

Aging and Future Health Care Spending, Peter Zweifel

Comments

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AEI, June 27, 2008

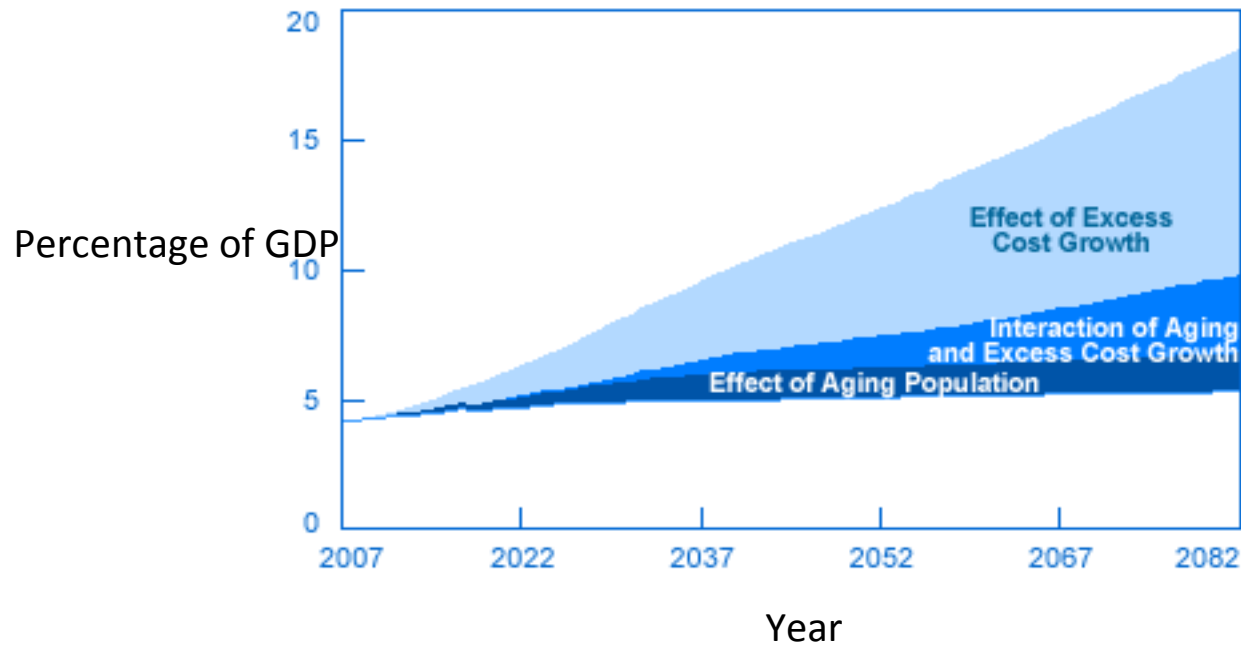
Issues Raised

- Does aging drive health care costs?
- Do end of life costs drive health care costs?
- Will better health, i.e. compression of morbidity reduce (or increase) health spending?

What Drives Health Spending? Case of Medicare

- Distinguish between aging of Medicare population (e.g a larger % of enrollees 85+) & more enrollees (aging of total pop.)
- Small effect of aging of Medicare pop.
 - 0.1%/yr in future, 2004-50 (according to CMS)
- Larger effect of enrollment growth—1.6%/yr.
- Biggest effect is from excess growth (above growth in per capita GDP) in per capita spending—due to technology, more and more expensive services, etc.

Sources of Growth in Projected Federal Spending on Medicare and Medicaid (Percentage of GDP)



Source: CBO

Are last year of life costs increasing faster?

- Costs have been about 25-30% of Medicare
- CMS found a small increase from 1994-99, from 26.5 to 27.9% of total Medicare costs
- Could be artifact due to HMO enrollment trends
- No more up-to date evidence???
- But, costs may be increasing more for healthy people:

US Per Capita Personal Health Spending by Age, 1987 & 2004

Age group	1987	2004	Ratio: 2004/1987
Total	\$1796	5276	2.9
0-18	868	2650	3.1
19-64	1521	4511	3.0
65+	5282	14797	2.8
85+	10562	25691	2.4

Source: Hartman et al. *Health Affairs—Web Exclusive*, 2007.

