

# Out-of-Pocket Spending on Health Care by Medicare Beneficiaries And Implications for Retirement Security

Juliette Cubanski, Ph.D., MPP, MPH @jcubanski  
Deputy Director, Program on Medicare Policy  
KFF

National Institute on Retirement Security  
Washington, D.C. – March 3, 2020



## About KFF

KFF is a non-profit, non-grantmaking organization focusing on national health issues and the U.S. role in global health policy

KFF serves as a non-partisan source of facts, analysis and journalism for policymakers, the media, the health policy community and the public

Headquartered in San Francisco, with a Washington DC office

KFF is not associated with Kaiser Permanente

Figure 2

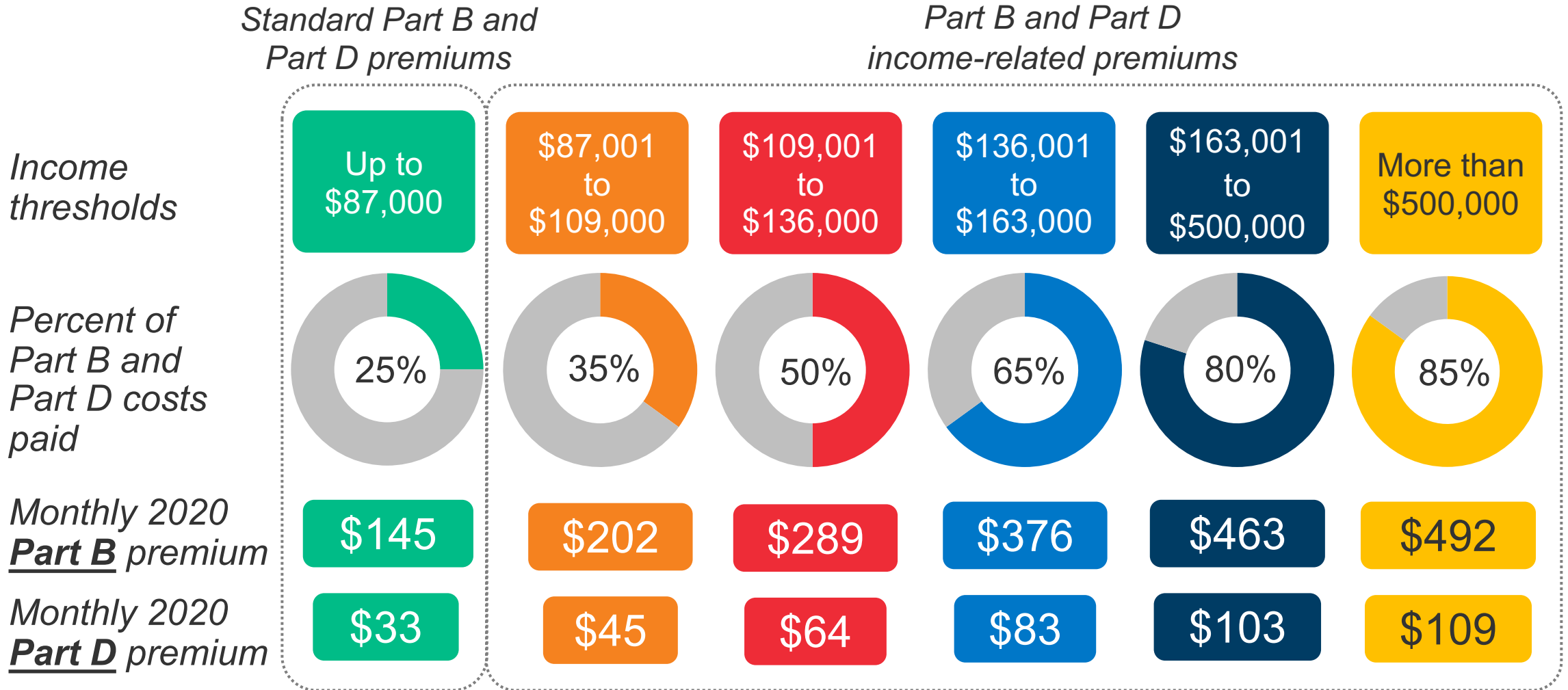
## Medicare Benefits are Subject to Premiums, Deductibles, and Other Cost-Sharing Requirements

- **Part A – Hospital Insurance:** \$1,420 deductible. Daily copayments for extended inpatient hospital stays. Skilled nursing facility daily copayments of \$176 (21-100 days).
- **Part B – Supplementary Medical Insurance:** \$144.60 monthly premium and \$198 deductible. 20% coinsurance for most services.
- **Part C – Medicare Advantage:** Premiums, deductibles, and cost sharing vary across plans. All plans required to have an out-of-pocket limit not to exceed \$6,700 (in-network) and \$10,000 (in-network and out-of-network combined).
- **Part D – Prescription Drugs:** \$33 national average premium and \$435 deductible. Premiums, deductibles, and cost sharing vary across plans; standard coinsurance is 25%. Annual out-of-pocket spending threshold of \$6,350; beneficiaries pay 5% coinsurance above that amount.

Total costs for  
Part A, B, D  
deductibles and  
premiums =  
**\$4,180 in  
2020**  
(not including  
cost sharing for  
covered  
services)

