

## **Section 1**

# **MEDICARE BENEFICIARIES**

## SECTION 1: MEDICARE BENEFICIARIES

**M**edicare is a federally-sponsored health insurance program that provides benefits to nearly 42 million people. Most individuals become eligible when they reach age 65 and they or their spouse have made payroll tax contributions to Social Security for at least 40 quarters. Others who are under the age of 65 can become eligible if they are totally and permanently disabled and have received Social Security Disability Insurance (SSDI) payments for 24 months or if they have end-stage renal disease (ESRD).

The Medicare population is demographically diverse and includes significant numbers of individuals who are financially and medically vulnerable. Beneficiaries are predominantly white (79 percent) and female (56 percent). Those over age 85 account for 12 percent of Medicare beneficiaries. The disabled and ESRD populations represent 14 percent of all beneficiaries.

Twenty-eight percent of Medicare beneficiaries report being in fair or poor health. Those who are under age 65 with disabilities, along with African American and Hispanic beneficiaries, are more likely to describe their health status in this way. Medicare beneficiaries with lower incomes generally report poorer self-assessed health than beneficiaries with higher incomes: 43 percent of beneficiaries with incomes below 100 percent of poverty say their health is fair or poor, compared with 17 percent of those with incomes above 300 percent of poverty.

Substantial numbers of Medicare beneficiaries also live with health problems or limitations in their physical or cognitive abilities. Nearly nine in 10 beneficiaries have one or more chronic illnesses; over half report having hypertension (60 percent) or arthritis (58 percent). Roughly a quarter of all Medicare beneficiaries have a cognitive or mental impairment.

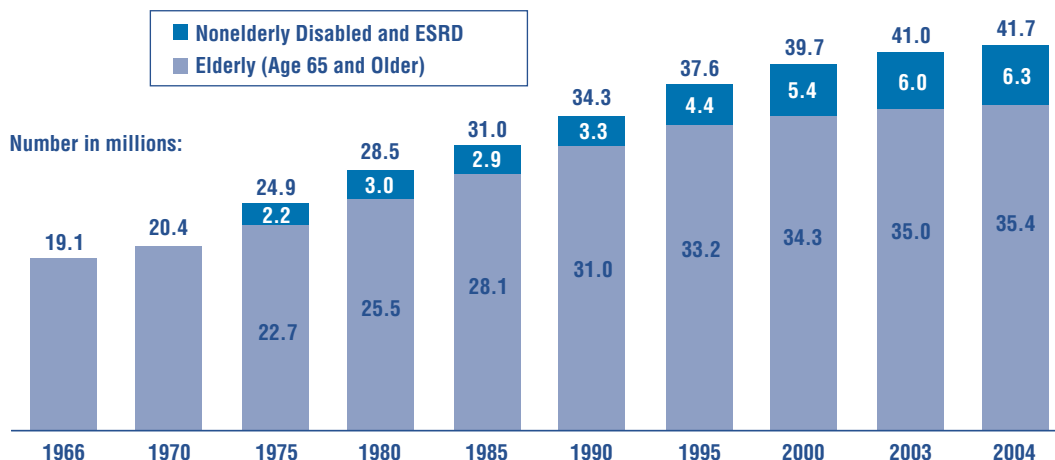
Medicare beneficiaries generally live on modest incomes and depend heavily on Social Security as a primary source of income. Ten percent of elderly people have incomes below 100 percent of the federal poverty level, while 29 percent have incomes between 100 percent and 200 percent of poverty. Poverty rates are higher among elderly women than elderly men, and among elderly African Americans and Hispanics than whites. In addition to having modest incomes, the majority of Medicare beneficiaries have limited assets: more than half had countable assets of \$20,000 or less in 2002.<sup>1</sup>

Certain segments of the Medicare population have greater medical needs than other Medicare beneficiaries, including 7 million beneficiaries who are dually eligible for Medicare and Medicaid and approximately 2 million beneficiaries who live in a nursing home or other long-term care facility. Compared to other people with Medicare, a higher share of dually eligible beneficiaries are in fair or poor health (52 percent versus 26 percent), nonelderly and permanently disabled (37 percent versus 10 percent), and living in long-term care facilities (19 percent versus 3 percent). Long-term care facility residents have higher rates of mobility limitations and health problems, and lower incomes than beneficiaries living in the community.

Medicare beneficiaries account for 14 percent of the total U.S. population and a wide ranging share of state populations, from 7 percent in Alaska to 19 percent in West Virginia. Although people with Medicare are generally concentrated in urban communities and areas, 24 percent of beneficiaries live in rural areas. Rural beneficiaries account for more than 70 percent of the Medicare population in South Dakota, Idaho, Mississippi, Vermont, and Montana. Barriers to accessing health care services often encountered in less populous areas can pose particular challenges for Medicare beneficiaries in rural counties.

<sup>1</sup> Countable assets include interest and non-interest earning accounts, bonds/US securities, stocks, mutual funds, IRAs, 401k plans, keoghs, rental property, vacation property, and any other investments; but exclude home value.

