

Medical Care Costs for the Aged: First Findings of the 1963 Survey of the Aged

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INCREASING awareness of the problem of medical care costs of the Nation's elderly population has motivated public and private interest in lightening the load of financing such care for many. How great is the problem now? What can be said about the extent of medical care received by the aged, and what are the indications of economic stringency occasioned by the costs of such care? What of the expenditure patterns for health care, and what conclusions may be drawn from them?

Analysis of data from the 1963 Survey of the Aged made by the Social Security Administration helps provide answers to these and many other specific questions relating to the provision and financing of medical care. This discussion, with the accompanying article on health insurance coverage of the aged and their utilization of hospitals in 1962,¹ presents the first health care findings from the Survey. Later articles will discuss the cost of insurance coverage, the proportion of hospital and medical bills met by insurance, and the relation of heavy medical expense to the economic situation of the aged.

Medical care costs, after all, are not unrelated to income, labor-force status, assets, living arrangements, and other circumstances of aged persons. The BULLETIN already has presented data from the 1963 Survey of the Aged on the income, earnings, and work experience of the aged in 1962.² A brief technical note on the sources and reliability of the estimates appears on pages 26-28 of this issue. The high incidence of hospital care among the aged as a group and their limited insurance protection for defraying the costs of this and other medical services have also

been documented. Against the broader background, it is the purpose of this discussion to place in perspective what we now know from the Survey about medical care costs for the aged.

BACKGROUND

For many persons who are living longer because of advances in medical sciences, the added years are years of economic insecurity. Insecurity is heightened by the ever-present, gnawing anxiety that one serious illness may wipe out a life's savings and leave the older person dependent on children, a public assistance agency, or both, for financial help.

Government programs, such as those available in many States under the State-Federal program of medical assistance for the aged (the Kerr-Mills program), have helped to meet the health care needs of some, and private insurance programs have reduced the financial risks for many. But the statistics strongly indicate that the problem today is much the same as it was in 1957, when the last survey of aged beneficiaries of old-age, survivors, and disability insurance (OASDI) was made. The complex task of paying for necessary health services and providing adequate insurance for nonbudgetable expenses remains beyond the economic capabilities of most aged persons.

Since the 1957 survey, health insurance for the aged has become more generally available, and at the same time coverage of good quality has become available for those able to afford it. On the other hand, medical care costs in general and hospital costs in particular have risen sharply since 1957, more than prices of other items and, in the case of the aged, considerably more than the incomes out of which these costs must be met.

TOTAL MEDICAL COSTS INCURRED

The mean medical care cost in 1962 was \$442 for the 9 out of 10 aged couples who assumed

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¹ Dorothy P. Rice, "Health Insurance Coverage of the Aged and Their Hospital Utilization in 1962: Findings of the 1963 Survey of the Aged," pages 9-25 of this issue.

² See Lenore A. Epstein, "Income of the Aged in 1962: First Findings of the 1963 Survey of the Aged," *Social Security Bulletin*, March 1964; and Erdman Palmore, "Work Experience and Earnings of the Aged in 1962: Findings of the 1963 Survey of the Aged," *Social Security Bulletin*, June 1964.

responsibility for their own costs without help from government sources or private voluntary agencies.³ These are the couples who paid the charges and fees out of their own resources, including insurance benefits, or sometimes with the help of relatives. Some of them could pay for their care only because doctors or hospitals adjusted their rates in the light of the patient's limited resources. Half the couples had costs totaling more than \$239 during the year, and half had costs totaling less.

Among the nonmarried, 8 in 10 paid for care out of their own resources. The average cost reported was about \$270; the median for men was \$77, and for women it was \$111.

If it were possible to value the "free" services received by many of the aged, the cost figures would be higher, particularly for the nonmarried. The latter, it is obvious, were more likely to have to turn to a public or private agency for assistance in meeting medical care costs (table 1).

Averages can be both interesting and meaningful for many purposes. But in the area of personal medical costs, where the incidence of very heavy expenditures is uneven and there is no way of knowing on whom the obligation will fall from year to year, the range of incurred cost is perhaps even more significant than it is in other areas. This is particularly the case among the aged. A high proportion of them, because of ill health, have expenditures for medical care that are in the upper ranges. Another large group have expenditures in the lowest ranges—not always because they are in good health—but sometimes because the demands on their limited incomes for the basic necessities of life leave little money for medical care.