Figure 3

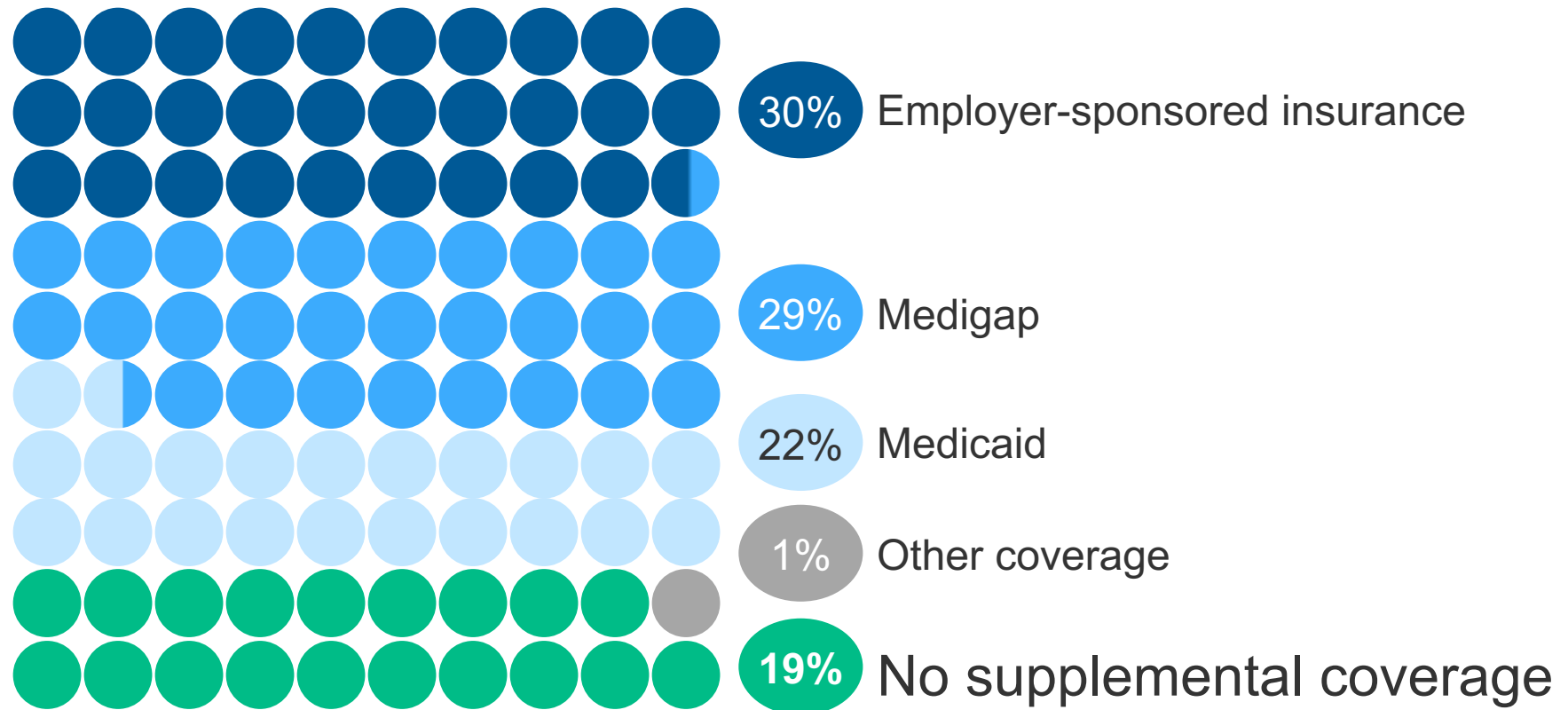
# Medicare Part B & Part D Premiums Rise with Income



SOURCE: KFF illustration of Medicare Part B and Part D premiums.

Figure 4

# Nearly 1 in 5 Traditional Medicare Beneficiaries, or 6.1 Million People, Have No Supplemental Coverage



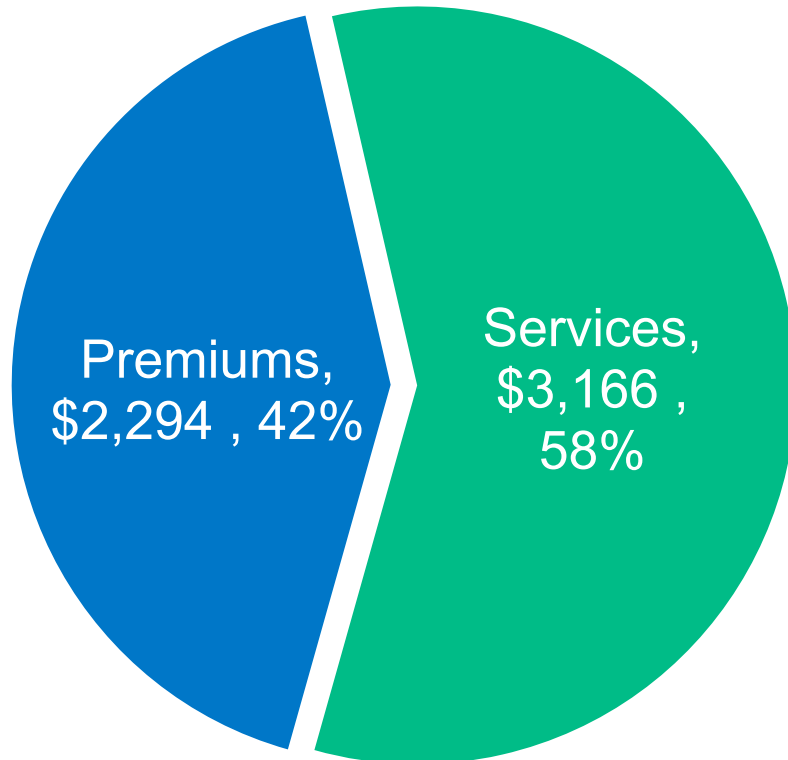
*2016 Total = 32.4 million traditional Medicare beneficiaries*

NOTE: Total excludes beneficiaries with Part A only or Part B only for most of the year (n=4.4 million) or Medicare as a Secondary Payer (n=2.0 million), and beneficiaries in Medicare Advantage.

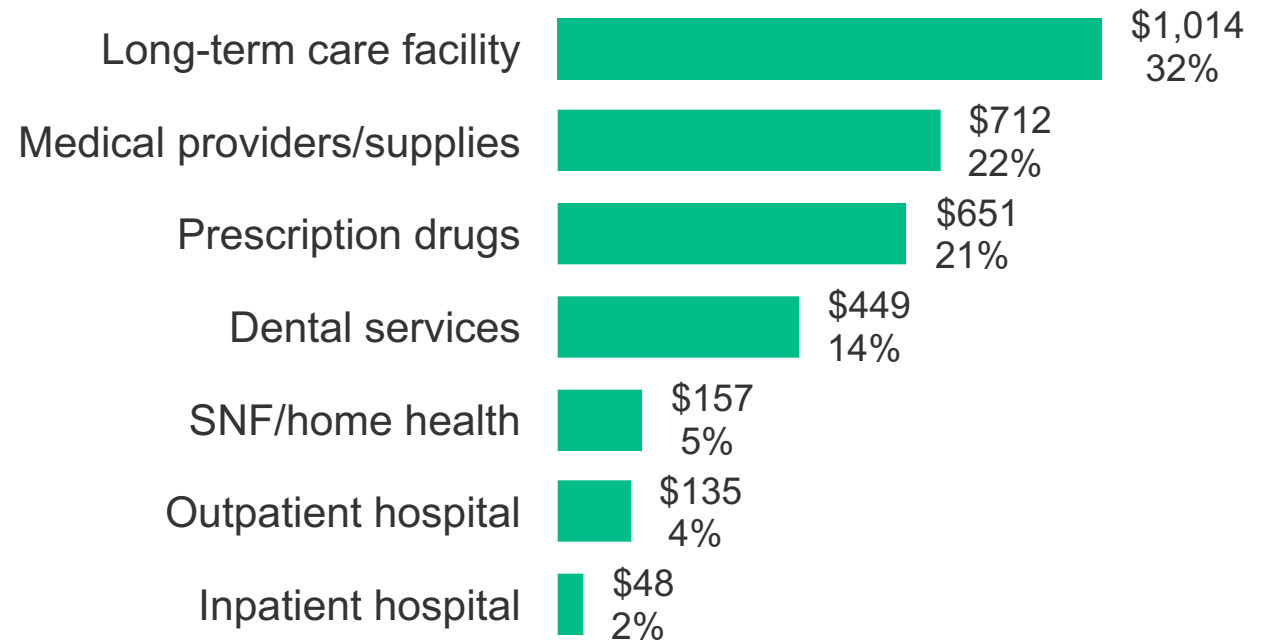
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 5