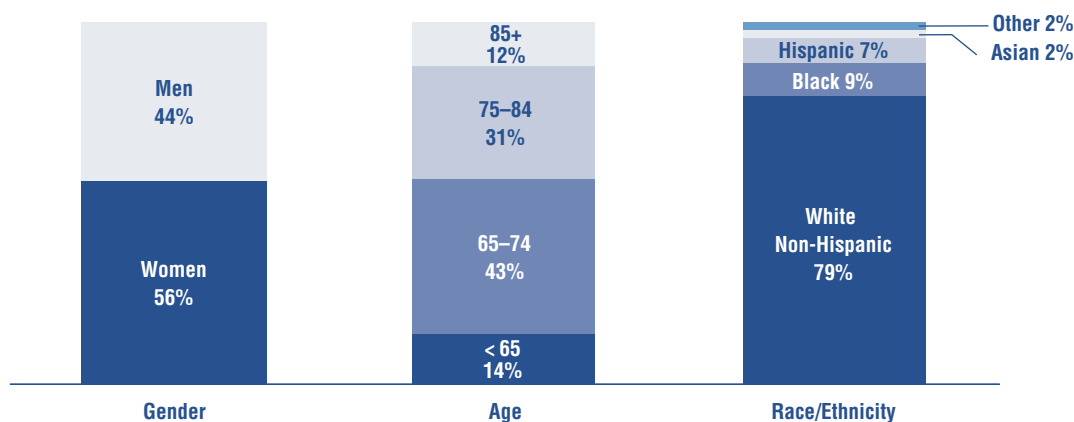
**Figure 1.1**  
**Number of Medicare Beneficiaries, 1966–2004**



Note: ESRD is end-stage renal disease.  
 SOURCE: Centers for Medicare and Medicaid Services Data Compendium, 2003 (data through 2000); 2004 and 2005 Annual Reports of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (data for 2003 and 2004).

Medicare is a federal health insurance program that covers 35.4 million Americans ages 65 and older and another 6.3 million people with permanent disabilities who are under age 65. With the aging and growth of the U.S. population, the number of Medicare beneficiaries more than doubled between 1966 and 2004, and is projected to double in size again by 2030 to 78 million.

**Figure 1.2**  
**Selected Characteristics of the Medicare Population, 2002**

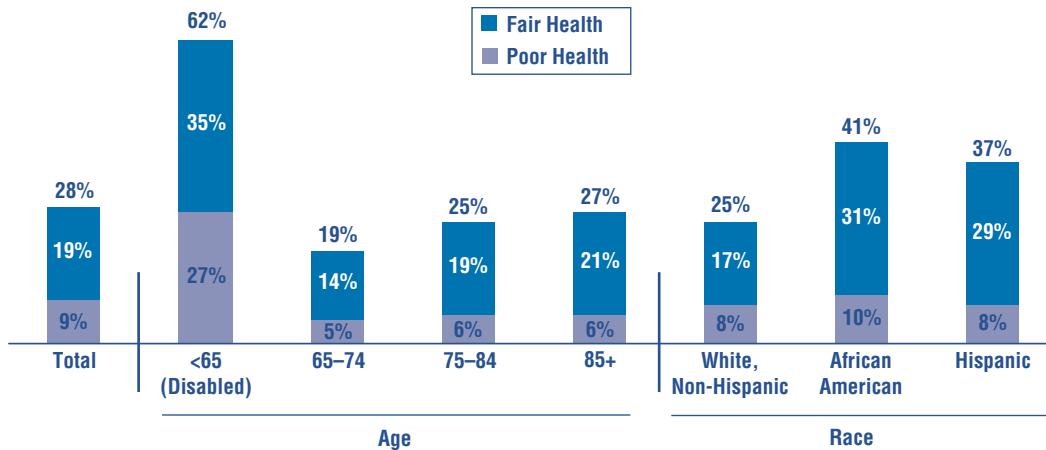


**Total = 41.8 Million Medicare Beneficiaries, 2002**

Note: Numbers may not sum to 100% due to rounding. Total number of Medicare beneficiaries is based on weighted number of respondents in the Medicare Current Beneficiary Survey 2002 Cost and Use file.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

Medicare serves the health needs of a diverse population that is predominantly female, white, and non-Hispanic. By age, the largest segment includes those ages 65 to 74. Beneficiaries over the age of 85, as well as members of racial and ethnic minority groups, represent growing segments of the Medicare population.

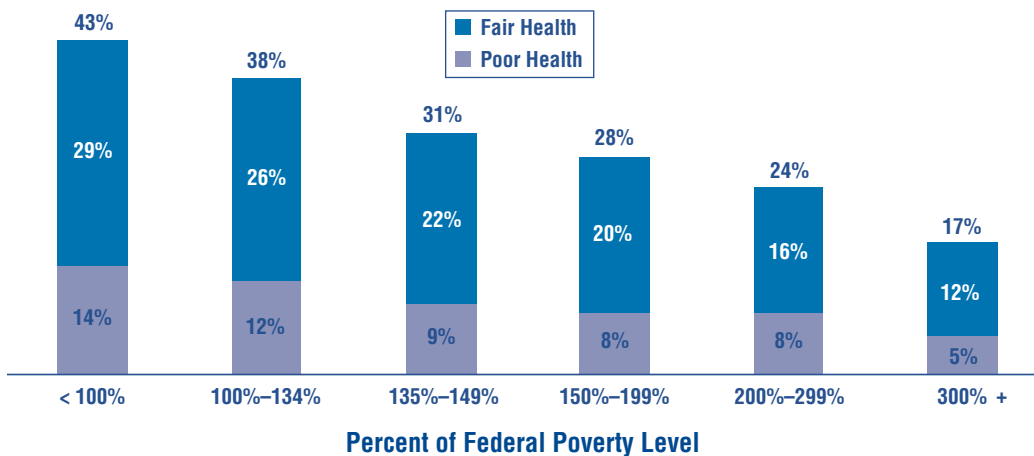
**Figure 1.3**  
**Self-Reported Health Status of Non-Institutionalized Medicare Beneficiaries, by Age and Race, 2002**



Note: Analysis includes community residents only.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

More than a quarter (28 percent) of non-institutionalized Medicare beneficiaries report being in fair or poor health. However, certain subgroups of the Medicare population are far more likely than others to report being in fair or poor health, including nonelderly beneficiaries with disabilities, and African American and Hispanic beneficiaries.