Of the aged units reporting total medical costs in 1962, 11 percent of the couples and 7 percent of

³ Total medical costs are defined to include those costs met by health insurance. They do not include health insurance premiums, which, together with direct payments, make up out-of-pocket costs.

An aged unit as defined in this article is a couple with one or both members aged 65 or over or a nonmarried person in this age group. The data on medical care costs for couples therefore include charges for care for some persons under age 65. In the accompanying article, however, the discussion of health insurance and hospital utilization for aged persons omits spouses under age 65; similarly, in analyses of the comparative Survey units aged 62-64, spouses not yet aged 62 are excluded from the data pertaining to persons but they are represented in any data for married couples.

the nonmarried had total medical bills of more than \$1,000 (table 1). At the other extreme, reporting total medical costs of less than \$100, were about a fourth of the couples and more than half of the nonmarried. Many of them presumably were in good health and required little or no medical care, but others may have postponed necessary care for financial or other reasons.

There were diverse reasons why the proportion of nonmarried units with such low costs was so much higher than that for the married couples. Proportionately more of the nonmarried are at the low income levels and may have been billed below cost. The percentage from whom no information was gathered on medical costs incurred was substantially higher for the nonmarried persons than for married couples. Finally, the costs for two persons, even if both have only minimal care, are likely to total more than the bills for one.

Hospital Care and Medical Costs

The effect of a hospital stay on total medical costs incurred by the aged in 1962 cannot be over-

TABLE 1.—MEDICAL COSTS INCURRED BY UNITS AGED 65 AND OVER: Percentage distribution by amount of costs, marital status, and sex, 1962

Medical costs incurred ¹	Married couples	Non-married men	Non-married women
Total number (in thousands).....	5,445	2,402	6,329
Total percent.....	100.0	100.0	100.0
Reporting costs ²	87.5	78.5	82.3
Not reporting costs.....	12.5	21.5	17.7
Care without charge ³	9.0	18.2	14.5
Cost unknown.....	3.5	3.4	3.3
Percent reporting costs ²	100.0	100.0	100.0
None incurred.....	2.7	15.6	8.6
\$1-\$99.....	24.1	44.2	38.9
100-199.....	17.8	13.7	21.2
200-299.....	13.8	6.2	9.5
300-399.....	10.1	4.6	5.1
400-499.....	5.9	2.6	3.0
500-749.....	9.3	2.8	5.5
750-999.....	5.2	3.1	1.6
1,000-1,499.....	5.4	3.0	2.5
1,500-1,999.....	2.3	1.6	1.6
2,000-2,499.....	1.7	1.1	1.0
2,500 or more.....	1.8	1.4	1.3
Median cost.....	\$239	\$77	\$111
Mean cost.....	442	260	282

¹ Includes costs met by health insurance but excludes the premiums for the insurance.

² Units reporting total medical costs of known amounts without any care provided by government sources or private voluntary agencies or supplied by a doctor or hospital with no bill rendered; these units assumed responsibility for payment out of their own resources (including health insurance) or with the help of relatives.

³ Units receiving some or all care provided through government sources or private voluntary agencies, or supplied by a doctor or hospital with no bill rendered.

emphasized. When there was any hospital stay involved, almost half of the aged couples and almost two-fifths of the nonmarried men and women found they had incurred medical costs exceeding \$1,000 in 1962. Among those not hospitalized, only about 1 in 100 had costs of this magnitude for the year (table 2).

Because this discussion focuses on medical costs for the aged who receive care in short-stay hospitals, throughout the article analyses of costs for those who were hospitalized omit entirely those who received care only in a long-stay hospital or nursing home. Moreover, many of the aged who had care only in a long-stay medical facility are actually long-term residents, forming part of the institutionalized population. Their relatively small number and the different survey procedures necessarily used to obtain information about them mean that the data for aged persons in long-stay institutions, particularly those relating to costs, are subject to considerably more

TABLE 2.—MEDICAL COSTS INCURRED AND HOSPITALIZATION STATUS OF UNITS AGED 65 AND OVER: Percentage distribution of units by amount of costs, hospitalization status, marital status, and sex, 1962

