

MEDICARE AND THE UNDER-65 DISABLED

The under-65 disabled have grown as a share of the total Medicare population from about 8 percent in 1975 to 13 percent today.



While Medicare is often portrayed as a program for elderly Americans, since 1972, it has covered people under age 65 who receive Social Security Disability Insurance (SSDI) benefits. Today, Medicare covers some 5 million people who are under 65 and disabled, a number that is expected to grow to more than 9 million by 2020.

Qualifying for Coverage

People who are under age 65 can become eligible for Medicare if they have received SSDI payments for 24 months.¹ But, because they must wait five months before receiving disability insurance benefits, in effect they must be disabled for 29 months before they have Medicare coverage. To qualify for SSDI, they must be unable to engage in “substantial gainful activity” because of a medically determined physical or mental impairment expected to last at least 12 months or until death. Besides disabled workers, Medicare also covers certain under-65 disabled widows and widowers, as well as disabled adult children of retired, deceased, or disabled workers.

People qualify for SSDI based on various conditions, although a disproportionate share qualify for payments on the basis of mental impairments. In 1996, more than one in five individuals who became

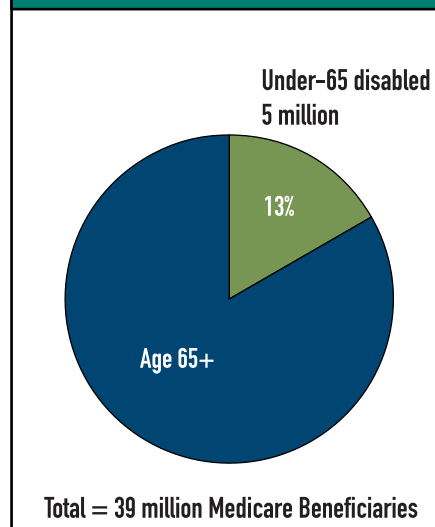
eligible for disability qualified due to mental disorders or mental retardation. The rest qualified due to chronic diseases often associated with aging, such as musculoskeletal system disease and circulatory problems, while just over 10 percent qualified because of cancer and 4 percent, injuries.

Characteristics of Disabled Beneficiaries

Most of Medicare’s under-65 disabled population is between 55 and 64 years old, with the average age dropping from 54 years in 1972 to 50 in 1996. Because they are younger when they become Medicare eligible, they are staying on the program longer before turning 65. The disabled have grown as a share of the total Medicare population, from about 8 percent in 1975 to 13 percent today—a trend that is expected to continue (Figure 1).

The under-65 disabled differ from older beneficiaries in many ways. Men significantly outnumber women (59 percent versus 41 percent), in contrast to the elderly population, where women account for the majority of beneficiaries. Also, racial and ethnic minority Americans

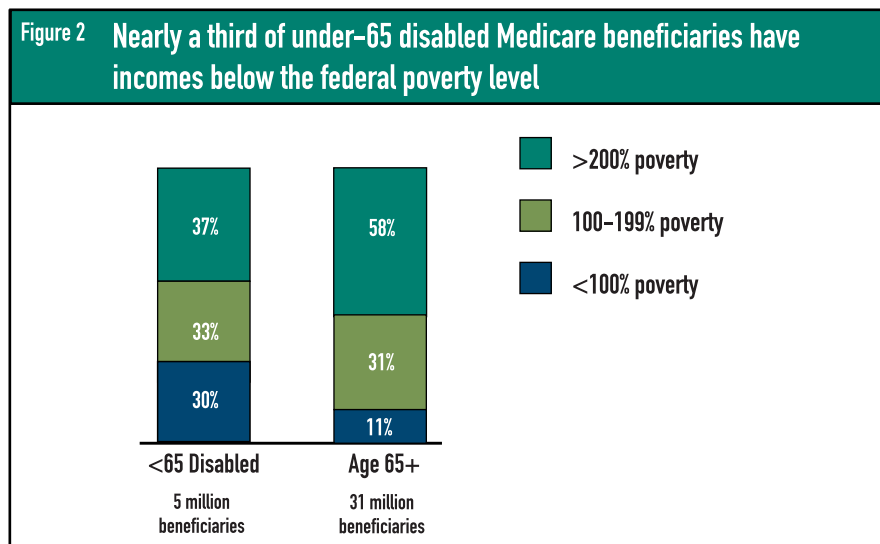
Figure 1 Five million Medicare beneficiaries—13 percent—are under 65 and disabled



SOURCE: HCFA, Office of the Actuary, 1999.

¹People with end-stage renal disease (ESRD) are often included in information on disabled beneficiaries, but are excluded from this discussion.

