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HEALTH AND ECONOMIC CONDITIONS OF THE AMERICAN AGED

A CHART BOOK

PREPARED FOR THE USE OF

THE SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

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INTRODUCTION TO CHARTS ON HEALTH AND ECONOMIC CONDITIONS OF THE AGED

The number of persons in the United States reported in the 1960 Census of Population as 65 years or over showed an increase over 1950 even greater than previous estimates from mortality and migration statistics had led us to believe. As of December 1960, persons aged 65 or older numbered almost 17 million.

Rapid growth in our aged population has led to increasing concern about their special problems. Prominent among these is the fact that retirement brings a sharp drop in income at the same time that advancing age is likely to bring increasing need for health care.

HEALTH STATUS

Health affects every aspect of the older person's life—his financial status, his personal welfare, his participation in society, and his use of leisure time. While millions of older people are reasonably healthy, others suffer from disease and disability of varying impact. The increasing incidence of chronic conditions with advancing age contributes to the problem of health care and the financing of medical costs.

National Health Survey data show that three-fourths of all aged persons not in institutions have one or more chronic conditions.

Two out of every five aged have a chronic condition that prevents or limits their usual activity.

About one out of every five aged is either confined to the house or has trouble getting around by himself.

The health picture grows worse with advancing age. Among those 75 or older, for example, almost every third person is confined to the house or needs help getting around outside.

Older persons have a higher rate of physician visits, spend much more time in hospitals, and their drug bills are likely to be much heavier.

One indication of their greater use of health services is the fact that close to 20 percent of public expenditures for medical services are in behalf of aged persons, although this group is less than 10 percent of the population. Private expenditures for medical care, too, are much higher per person for the aged than for those under 65. On the average, relatively little of the aged person's total medical bill is covered by his insurance.

FINANCIAL ABILITY

The heavier-than-average health needs of old age are accompanied by lessened financial ability to meet these costs.

Public programs now assure that most older persons have some regular income even though of very small amount. Old-age, survivors, and disability insurance alone—commonly called social secu-

rity—provides a measure of support for more than 3 out of every 5 persons 65 and over; and a million and a half more are eligible to receive such benefits whenever they or their husbands retire. Some draw benefits because of former Government or railroad employment. Veterans' programs afford income support for a number of aged also, as do Federal-State programs of public assistance.

Thus, as earnings decline or cease altogether, most persons 65 and over must get along on relatively low incomes. Just exactly how many are in low-income groups depends, not only on what is meant by "low," but also on the survey used.

But no matter what survey is used, it is likely to show that some 50 to 60 percent of the aged have less than $1,000 cash income of their own to live on for a year.

For many of the aged, to be sure, current cash income does not represent the sum total of available resources. Older persons are more likely than those younger to have savings to draw on. Many also own homes, usually mortgage free, which can mean they don't have to pay out as much—in absolute dollars—for housing. Some, particularly in rural areas, can cut down grocery bills by raising food. However, it is more often than not the aged with incomes on the high side, not the low, who have the advantage of additional resources.

Most older people are not in a position to accumulate assets. The major problem is how to prorate the use of available assets over a period of years. Many people do without some of the basic things they need for fear of not having financial resources for an "emergency." A large number of the aged must depend on their children in the emergency situation.

There are no budget standards which can be applied with confidence to all the different circumstances in which elderly people live. Estimates can be made, however. The U.S. Department of Agriculture has a low-cost food plan for older couples which indicates that they should not spend more than one-fourth of their incomes for food. This is an uncomfortably low ratio when incomes are less than $2,400 to $2,500 for an elderly couple.

For the many aged individuals living alone, it has been estimated that a "modest but adequate" standard—comparable to that for the couple—would take from $1,410 to $1,835 in the 20 cities studied by the Labor Department's Bureau of Labor Statistics.

INSURANCE PROTECTION

Although opinions differ as to the standard against which to measure resources of the aged, it is generally agreed in the case of medical care that their lower than average income may be strained by higher than average need—the more so since they are less likely than younger persons to have health insurance.

Up until quite recently, most persons over 65 could not buy health insurance if they wanted to. Most Blue Cross associations and, beginning more recently, many commercial insurance companies, now offer insurance to older persons, but the benefits are ordinarily more limited than those available to persons under 65 and the premiums cost more. At present, about 46 percent of the persons aged 65 and over have some type of hospital insurance. Among those not working

year round, full time, the percentage drops to 42 percent with any kind of hospital insurance. Only 32 percent of persons aged 75 and over have any kind of hospital insurance. Percentages with surgical and doctor-visit insurance are even lower.

And even for those who do have hospital insurance and were hospitalized, the proportion of their hospital bills paid for by insurance is lower than for younger patients. A smaller proportion of the aged have hospital insurance, their average hospital charges are higher, but insurance pays a smaller proportion of such bills.

Many of the aged cannot get or afford insurance today. Some who need insurance most—because they have expensive health problems already—are not accepted as "insurable risks." Others who might be considered as good risks find the cost of the premium more than can be spared out of their small incomes.

These, in brief, are the basic facts about the health of our aged people and their financial ability to meet their high health costs. The following charts, many of which were originally presented in the *Chart Book* of the 1961 White House Conference on Aging show, at a glance, the basic health and economic facts.