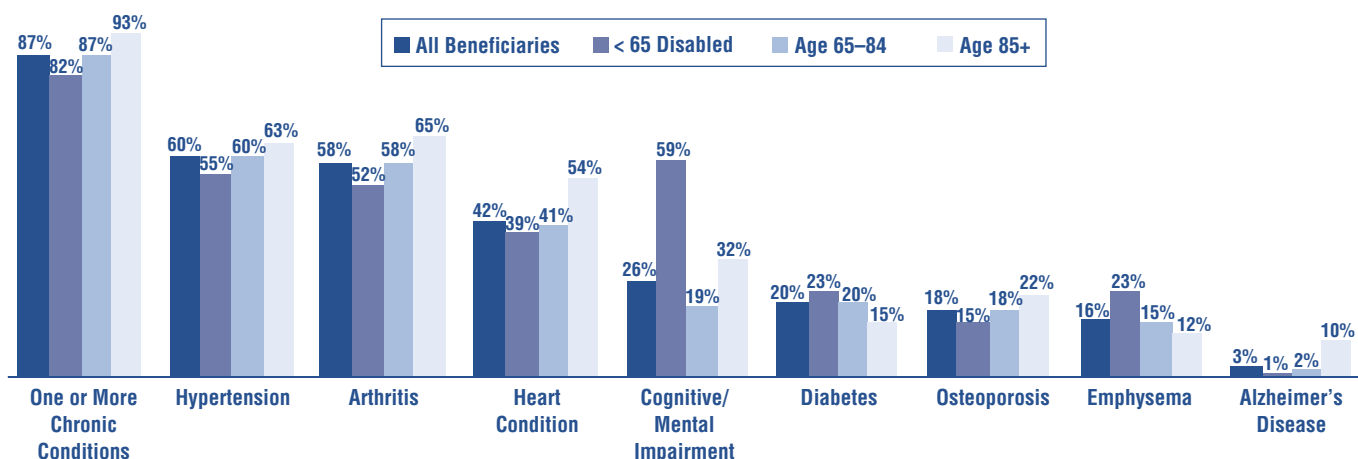
**Figure 1.4**  
**Self-Reported Health Status of Non-Institutionalized Medicare Beneficiaries, by Poverty Status, 2002**



Note: In 2002, the federal poverty level was \$8,860 for an individual and \$11,940 for a couple. Analysis includes community residents only.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

Medicare beneficiaries with lower incomes are generally in poorer health than those with higher incomes. While 43 percent of beneficiaries with incomes less than 100 percent of the federal poverty level describe their own health as either fair or poor, only 17 percent of those with incomes above 300 percent of poverty do so.

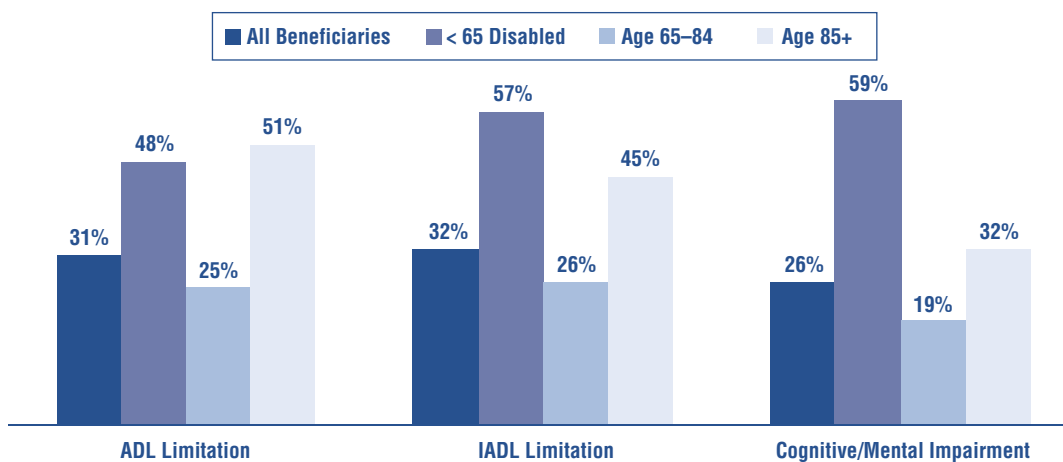
**Figure 1.5**  
**Prevalence of Chronic Conditions Among Non-Institutionalized Medicare Beneficiaries, 2002**



Note: Heart condition is defined as diagnosis with hardening of arteries, angina, myocardial infarction, congestive heart failure, or problem with heart valves or heart rhythm. Cognitive/mental impairment is defined as diagnosis with mental retardation, mental disorder, or Alzheimer's disease, or having memory loss that interferes with daily activity. Analysis includes community residents only. SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

Most Medicare beneficiaries report living with one or more chronic illnesses, most commonly hypertension and arthritis (reported by 60 percent and 58 percent of beneficiaries, respectively). While the prevalence of many conditions increases with age, other conditions, such as emphysema, diabetes, and cognitive/mental impairments, are somewhat more prevalent among nonelderly Medicare beneficiaries with disabilities.