# Traditional Medicare Beneficiaries Spent an Average of \$5,460 Out-of-Pocket on Services and Premiums in 2016



## Distribution of Spending on Services by Type of Service:

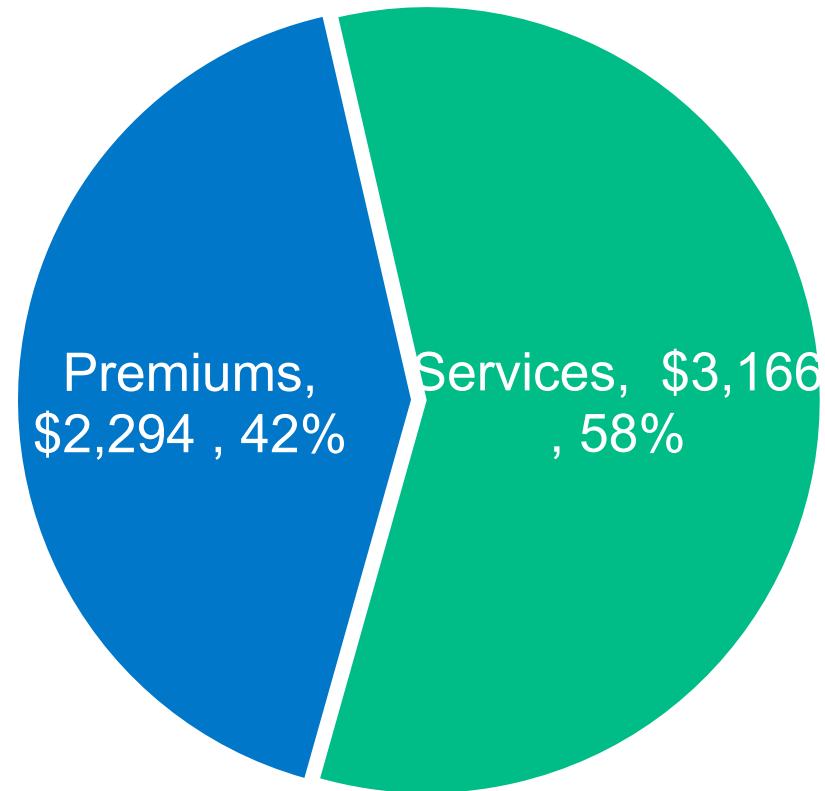


Average Total Out-of-Pocket Spending, 2016: \$5,460

NOTE: SNF is skilled nursing facility. Analysis includes beneficiaries living in the community and long-term care facility residents, and excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.  
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 6

## Premiums Account for 42% of Total Annual Out-of-Pocket Health Spending By Traditional Medicare Beneficiaries

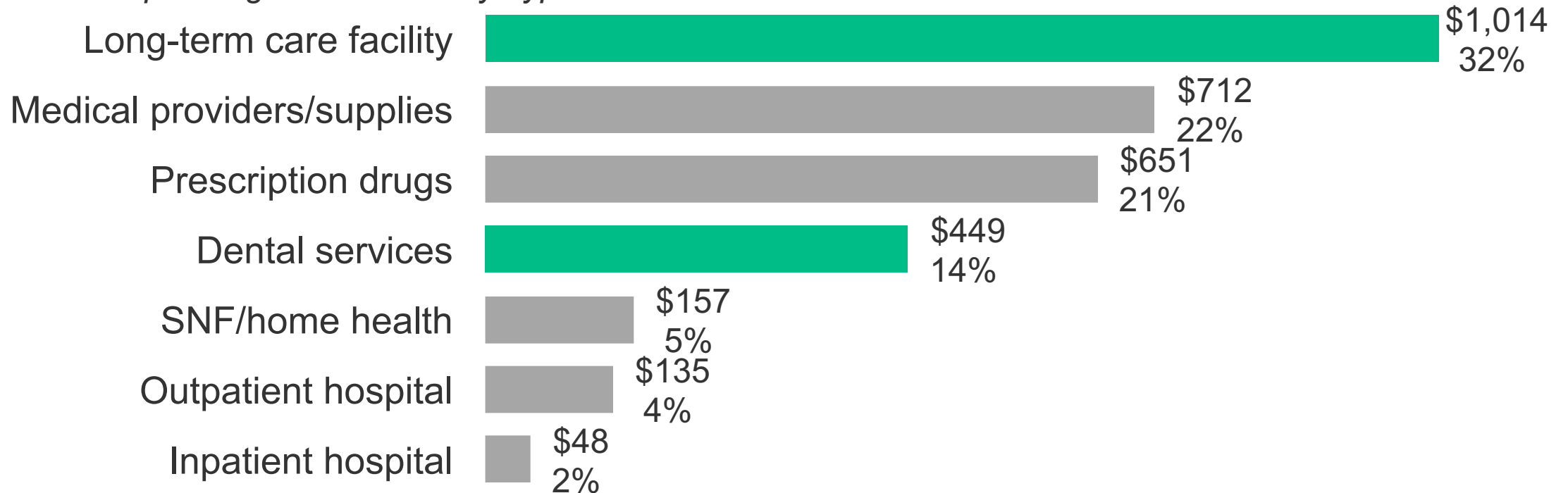


Average Total Out-of-Pocket Spending, 2016: \$5,460

Figure 7

# Nearly Half of Average Annual Out-of-Pocket Spending by Traditional Medicare Enrollees on Health-Related Services Was for Services Not Covered by Medicare

*Distribution of Spending on Services by Type of Service:*



Average Out-of-Pocket Service Spending, 2016: \$3,166

NOTE: SNF is skilled nursing facility. Analysis excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.