EXHIBIT 4

Functional Status And Health Care Expenditures (In 2003 Dollars) Among Medicare Beneficiaries Age Sixty-Five And Older, 1992 And 2003

Functional limitations	Percent distribution		Average expenditure (\$)			Total expenditure (\$ thousands)		
	1992	2003	1992	2003	Percent increase	1992	2003	Percent increase
None	20.5	20.8	4,257	6,683	57.0	26,230,890	44,527,929	69.8
Physical limitations only	31.5	35.5	4,954	7,639	54.2	49,334,427	96,751,254	96.1
IADL limitations, no ADLs	13.6	12.7	8,243	11,660	41.5	37,077,451	54,093,645	45.9
1-2 ADLs	20.2	18.4	10,533	14,573	38.4	71,338,116	98,658,019	38.3
3-6 ADLs	14.1	12.6	24,368	29,433	20.8	121,223,377	142,114,427	17.2

SOURCE: Centers for Medicare and Medicaid Services, Medicare Current Beneficiary Survey, 1992 and 2003.

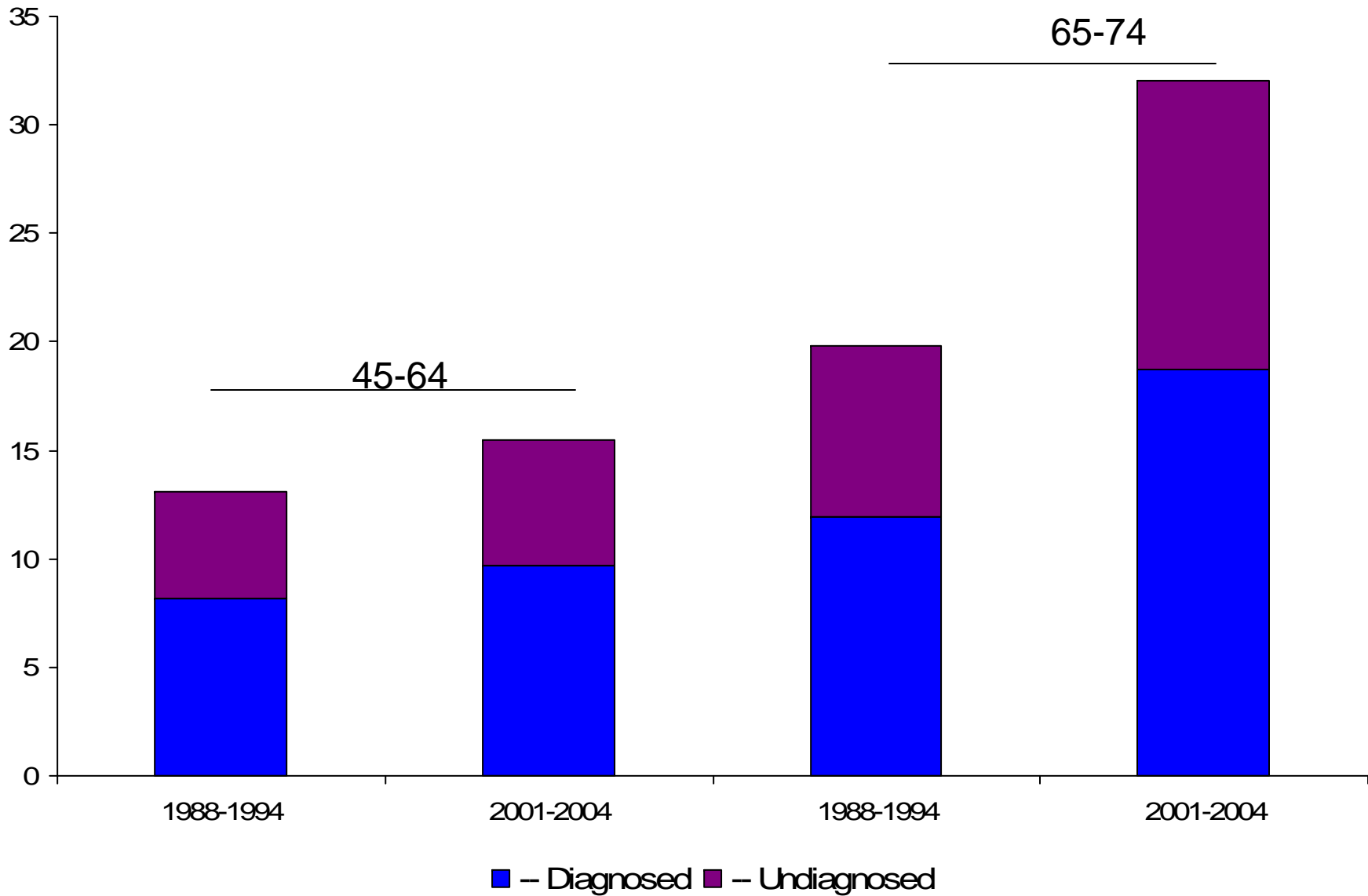
NOTE: Physical limitations include difficulties in at least one of the following five activities: stooping, lifting, reaching, grasping, and walking, but no limitations in activities of daily living (ADLs) or instrumental activities of daily living (IADLs).