Medical costs incurred ¹	Married couples		Nonmarried men		Nonmarried women	
	Hospitalized ²	Not hospitalized ³	Hospitalized ²	Not hospitalized ³	Hospitalized ²	Not hospitalized ³
Total number (in thousands).....	1,291	4,100	362	1,813	878	5,035
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0
Reporting costs ⁴	76.0	91.4	52.8	88.9	62.9	89.6
Not reporting costs.....	24.0	8.6	47.2	11.1	37.1	10.4
Care without charge ⁵	17.3	6.1	38.1	9.7	28.1	8.8
Cost unknown.....	6.7	2.5	9.4	1.4	8.9	1.6
Percent reporting costs ⁴	100.0	100.0	100.0	100.0	100.0	100.0
None incurred.....		3.4		18.3		10.0
\$1-\$99.....		30.6	2.1	51.2	1.3	44.7
100-199.....	3.4	21.7	5.2	15.1	3.6	24.0
200-299.....	2.3	16.9	8.9	6.0	9.1	9.8
300-399.....	5.6	11.2	11.0	4.1	8.9	4.6
400-499.....	8.3	5.2	5.8	2.4	8.5	2.5
500-749.....	19.0	6.7	11.0	1.8	22.8	3.2
750-999.....	15.1	2.4	19.9	.5	10.0	.3
1,000-1,499.....	19.7	1.3	18.3	.6	17.2	.5
1,500-1,999.....	10.6	.2	4.7		8.9	.2
2,000-2,450.....	7.6	.1	3.1		4.3	.2
2,500 or more.....	8.5	.1	9.9		5.3	.1
Median cost.....	\$938	\$173	\$820	\$61	\$703	\$89
Mean cost.....	1,220	233	1,084	102	1,022	142

¹ Includes costs met by health insurance but excludes the premiums for the insurance.

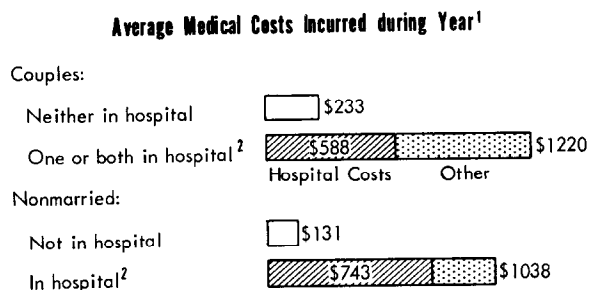
² In general or short-stay hospitals. For couples, one or both members were hospitalized.

³ Excludes persons in nursing homes and long-stay hospitals.

⁴ Units reporting total medical costs of known amounts without any care provided by government sources or private voluntary agencies or supplied by a doctor or hospital with no bill rendered; these units assumed responsibility for payment out of their own resources (including health insurance) or with the help of relatives.

⁵ Units receiving some or all care provided through government sources or private voluntary agencies, or supplied by a doctor or hospital with no bill rendered.

CHART 1.—COSTS OF MEDICAL CARE IN 1962 FOR PERSONS AGED 65 AND OVER, BY MARITAL STATUS AND HOSPITAL UTILIZATION



¹ By units reporting no "free" care provided by government sources or private agencies or by a doctor or hospital without charge.

² General or short-stay hospital; excludes persons in chronic care institutions only.

sampling variability than the body of data for the vast majority of the aged who live in households.

For the couples with one or both members in a short-stay hospital any time during the year, mean total costs were about \$1,200, and for the nonmarried persons with at least one stay charges were more than \$1,000. Half the couples reporting costs incurred bills exceeding \$900, and half the nonmarried men and women incurred costs of more than \$700.

For the nonhospitalized, comparative medical costs were much lower. Among married couples, average costs were \$233, barely one-fifth as much as for couples with at least one member had been in the hospital. Among the nonmarried, medical bills for the year averaged about \$130 for those with no hospitalization, only one-eighth as much as the year's bill for those with hospitalization (chart 1).

The full import of these data is seen in the fact that 1 in 4 aged couples and 1 in 7 nonmarried aged persons received hospital care in 1962. If persons in long-stay hospitals and nursing homes were included, the proportion would increase to more than one-fifth for nonmarried women and to one-fourth for nonmarried men, about the same as for couples, as the following tabulation shows.

