

MEDICARE AND THE COGNITIVELY IMPAIRED

The youngest and oldest segments of the Medicare population—the under-65 disabled and those 85 and older—have the highest rates of cognitive impairments, with more than half reporting problems with mental functioning.



Nearly one in four Medicare beneficiaries—nine million elderly and disabled beneficiaries—face substantial challenges from mental illness, dementia, and other cognitive problems.

Among these are beneficiaries who are under 65 and disabled who qualify for Medicare due to mental conditions, such as mental retardation or severe mental illness, and people who develop mental impairments like Alzheimer's disease and other forms of dementia as part of the aging process. Also included are those who report difficulties with instrumental

activities of daily living that are related to cognitive functioning, such as taking medications (Figure 1).

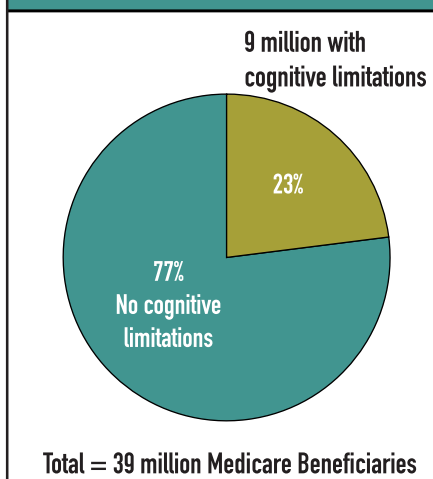
Medicare does not have a strong set of benefits designed to assist beneficiaries with cognitive difficulties. The program does not cover the cost of outpatient prescription drugs commonly used to treat and manage mental illness and imposes high coinsurance requirements for outpatient mental health visits. Further, because Medicare's benefit package has not changed much since 1965,

the program lags behind private health plans' improvements in mental health coverage for working-age adults.

Characteristics of Beneficiaries with Cognitive Impairments

The youngest and oldest segments of the Medicare population—the under-65 disabled and those 85 and older—have the highest rates of cognitive impairments, with more than half reporting problems with mental functioning (Figure 2). Compared with whites, racial and ethnic minority beneficiaries are reported to have

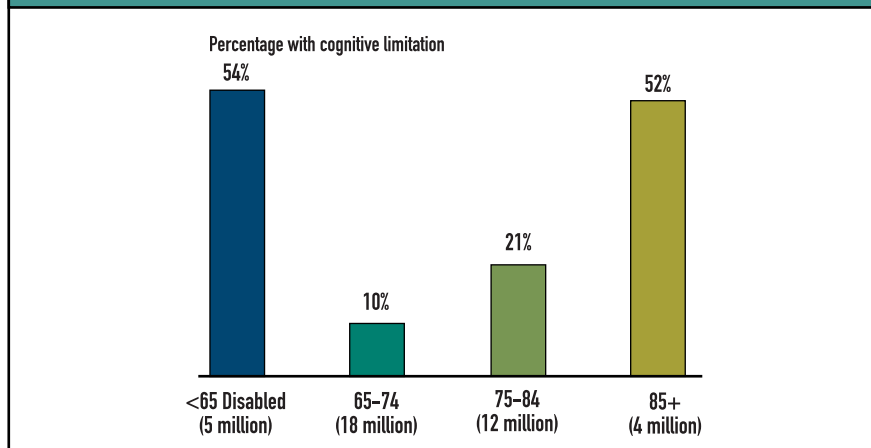
Figure 1 Nearly a quarter of all Medicare beneficiaries have cognitive impairments



NOTE: Cognitive impairment or limitation includes those with severe mental illness, Alzheimer's disease, dementia, mental retardation, or difficulties performing instrumental activities of daily living, such as managing finances or taking medications.

SOURCE: Urban Institute analysis of the Medicare Current Beneficiary Survey, 1995.

Figure 2 Over half of all beneficiaries under 65 and disabled or 85+ have cognitive difficulties



SOURCE: Urban Institute analysis of the Medicare Current Beneficiary Survey, 1995.

slightly higher rates of cognitive problems. This disparity partly reflects the larger share of minorities who are under 65 and disabled, and the relatively high rates of diagnosed mental problems among minorities. Women and men report cognitive problems in equal proportions.