Source: Kramarow et al. *Health Affairs*, 2007

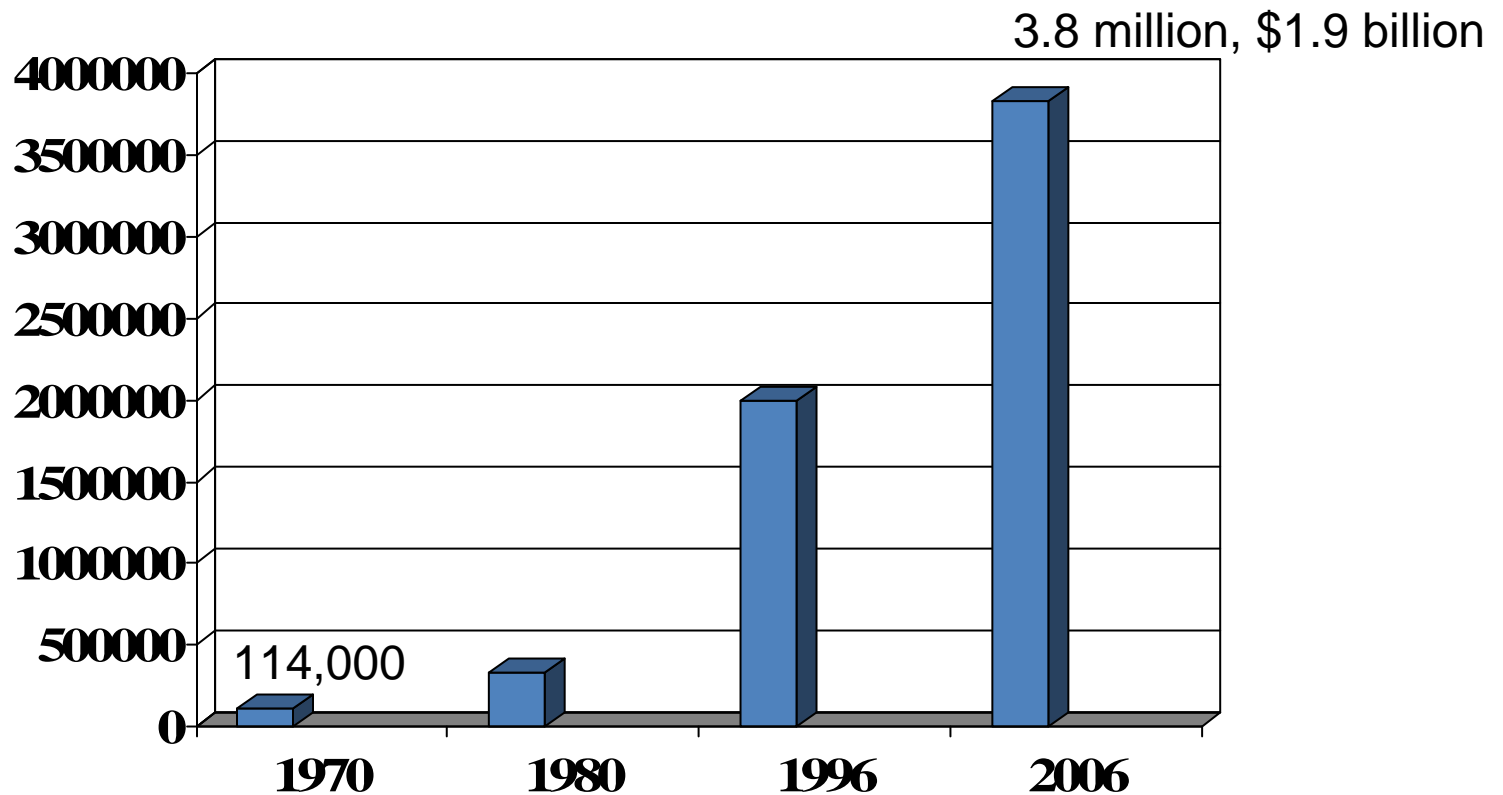
Can better health (compression of morbidity) reduce health spending?

- Case of cataract removal: from 7 days to 7 minutes
- A lot of untreated disease—diabetes
- Lifetime costs of healthy and sicker Medicare beneficiaries about the same:

Percent with diabetes by Age, Men: United States, 1988-2004. NHANES



Number of cataract removal procedures, persons 65 and over



Sources: 1970 & 80, Natl Hospital Discharge Survey.

