

## Fact Sheet

# Seniors with High Unreimbursed Health Care Costs: Who Are They?

Maxim Shvedov  
AARP Public Policy Institute

A significant share of Medicare beneficiaries spends a considerable amount out-of-pocket (OOP) each year for health care.<sup>1</sup> The sickest, oldest, and near-poor beneficiaries are especially likely to have high out-of-pocket expenses. The medical expense tax deduction makes health care more affordable for people with significant OOP expenses. People whose OOP spending exceeds 10 percent of income can deduct amounts above that threshold from taxable income if they itemize deductions on their tax returns. In 2013, roughly 25.8 million beneficiaries in traditional Medicare (hereafter referred to simply as “Medicare”) spent at least 10 percent of their income on out-of-pocket health care expenses.<sup>2</sup> This factsheet presents some of the key socio-economic and health characteristics of Medicare beneficiaries who bear such a high health care cost burden and for whom the medical expense tax deduction is critical.

A look at the actual medical expenses reported on tax returns also underscores the importance of the deduction. In 2015, the OOP medical expenses of tax filers claiming the deduction averaged \$15,243.<sup>3</sup> By comparison, mean Social Security income in 2013 for households headed by a person over 65 was \$18,684 before taxes.<sup>4</sup>

## Age Distribution

Table 1 shows the age distribution of Medicare beneficiaries with OOP medical costs that exceeded 10 percent of their income. About 21 million of those with high OOP medical costs were age 65 or older, accounting for more than half of the roughly 38 million (traditional) Medicare beneficiaries in 2013. Further, 4 million were over age 85. At this age, most Medicare beneficiaries have limited options to supplement their income through work and, given their age, many may be at imminent risk of outliving their life savings.

Notably, 4.5 million Medicare recipients under age 65 had OOP medical expenses that exceeded 10 percent of income. Medicare beneficiaries under age 65 typically qualify because they have a disability and are on the Social Security Disability Insurance program. For many of them as well, options to supplement their income are quite limited.

**TABLE 1**  
**Age Distribution of Medicare Beneficiaries with Out-of-Pocket Health Care Expenses in Excess of 10 Percent of Income**

Age	Share (percent)	Beneficiaries (million)
Under 65	17.4	4.5
65-69	22.5	5.8
70-74	18.5	4.8
75-79	14.8	3.8
80-84	11.2	2.9
85+	15.5	4.0

*Totals may not add up because of rounding.*

*Source: AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File.*



**Public Policy  
Institute**

### Select Chronic Condition Status

Table 2 reports select chronic conditions of those Medicare beneficiaries who spent more than 10 percent of their income on health care. Unlike other tabulations, the cells in this table are not mutually exclusive — individuals could have multiple conditions. In fact, the magnitude of the numbers suggests that many of the affected individuals had more than one chronic condition.

### Gender Distribution

Table 3 shows the gender distribution of Medicare beneficiaries paying health care costs in excess of 10 percent of income. The majority of them, almost 56 percent, were women. Women might be particularly ill-prepared to confront high medical costs. According to the Social Security Administration (SSA), median total income of unmarried women over 65 was \$24,768, 21 percent lower than men's median total income.<sup>5</sup>

**TABLE 2**  
**Select Chronic Conditions of Medicare Beneficiaries with Out-of-Pocket Health Care Expenses in Excess of 10 Percent of Income**

Chronic conditions (self-reported)	Share (percent)	Beneficiaries (million)
<b>Ever had the following health conditions:</b>		
Congestive Heart Failure	8.5	2.2
Depression	61.2	15.8
Diabetes	29.6	7.6
Emphysema	21.7	5.6
Hypertension	68.7	17.7
Osteoporosis	21.7	5.6
Rheumatoid Arthritis	16.7	4.3
Stroke	11.6	3.0
<b>Diagnosed within last 12 months:</b>		
Cancer	2.9	0.7

Source: AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File.

### Race/Ethnic Composition

Table 4 presents the racial/ethnic composition of Medicare beneficiaries with medical costs in excess of 10 percent of their income. The data show that about one in 10 Medicare beneficiaries with high OOP expenses were African American.

