

Health Insurance Expenditures of Older Americans

In the wake of changes in Medicare, the social insurance program that finances health care for the nation's elderly, individuals over age 65 face higher out-of-pocket expenses for medical care. Purchase of insurance is one means of dealing with these costs. This study uses data from the 1996 Consumer Expenditure Survey to examine the health insurance expenditures of individuals aged 65 and older.

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Introduction

Health care costs have risen dramatically. Between 1989 and 1994, the medical care price index rose 41.3% compared to an increase of 18.2% for all items less medical care (Paulin & Dietz, 1995). Health insurance is an important resource for meeting these costs. For those aged 65 and older, Medicare usually replaces employer-based health insurance. Under the Balanced Budget Act of 1997, Medicare beneficiaries face new options for meeting medical costs and may pay higher out-of-pocket costs as dollar coverage under Medicare changes (Consumer Reports, 1998). In the first quarter of 1996, the Consumer Expenditure Survey obtained more detailed information about types of health insurance expenditures. This descriptive study uses these data to examine: (1) the characteristics of those over age 64 (2) the percentage of those over age 64 that hold various types of health insurance coverage and (3) the average dollar amount spent during the calendar quarter surveyed on those various types of health insurance. Findings give a benchmark for future research since the data were obtained before changes to Medicare coverage were implemented.

Findings

Average age of sample survey participants was about 75 years. Average annual total expenditures were \$20,808.34; less than average annual before tax income of \$21,798.12. Annual average dollars spent on health related costs were \$1477.46 for health insurance premiums, \$531.76 for medical services, \$455.28 for prescription drugs, and \$69.35 for medical supplies.

Most of the sample was white (87%), had a high school degree or less (31% and 38%, respectively), and resided in the urban South (26%). Single person or husband wife family types predominated (47% and 40%, respectively). Seventeen percent reported still being employed. Among married couples, 22% of the wives were still employed. Over 3/4 of the sample were homeowners (a proxy for wealth holdings).

Some of the sample purchased nonBlue Cross/Blue Shield type plans: 16% paid into a health maintenance organization, 13% purchased a preferred provider plan, 3% purchased a Commercial Medicare supplement, and 12% purchased other health insurance (e.g. dental). Mean quarterly premium dollars for these choices were \$280.82, \$331.29, \$375.44, and \$196.15, respectively. A few in the sample purchased Blue Cross/Blue Shield type plans. Three percent paid into a health maintenance organization under Blue Cross/Blue Shield, paying an average quarterly premium of \$276.15. Less than 1% paid into a Blue Cross/Blue Shield preferred provider plan, paying an average quarterly premium of \$301.29. Clearly, sample participants favored non-Blue Cross/Blue Shield Plans under each type of insurance plan. Overall, commercial Medicare supplements appeared to be the most costly options, health maintenance organizations the least costly options, when considering broad health insurance coverage other than Medicare for those over 64.

References

- Consumer Reports (1998, September). Medicare: New choices, new worries, pp. 27-38.
Paulin, G. D., & Dietz, E. M. (1995). Health insurance coverage for families with children. *Monthly Labor Review*, 118, (8), 13-23.

Endnotes

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