Health Needs and the Use of Health Care Services

Even though Medicare's benefit structure is not specifically designed to meet the needs of those with mental health problems, beneficiaries with cognitive difficulties tend to be high users of Medicare-covered health care services. This is probably because many also have other acute and chronic health problems.

Half (51 percent) of all beneficiaries with cognitive impairments perceive their health status as fair or poor, compared with 29 percent of the Medicare population as a whole. About half (48 percent) have

functional difficulties associated with performing activities of daily living (ADLs) such as eating or bathing, compared with 15 percent of the total Medicare population.

Health care service use for the cognitively impaired is relatively high for every type of service, but particularly for hospitalization and post-acute care. Consequently, in 1995 Medicare spent 69 percent more, on average, for beneficiaries with mental impairments than for the average Medicare beneficiary (\$7,374 per person versus \$4,356). The discrepancy is even greater when those with mental disabilities are compared with beneficiaries who have neither cognitive nor physical limitations (\$7,374 per person versus \$2,675).

Insurance Coverage

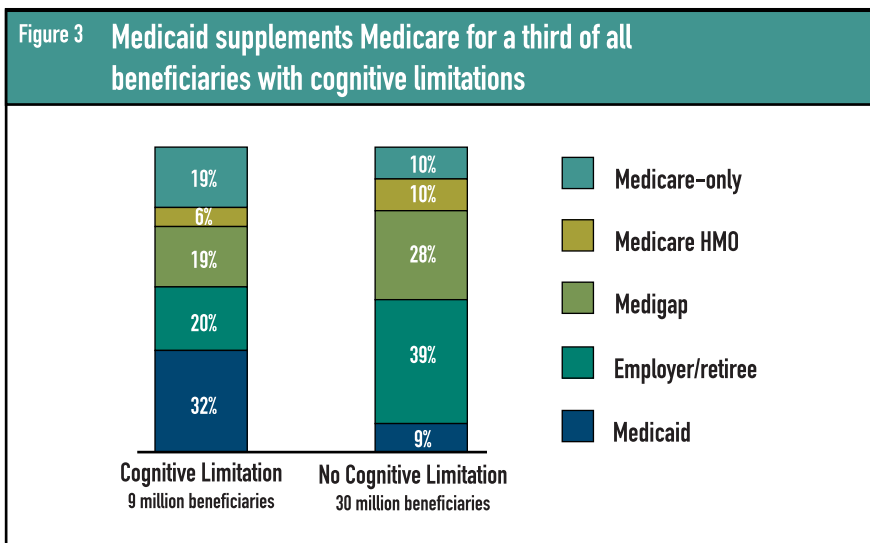
Despite relatively high use of health care services, beneficiaries with cognitive problems are less likely than others to have private supple-

mental coverage to help fill gaps in Medicare (Figure 3). Only about 40 percent of beneficiaries with cognitive impairments have Medigap or employer-sponsored health benefits, compared with two-thirds (67 percent) of all other beneficiaries. At the same time, this group has far higher rates of Medicaid coverage. Nearly a third receive some level of Medicaid protection to supplement their Medicare benefits, more than three times the rate of those without mental impairments.

Policy Implications

Cognitively impaired Medicare beneficiaries face significant challenges in the health care system. Severe mental health problems, combined with relatively high need for medical services, make this group vulnerable to access problems and financial burdens. Lack of outpatient prescription drug coverage leaves a gap for many beneficiaries with mental health problems. Further, high coinsurance requirements for outpatient mental health visits can discourage use of needed services or be financially burdensome for those who elect to get care.

As Medicare managed care becomes more readily available, choosing wisely among health plans—making complex trade-offs involving costs, benefits, quality, and providers—could be difficult for people with cognitive problems. With nearly one in four Medicare beneficiaries reporting some form of mental limitation, the special needs of this population call for careful consideration.



Note: Columns do not sum to 100% because those with "other" insurance are not included.
SOURCE: Urban Institute analysis of the Medicare Current Beneficiary Survey, 1995.