

## STATISTICAL BRIEF #441

June 2014

### **Out-of-Pocket Health Care Expenses by Age and Insurance Coverage, 2011**

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#### **Introduction**

In 2011, about one of every seven dollars spent on health care for the U.S. civilian noninstitutionalized population (excluding health insurance premiums) was paid out of pocket by individuals and families. Annual levels of out-of-pocket expenses for individuals are affected by several factors, including whether the person is insured, the generosity of insurance for those with coverage, and frequency of health care use. Variations in out-of-pocket expenses across different segments of the population are important to understand because of their financial burden implications and potential impact on access to and use of health care.

This Statistical Brief uses data from the Medical Expenditure Panel Survey Household Component (MEPS-HC) for 2011 to examine levels of out-of-pocket payments for the U.S. civilian noninstitutionalized population with expenses for health care. Estimates are shown according to age and insurance coverage since levels of out-of-pocket expenses vary substantially according to these characteristics. All differences between estimates discussed in the text are statistically significant at the .05 level or better.

#### **Findings**

##### *Variations by age*

In 2011, an average of \$703 was paid out of pocket for health care among people with some health care expenses<sup>1</sup> (figure 1). This average ranged from \$283 for children under age 18 to \$1,215 for the elderly age 65 and older. The overall average (\$703) was substantially larger than the overall median (\$237) because a small proportion of people had extremely large out-of-pocket expenses. Median out-of-pocket expenses were also substantially lower than averages across all age groups.

In 2011, 12.1 percent of people paid nothing out of pocket toward their health care expenses (figure 2). However, this proportion decreased with age, ranging from 32.5 percent for children under 18 to 2.5 percent for people age 65 and older. Conversely, the percentage of people with high levels of out-of-pocket expenses increased with age. Overall, 19.1 percent of people had out-of-pocket expenses greater than \$1,000, and 8.2 percent had expenses greater than \$2,000, but the percentage with greater than \$1,000 in out-of-pocket expenses ranged from 6.0 percent for children under age 18 to 34.1 percent for the elderly age 65 and older. Further, 14.4 percent of people age 65 and older had expenses greater than \$2,000 versus only 8.5 percent for younger adults and 3.1 percent for children under 18.

Among people with health care expenses in 2011, an average of 28.2 percent was paid out of pocket, while the median was about 10 percentage points lower (figure 3). Both the average and median percentages paid out of pocket were lowest for children and highest for adults ages 18–64.

<sup>1</sup>Overall, about 85 percent of the population had some health care expenses in 2011. However, this percentage varied by age (86.4 percent for children under 18, 81.2 percent for people ages 18–64, and 96.4 percent for people age 65 and older).

#### **Highlights**

- In 2011, an average of \$703 was paid out of pocket for health care among people with some health care expenses. However, the median out-of-pocket amount was notably lower (\$237).
- Nearly one-fifth of people with some health care expenses had out-of-pocket expenses greater than \$1,000 while 8.2 percent had out-of-pocket expenses greater than \$2,000.
- Average out-of-pocket expenses increased with age, ranging from \$283 for children under 18 to \$1,215 for people age 65 and older.
- On average, the uninsured paid nearly two-thirds of their health care expenses out of pocket while people under age 65 covered by public insurance and people age 65 and older covered by Medicare and other public insurance paid a substantially lower percentage (only 9–11 percent).

### *Variations by insurance coverage*

Average annual out-of-pocket expenses varied by type of insurance coverage among those with some health care expenses<sup>2</sup> (figure 4). For example, the average of \$253 for people under age 65 with public insurance (i.e., primarily Medicaid) was notably smaller than for those under 65 who had private coverage (\$682) or were uninsured (\$725). Among people age 65 and older, average out-of-pocket expenses for those with Medicare and supplemental public coverage (\$605) were markedly lower than for those with Medicare only (\$1,177) or Medicare and supplemental private coverage (\$1,362).