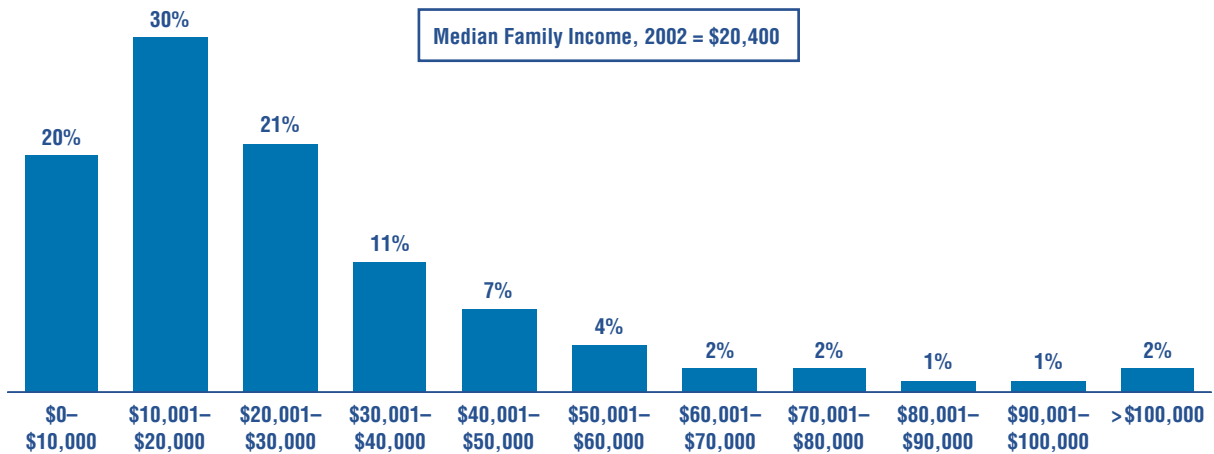
**Figure 1.6**  
**Physical and Cognitive Limitations Among the Medicare Population, 2002**



Note: ADL is activity of daily living; IADL is instrumental activity of daily living. Cognitive/mental impairment is defined as diagnosis with mental retardation, mental disorder, or Alzheimer's disease, or having memory loss that interferes with daily activity. SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

A significant share of people with Medicare, and in particular nonelderly people with disabilities and those age 85 or older, have functional and/or cognitive limitations. One-third of all beneficiaries are limited in their ability to handle basic activities of daily living, such as bathing and eating, and a quarter of all beneficiaries have a cognitive or mental impairment. Nearly six in 10 nonelderly beneficiaries with disabilities have a cognitive or mental impairment.

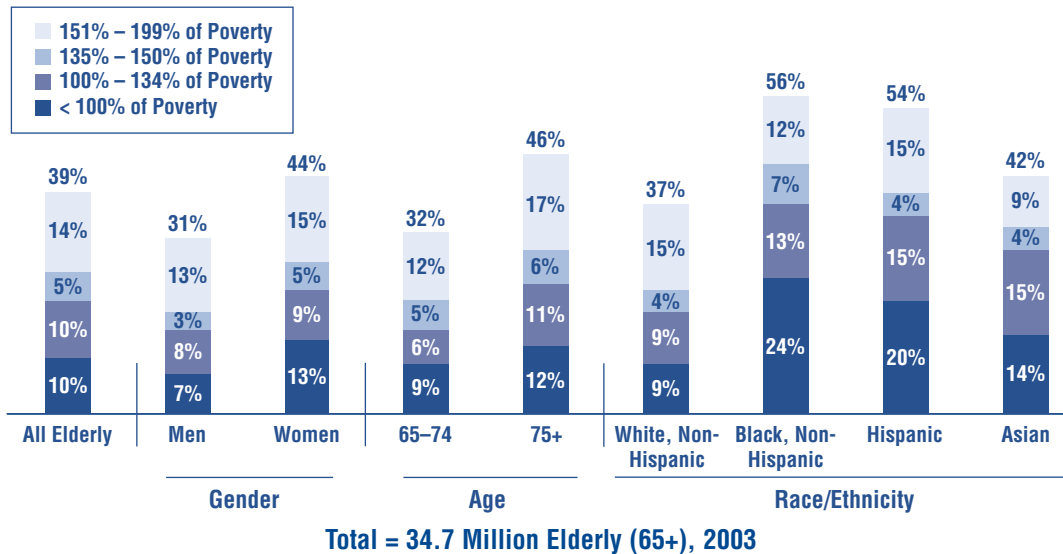
**Figure 1.7**  
**Family Income of Non-Institutionalized Medicare Beneficiaries, 2002**



Note: Family income is defined as income for individuals and their spouses (if applicable). Analysis includes community residents only.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

The majority of Medicare beneficiaries live on modest family incomes. Half of Medicare’s non-institutionalized beneficiaries have annual family incomes of \$20,000 or less. Twelve percent have annual income greater than \$50,000.