A. THE SPECIAL HEALTH PROBLEMS OF THE AGED

CHRONIC CONDITIONS LIMIT THE MOBILITY OF 30 PERCENT OF THOSE 75 AND OVER

JULY 1957–JUNE 1959

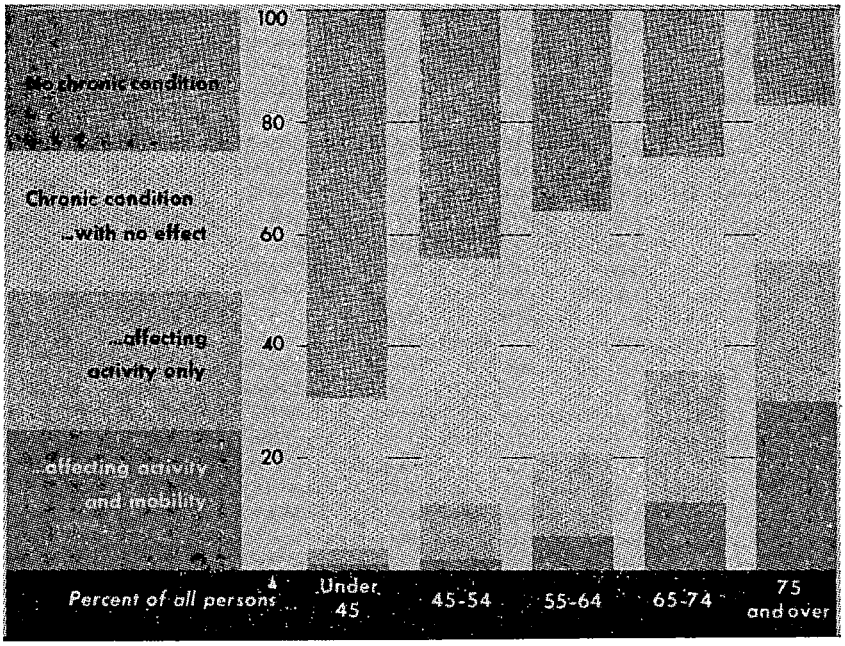

CHART 1

Many aging persons enjoy good health. Some report no chronic disease or impairment. Others have chronic conditions, but are not significantly disabled thereby.

As age increases, however, the impact of chronic illness becomes more severe. Of persons 75 and over, more than half are limited in their activities in varying degrees. Thirty percent are limited in mobility, i.e., have trouble getting around. Incapacitated older persons living in institutions are not included in the data.

The disabled person generally loses his role in society. Much disability can be reduced by early diagnosis, treatment, and rehabilitation.

SIX CHRONIC CONDITIONS CAUSE MUCH OF THE ILLNESS AND IMPAIRMENT OF OLDER PERSONS

JULY 1957–JUNE 1959

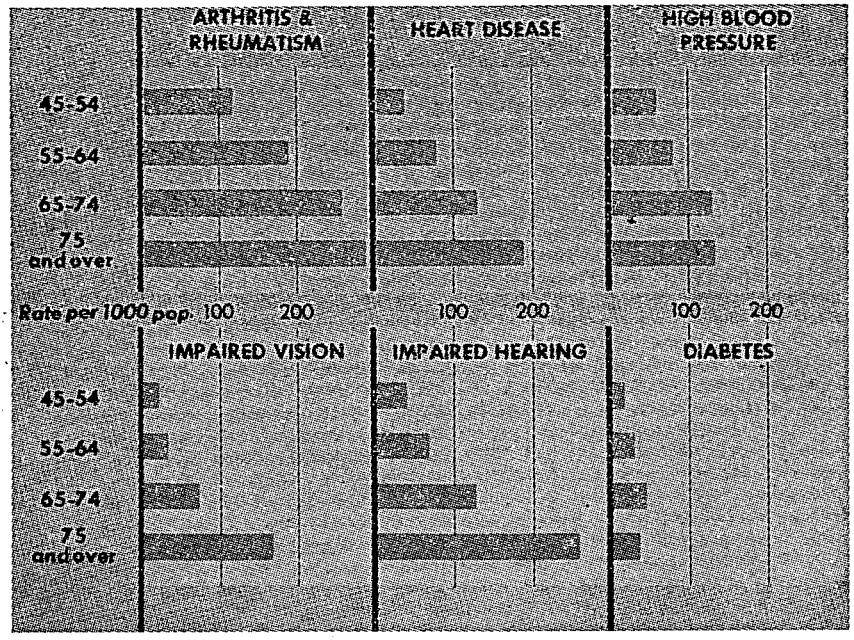

CHART 2

Arthritis, rheumatism, heart disease, and high blood pressure cause much of the disability in later life. The prevalence of physical impairments increases with advancing age, particularly visual impairments, blindness, and hearing deficiencies.

Each year over 3.5 million persons 65 and over suffer accidental injuries, many resulting from falls in the home.

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THREE DISEASES ARE THE MOST COMMON CAUSES OF DEATH AMONG AGING PERSONS