Nearly two-thirds of all under-65 disabled Medicare beneficiaries have incomes below twice the poverty level.

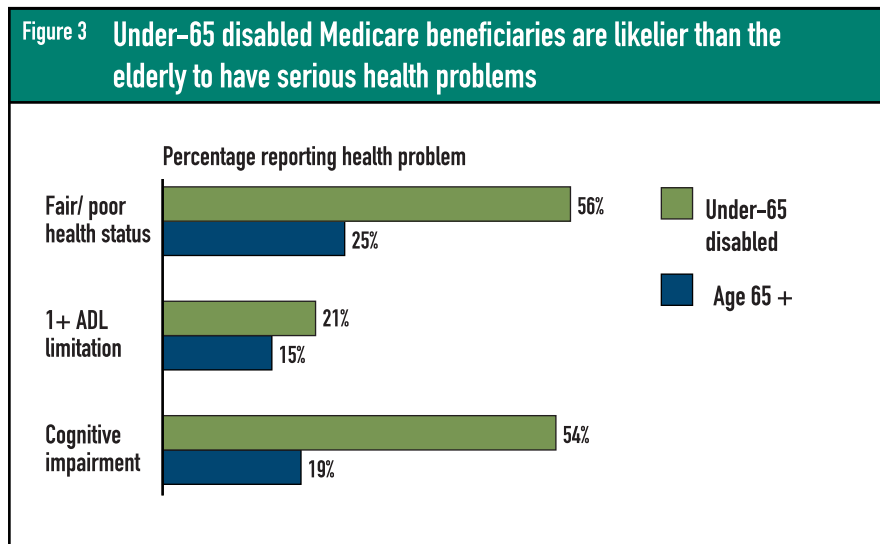


NOTE: Excludes institutionalized population

SOURCE: Urban Institute analysis of the Current Population Survey of noninstitutionalized population, 1997.

(African Americans and Hispanics) make up over a quarter (27 percent) of the under-65 disabled on Medicare—double the share of the elderly (12 percent). These differences reflect the relatively large percentage of minorities in the nation's under-65 general population, rather than disparities in access to the program by race or ethnicity.

Under-65 disabled beneficiaries are significantly more likely than their older counterparts to have low incomes. (Figure 2). Nearly one in three (30 percent) has an income below the federal poverty level (\$7,740 for an individual in 1996), while nearly two-thirds have incomes below twice that level (\$15,480 for an individual in 1996). Poverty rates among the under-65 disabled are more than two and a half times those for the elderly.



NOTE: ADL = activities of daily living, such as eating and bathing.

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

Over half of all under-65 disabled beneficiaries have problems with mental functioning—nearly three times the rate reported by seniors (Figure 3). Because many qualified for Social Security disability benefits and ultimately Medicare on the basis of mental impairments, they have disproportionately high rates of cognitive difficulties. Compared with the elderly, they are also significantly more likely to perceive their health status as fair or poor and to have higher rates of functional limitations.

Variations in Supplemental Coverage

While most beneficiaries have either employer-sponsored coverage or Medigap insurance to fill in Medicare's gaps, those who are under 65 and disabled are significantly less likely than the elderly to have private supplemental coverage (Figure 4). Twenty percent of the disabled have employer coverage, compared with over a third of the elderly. For the under-65 disabled Medicare population with employer coverage, the employer plan is generally through a spouse and typically the primary payer. By contrast, for elderly beneficiaries with employer coverage, Medicare is more commonly the primary payer and the employer plan is secondary.

Only 8 percent of the under-65 disabled segment of the Medicare population own Medigap policies, compared with more than a quarter of their older counterparts. That fewer disabled beneficiaries have Medigap policies is explained in part by provisions in the law that permit Medigap insurers to deny coverage to the under-65 disabled.

A growing share of the under-65 disabled Medicare population is enrolling in Medicare HMOs, primarily for benefits, like prescription drugs, that traditional Medicare does not cover. Nonetheless, they are far less likely than the elderly to be enrolled in a Medicare HMO. In 1995, less than 5

percent belonged to such plans, compared with about 10 percent of the elderly. There is some evidence that disabled beneficiaries enrolled in Medicare HMOs are less satisfied than elderly HMO enrollees with their care. Recent studies suggest that, compared with elderly HMO members, the disabled are more apt to have trouble getting referrals to specialists and to receive home health care, and are also likelier than older HMO members to disenroll from managed care plans.