### Income Distribution Relative to Federal Poverty Level

Table 5 shows distribution of affected beneficiaries by income in terms of its relation to the federal poverty level (FPL). In 2013, FPL was \$11,173 for a single person age 65 and over and \$14,081 for a family of two headed by a person 65 and over.<sup>6</sup> Nearly a quarter of Medicare beneficiaries with high health costs were below FPL. Nearly three-quarters have income below 300 percent of FPL.

**TABLE 3**  
**Gender Distribution of Medicare Beneficiaries with Out-of-Pocket Health Care Expenses in Excess of 10 Percent of Income**

Gender	Share (percent)	Beneficiaries (million)
Women	55.8	14.4
Men	44.2	11.4
Total	100.0	25.8

Source: AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File.

**TABLE 4**  
**Racial/Ethnic Composition of Medicare Beneficiaries with Out-of-Pocket Health Care Expenses in Excess of 10 Percent of Income**

Race/Ethnicity	Share (percent)	Beneficiaries (million)
White	84.6	21.8
Black	9.5	2.5
Hispanic	1.8	0.5
Other	4.1	1.1

*Totals may not add up because of rounding.*

*Source: AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File*

**TABLE 5**  
**Income Distribution of Medicare Beneficiaries with Out-of-pocket Health Care Expenses in Excess of 10 Percent of Income**

Income	Share (percent)	Beneficiaries (million)
Up to 100% FPL	23.0	5.9
101-150% FPL	15.7	4.0
151-200% FPL	14.4	3.7
201-300% FPL	20.8	5.3
Over 300% FPL	26.2	6.8

*Totals may not add up because of rounding.*

*Source: AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File.*

*FPL=federal poverty level*

## Acknowledgements

The author thanks Claire Noel-Miller for providing data analysis for this fact sheet.

## Endnotes

- Claire Noel-Miller, *Medicare Beneficiaries Out-of-Pocket Spending for Health Care*, Washington, DC, AARP Public Policy Institute Insight on the Issues 108, October 2015, accessed at <https://www.aarp.org/content/dam/aarp/ppi/2015/medicare-beneficiaries-out-of-pocket-spending-for-health-care.pdf>.
- AARP Public Policy Institute Analysis of data from the Medicare Current Beneficiary Survey, 2013 Cost and Use File. In 2013, 72 percent of all Medicare beneficiaries were in traditional Medicare. Spending data for the remaining 28 percent who had a Medicare Advantage (MA) plan were not reliable. See, Kaiser Family Foundation (October 2017), "Medicare Advantage", Kaiser Family Foundation Fact Sheet, available at <https://www.kff.org/medicare/fact-sheet/medicare-advantage/>.
- IRS, Statistics of Income Division, Publication 1304, Sept. 2017, Table 2.1., Returns with Itemized Deductions: Sources of Income, Adjustments, Itemized Deductions by Type, Exemptions, and Tax Items, by Size of Adjusted Gross Income, Tax Year 2015 (Filing Year 2016), access date: Nov. 2, 2017, <https://www.irs.gov/pub/irs-soi/15in21id.xls>.
- U.S. Census, S0103, *Population 65 Years and Over in the United States, 2011-2015, American Community Survey 5-Year Estimates*, access date: Nov. 2, 2017, [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_15\\_5YR\\_S0103&prodType=table](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_15_5YR_S0103&prodType=table).
- Social Security Administration, *Income of the Population age 55 or older, 2014*, SSA Publication No. 13-11871. Washington, DC, 2016 Table 3.B1, access date: Nov. 2, 2017, [https://www.ssa.gov/policy/docs/statcomps/income\\_pop55/](https://www.ssa.gov/policy/docs/statcomps/income_pop55/).
- U.S. Census, *Poverty Thresholds, Poverty thresholds by Size of Family and Number of Children, 2013*, access date: Nov. 2, 2017, <https://www2.census.gov/programs-surveys/cps/tables/time-series/historical-poverty-thresholds/thresh13.xls>.

Fact Sheet 637, November 2017

© AARP PUBLIC POLICY INSTITUTE  
 601 E Street, NW  
 Washington DC 20049

Follow us on Twitter @AARPolicy  
 on facebook.com/AARPolicy  
[www.aarp.org/ppi](http://www.aarp.org/ppi)

For more reports from the Public Policy Institute, visit <http://www.aarp.org/ppi/>.



Real Possibilities

**Public Policy  
 Institute**