CALENDAR YEAR 1958

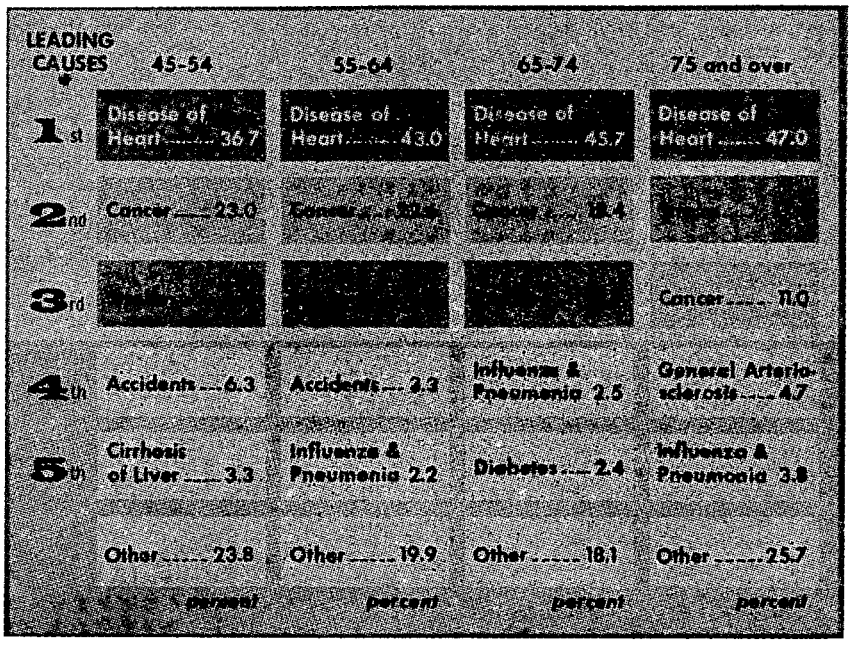


CHART 3

Heart disease, cancer, and stroke take the heaviest toll of life among the older segments of the population.

Many of the deaths that occur in middle life or later are not preventable in view of our limited knowledge about some degenerative diseases.

On the other hand, many premature deaths could be averted with preventive and therapeutic measures. Immunization against influenza would reduce fatalities among the aged and chronically ill. Incipient cancer sometimes develops slowly in older persons, allowing time for diagnosis and treatment.

Older Persons Visit Doctors More Frequently Than Do Younger People

July 1957–June 1959

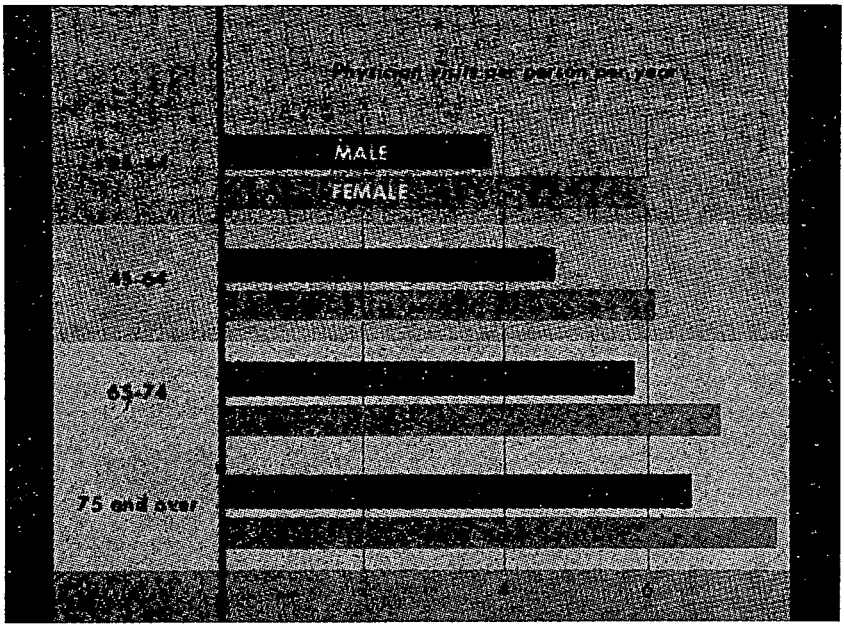


Chart 4

Older persons require and utilize many health services. People over 75 average more than seven physician visits per year—a higher rate than at any earlier age. The rate for older persons would probably be greater if all individuals sought and received as much medical care as they need.

Many older persons require an array of health services in addition to physician care, including nursing services, health education, restorative services, home care, social services, and physical therapy.

Older People Spend Much More Time in General Hospitals Than the Young

July 1957–June 1958

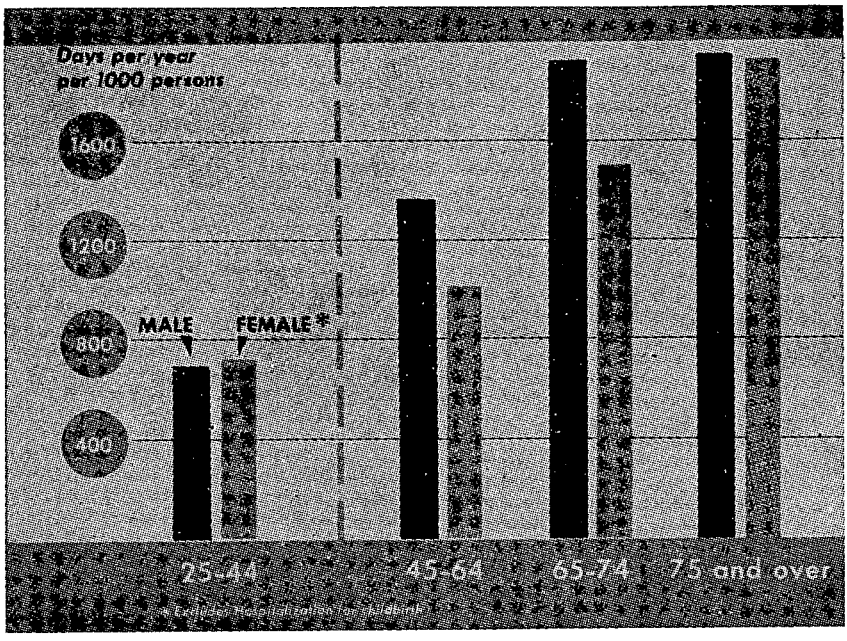
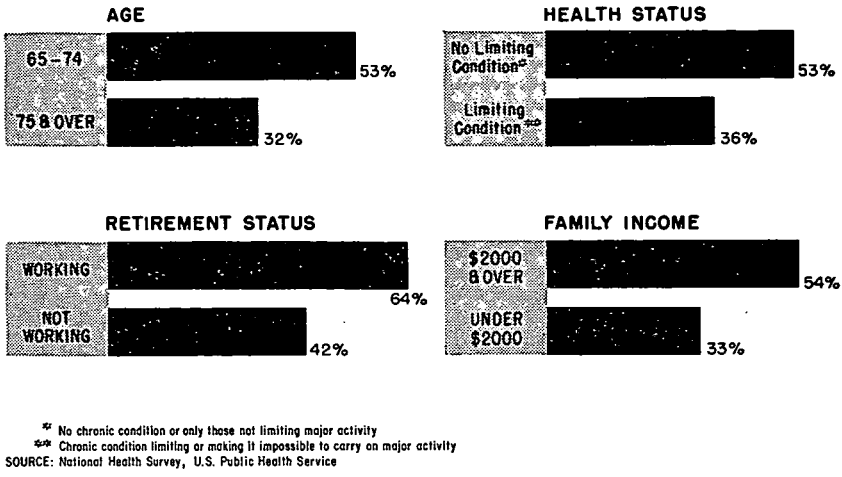