Survey unit	Percentage in--	
	Short-stay hospitals	Any medical facility
Married couples.....	23.7	24.7
Nonmarried men.....	15.1	24.5
Nonmarried women.....	13.9	20.4

That a hospital illness is often associated with

TABLE 3.—MEDICAL COSTS INCURRED AND HEALTH INSURANCE STATUS OF UNITS AGED 65 AND OVER: Percentage distribution of units by amount of costs, health insurance status, marital status, and sex, 1962

Medical costs incurred ¹	Married couples		Nonmarried men		Nonmarried women	
	With health insurance	Without health insurance	With health insurance	Without health insurance	With health insurance	Without health insurance
Total number (in thousands) ²	3,486	1,953	857	1,467	3,043	3,204
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0
Reporting costs ³	91.2	80.9	92.8	72.1	90.5	75.4
Not reporting costs.....	8.8	19.1	7.2	27.9	9.5	24.6
Care without charge ⁴	4.1	17.6	4.8	25.8	5.3	22.9
Cost unknown.....	4.7	1.5	2.5	2.2	4.2	1.7
Percent reporting costs ³	100.0	100.0	100.0	100.0	100.0	100.0
None incurred.....	2.1	4.0	9.2	21.0	6.3	11.4
\$1-\$99.....	20.6	31.1	43.5	46.1	37.0	41.7
100-199.....	17.7	17.9	14.7	13.1	22.3	20.3
200-299.....	13.7	13.8	8.7	4.5	10.9	8.1
300-399.....	11.0	8.1	5.5	4.1	5.9	4.0
400-499.....	6.8	4.1	3.3	2.2	3.8	2.3
500-749.....	9.1	9.7	3.9	2.0	5.8	5.2
750-999.....	5.7	4.1	3.5	1.9	2.2	1.0
1,000-1,499.....	6.3	3.6	5.2	1.6	2.6	2.2
1,500-1,999.....	2.7	1.6	1.0	2.3	1.4	1.9
2,000-2,499.....	2.1	.9	.3	.4	1.1	.5
2,500 or more.....	2.1	1.2	1.4	1.1	.8	1.5
Median cost.....	\$270	\$183	\$93	\$62	\$130	\$92
Mean cost.....	490	346	275	207	277	282

¹ Includes costs met by health insurance but excludes the premiums for the insurance.

² Excludes those not reporting health insurance status.

³ Units reporting total medical costs of known amounts without any care provided by government sources or private voluntary agencies or supplied by a doctor or hospital with no bill rendered; these units assumed responsibility for payment out of their own resources (including health insurance) or with the help of relatives.

⁴ Units receiving some or all care provided through government sources or private voluntary agencies, or supplied by a doctor or hospital with no bill rendered.

higher-than-average medical costs is clear. That needed hospital care is more likely to be beyond the means of aged persons than other medical crises can also be demonstrated. The data show, for example, that the aged persons hospitalized in short-stay facilities were three to four times as likely to turn for some or all of their care to government sources or voluntary agencies as those who did not go into a hospital or nursing home at all during the year. The following tabulation compares the percentage of aged units not hospitalized at all during 1962 who received "free" medical care with the percentage receiving any "free" care among those who did spend some time in a short-stay hospital.

Survey unit	In short-stay hospitals	Not in any medical facility
Married couples.....	17	6
Nonmarried men.....	38	10
Nonmarried women.....	28	9

Health Insurance and Medical Costs

As detailed in the accompanying article, the 1963 Survey of the Aged found that slightly more than half of all persons aged 65 and over had health insurance at the end of 1962 to help meet some part of their medical care costs. The proportion was, of course, higher for couples than for the nonmarried because those still married are younger, on the average, and more likely to be employed. Thus, 64 percent of the couples had a health insurance policy of some type, covering one or both members, compared with 49 percent of the nonmarried women and 37 percent of the nonmarried men.

The units aged 65 and over with health insurance reported much higher medical costs for the year than did those without insurance (table 3). On the other hand, those without the benefit of health insurance to defray costs were more than four times as likely as those with insurance to rely on public assistance or other agency help for some or all of their care, as shown below.

Survey unit	Percentage receiving some care without charge—	
	Units with health insurance	Units with no health insurance
Married couples.....	4	18
Nonmarried men.....	5	26
Nonmarried women.....	5	23

The median medical cost for couples with health insurance and having no "free" care was \$270, and for those without insurance it was \$183. For the nonmarried the median was about \$120 for the insured, compared with about \$80 for those without insurance.

