



# ASPE RESEARCH NOTES

INFORMATION FOR DECISION MAKERS

FOCUS ON: *Long-Term Care*

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## THE ELDERLY WITH DISABILITIES: AT RISK FOR HIGH HEALTH CARE COSTS

Non-institutionalized elderly persons who have disabilities have substantially higher total health care expenditures than do other older persons according to the 1987 National Medical Expenditure Survey (NMES). Perhaps more importantly, the out-of-pocket expenses of the disabled elderly were also much greater in spite of their near universal participation in the Medicare program and the assistance offered by the Medicaid program to many of the elderly poor. Medicare requires deductibles and copayments on the services it covers. Persons with disabilities may use large amounts of covered services, and often make out-of-pocket payments for those services. In addition, persons with disabilities may use home health services. Such services are often not covered by Medicare, and may require large out-of-pocket payments.

For purposes of this analysis, we used three measures of disability: elderly persons who have limitations in two or more basic activities of daily living (ADLs), such as bathing, dressing, transferring, toileting, or eating; those who have limitations in one ADL; and those who only have limitations with respect to instrumental activities of daily living (IADLs)--e.g., using the telephone, shopping, taking medications, managing their money, etc.

**TABLE 1: Aged Medicare Eligibles by Disability Status, 1987**

	Persons (millions)	Percent
2+ ADLs	2.6	9
1 ADL	2.0	7
IADLs Only	2.7	10
No Disability	21.1	75
TOTAL	28.3	100

SOURCE: ASPE Tabulations of NMES files.

### Disability Status of the Elderly

Over seven million older people, or about one-fourth of the elderly population, experienced a period of disability either at the beginning or at the end of calendar year 1987 according to NMES data (see Table 1).<sup>1</sup> About 2.6 million persons or 9% of the elderly had severe disabilities, i.e., needed assistance with or more ADLs.

### Out-of-Pocket Expenditures

Elderly persons with severe disabilities had out-of-pocket health care expenses which were nearly four times

greater than persons without disabilities--\$2,401 versus \$660 (see Table 2).

Table 3 shows the distribution of out-of-pocket expenditures by type of service. Much of the difference in out-of-pocket expense is due to greater home health spending among those with disabilities, who also have far greater hospital and physician expenses. However, spending for prescription drugs does not vary substantially across disability groups. These figures do not include amounts spent on health insurance premiums.

**TABLE 2: Average 1987 Out-of-Pocket Expenditures of the Elderly by Disability Status**

	Average Out-of-Pocket Expense	Average Family Income	Expense/Family Income
2+ ADLs	\$2,401	\$19,833	12%
1 ADL	1,377	19,457	7%
IADLs Only	1,127	19,030	6%
No Disability	660	25,588	3%
ALL ELDERLY	911	24,019	4%

SOURCE: ASPE Tabulations of NMES files.

### The Burden of Health Care Expenses

The NMES data presented in Table 2 also show that older people with severe disabilities spend, on average, a greater percentage of family income on health care than do people without disabilities--12% versus 3%. Not only do persons with severe disabilities have high expenditures, but they also have lower family incomes (less than \$20,000 versus nearly \$26,000 for those without disabilities).

There is substantial diversity in health care use and financing among the elderly. Thus, out-of-pocket expenditures are a much greater burden for some than for others. For example, even though persons with severe disabilities spend about 12% of their family income on health care, about 24% of them spend more than 20% of family income on health care, while 47% spend less than 5%. One of the reasons for this diversity is that some services are used by relatively few people, while others are used by most people. Most disabled persons have expenditures for prescriptions drugs and physician services, but in a given year, relatively few have expenditures for hospital care or home health care. In fact, over 70% of the severely disabled elderly do not

have any out-of-pocket expenditures for home health care.

It is important to determine the characteristics of persons with the greatest burdens. Although that task lies beyond the scope of this note, some dimensions have already been explored. Insurance coverage varies by disability status. For example, 47% of the elderly without disabilities are covered by group insurance obtained through an employer or union. Such insurance coverage copayments and deductibles as do standard Medigap policies, and often helps with additional expenses, such as prescription drugs. Buy contrast, only 27% of persons with severe disabilities have such coverage.

**TABLE 3: Average 1987 Out-of-Pocket Expenditures of the Elderly as a Percent of Family Income by Disability Status and Type of Expense**

	Hospitals and Physicians	Home Health	Drugs	Other
2+ ADLs	5%	5%	1%	1%
1 ADL	3%	2%	1%	1%
IADLs Only	3%	1%	1%	1%
No Disability	1%	0%	1%	1%
ALL ELDERLY	2%	1%	1%	1%

**SOURCE:** ASPE Tabulations of NMES files.

One might think that those covered by Medicaid would spend very little out-of-pocket. However, although this may tend to be true for those who are categorically eligible for Medicaid, those who are medically needy become eligible precisely because they have incurred large expenses. In fact, elderly persons with severe

disabilities who were enrolled in Medicaid for only part of 1987 have the highest out-of-pocket expenditures (\$2,943 or 20% of family income).

Those who live alone are particularly vulnerable. Over 37% of those who live alone spend more than 20% of their income on health care expenses. Home health care is a major expense for many of those who live alone. They also have much lower incomes. Those who live alone have an average family income of less than \$8,000, as compared to nearly \$16,000 for those living with a spouse, or nearly \$32,000 for those living with others.

Additional research and data collection are needed to further identify the out-of-pocket burdens of the elderly, as well as the individuals with the greatest need for financial assistance. Particular attention should be paid to the relatively few individuals who account for the bulk of home health expenditures and to the identification of risk factors for such expenditures.

**Notes**

1. Disability data are taken from the NMES Long-Term Care Supplement which was administered during Rounds 1 and 4. The reader will note that the number of disabled shown is higher than that shown by the Agency for Health Care Policy and Research in their Research Note #4, which used only those disabled in Round 1.

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