Chart 5

Older persons spend about 26 million days in general hospitals each year. This represents 1,778 hospital days per 1,000 persons 65 and over, as compared with 661 days (excluding admissions for childbirth) per 1,000 persons under 65. Days of hospitalization are higher among older persons because admissions are more frequent and the average stay is longer. Inclusion of hospital days for persons who died during the survey year would increase these rates, especially for the group 65 and over.

Long periods of hospitalization are often reduced by a community home-care program providing nursing, social, and related services to supplement the physician's care. Homemaker services may permit older and chronically ill persons to stay at home during an illness.

AGED NEEDING INSURANCE THE MOST ARE LEAST LIKELY TO HAVE IT



* No chronic condition or only those not limiting major activity
** Chronic condition limiting or making it impossible to carry on major activity
SOURCE: National Health Survey, U.S. Public Health Service

CHART 6

Among the aged population, those who have health insurance are likely to be somewhat younger and in better health and to have higher incomes than those without coverage. This is associated with the fact that aged persons still in the labor force are more likely than those fully retired to have some health insurance. Among the relatively few aged reporting themselves as usually working, nearly 2 out of 3 (64 percent) had some hospital insurance; but among those not usually working, less than half (42 percent) had hospital insurance in the latter part of 1959.

While there is little direct connection between older persons' income and the likelihood of their entering a hospital during a year, there is definite relationship between income and the degree of protection for meeting hospital bills. Those with relatively low income, likely to have most difficulty in paying the large bills that hospitalization can bring, are least likely to have the advantage of insurance against them. The National Health Survey found in the latter part of 1959 that when total family income of the person 65 and over (including both his own income and that of all other family members) was under $2,000 only 33 percent of the aged had hospitalization insurance. When income was $4,000 or more, 59 percent had insurance.

Aged persons in relatively poorer health—at least by their own designation—are less likely to have hospital insurance. Of those reporting themselves in the National Health Survey as having no chronic conditions, or only conditions that didn't curtail activity, 53 percent had hospital insurance; of those reporting themselves unable to carry on their major activity, only 36 percent had hospital insurance.

INSURANCE PAYS NONE OR ONLY A PART OF MOST AGED PERSONS' HOSPITAL BILLS

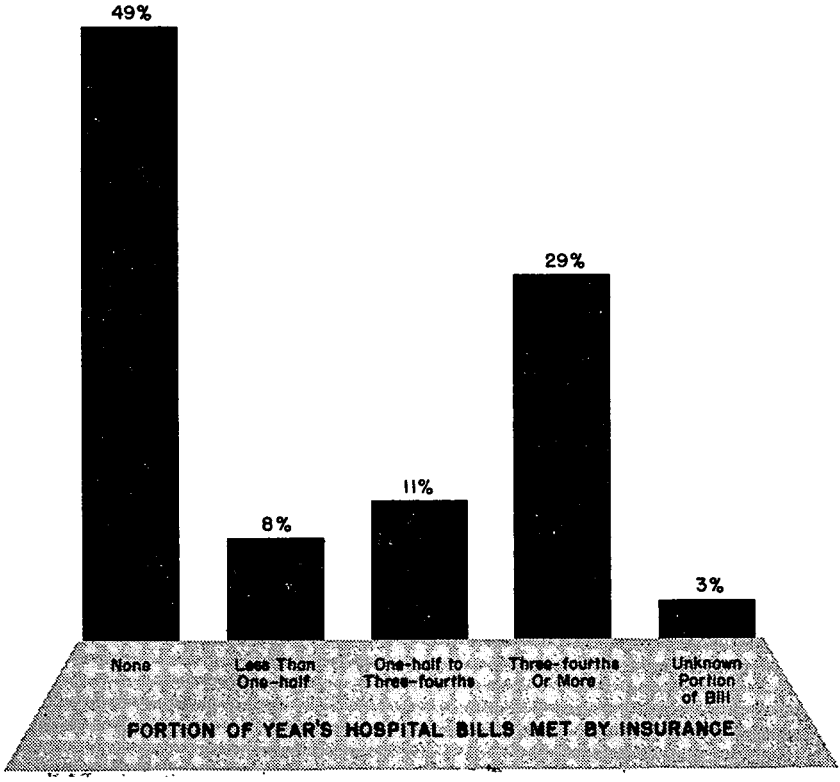


CHART 7

According to the National Health Survey, most of the aged who undergo hospitalization either have no health insurance or find that their insurance pays only relatively little of their hospital bill. Persons insured are more likely to enter a hospital (although generally for shorter stays) than those not insured.

