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Since Medicare began in 1965, the financial and health status of older Americans has vastly improved, leading some to conclude that beneficiaries are generally “healthy retirees.” But in reality, healthy retirees—those who are in good health and financially well-off—represent a fraction of today’s Medicare population.

While 40 percent of all beneficiaries report being in excellent or very good health, less than 10 percent are in relatively good health and have incomes at or above 400 percent of poverty (Figure 1). For a single person, 400 percent of poverty means an income of about \$30,000 in 1995—certainly enough to achieve a reasonable living standard, but hardly wealthy by most definitions.

Characteristics of Healthy Retirees

Healthy retirees are not evenly distributed across the Medicare population. Rather, younger seniors (65 to 74), whites, and men are disproportionately represented. Younger seniors make up nearly three-quarters (71 percent) of healthy retirees, but only 43 percent of the total Medicare population. For beneficiaries 85 and older, the share of healthy retirees drops to 3 percent. Further, although whites

account for 83 percent of all beneficiaries, they make up the vast majority of healthy retirees (96 percent). Finally, men predominate. They constitute more than half of healthy retirees, but represent 43 percent of the total Medicare population.

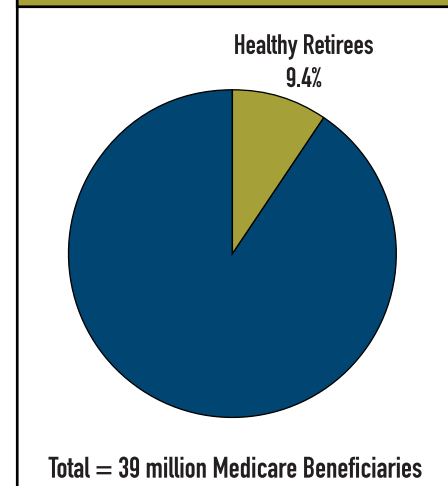
Health Service Use and Medicare Spending

Because those who fall in the healthy retiree group generally enjoy better health than other beneficiaries, they use fewer Medicare-covered services. They are, for instance, far less likely to have an inpatient hospital stay (8 percent versus 20 percent), less likely to see a physician (82 percent versus 87 percent) and less likely to use home health care (2 percent versus 10 percent). Thus, on average, Medicare spends less than half the amount on these beneficiaries than it spends on all others (\$1,939 versus \$4,597 in 1995).

Insurance Coverage

Virtually all beneficiaries (97 percent) in the healthy retiree group have some form of supplemental coverage to help

Figure 1 Less than 10 percent of all Medicare beneficiaries enjoy good health and modest or high incomes



NOTE: Healthy retirees includes beneficiaries reporting excellent, very good, or good health and income at or above 400 percent of poverty (@ \$30,000 in 1995).

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

More than half of healthy retirees have employer-sponsored coverage, compared with a third of all other beneficiaries.

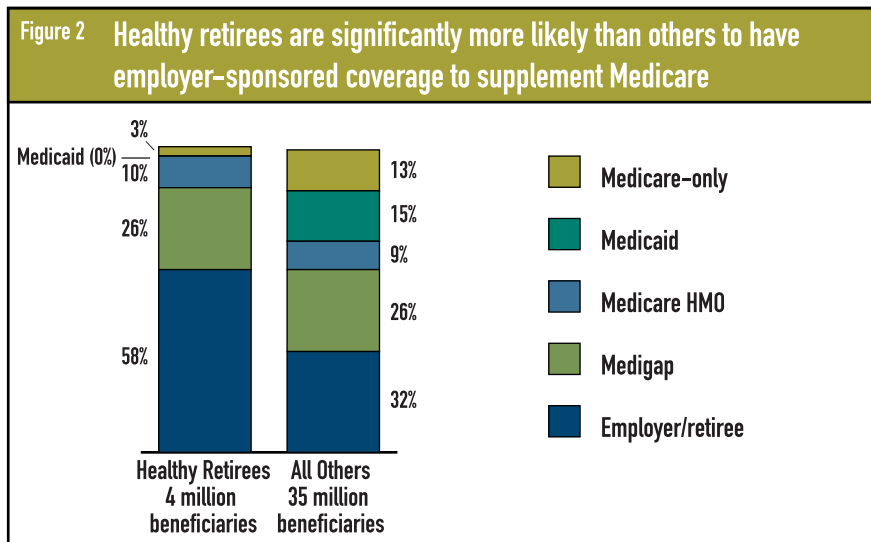
pay for benefits, like prescription drugs, that traditional Medicare does not cover. More than half (58 percent) of all healthy retirees have coverage under Medicare augmented by an employer-sponsored plan, compared with a third (32 percent) of all others (Figure 2). For most with employer-sponsored coverage, Medicare is primary—meaning it pays first—while the employer plan is the secondary payer. But for 10 percent of all healthy retirees—compared to five percent of all other beneficiaries—the reverse is true. The employer plan pays first and Medicare is secondary. Consequently,

Medicare spends less, on average for healthy retirees, partly because for many, the program is only responsible for the portion of expenses not covered by an employer plan.

Beneficiaries in this group are about as likely as others to be enrolled in a Medicare HMO or to own a Medigap policy. Not surprisingly, they are considerably less likely than others to be covered by Medicaid. Further, only 3 percent of healthy retirees rely entirely on the traditional Medicare program for insurance protection, compared with 13 percent of all others.

Policy Implications

Even though the financial and health status of elderly Americans has improved since Medicare began, it would be a mistake to portray the vast majority of today's beneficiaries as individuals in good health and financially well-off. In reality, the image of affluent, active seniors describes only a small percentage of the entire Medicare population. This finding underscores the importance of developing policies that recognize the diverse needs, experiences, and characteristics of the entire Medicare population.



NOTE: Healthy retirees includes beneficiaries reporting excellent, very good, or good health and income at or above 400 percent of poverty (@ \$30,000 in 1995). 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.