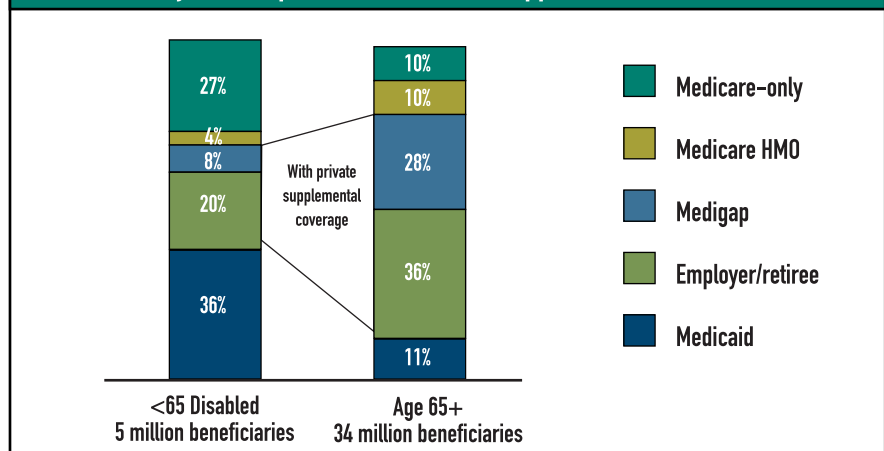
More than a quarter (27 percent) of disabled beneficiaries rely solely on the traditional Medicare program for health coverage, compared with 10 percent of the elderly population. When the disabled do have additional coverage, they are more likely than seniors to get it from Medicaid, primarily due to their high poverty

rates. Medicaid supplements Medicare for more than a third (36 percent) of under-65 disabled beneficiaries, compared with 11 percent of the elderly.

Spending and Utilization of Health Services

Even though disabled beneficiaries have higher rates of health, long-term care, and cognitive problems than the elderly, average Medicare expenditures for people in this group are slightly lower (\$3,696 versus \$4,445 in 1995). The disabled have lower average per capita Medicare expenditures in every service category except outpatient hospital services. However, for many services—particularly outpatient, home health, and skilled nursing facility care—the disabled who use these services do so more intensively than their elderly counterparts.

Figure 4 Under-65 disabled Medicare beneficiaries are less likely than the elderly to have private insurance to supplement Medicare



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.

The under-65 disabled are substantially more likely than the elderly to report access problems.

Access to Care

Although access to care is generally good for Medicare beneficiaries, the under-65 disabled are substantially more likely than the elderly to report access problems. One-third report difficulty getting needed care, compared with 14 percent of seniors. Similarly, a quarter report problems getting specific services, compared with 11 percent of those 65 and older (Figure 5).

Policy Implications

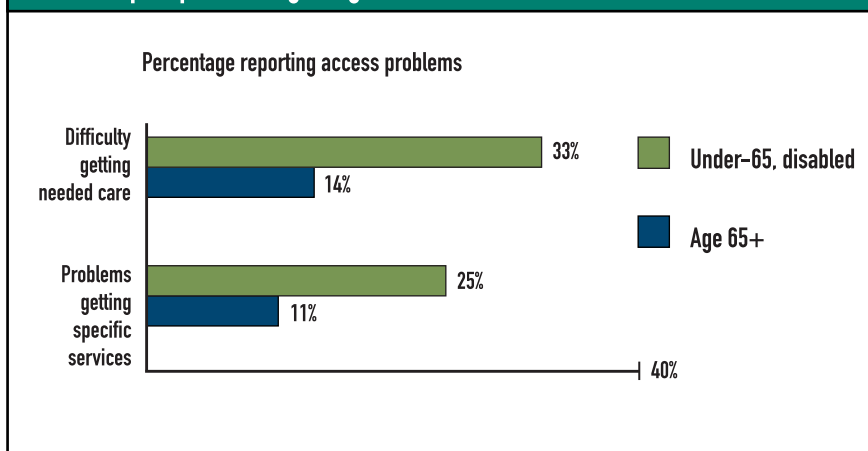
Medicare provides important health insurance protections for people who are under 65 and disabled, who would otherwise face significant difficulties buying health insurance in the private

market. Disabled Americans who qualify for Social Security are already at greater risk of being uninsured because they must wait 24 months before they are covered by Medicare.

A number of policy issues specific to this population call for attention in the unfolding debate over Medicare's future. For example, program changes that impact the financial obligations of beneficiaries would disproportionately affect the under-65 disabled, nearly two-thirds of whom have incomes below twice the federal poverty level. Improvements in the benefit package to cover services such as expanded mental health benefits, prescription drugs, and long-term care

would be especially helpful for people with disabilities. Given their high rates of health problems, compounded by low incomes, the needs of Medicare's growing disabled population require careful consideration.

Figure 5 Under-65 disabled beneficiaries are more likely than the elderly to report problems getting care



SOURCE: Kaiser/Commonwealth 1997 Survey of Medicare Beneficiaries.