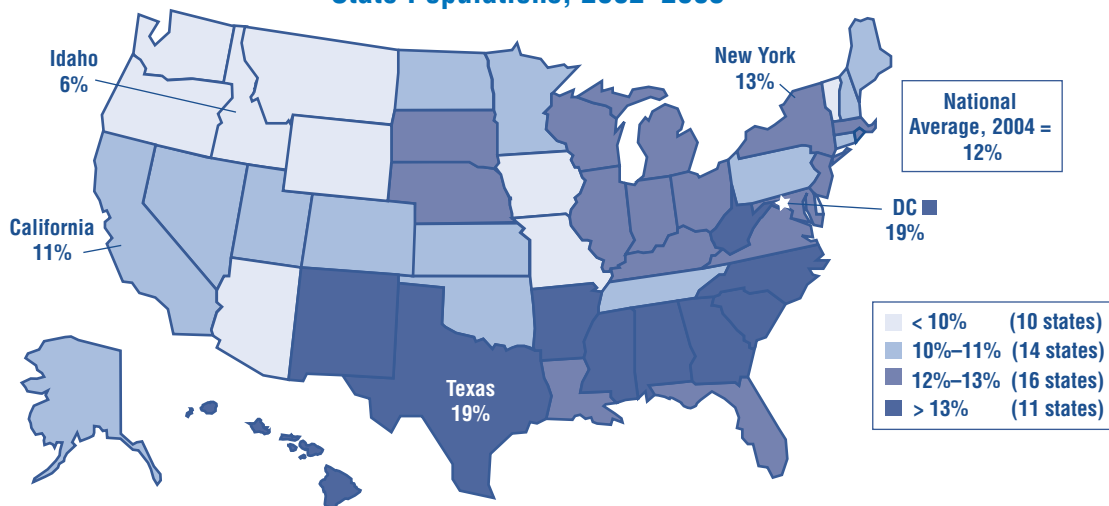
**Figure 1.8**  
**Poverty Among the Elderly Population, 2003**



Note: In 2003, the federal poverty thresholds for people 65 years and older were \$8,825 for an individual and \$11,122 for a couple.  
 SOURCE: U.S. Census Bureau, Current Population Survey, 2004 Annual Social and Economic Supplement.

Four in 10 elderly Americans had income below twice the federal poverty level in 2003 (\$17,650 for an individual and \$22,244 for a couple that year). Poverty rates vary greatly among different segments of the elderly population. Among the elderly, women, people age 75 or older, and African Americans and Hispanics are more likely than others to have low incomes.

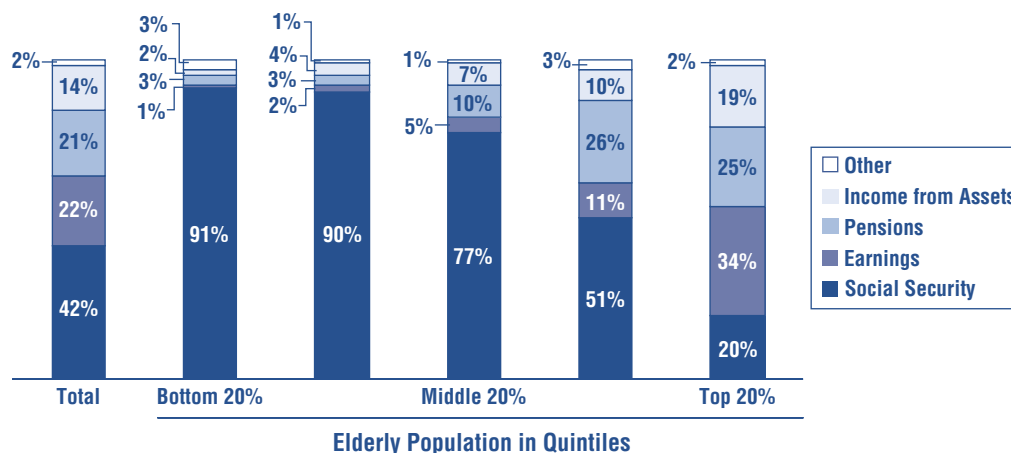
**Figure 1.9**  
**Medicare Beneficiaries Under 100% of Poverty as a Percent of State Populations, 2002–2003**



Note: In 2003, the federal poverty level was \$8,980 for an individual. Various states are identified to show cross-state variation.  
 SOURCE: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on pooled March 2002 and 2003 Current Population Surveys.

On average nationwide, 12 percent of Medicare beneficiaries had income less than 100 percent of poverty in 2002–2003, but the share living in poverty within each state varies. Seven of the 11 states with more than 13 percent of Medicare beneficiaries living below the federal poverty level are located in the south. Among all states, Texas and the District of Columbia have the largest proportion of Medicare beneficiaries with annual income below poverty (19 percent), while Idaho has the lowest share (6 percent).

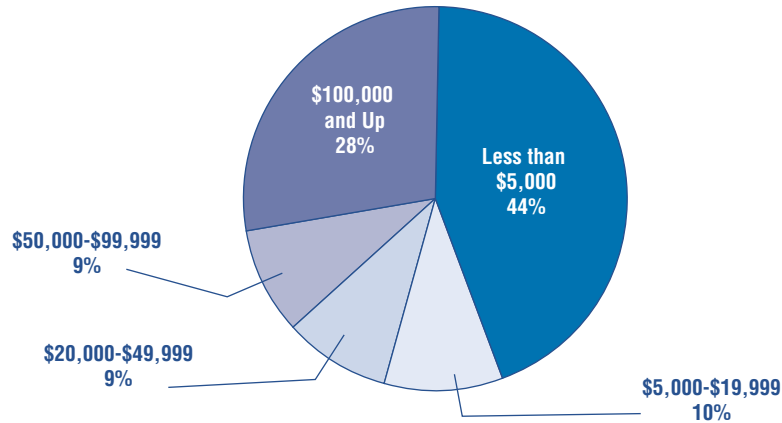
**Figure 1.10**  
**Distribution and Sources of Income Among the Elderly Population, 2003**



Note: Numbers may not sum to 100% due to rounding.  
 SOURCE: Employee Benefits Research Institute, Income of the Elderly Population: 2003; January 2005. Based on analysis of data from the 2004 Current Population Survey.