As noted earlier, a large proportion of the group reporting high medical costs were those who experienced a period of hospitalization. Since most health insurance currently in force provides some in-hospital protection, the insured obviously were in a better position to finance their costs than those without insurance. Costs of more than \$1,000 in 1962 were reported by 13 percent of the insured couples and by half that proportion of the uninsured. For the nonmarried the proportion was about the same for the two groups—roughly 6 percent. Those without insurance, particularly the nonmarried, are likely to be

poorer and older than the insured, yet they are the group who must pay bills out of their own resources or with help from relatives—if they do not turn to a public or voluntary agency.

SHORT-STAY HOSPITAL COSTS

By now it is a well-known fact that hospital stays send medical costs soaring. Of those units reporting care in a short-stay hospital, couples spent on the average almost \$600 for hospital care and the nonmarried almost \$540 (table 4). These amounts represent, of course, only the hospital charges and do not include physicians' and surgeons' fees. Inclusion of such fees would almost double these figures, bringing the mean total medical costs to about \$1,200 for couples and to more than \$1,000 for the nonmarried. The bills for hospital care alone for the nonmarried came to four times the average of all medical bills during the year for those not hospitalized; for couples, the average hospital bill was more than twice the total cost of all care paid for by the average couple when neither member had been in the hospital.

TABLE 4.—COSTS INCURRED IN SHORT-STAY HOSPITALS BY UNITS AGED 65 AND OVER: Percentage distribution of units by amount of costs, marital status, and sex, 1962

Hospital costs incurred ¹	Married couples			Non-married men		Non-married women	
	With health insurance	Without health insurance	With health insurance	Without health insurance	With health insurance	Without health insurance	
Total number (in thousands).....	1,291	362	878				
Total percent.....	100.0	100.0	100.0				
Reporting costs ²	79.9	54.4	65.1				
Not reporting costs.....	20.1	45.6	34.9				
Care without charge ³	14.9	37.6	26.3				
Cost unknown.....	5.3	8.3	8.5				
Percent reporting costs ²	100.0	100.0	100.0				
\$1-\$99.....	8.7	14.2	7.3				
100-199.....	17.7	16.8	18.5				
200-299.....	14.5	14.7	19.9				
300-399.....	10.9	6.1	9.4				
400-499.....	7.0	5.6	8.0				
500-749.....	17.2	19.8	18.4				
750-999.....	7.8	8.6	6.8				
1,000-1,499.....	7.9	8.1	6.1				
1,500-1,999.....	3.5	4.6	2.3				
2,000-2,499.....	2.7	1.0	1.6				
2,500 or more.....	2.2	1.0	1.6				
Median cost.....	\$383	\$366	\$344				
Mean cost.....	588	525	541				

¹ Stays in general or short-stay special hospitals. For couples, one or both members were hospitalized. Includes hospital charges met by health insurance but excludes the premiums for the insurance.

² Units reporting total hospital costs of known amounts without any care provided by government sources or private voluntary agencies or supplied by a hospital with no bill rendered; these units assumed responsibility for payment out of their own resources (including health insurance) or with the help of relatives.

³ Units receiving some or all care provided through government sources or private voluntary agencies, or supplied by a hospital with no bill rendered.

The large proportion of hospitalized aged persons who reported hospital care without charge in 1962—one-seventh of the couples, nearly two-fifths of the nonmarried men, and more than a fourth of the nonmarried women—is evidence of the fact that many of the aged simply cannot afford a hospital stay. If their costs were known and could be included, total medical costs would average much higher, because this group generally stays longer in the hospital than those who can pay for their care.

Almost a fourth of the aged couples had at least one member hospitalized, and nearly 15 percent of the nonmarried persons reported at least one stay in a general or other short-stay (special) hospital. In numbers, these two groups totaled about 2½ million aged units. Nearly 640,000—just about 1 in 4 of the hospitalized units—turned to public assistance or some other agency for help in meeting the costs of needed care. An additional quarter of a million units had costs in excess of

TABLE 5.—COSTS INCURRED IN SHORT-STAY HOSPITALS AND HEALTH INSURANCE STATUS OF UNITS AGED 65 AND OVER: Percentage distribution of units by amount of costs, health insurance status, marital status, and sex, 1962