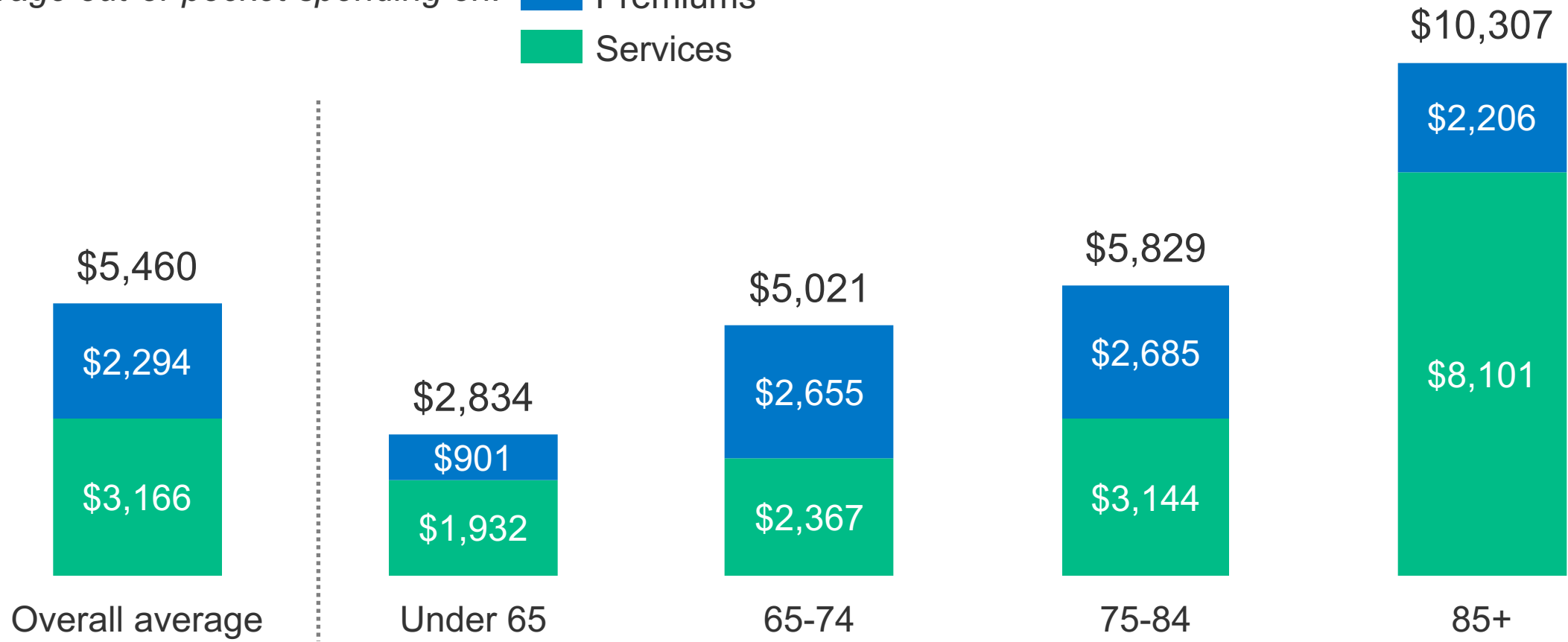
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.