Elderly Americans rely on Social Security, earnings, and pensions for the bulk of their annual income. For 80 percent of the elderly, Social Security comprises at least half of their annual income—an average of 91 percent for those with the lowest incomes. In contrast, earnings and pensions account for more than half of annual income for the 20 percent of elderly people with the highest incomes.

**Figure 1.11**  
**Distribution of Non-Institutionalized Medicare Beneficiaries and Asset Levels, 2002**

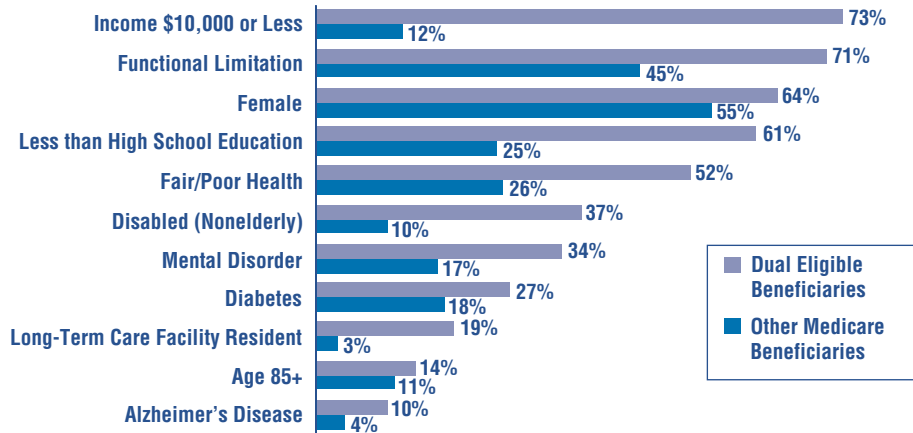


**Total = 39.2 Million Non-Institutionalized Medicare Beneficiaries, 2002**

Note: Countable assets include interest and non-interest earning accounts, bonds/US securities, stocks, mutual funds, IRAs, 401k plans, keoghs, rental property, vacation property, and any other investments; but exclude home value.  
 SOURCE: T. Rice and K. Desmond analysis of 2002 Survey of Income and Program Participation data for the Kaiser Family Foundation.

The majority of Medicare beneficiaries have limited countable assets (such as savings accounts, stocks, IRAs, and rental properties). More than half (54 percent) of beneficiaries have assets below \$20,000; nearly one in five (18 percent) have assets between \$20,000 and \$99,999; and more than a quarter have assets totaling \$100,000 or more.

**Figure 1.12**  
**Comparison of Dual Eligible and Other Medicare Beneficiaries, 2002**



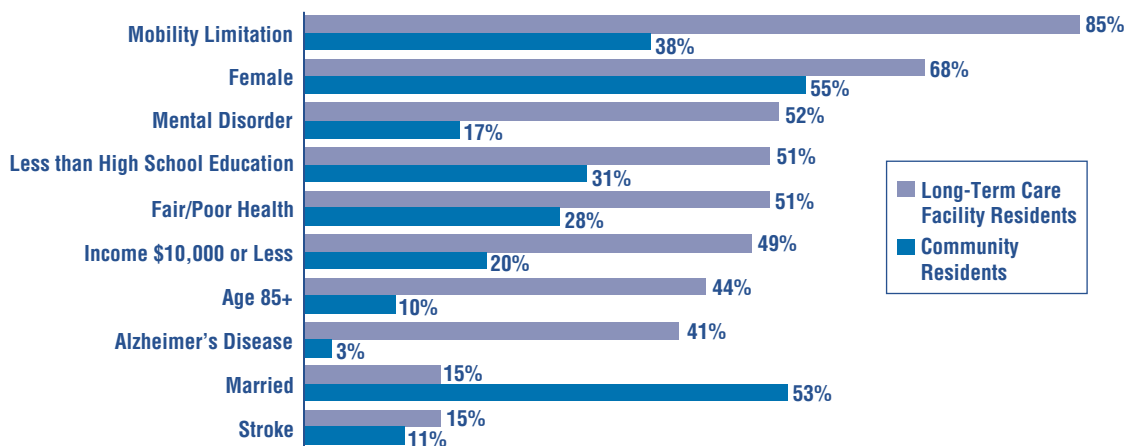
**Total = 7.0 Million Dual Eligible Medicare Beneficiaries, 2002**

Note: Functional limitation is defined as presence of a limitation in instrumental activities of daily living (IADLs) or one or more limitation in activities of daily living (ADLs). Total number of dual eligibles includes beneficiaries eligible for full Medicaid benefits, along with other low-income beneficiaries eligible for assistance with Medicare premiums and cost-sharing requirements (the Medicare Savings Programs).  
 SOURCE: Centers for Medicare and Medicaid Services, Medicare Current Beneficiary Survey 2002 Access to Care File.

Medicare covers many people with limited incomes and assets or other special circumstances that make them eligible for coverage under their state Medicaid program (the “dual eligibles”). For those with very low incomes, Medicaid pays Medicare’s premiums and cost-sharing requirements and covers benefits, such as long-term care and prescription drugs. (See Figure 3.7 for a description of eligibility and benefits.) Compared to other people with Medicare, a higher share of dual eligibles are in fair or poor health (52 percent versus 26 percent), are nonelderly and permanently disabled (37 percent versus 10 percent), and live in long-term care facilities (19 percent versus 3 percent).