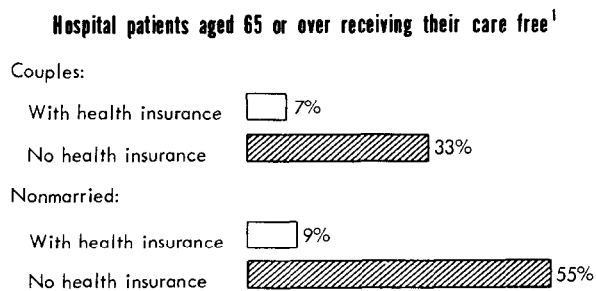
Hospital costs incurred ¹	Married couples		Nonmarried men		Nonmarried women	
	With health insurance	Without health insurance	With health insurance	Without health insurance	With health insurance	Without health insurance
Total number (in thousands).....	875	416	167	183	507	359
Total percent.....	100.0	100.0	100.0	100.0	100.0	100.0
Reporting costs ²	86.4	66.1	87.4	27.9	78.1	48.7
Not reporting costs.....	13.6	33.9	12.6	72.1	21.9	51.3
Care without charge ³	6.5	32.7	10.2	63.9	8.9	49.9
Cost unknown.....	7.1	1.4	2.4	8.2	13.0	1.4
Percent reporting costs ²	100.0	100.0	100.0	-----	100.0	100.0
\$1-\$99.....	7.7	11.6	16.4	-----	5.8	10.3
100-199.....	17.2	19.3	17.1	-----	20.7	13.1
200-299.....	15.3	12.4	8.9	-----	18.9	21.7
300-399.....	9.3	14.9	6.8	-----	9.6	9.1
400-499.....	7.5	5.5	6.2	-----	9.3	5.1
500-749.....	17.9	15.3	21.2	-----	18.4	18.3
750-999.....	8.2	6.2	10.3	-----	7.6	5.1
1,000-1,499.....	6.9	10.5	7.5	-----	6.1	6.3
1,500-1,999.....	4.8	-----	2.7	-----	2.3	2.3
2,000-2,499.....	3.2	1.5	1.4	-----	-----	5.1
2,500 or more.....	2.0	2.9	1.4	-----	1.0	2.9
Median cost.....	\$407	\$343	\$411	-----	\$347	\$350
Mean cost.....	612	520	523	-----	485	666

¹ Stays in general or short-stay special hospitals. For couples, one or both members were hospitalized. Includes hospital charges met by health insurance but excludes the premiums for the insurance.

² Units reporting total hospital costs of known amounts without any care provided by government sources or private voluntary agencies or supplied by a hospital with no bill rendered; these units assumed responsibility for payment out of their own resources (including health insurance) or with the help of relatives. For nonmarried men without insurance, number of units insufficient to show separately.

³ Units receiving some or all care provided through government sources or private agencies, or supplied by a hospital with no bill rendered.

CHART 2.—AGED POPULATION HOSPITALIZED IN 1962: Percent receiving care without charge, by marital status and health insurance coverage



¹ In general or short-stay hospital any time in 1962; for couples may refer to husband, wife, or both.

\$1,000 to meet out of their own resources (including any health insurance) or with help from relatives. It is obvious that a considerable number of the aged persons who go to a hospital encounter difficulty in financing such care.

Hospital Costs and Health Insurance

Of the aged units that were in a short-stay hospital at any time in 1962, 68 percent of the couples and about 55 percent of the nonmarried said they had some kind of health insurance. Relatively few of them—7 percent of the couples and 9 percent of the nonmarried—had to resort to a public or private agency and thus obtained their care without charge. These small proportions undoubtedly reflect the relatively more favorable economic status of the group with health insurance, as well as the importance of health insurance in paying the bill.

For aged units without any kind of insurance protection who went to a hospital during the year, a third of the couples and more than half of the nonmarried reported that some or all of their hospital care was provided through a public assistance or other agency (chart 2).

Average hospital costs for the aged couple with some kind of insurance and no “free” care exceeded \$600. For the uninsured couple, they amounted to \$520. Hospital care costs above \$2,000 were reported by more than 5 percent of the insured couples and by almost as large a proportion of those without insurance. Obviously the size of the hospital bill is related in some measure to the number of days of care. Inasmuch as aged persons receiving care without charge tend to have longer hospital stays than those who pay their way, it is evident that the proportion of the uninsured reporting high costs would be increased if the large number of “free” care cases could be included.

SUMMARY

The cost of medical care is high for the aged, principally for those requiring hospital care. Many aged persons never recover from the economic effects of a single hospital episode. Unfortunately, the heaviest burden is likely to fall on those with the least resources. Those with insurance are better able to absorb the blow than those without such protection, but even for the insured there is no present guarantee against dependency in old age caused by catastrophic medical expenses.