Figure 8

# The Average Annual Amount of Out-of-Pocket Spending by Traditional Medicare Beneficiaries Rises with Age

Average out-of-pocket spending on: ■ Premiums ■ Services

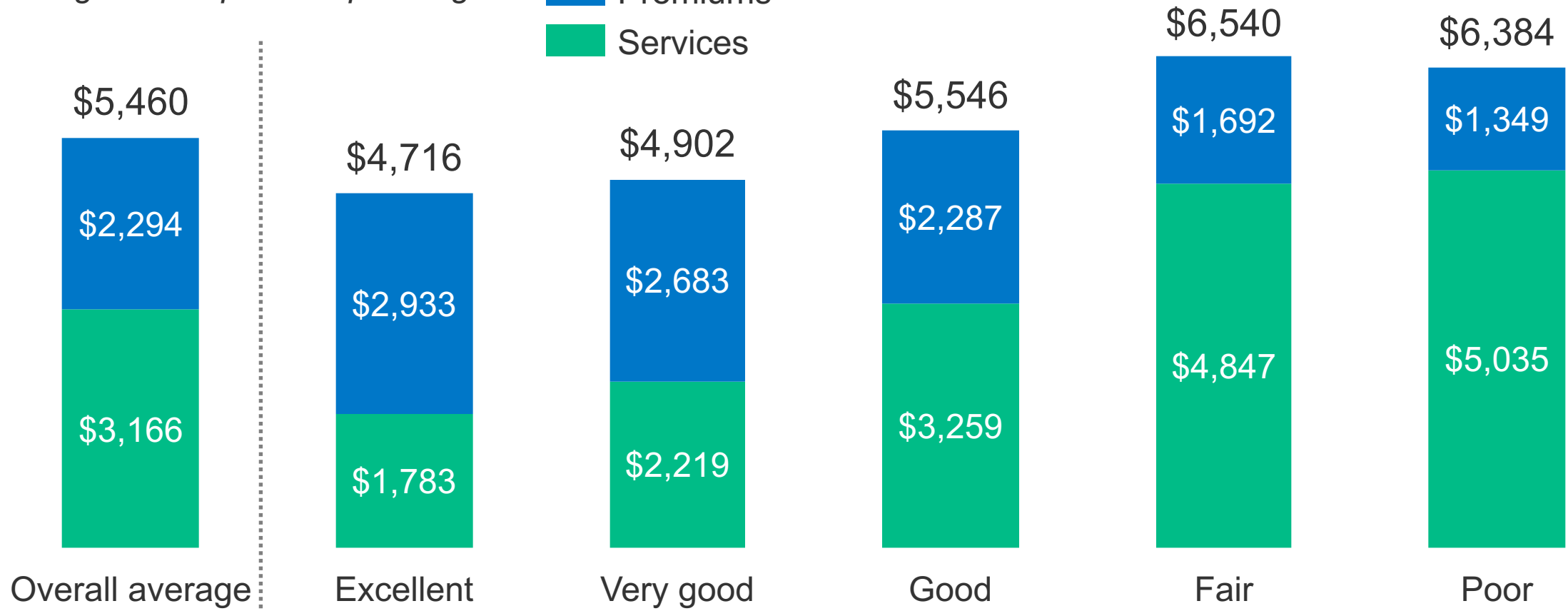


SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 9

# Average Out-of-Pocket Spending among Medicare Beneficiaries Rises as Health Status Declines

Average out-of-pocket spending on: ■ Premiums ■ Services



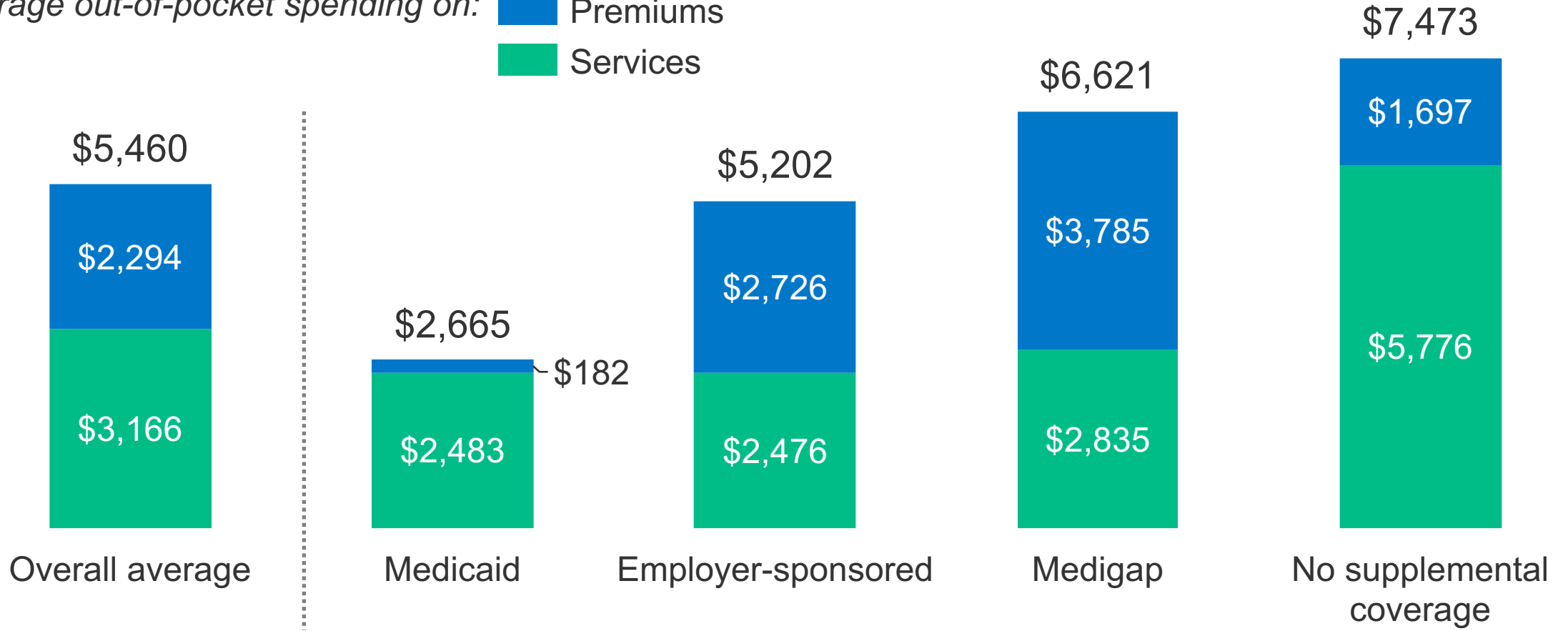
NOTE: Health status is based on self-reported data.

SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 10

# Traditional Medicare Beneficiaries Without Supplemental Coverage Paid More Than \$7,000 Out-of-Pocket on Health Care Costs in 2016

Average out-of-pocket spending on: ■ Premiums ■ Services



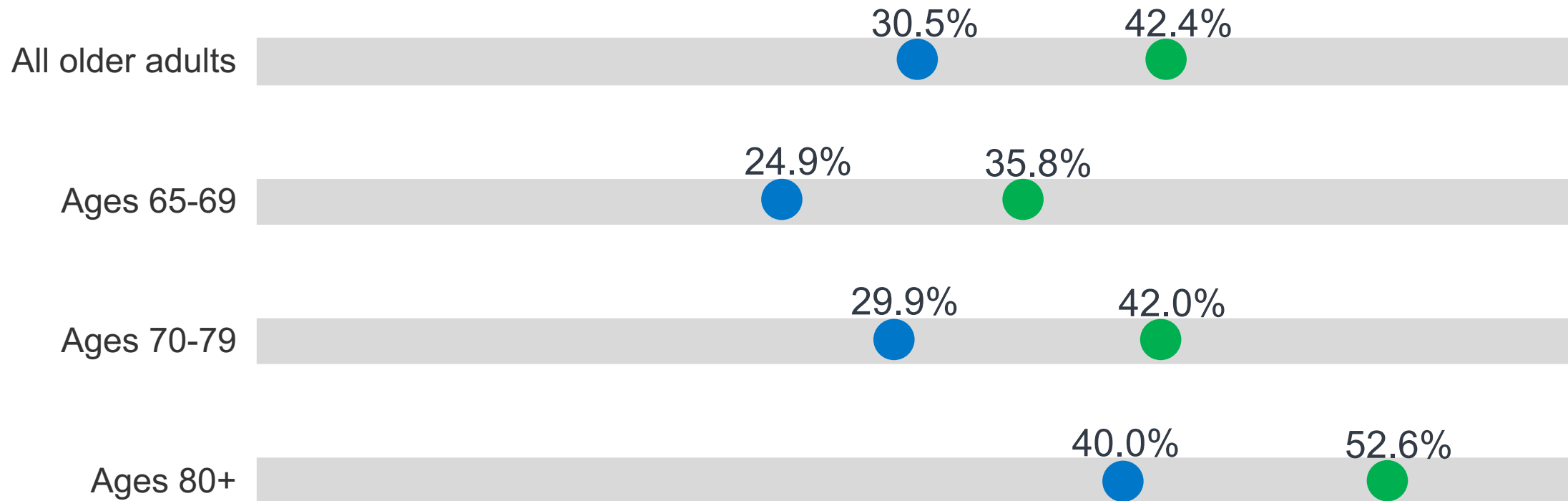
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 11

