance to augment Medicare has become an important funder of elderly health care. Nationally in 1990 over 75% of Medicare enrollees had private insurance that supplemented Medicare coverage. The price range for these Wedigap^o policies was \$300 to \$2,000 per year, depending on the level of coverage.¹¹

Other out-of-pocket health care costs: The costs of prescription medications, which can be unpredictable and are not covered by Medicare, are a growing economic burden for older people. The Age Profile of Older Wisconsin Residents, a telephone survey of people 60 and older living in the community¹², found that in the previous month people spent an average of \$42 on out of pocket prescription drug costs.¹³ This adds up to an

average of over \$500 in out of pocket costs per person per year. Dental care is also not covered under Medicare. National data from 1987 found that on average people 65 and older spent \$92 a year on dental care.¹⁴

ELDERLY ECONOMICS

Income: We can learn about the income of older Wisconsinites from two sources: the 1990 U.S. Census of the population and the Age Profile of Older Wisconsin Residents. By and large Medicare beneficiaries have modest incomes. According to the census, in 1989 29% of households where the household head was over age 65 had incomes under \$10,000. Only 7% of Wisconsin's elderly households reported incomes over \$50,000 in 1989.

Assets: According to the Age Profile Survey, in Wisconsin in 1989 only 13% of single women, 21 % of single men and 25% of couples age 65 and older reported liquid assets over \$60,000. Many older people may be income-eligible for economic aid but have too many assets to qualify. A single person is not eligible for Medicaid if he or she has over \$2,000 in liquid assets, a couple may not have more than \$3,000. 50% of impoverished single people age 65 and older report liquid assets of over \$2,000. Fifty-seven percent of older couples in poverty report a figure over \$5,000.¹⁵

Poverty: Great strides have been made in reducing poverty among the elderly over the past 20 years. In 1970 22% of people 65 and older were in poverty. In 1990 9% of those age 65 plus had incomes below the census poverty threshold. Another 8% of those age 65 plus had incomes between 100% and 125% of this level. The federal poverty thresholds for 1995 are \$623 in monthly income for single people and \$836 for couples. (The thresholds are updated annually usually in February.)

When combining the information about the health care costs of people 65 and older with information on their economic well-being, it is important to recognize that the population 65 and older is a varied group. Poverty increases with age among those 65 and older and is more likely among women and minorities:

- 13% of those age 75 and older have incomes below the poverty line and 11 % have incomes between 100% and 125% of the poverty level. In other words about a quarter of the 75+ age group have incomes below 125% of the federal poverty threshold.
- Women are twice as likely to be in poverty as men (12% vs. 6%).
- One fourth of minority elderly are in poverty and 10% have incomes between 100% and 125% of the poverty level.

ENDNOTES

- ¹ This paper consists of excerpts from materials developed for the Wisconsin Governor's White House Conference on Aging held in Madison, WI., March 7th, 1995. The conference was called by the WI Department of Health and Social Services, Division of Community Services, Bureau on Aging.
- ² WI Dept. of Administration, Demographic Service Center, Official Population *Projections: 1990-2020*. June, 1993; U.S. Census of the Population 1960.
- ³ State Board of Health, 'Fact *Book: Wisconsin's Aging Population*' October, 1964, p.10; WI Center for Health Statistics, '*Older Person in Wisconsin: Health Statistics*' June, 1989, p.17.
- ⁴ WI Dept. of Administration, Demographic Service Center, Official Population *Projections: 1990-2020*. June, 1993.
- ⁵ WI Dept. of Health and Social Services, Div. of Health, Center for Health Statistics, State of our *Health: Older Adults*. July, 1994.
- ⁶ WI Dept. of Health and Social Services, Div. of Health, Center for Health Statistics, "Nursing Homes 1994", *Health Counts in Wisconsin*, 1995.
- ⁷ U.S. Dept. of Commerce, Bureau of the Census, Special Tabulation on Aging, April 1994.
- ⁸ Waldo, D.R. et al. 'Health expenditures by age group, 1977 and 1987', *Health Care Financing Review* Vol. 10, No. 4 Summer, 1989.
- ⁹ Public Policy Institute, American Association of Retired Person, "elderly out-of-pocket health care expenditures Part 1", Issue Brief No. 16, April 1993.
- ¹⁰ Reilly, T.W. et al. "Trends in Medicaid Payments and Utilization, 1975-1989", *Health Care Financing Review* 1990 Annual Supplement.
- ¹¹ Public Policy Institute, American Association of Retired Persons, "Elderly out-of-pocket health care expenditures Part 1", Issue Brief No 16, April 1993.
- ¹² The profile survey was a random digit dial telephone survey of 2,264 Wisconsin household where at least one member was age 60 or older. It was conducted by the University of Wisconsin Survey Research Laboratory for the WI Department of Health and Social Services, Div. of Community Services, Bureau on Aging. For more information about the survey see: Profile 2 "Economic Wellbeing of Wisconsin Residents Age 60 and Older, May 1993; available from the Bureau on Aging.
- ¹³ WI Dept. of Health and Social Services, Div. of Community Services, Bureau on Aging *Aging in the News*, No. 103 Winter 1993-94.

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- ¹⁴ Public Policy Institute, American Association of Retired Persons, "Elderly out-of-pocket health care expenditures *Part 1*", *Issue Brief No 16*, April 1993.
- ¹⁵ According to the '90-'91 Age Profile of Older Wisconsin Residents Survey of people living in the community.