Nearly half (46.2 percent) of people under 65 with public insurance coverage made no out-of-pocket payments for their health care versus only 6.5 percent of their privately insured and 6.4 percent of their uninsured counterparts (figure 5). Those age 65 and older with supplemental public coverage to Medicare were also more likely than their elderly counterparts to have no out-of-pocket expenses.

Uninsured people under age 65 had by far the highest proportion of their health expenses paid out of pocket (figure 6), with an average of nearly two-thirds of their health care expenses paid out of pocket<sup>3</sup>. In contrast, the average proportions paid out of pocket for people under age 65 with public coverage and for the elderly with Medicare and other public coverage were only 9.1 percent and 10.8 percent, respectively.

## **Data Source**

The estimates in this Statistical Brief are based upon data from the MEPS HC-147: 2011 Full Year Consolidated Data File.

## **Definitions**

### *Out-of-pocket expenses*

MEPS total expenses include payments from all sources (including insurance and other miscellaneous third-party sources) to hospitals, physicians, other health care providers (including dental care), and pharmacies for services reported by respondents in the MEPS-HC. Out-of-pocket expenses comprise the portion of total payments made by individuals and families for services received during the year. For this Brief they do not include out-of-pocket payments made for health insurance premiums.

### *Health insurance status*

Individuals under age 65 were classified in the following three insurance categories based on household responses to health insurance status questions:

- *Any private health insurance*: Individuals who, at any time during the year, had insurance that provides coverage for hospital and physician care (other than Medicare, Medicaid, or other public hospital/physician coverage) were classified as having private insurance. Coverage by TRICARE (Armed Forces-related coverage) was also included as private health insurance. Insurance that provides coverage for a single service only, such as dental or vision coverage, was not included.
- *Public coverage only*: Individuals were considered to have public coverage only if they met both of the following criteria: 1) they were not covered by private insurance at any time during the year, 2) they were covered by any of the following public programs at any point during the year: Medicare, Medicaid, or other public hospital/physician coverage.
- *Uninsured*: The uninsured were defined as people not covered by private hospital/physician insurance, Medicare, TRICARE, Medicaid, or other public hospital/physician programs at any time during the entire year or period of eligibility for the survey.

Individuals age 65 and older were classified into the following three insurance categories based on household responses to health insurance status questions:

- *Medicare and private insurance*: This category includes people classified as Medicare beneficiaries and covered by Medicare and a supplementary private policy.
- *Medicare and other public insurance*: This category includes people classified as Medicare beneficiaries who met both of the following criteria: 1) They were not covered by private insurance at any point during the year, 2) They were covered by one of the following public programs at any point during the year: Medicaid, other public hospital/physician coverage.
- *Medicare only*: This category includes people classified as Medicare beneficiaries but not classified as Medicare and private insurance or as Medicare and other public insurance. This group includes people who were enrolled in Medicare HMOs and people who had Medicare fee-for-service coverage only.

<sup>2</sup> Among people under age 65, the percentage with some expenses was substantially lower for the uninsured (55.4 percent) than for those with public (84.1 percent) or private (88.1 percent) insurance coverage. Among people age 65 and older, 95–98 percent had health expenses across all insurance coverage categories.

<sup>3</sup> The remaining portion of expenses for uninsured persons were likely paid by miscellaneous sources that are not classified as health insurance coverage in MEPS, such as the Indian Health Service, Veterans Administration, community and neighborhood clinics, State and local health departments, Workers' Compensation, as well as automobile, homeowner's, and liability insurance.

## About MEPS-HC

MEPS-HC is a nationally representative longitudinal survey that collects detailed information on health care utilization and expenditures, health insurance, and health status, as well as a wide variety of social, demographic, and economic characteristics for the U.S. civilian noninstitutionalized population. It is cosponsored by the Agency for Healthcare Research and Quality and the National Center for Health Statistics.