At age 65 or older, 1 in 7 of those with insurance against hospital costs had a hospital stay during the year compared with 1 in 12 of those not insured. Thus it is not surprsiing that with 46 percent of the population 65 and over carrying hospitalization insurance in 1959, insurance paid in part for about 51 percent of all stays in general hospitals by persons 65 and over during the year centering around June 1959. However, about 40 percent of the insured hospitalization episodes were covered for less than three-fourths of the hospital bill.

Only 4 percent of the hospital discharges of older persons represented uninsured stays in veterans or other Federal hospitals. In such institutions there is ordinarily no charge, so that insurance coverage would be immaterial.

A stay in a hospital usually is accompanied by other charges besides the hospital bill, so that total medical costs for the year are likely to be heavy.

B. THE HIGH COSTS OF HEALTH SERVICES

Medical Costs, Particularly Hospital, Have Been Rising Faster Than Other Prices

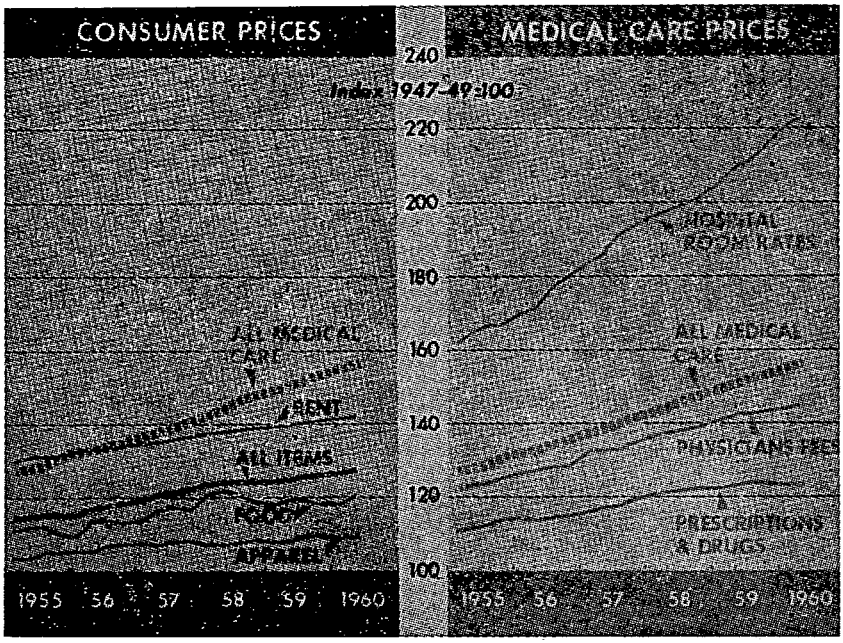
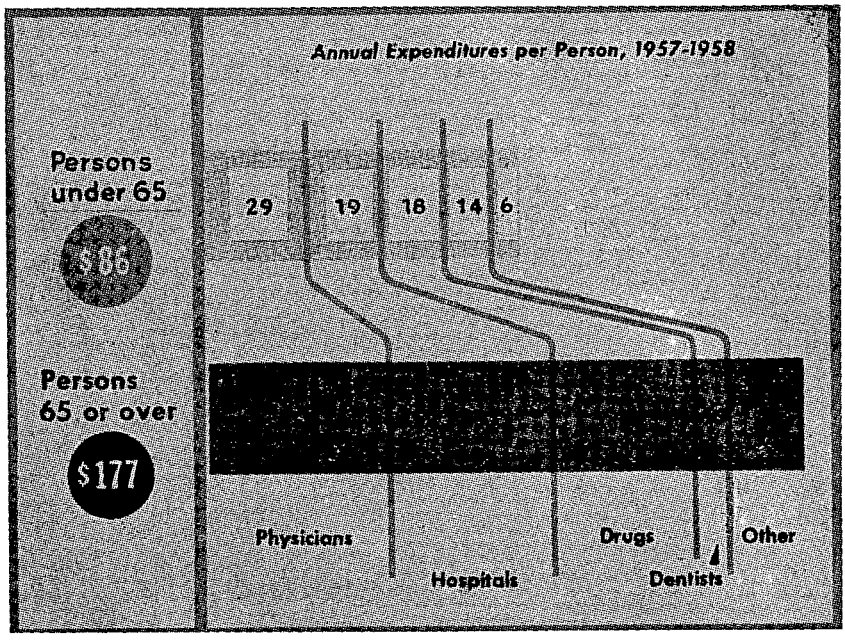


Chart 8

Because many older persons live on fixed incomes, rising prices are a severe problem. An especial burden for persons 65 or older, stemming from their greater than average need for medical care, results from the considerable rise in the cost of such services in recent years.

Fees and charges for medical care have increased by 47 percent since 1950. The combined cost for all items represented in the Consumer Price Index has increased 23 percent. The greatest increase in medical care costs has been in hospital rates, which have almost doubled. (However, the services received are much different and more comprehensive than 10 years ago.) Doctors' fees have risen by 39 percent, the cost of drugs and medicines about half that much.