# Many Older Adults Have Low Incomes

*PERCENT BELOW 200% OF POVERTY:*

● Official Poverty Measure    ● Supplemental Poverty Measure

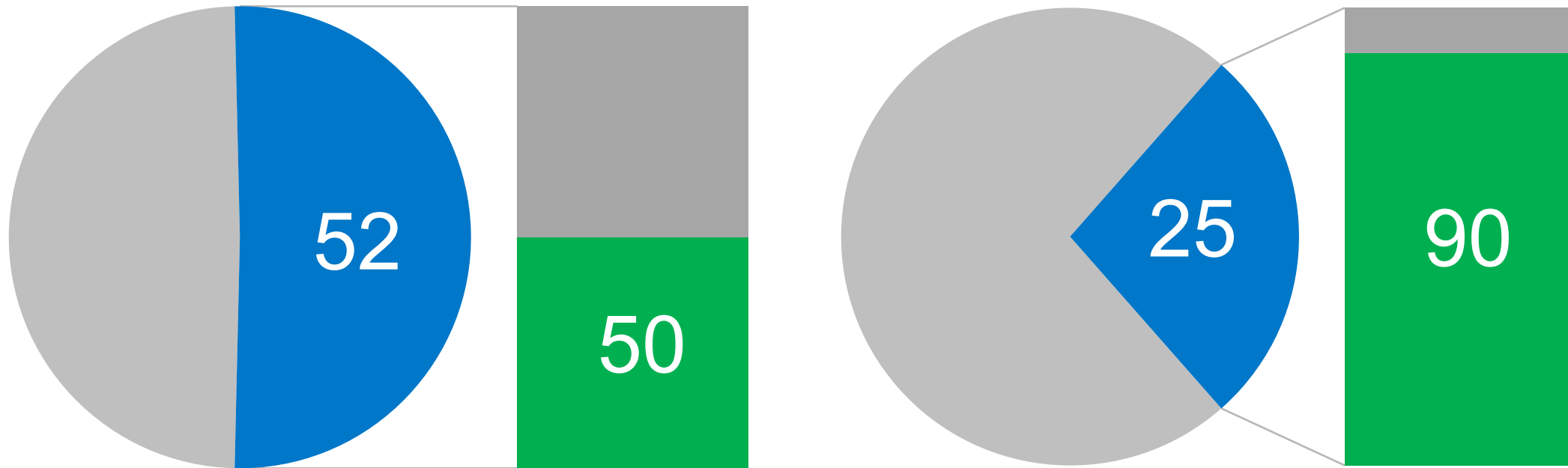


SOURCE: KFF analysis of Current Population Survey, 2016-2018 Annual Social and Economic Supplement.

Figure 12

## Social Security Accounts for Half or More of Family Income for Many People Ages 65 and Older

- Share of people ages 65 and older
- Share of family income from Social Security benefits

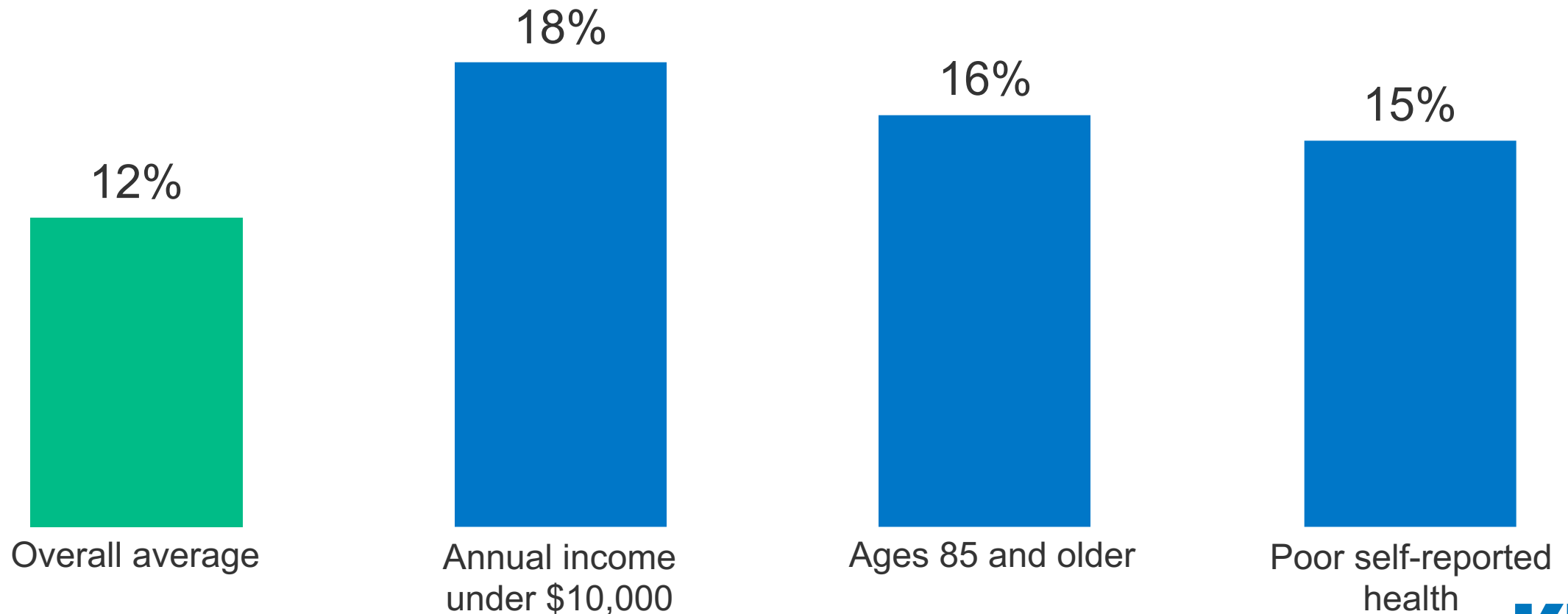


SOURCE: Social Security Bulletin, The Importance of Social Security Benefits to the Income of the Aged Population, Vol 77, No 2, 2017.

Figure 13

# The Financial Burden of Out-of-Pocket Spending Is Higher for Medicare Beneficiaries Who Are Lower Income, Older, and Sicker