For more information about MEPS, call the MEPS information coordinator at AHRQ (301 427-1406) or visit the MEPS Web site at <http://www.meps.ahrq.gov/>.

## References

For a detailed description of the MEPS-HC survey design, sample design, and methods used to minimize sources of nonsampling error, see the following publications:

Cohen, J. *Design and Methods of the Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 1. AHCPR Pub. No. 97-0026. Rockville, MD. Agency for Healthcare Policy and Research, 1997. [http://www.meps.ahrq.gov/mepsweb/data\\_files/publications/mr1/mr1.pdf](http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr1/mr1.pdf)

Cohen, S. *Sample Design of the 1996 Medical Expenditure Panel Survey Household Component*. MEPS Methodology Report No. 2. AHCPR Pub. No. 97-0027. Rockville, MD. Agency for Health Care Policy and Research, 1997. [http://www.meps.ahrq.gov/mepsweb/data\\_files/publications/mr2/mr2.pdf](http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr2/mr2.pdf)

Cohen, S. Design Strategies and Innovations in the Medical Expenditure Panel Survey. *Medical Care*, July 2003: 41(7) Supplement: III-5-III-12.

Ezzati-Rice, T.M., Rohde, F., Greenblatt, J. *Sample Design of the Medical Expenditure Panel Survey Household Component, 1998-2007*. Methodology Report No. 22. March 2008. Agency for Healthcare Research and Quality, Rockville, MD. [http://www.meps.ahrq.gov/mepsweb/data\\_files/publications/mr22/mr22.pdf](http://www.meps.ahrq.gov/mepsweb/data_files/publications/mr22/mr22.pdf)

Sing, M., Banthin, J., Selden, T., et al. Reconciling Medical Expenditure Estimates from the MEPS and NHEA, 2002. *Health Care Financing Review* 28(1):25-40, Fall 2006. <https://www.cms.gov/HealthCareFinancingReview/downloads/06Fallpg25.pdf>

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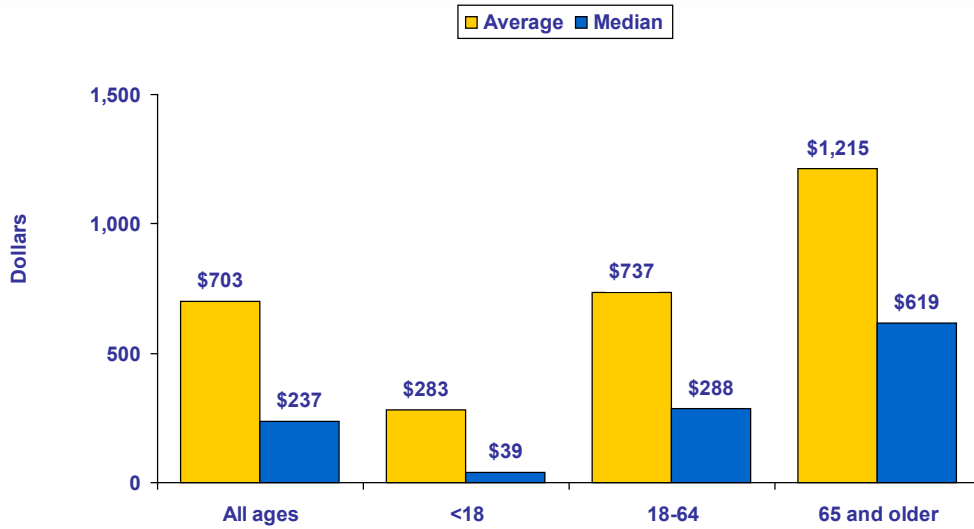
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AHRQ welcomes questions and comments from readers of this publication who are interested in obtaining more information about access, cost, use, financing, and quality of health care in the United States. We also invite you to tell us how you are using this Statistical Brief and other MEPS data and tools and to share suggestions on how MEPS products might be enhanced to further meet your needs. Please email us at [MEPSProjectDirector@ahrq.hhs.gov](mailto:MEPSProjectDirector@ahrq.hhs.gov) or send a letter to the address below:

