

FACT SHEET

The discourse on major drivers of high medical spending for American seniors often focuses on the role of chronic conditions, but overlooks a more significant factor: functional impairment (FI). Seniors with FI require assistance with the activities of daily living (eating, bathing, toileting, etc.), and often spend large sums out-of-pocket for in-home care services or specialized housing.

Less well known is the fact that seniors with FI also have much higher medical costs, as can be seen in data on Medicare spending. This has important implications for any organization providing services to or taking risk for this population.

Anne Tumlinson Innovations (ATI) advises business and policy leaders on health and aging service financing and delivery for frail older adults and their families. ATI consultants help businesses adapt to a rapidly changing regulatory and payment landscape and seize opportunities to meet the needs of a growing older adult population.

For more information about the research behind this fact sheet and how to work with ATI, please contact anne@annetumlinson.com.



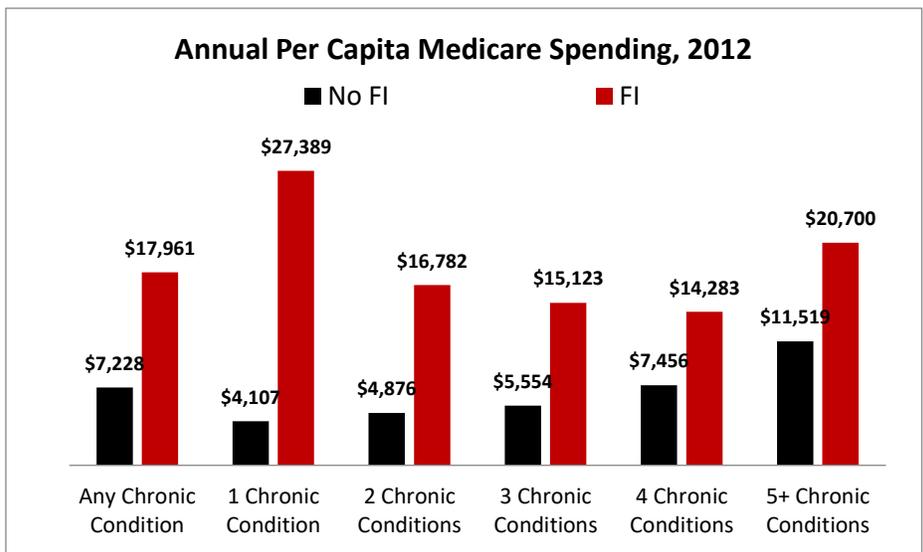
ANNE TUMLINSON
INNOVATIONS

Functional Impairment a Key Factor in High Medical Spending

Medicare beneficiaries with chronic conditions have higher per capita spending (\$8,837) than those without chronic conditions (\$3,725).¹

Among Medicare beneficiaries with chronic conditions, one in six (7 million) receive help with daily activities such as bathing, eating, and meal preparation due to functional and/or cognitive impairment.²

ATI research shows that older adults with chronic conditions and functional impairment (FI) have much greater medical spending than those with chronic conditions alone. In 2012, Medicare spent approximately \$17,961 per capita on older adults with both chronic conditions and FI compared to about \$7,228 on those with chronic conditions but no FI.¹



Implications for Business and Policy Leaders

Health plans and other risk-bearing organizations should recognize that functional and cognitive impairment affects medical spending among their highest-cost members, and should meet members' non-medical needs as part of their core strategy for managing overall benefit costs.

Policymakers should encourage these organizations to more effectively serve Medicare beneficiaries with functional or cognitive impairment by giving them more flexibility to meet individuals' non-medical needs and using quality measures to hold risk-bearing organizations accountable for outcomes.

Sources

¹ ATI analysis of the Medicare Current Beneficiary Survey 2012 Cost and Use File.

² K Thorpe and D Howard (2006) "The Rise in Spending Among Medicare Beneficiaries," *Health Affairs*, 25(5).