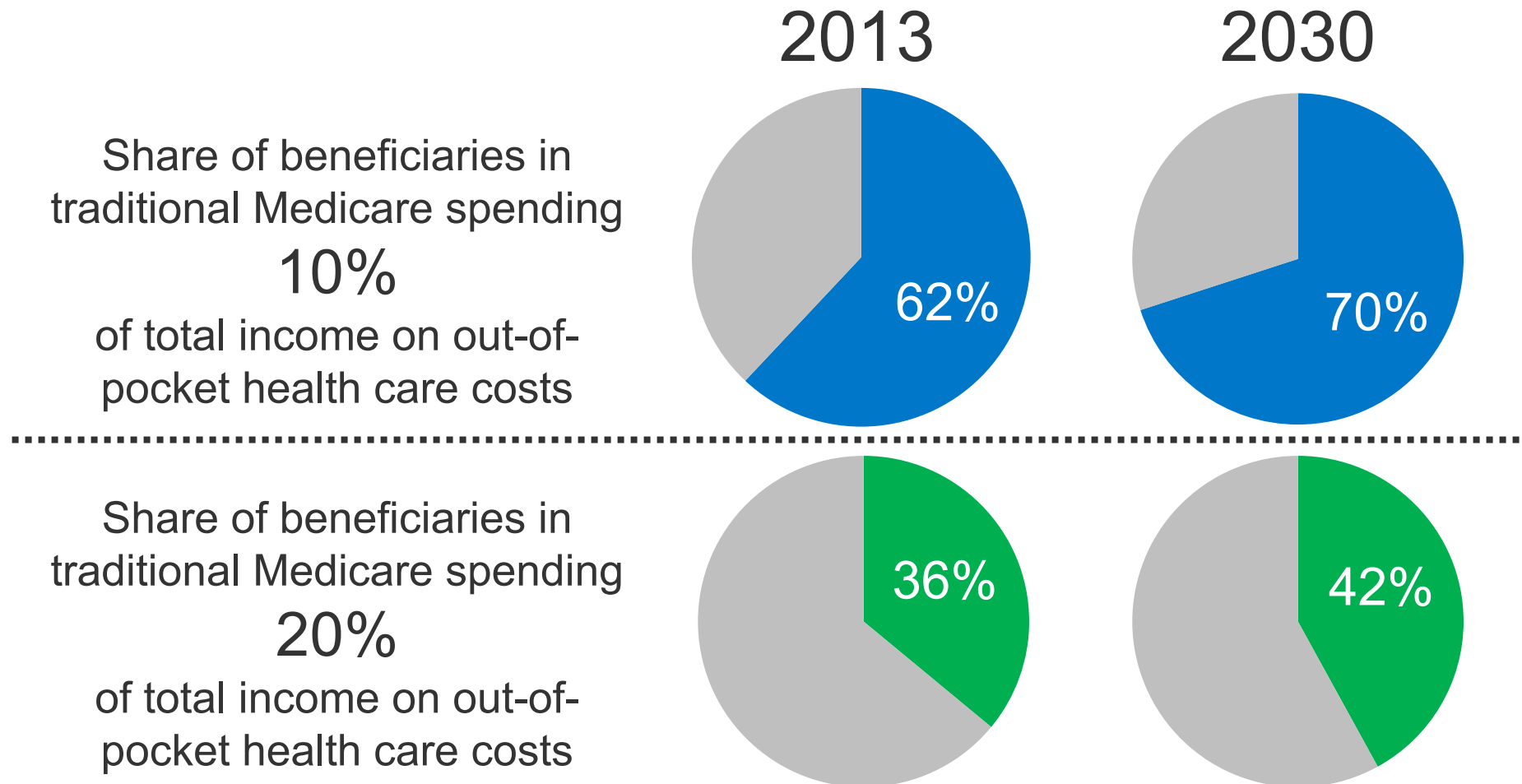
*Median Out-of-Pocket Spending as a Share of Income for Traditional Medicare Beneficiaries, 2016*



SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.

Figure 14

# By 2030, More Than 4 in 10 Medicare Beneficiaries Will Spend at Least 20% of Their Total Income on Out-of-Pocket Health Care Costs

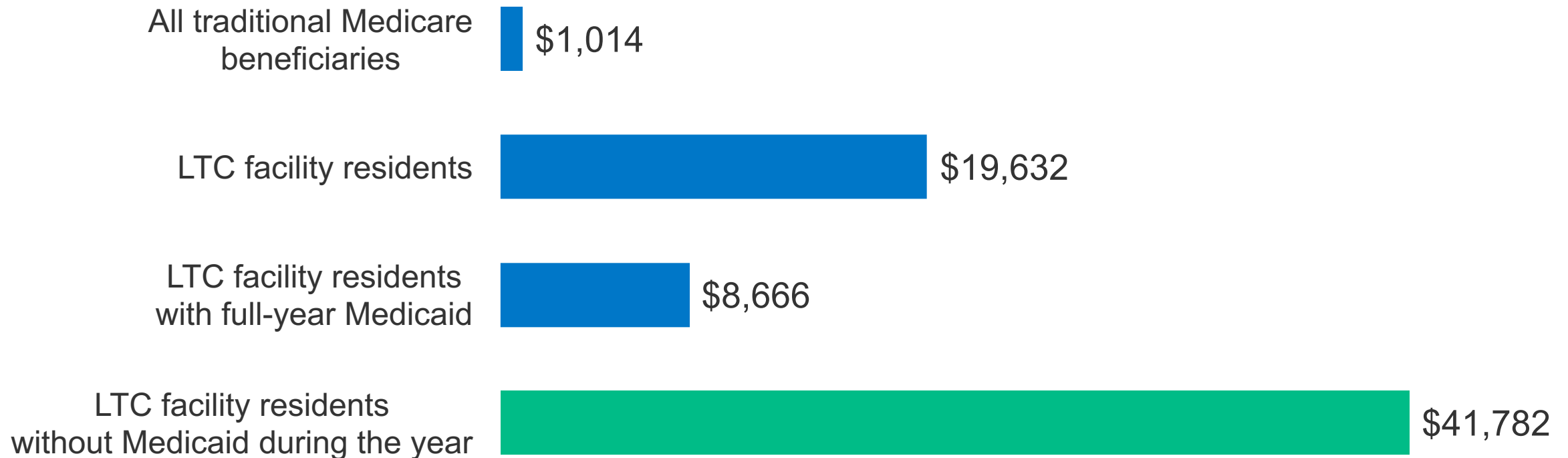


SOURCE: KFF analysis based on CMS Medicare Current Beneficiary Survey 2013 Cost and Use file.

Figure 15

# Long-term Care Facility Costs Represent a Substantial Out-of-Pocket Burden for Medicare Beneficiaries without Medicaid

*Average out-of-pocket spending on LTC facility services by:*



NOTE: LTC is long-term care. Analysis excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.