Steven B. Cohen, PhD, Director  
Center for Financing, Access, and Cost Trends  
Agency for Healthcare Research and Quality  
540 Gaither Road  
Rockville, MD 20850



**Figure 1. Average and median out-of-pocket payments for people with health care expenses\*, by age, 2011**

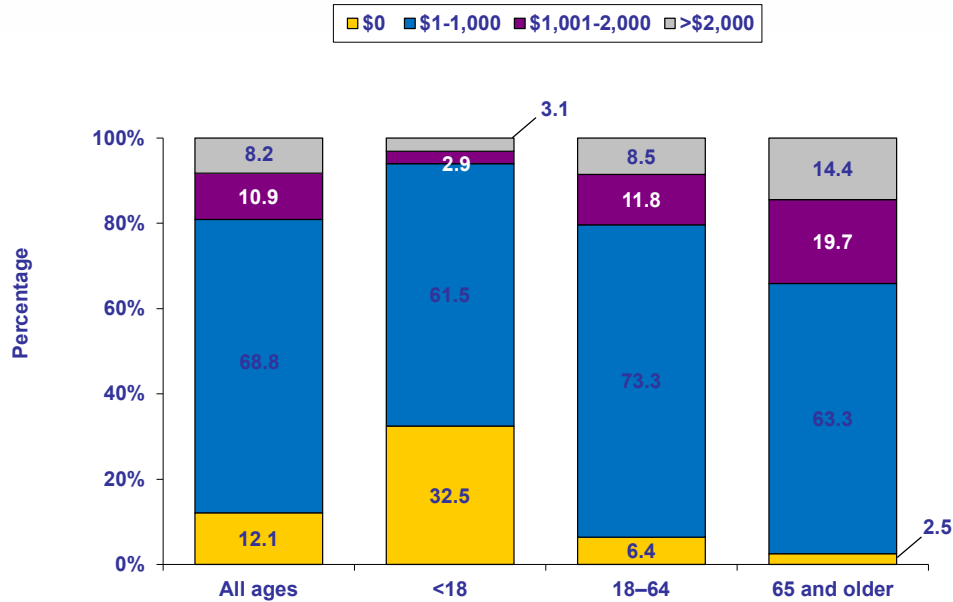


\*About 85 percent of people had some health expenses in 2011. This percentage varied by age (86.4 percent for under 18, 81.2 percent for 18-64 and 96.4 percent for 65 and older).