**Figure 1.13**  
**Comparison of Medicare Beneficiaries Residing in Long-Term Care Facilities and the Community, 2002**

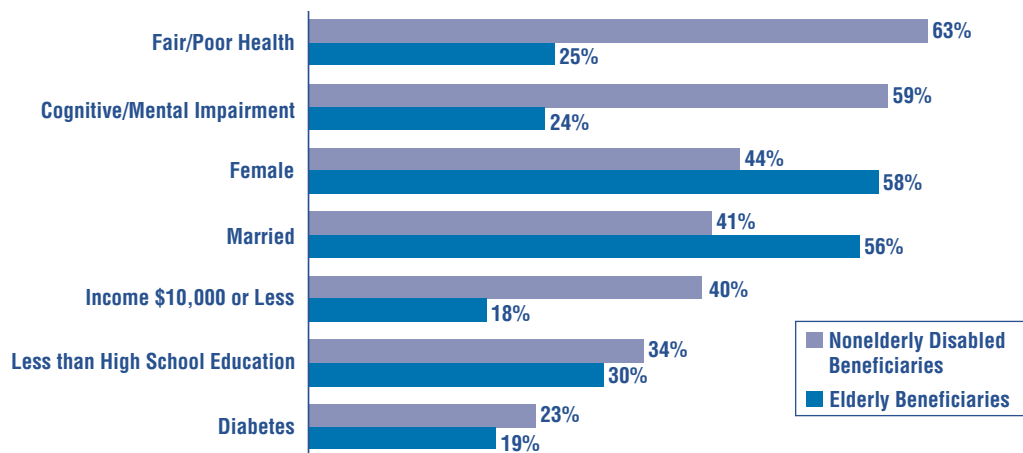


**Total = 2.3 Million Long-Term Care Facility Residents, 2002**

Note: Mobility limitation is defined as presence of a limitation in activities of daily living (ADLs) and/or instrumental activities of daily living (IADLs).  
 SOURCE: Centers for Medicare and Medicaid Services, Medicare Current Beneficiary Survey 2002 Access to Care File.

While most Medicare beneficiaries reside in their own homes or other community-based settings, more than 2 million beneficiaries live in a nursing home or other long-term care facility, two-thirds of whom are women. Facility residents have higher rates of mobility limitations and lower incomes than beneficiaries living in the community.

**Figure 1.14**  
**Comparison of Nonelderly Disabled and Elderly Non-Institutionalized Medicare Beneficiaries, 2002**

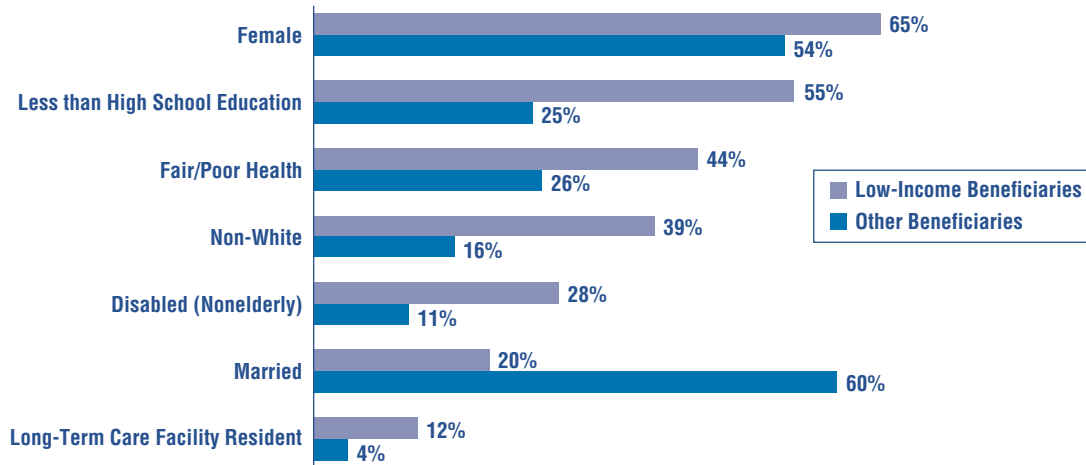


**Total = 5.5 Million Non-Institutionalized Nonelderly Disabled Medicare Beneficiaries, 2002**

Note: Cognitive/mental impairment is defined as diagnosis with mental retardation, mental disorder, or Alzheimer's disease, or having memory loss that interferes with daily activity. Analysis includes community residents only.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

In 2002, there were 5.5 million non-institutionalized Medicare beneficiaries under the age of 65 who were eligible for Medicare because of total and permanent disability or because they had end-stage renal disease (ESRD). Almost two-thirds of nonelderly disabled beneficiaries report their health as fair or poor, four in 10 live on annual income of \$10,000 or less, and 59 percent have cognitive or mental impairments.

