

Health-care costs hit the elderly hard, diminish financial wellbeing

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The protection of the savings of the elderly—one of the primary goals of Medicare—is under threat from a combination of spiraling healthcare costs and increased longevity. As the government attempts to reduce Medicare costs, one suggestion is that the elderly could pay a larger proportion of the costs of their healthcare. But exactly how much would this be and what impact would it have on their finances? A new study by Amy Kelley at the Mount Sinai School of Medicine and her colleagues, funded by the National Institute on Aging, aims to identify the portion of wealth Medicare beneficiaries spend on healthcare costs in the last five years of life. Their work appears online in the *Journal of General Internal Medicine*.

Medicare provides nearly universal [health care coverage](#) to the population over 65. However it does not pay for everything. There are co-payments and deductibles, and more importantly, homecare services and non-rehabilitative nursing home care, which are not covered. If proposals suggest the elderly should make even larger contributions to care, it is important to know more about patients' out-of-pocket spending under the current Medicare program.

The authors analyzed data from 3,209 individuals with [Medicare coverage](#) included in the Health and Retirement Study (HRS) from 2002-2008. They measured total out-of-pocket [healthcare expenditures](#) in the last five years of life, and looked at these costs as a percentage of total household assets. More than three quarters of households spent at least \$10,000, with spending for all participants averaging \$38,688 in the

last five years of life. Even more shocking was the fact that a quarter of participants made an average contribution of \$101,791, and the same number spent more than their total household assets on healthcare.

Kelley and colleagues note that the amount spent on healthcare varied widely with the type of illness suffered, with dementia costing the most money. Out-of-pocket spending for individuals or their spouses dying with dementia was more than twice the average for dying from gastrointestinal disease or cancer. The majority of these costs are related to nursing home expenses which accounted for 56 percent of average spending in those suffering from Alzheimer's disease.

Thus far, attempts to promote legislation to help with long-term care requirements have all been deemed too expensive. Until someone comes up with a financially viable scheme, the authors speculate that the financial outlook for the elderly in coming decades is discouraging. They conclude that, "as more baby boomers retire, a new generation of widows or widowers could face a sharply diminished financial future as they confront their recently-depleted nest egg following the illness and death of a spouse".

More information: Kelley AS, McGarry K, Fahle S, Marshall SM, Qingling D and Skinner JS (2012). Out-of-pocket spending in the last five years of life. *Journal of General Internal Medicine*. [DOI 10.1007/s11606-012-2199-x](https://doi.org/10.1007/s11606-012-2199-x)

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