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



**Figure 2. Distribution of out-of-pocket payment amounts for people with health care expenses\*, by age, 2011**

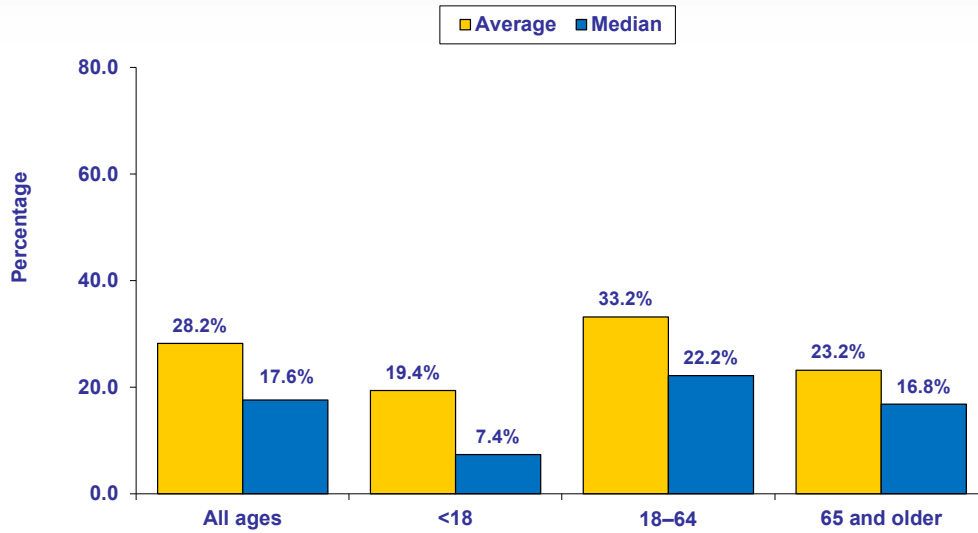


\*About 85 percent of people had some health expenses in 2011. This percentage varied by age (86.4 percent for under 18, 81.2 percent for 18-64 and 96.4 percent for 65 and older).

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



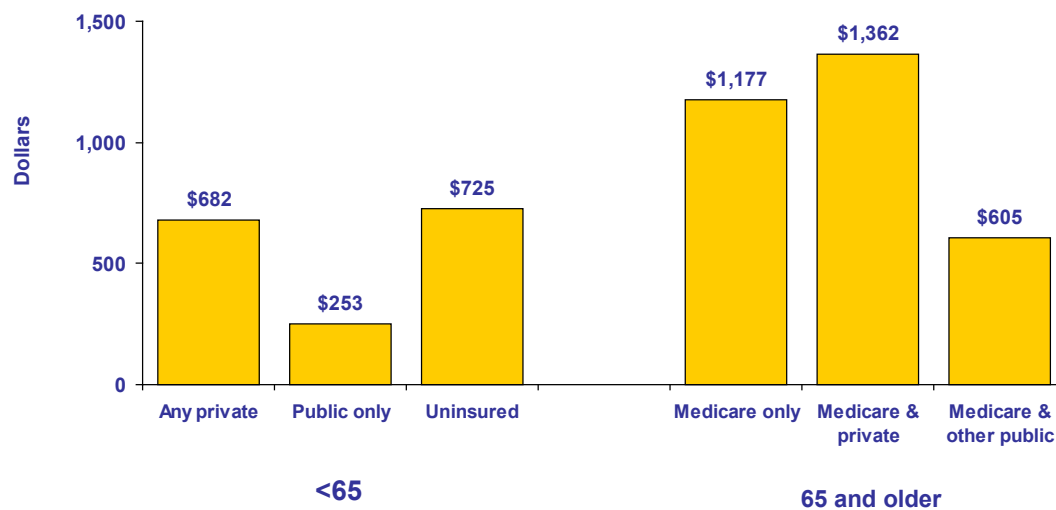
**Figure 3. Average and median percentage of health care expenses paid out of pocket, by age, 2011**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