1996, Owings & Kozak, Ambulatory & Inpatient Procedures in the U.S.1998.

2006, CMS Betos codes from CMS web site

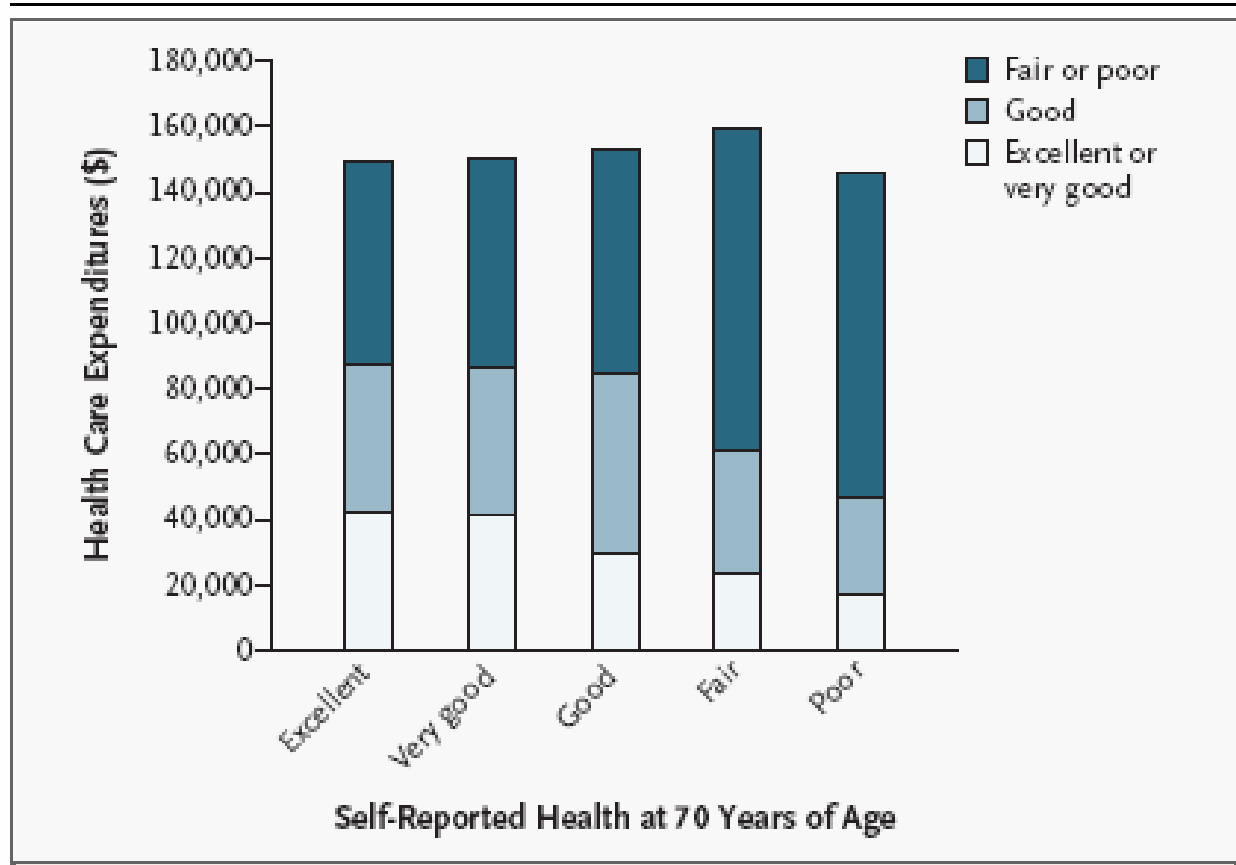


Figure 4. Expected Expenditures for Health Care from 70 Years of Age until Death According to Self-Reported Health at the Age of 70.

Expenditures are in 1998 dollars. The shading in the bars indicates health care expenditures for persons in various states of health. For example, a person reporting excellent health at the age of 70 is estimated to have cumulative health care expenditures of about \$150,000 from the age of 70 until death. Of this amount, about \$62,000 will be spent while the person is in fair or poor health, about \$45,000 while the person is in good health, and about \$43,000 (29 percent of total expenditures) while the person is in very good or excellent health.

Estimates based on 1992-8 MEPS.
 Source: Lubitz et al. NEMJ, Sep 14, 2002.

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"If we take a late retirement and an early death, we'll just squeak by."

Health Care Expenditures in the Last Two Years of Life, According to the Type of Health Service and the Age at Death.