OLDER PERSONS SPEND OVER TWICE AS MUCH FOR MEDICAL CARE AS THE YOUNGER POPULATION



Source: Health Information Foundation.

CHART 9

Persons aged 65 and over spent over twice as much per capita for medical care in 1957–58 as persons under 65. They spent roughly 2½ times as much per person for hospital care and drugs. Only for dental care were expenditures lower.

These figures refer only to private expenditures of the noninstitutional population. They do not include heavy costs for terminal illness among persons living alone, the cost of care in nursing homes, mental hospitals, and other institutions—much of which is publicly financed—nor the value of care provided at no charge to the individual.

Hospital Stays Increase Total Medical Bills of Older People

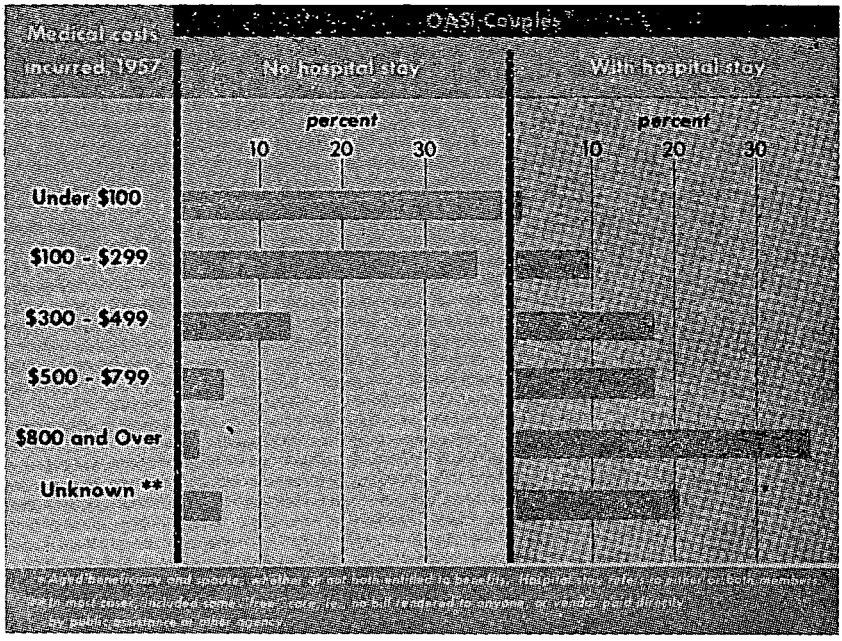


CHART 10

Needs of the aged for food and clothing are less than for younger persons, but medical expenses can run high. Ten percent of aged OASI beneficiary couples had incurred $800 or more in medical bills in 1957. Eight percent did not know their total costs, usually because some care had been supplied by a doctor or hospital at no charge to anyone, or been paid for directly by a public assistance or other agency: about half this group had been hospitalized sometime during the year.

One in every five couples had a hospital stay. A hospital stay usually means total medical bills for the year are high. Median costs for the couples with either member hospitalized, excluding those reporting free service or other unknown costs, were about $700 compared with $150 for those with no hospital stay. These figures are higher today, in 1961, than they were in 1957.

C. THE LIMITED FINANCIAL BASIS FOR MEETING RISING HEALTH COSTS

MOST PERSONS 65 AND OVER HAVE SOME REGULAR INCOME

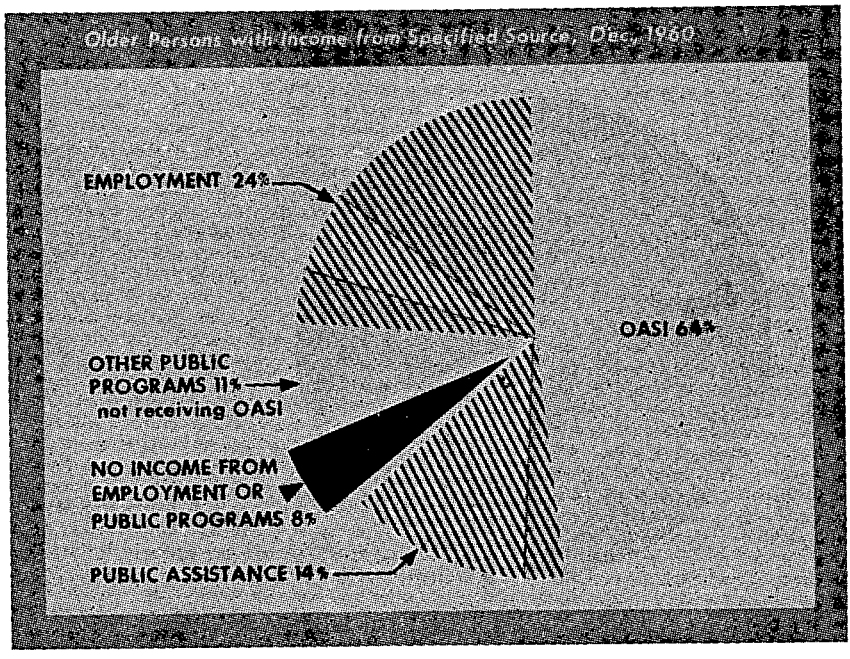


CHART 11

Thanks to social insurance and related programs, most older persons today have some regular income although relatively few work. The fact that aged women can collect wives' or widows' benefits means that some, heretofore dependent wholly on others, at age 65 can count on some money of their own. Actually, the proportion of women with income, according to the Census Bureau, is higher at age 65 than at younger ages.

