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**NEW COMMONWEALTH FUND REPORT: MORE THAN A QUARTER
OF MEDICARE BENEFICIARIES FACE HIGH OUT-OF-POCKET
COSTS AND FINANCIAL BURDENS**

*Despite Being a Valuable Source of Coverage, Medicare Has Benefit Exclusions and
Uncapped Cost-Sharing That Leave Sick and Poor Beneficiaries Exposed to Coverage Gaps
and High Spending*

New York, NY, May 12, 2017—More than one-fourth (27%) of all Medicare beneficiaries—an estimated 15 million elderly and disabled people—spent 20 percent or more of their household income on out-of-pocket medical expenses and monthly premiums in 2016, according to a new Commonwealth Fund study. Such high cost burdens are even more prevalent among those with low incomes, affecting 40 percent of beneficiaries with annual incomes below 200 percent of the federal poverty level (\$24,000 a year for an individual).

The study, *Medicare Beneficiaries' High Out-of-Pocket Costs: Cost Burdens by Income and Health Status*, presents the most detailed look to date at health care costs for the 56 million people who rely on Medicare. As policymakers weigh proposals for reforming the program, the new research reveals a complex picture of Medicare benefit design, in which adequate coverage and affordability are beyond the reach of many low- and moderate-income people.

“If Medicare reforms are discussed by the new Congress, we have to keep in mind the impact any changes would have on beneficiaries, especially those who are the sickest or have low incomes,” said lead author Cathy Schoen, Senior Scholar in Residence at the New York Academy of Medicine. “It is crucial for Medicare to meet our aging population’s needs by building on its numerous strengths while addressing the gaps that put beneficiaries at high financial risk.”

Medicare does not limit beneficiaries’ annual out-of-pocket spending and has relatively high cost-sharing requirements. People with Medicare may opt to purchase “Medigap” supplemental insurance to help cover their out-of-pocket expenses, but only at an additional annual premium

that averages \$2,000 per person. With nearly half (45%) of beneficiaries earning less than \$24,000 a year, many cannot afford supplemental coverage, the report finds.

Sickest Medicare Patients Most Exposed to High Spending

According to the study, Medicare patients with high needs—those with multiple chronic conditions or physical or mental disabilities—are most at risk of incurring high health care costs. Nearly one-third (29%) of beneficiaries with three or more chronic conditions, and 38 percent of beneficiaries with physical or cognitive limitations, spent 20 percent or more of their annual income on premiums and medical care.

On average, Medicare beneficiaries with serious cognitive and/or physical impairments spent more than three times as much out of pocket on medical care as other beneficiaries without a chronic disease or disability (\$5,519 vs. \$1,549). For Medicare patients who are both high-need and low-income, out-of-pocket costs averaged more than \$7,000 if they did not have supplemental coverage. That is a significant cost burden for an individual earning less than \$24,000 a year, the researchers says.

Dental, Vision, and Hearing: Lack of Coverage Leads to Unmet Needs

Medicare explicitly omits coverage for dental, vision, and hearing services, all of which the elderly often need. These include dental exams and dentures; routine vision care and eyeglasses; and hearing exams and hearing aids. The study shows that because poor elderly adults will often skip routine exams not covered by Medicare, they are more likely to have problems seeing, hearing, or eating than elderly adults with higher incomes:

- Seventy-four percent of Medicare beneficiaries living below the poverty level (\$12,060 a year for an individual, \$16,040 for a couple) did not seek any dental care in 2016, and only about half (49%) had an eye exam.
- Thirty-seven percent of low-income beneficiaries reported that dental problems made it difficult for them to eat, compared to 22 percent of all Medicare beneficiaries and just 10 percent of beneficiaries earning more than \$47,000.

Additional Findings:

- **Limited Medicare Benefits Lead to High Out-of-Pocket Costs**

People with Medicare spent an average of \$3,024 per year on out-of-pocket costs. Of this amount, more than a third (36%) was spent on cost-sharing for medical and hospital care and 25 percent was spent on prescription drugs; the largest share, 39 percent, went for services Medicare does not cover, including dental, hearing, and long-term care.

- **Few Financial Protections for Low-Income Medicare Beneficiaries**

Although there are programs to help low-income Medicare beneficiaries pay premiums and health care costs, the support they provide is limited, and they require people to navigate complex eligibility rules. Currently, only half of people on Medicare living

below the poverty level receive full financial assistance for their health care costs. Beneficiaries with incomes of up to \$16,000 may be eligible for partial subsidies through the Medicare Savings Programs.

“Medicare is a critical lifeline for older Americans, whose health needs tend to increase as they age,” said Commonwealth Fund President David Blumenthal, M.D. “With one-fifth of the U.S. population projected to be enrolled in Medicare by 2024, it is vital for Medicare to keep evolving to make health care for seniors more accessible and affordable.”

When the embargo lifts, the study will be available at:

<http://www.commonwealthfund.org/Publications/Issue-Briefs/2017/May/Medicare-Out-of-Pocket-Cost-Burdens>.

The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high performance health system.