**Figure 4. Average out-of-pocket payments for people with health care expenses\*, by insurance coverage, 2011**

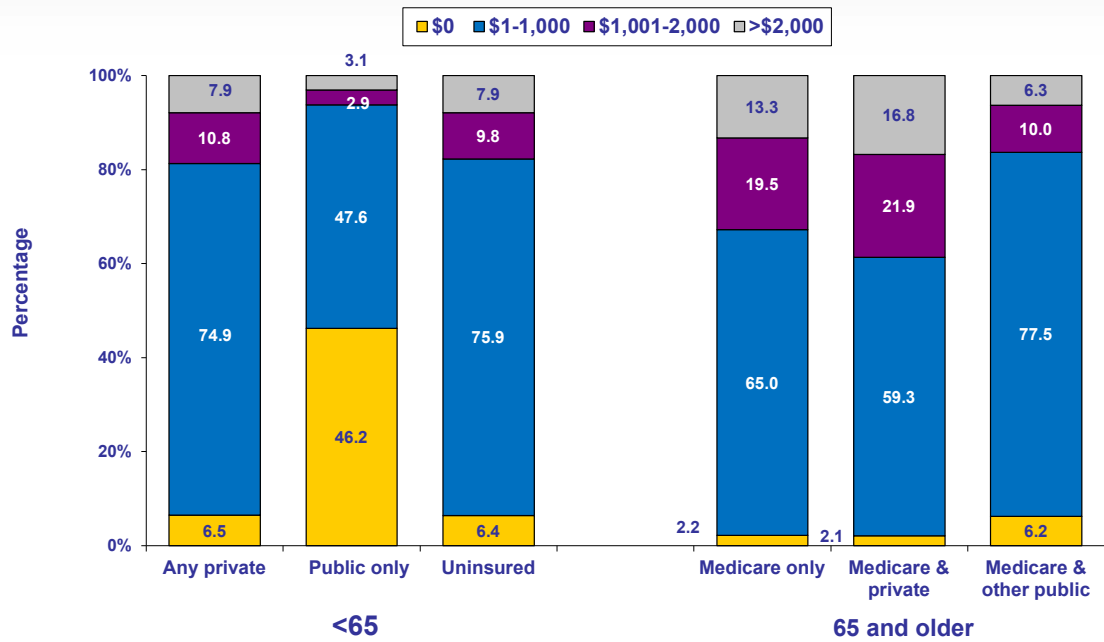


\*Among people under 65, the percentage with expenses was substantially lower for the uninsured (55.4 percent) than for those with public (84.1 percent) or private (88.1 percent) insurance. Among people age 65 and older, 95-98 percent had health expenses across all insurance coverage categories.

Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



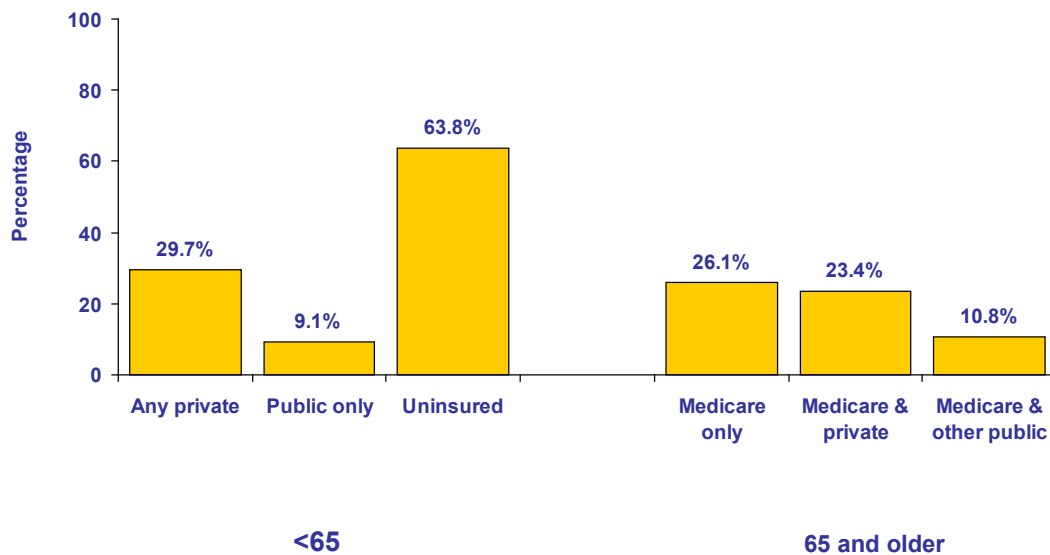
**Figure 5. Distribution of out-of-pocket payment amounts for people with health care expenses\*, by insurance coverage, 2011**



\*Among people under 65, the percentage with expenses was substantially lower for the uninsured (55.4 percent) than for those with public (84.1 percent) or private (88.1 percent) insurance. Among people age 65 and older, 95–98 percent had health expenses across all insurance coverage categories.  
Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011



**Figure 6. Average percentage of health care expenses paid out of pocket, by insurance coverage, 2011**



Source: Center for Financing, Access, and Cost Trends, AHRQ, Household Component of the Medical Expenditure Panel Survey, 2011