By far the broadest program for persons 65 and over is OASI, now paying benefits to more than 3 out of 5. The 1.6 million aged dependent primarily on public aid, and the others with no protection under social insurance and related programs are concentrated at the upper ages.

Considering OASI and other public retirement programs as well as public assistance and veterans' programs, it is estimated that 1 in 12 aged persons has no income from employment or public program.

MANY OASI BENEFICIARIES HAVE LITTLE CASH OTHER THAN THEIR BENEFITS

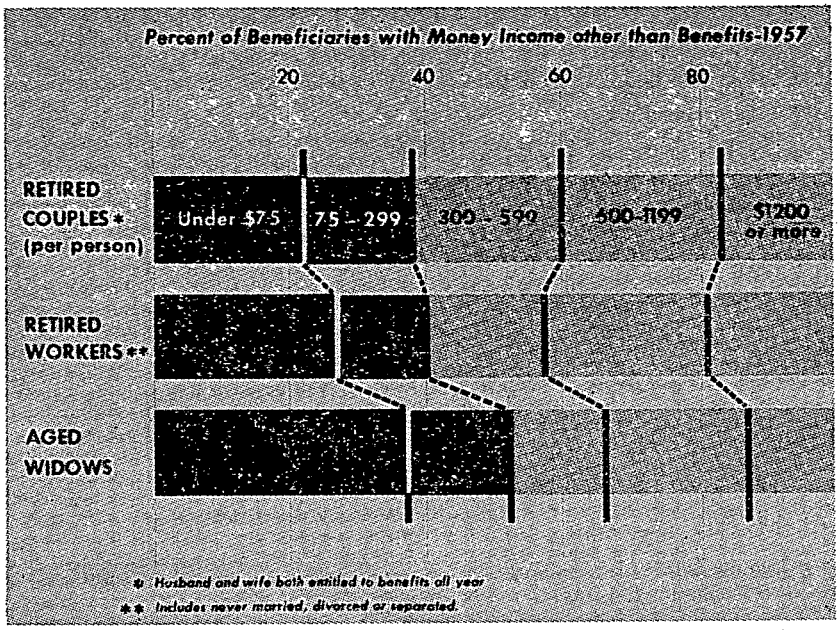


CHART 12

OASI benefits are intended as a minimum protection to be supplemented by savings, or by other resources as necessary, private, or public. A number of beneficiaries, however, have little or no income except OASI benefits. The number would be larger were it not for OAA assistance—usually to those with lowest benefits. For example, 10 percent of aged widow beneficiaries at the end of 1957 and about 5 percent of retired couples had no income but their OASI benefit check and OAA payment. Taking into account all sources of cash income, 1 in 5 retired couples and nearly 2 in 5 aged widows had either no income in addition to OASI benefits, or less than $75 a person for the year. At the other end of the scale, 1 in 6 couples and 1 in 8 widows had $1,200 or more a person besides their benefits.

THE LOWER HIS BENEFIT, THE FEWER ADDITIONAL RESOURCES THE OASI BENEFICIARY HAS

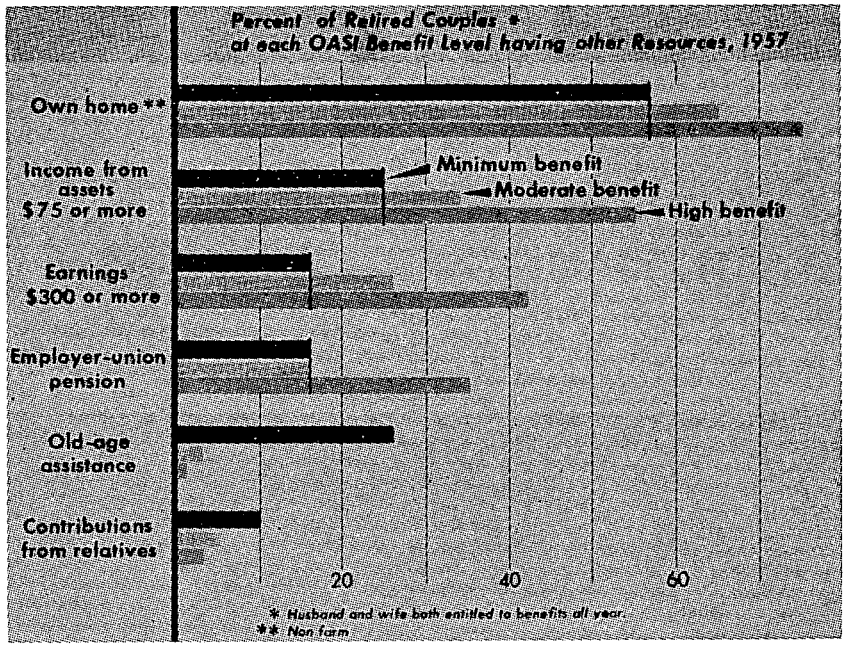


CHART 13

The social security retirement payments are based on prior earnings. Those who earned more while working not only draw larger retirement benefits—they more often have private pensions, too, and owned homes and other savings. Even in retirement their earning power is greater.

In 1957, a survey found one-fourth of the retired couples at the OASI minimum receiving supplementary public assistance, compared with 1 percent of those near the maximum. Likewise, financial help from relatives outside the home was three times as common among couples receiving minimum benefits as those near the maximum. About one-fourth of the widows surveyed, one-fifth of other nonmarried beneficiaries, and one-tenth of those married were at the OASI minimum. Minimum benefits for a couple today (both 65 or more) are $49.50 a month, less than the price of an adequate low-cost diet. Maximum benefits, $174 today, are about 3¼ times the cost of such a diet. They would not generally provide comfortable living without additional resources.