**Figure 1.15**  
**Comparison of Low-Income and Other Medicare Beneficiaries, 2002**

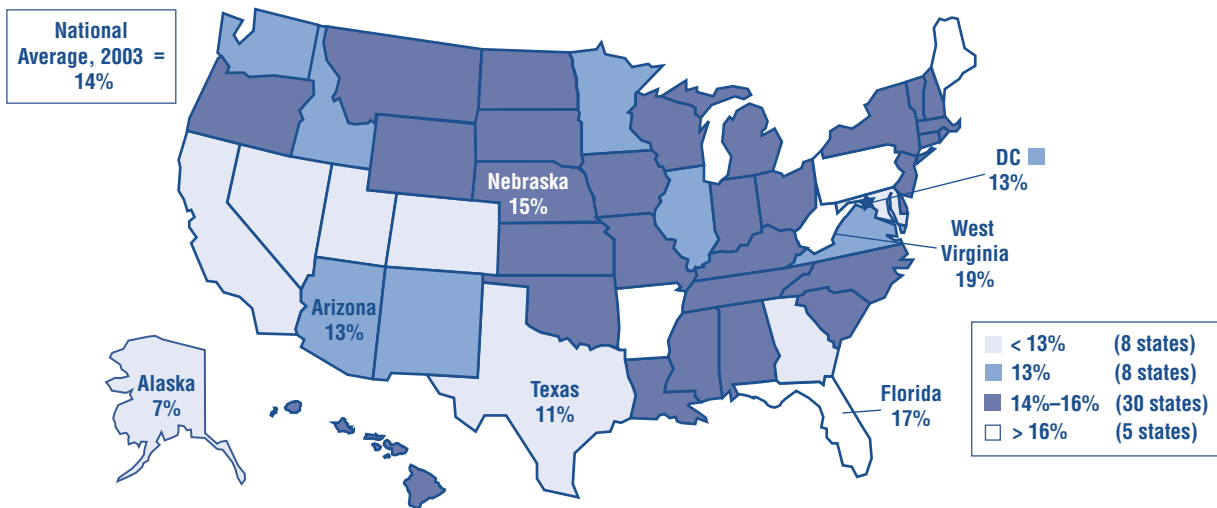


**Total = 9.0 Million Low-Income Medicare Beneficiaries, 2002**

Note: Low-income is defined as having annual family income of \$10,000 or less, including income of individual and spouse (if applicable) only.  
 SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2002 Cost and Use File.

Almost one-fourth of all elderly and disabled Medicare beneficiaries lived on annual family income of \$10,000 or less in 2002—which was in the range of the federal poverty level for that year (\$8,860 for individuals, and \$11,940 for couples). Compared with beneficiaries at higher income levels, those with low incomes are disproportionately female (65 percent), in fair or poor health (44 percent), and African American or Hispanic (39 percent). Twelve percent of low-income beneficiaries live in long-term care facilities, compared with only 4 percent of those with higher incomes.

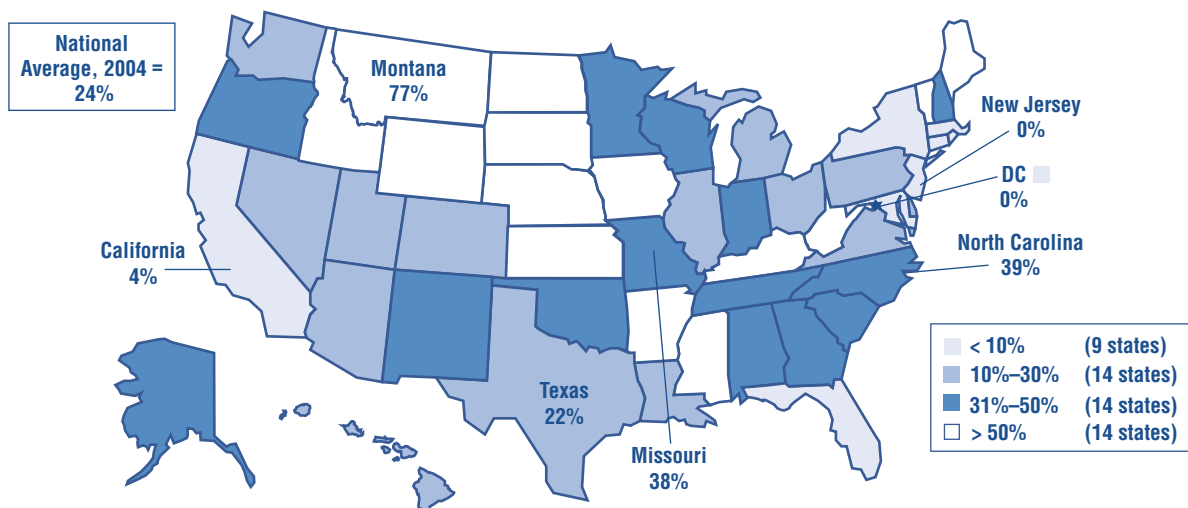
**Figure 1.16**  
**Medicare Beneficiaries as a Percent of State Populations, 2003**



Note: Various states are identified to show cross-state variation.  
 SOURCE: Centers for Medicare and Medicaid Services Medicare State Enrollment data; and Census Bureau 2003 population estimates.

Medicare beneficiaries are approximately 14 percent of the total U.S. population, but within each state, their share of the total population varies. West Virginia has the largest proportion of state residents who are Medicare beneficiaries (19 percent), while Alaska has the smallest share (7 percent).

**Figure 1.17**  
**Percent of Medicare Beneficiaries Residing in Rural Counties, by State, 2004**



Note: Rural refers to counties that are not in Metropolitan Statistical Areas (MSAs) according to the 2003 rural-urban classification scheme (RUCC) (Economic Research Service, USDA, 2003). Data are from March 2004. Various states are identified to show cross-state variation.  
 SOURCE: Mathematica Policy Research analysis of CMS State/County Market Penetration Files.

**O**n average nationwide, 24 percent of Medicare beneficiaries live in rural counties. In nine states, less than 10 percent of the Medicare population lives in rural counties. (There are no rural counties in New Jersey or the District of Columbia.) In contrast, at least 50 percent of the Medicare population lives in rural counties in 14 states—with Vermont (74 percent) and Montana (77 percent) having the largest share of beneficiaries in rural areas.