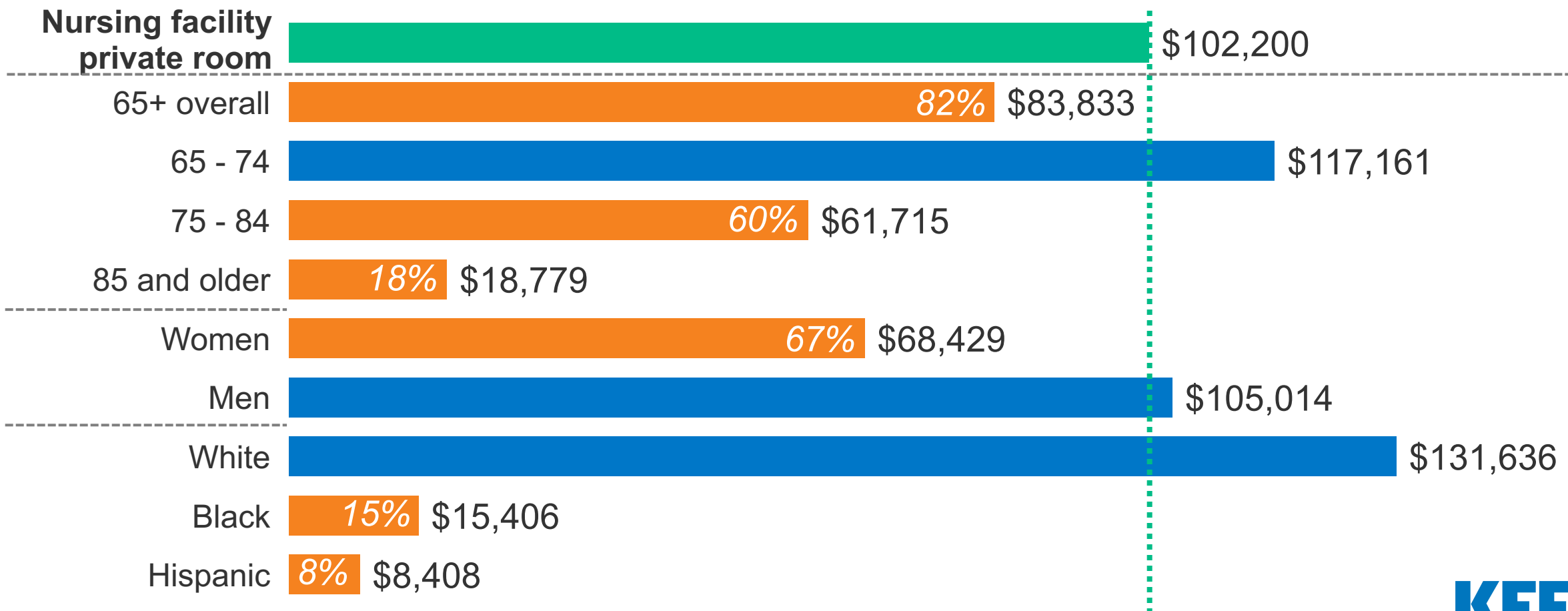
SOURCE: KFF analysis of Centers for Medicare & Medicaid Services 2016 Medicare Current Beneficiary Survey.



Figure 16

# Many Groups of Medicare Beneficiaries Have Inadequate Savings to Pay the Annual Cost of a Private Room in a Nursing Home

Median Savings among Medicare Beneficiaries Age 65+ Compared to Median Annual Cost of Nursing Home Private Room:

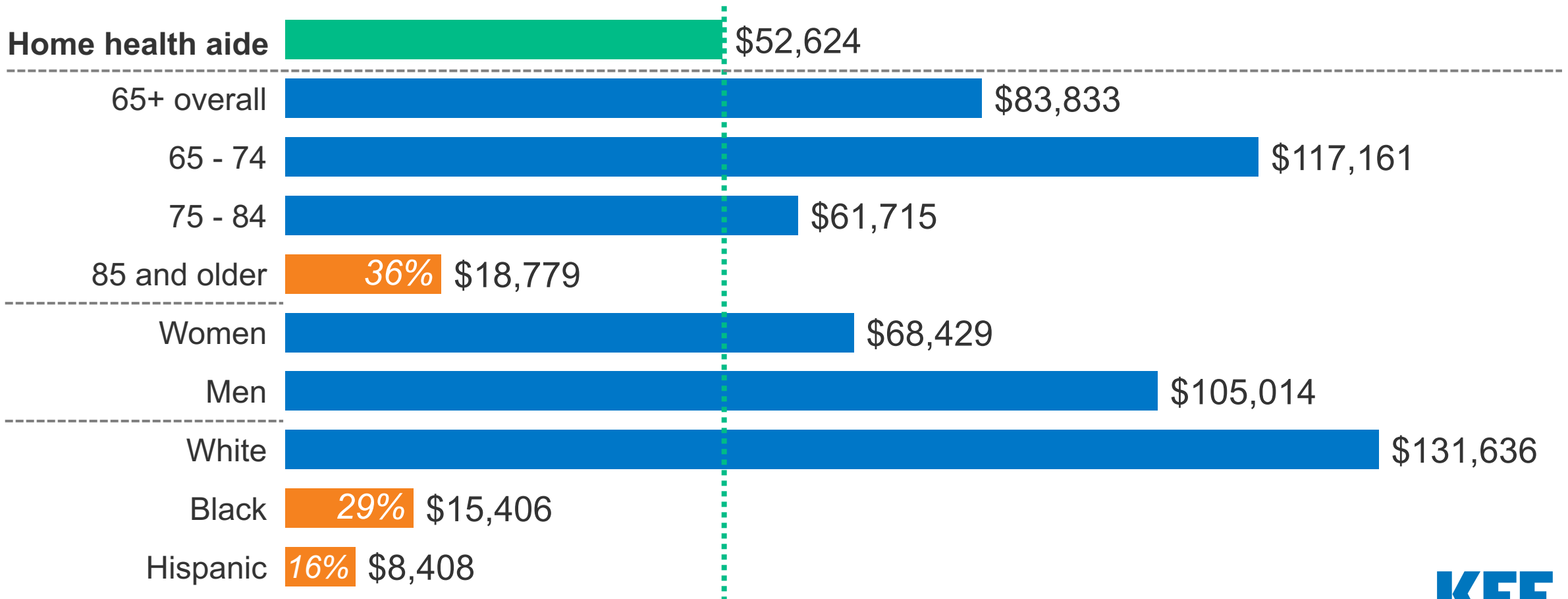


SOURCE: KFF/Urban Institute for median savings; Genworth Cost of Care Survey, 2019.

Figure 17

# Some Groups of Medicare Beneficiaries Have Inadequate Savings to Pay the Annual Cost of a Home Health Aide

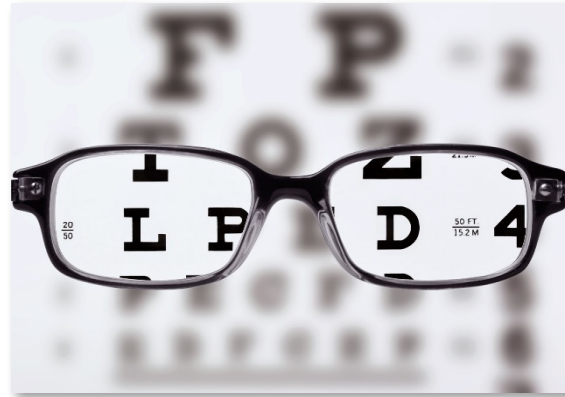
*Median Savings among Medicare Beneficiaries Age 65+ Compared to Median Annual Cost of Home Health Aide:*



SOURCE: KFF/Urban Institute for median savings; Genworth Cost of Care Survey, 2019.

Figure 18

# Addressing Medicare's Benefit Gaps Would Be an Opportunity for Policymakers to Improve Health and Economic Security for Older Adults





Thank you.