THREE IN TEN AGED MEN HAVE INCOME UNDER $1,000—DOUBLE THE PROPORTION FOR MEN 55–64

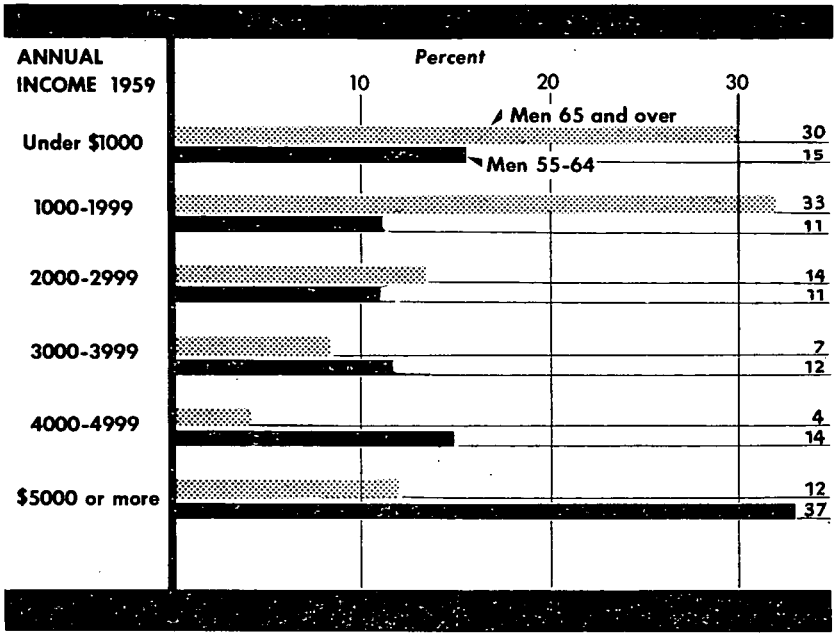


CHART 14

Many persons 65 or older live on low incomes: opinions differ on how best to determine the number. Counted as individuals, 55 percent had under $1,000 in 1958, and 78 percent under $2,000—including married women dependent on their husbands. Statistics for men—shown here—do not indicate the number of dependents. Also not shown are married women with no income or with very low incomes of their own. However, only one-third of the women 65 or over live with a spouse. Two-thirds of the men live with a spouse.

Families with head 65 and over, averaging 2.6 persons, had a median income of $2,830, including that contributed by any younger family members. Half of the more than 3½ million aged living alone or with nonrelatives had under $1,010. Others, living in institutions or with young relatives, also are generally not well off.

EQUITY IN A HOME IS MOST COMMON SIZABLE ASSET OF OASI BENEFICIARIES

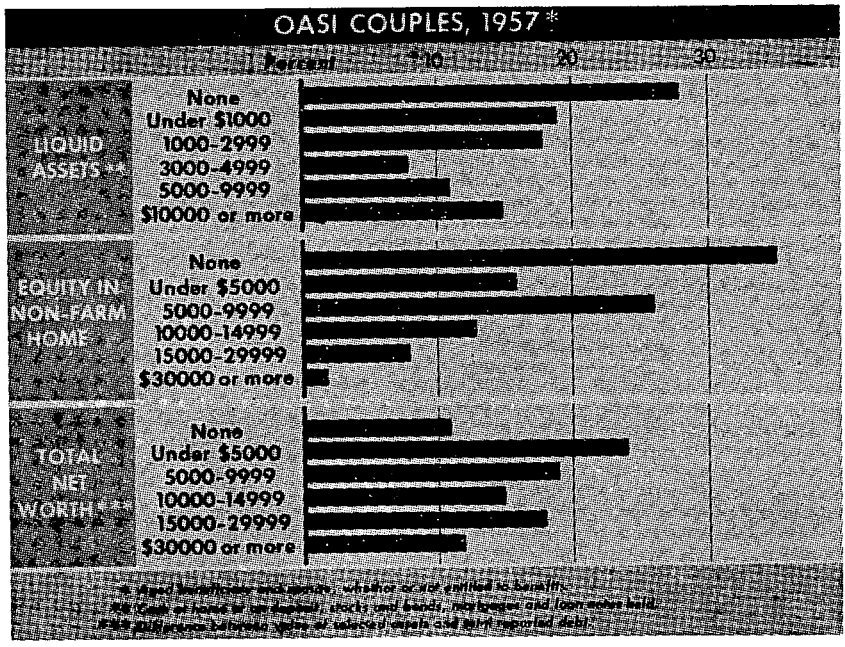


CHART 15

Older persons often have savings of some kind. Usually the bulk of these savings are invested in their home, farm, or business, not readily convertible into cash.

For half the OASI married beneficiaries in 1957, total assets exceeded liabilities by about $8,800. Although some 11 percent had no net worth, about the same proportion had net assets of $30,000 or more. Equity in a home accounted for the major portion of the net worth: averaged over all couples, median home equity was about $5,000; for the 2 in 3 who actually owned their homes, it was $8,100. Among all couples the median liquid assets amounted to $1,300, and for the 3 out of 4 who had these assets it amounted to only $2,800.

Aside from their face value, assets can be income producing and thus themselves raise income. Among aged OASI beneficiary couples with total income under $1,200, surveyed in 1957, only one-fifth had a sufficient amount of assets to yield as much as $25 income for the year. But three-fourths of the couples with income of $3,000 or more derived at least $25 in assets income. Among nonmarried beneficiaries the differences are even more striking.

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