

MEDICAID INSURANCE IN OLD AGE

Testimony for the Long Term Care Commission
based on research by

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Health Insurance for the Elderly in the U.S.

- Virtually everyone age 65+ is eligible for Medicare:
 - Government provided, no income or asset tests
 - Pays for many medical services
- But does not pay for certain services (e.g., nursing homes)
- Nursing home expenses paid
 - Out-of-pocket if have high resources
 - By Medicaid if low resources
- 62% of Medicaid transfers for the elderly are for nursing home payments (Kaiser Foundation, 2013)

What is Medicaid?

- Government provided health insurance for the
 - **elderly**, disabled, children,
women who are pregnant/have young children
 - who ALSO have
 - low income and assets: *categorically needy*, OR
 - low assets and income net of medical spending:
medically needy

Questions

Medicaid was designed to insure the poorest retirees against medical expenses. We ask:

- Do richer people get on Medicaid?
- How big are Medicaid payments for high-income versus low-income people?

High income people and Medicaid transfers

- Rich people live longer
- They do receive Medicaid, especially when really old
- When rich people receive Medicaid transfers, they tend to be big

Data

- Assets and Health Dynamics of the Oldest Old (AHEAD), 1995-2010
- Medicare Current Beneficiary Survey (MCBS), 1996-2006

Sample selection

- Consider only the retired singles aged 70+

Income measure = average annuity income from Social Security
+ defined benefit pension plans

Income Percentile	Nursing Home	<u>Males</u>		<u>Females</u>		All	
		Bad Health	Good Health	Nursing Home	Bad Health		Good Health
10	2.2	5.9	7.2	3.0	9.7	11.8	10.2
50	2.2	7.1	9.1	3.3	11.7	14.1	12.3
90	2.2	8.6	11.0	3.6	13.7	16.0	14.2
Men							9.4
Women							13.3
Bad Health							10.5
Good Health							13.7

Life expectancy at age 70.

Richer people also get on Medicaid!

Income Quintile	<u>AHEAD</u>	<u>MCBS</u>
Bottom	60.9%	69.6%
Fourth	28.1%	41.5%
Third	11.0%	15.3%
Second	5.6%	7.7%
Top	3.0%	5.4%

Medicaid reciprocity rate by income quintile, MCBS and AHEAD data.

Quintile	<u>Medicaid payments</u>	<u>Out-of-pocket expenses</u>
Bottom	6,170	3,850
Fourth	4,220	4,740
Third	2,030	5,190
Second	1,080	5,880
Top	900	6,820
Men	2,040	4,540
Women	3,080	5,480
Good Health	220	2,360
Bad Health	620	2,660
Nursing Home	13,620	17,290

Table 1: Mean Medicaid payments and out-of-pocket medical expenditures (2005 dollars), MCBS data.

Richer people on Medicaid get big transfers

Quintile	Medicaid payments
Bottom	8,870
Fourth	10,170
Third	13,270
Second	14,030
Top	16,670

Table 2: Mean Medicaid payments per Medicaid beneficiary (2005 dollars), MCBS data.

Income Quintile	Medicaid payments		Out-of-pocket expenses	
	Present Discounted Value	Annuity Value	Present Discounted Value	Annuity Value
Bottom	25,200	3,540	7,500	1,050
Fourth	19,200	2,470	16,800	2,160
Third	12,600	1,500	27,700	3,300
Second	8,800	1,010	41,300	4,720
Top	4,300	490	59,600	6,770
Men	6,400	970	31,400	4,750
Women	14,200	1,650	35,000	4,040
Good Health	11,000	1,210	41,300	4,580
Bad Health	15,900	2,170	23,800	3,250

Medicaid payments and out-of-pocket expenses at age 74.