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Income and Assets of Medicare Beneficiaries, 2013 – 2030

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INTRODUCTION

Many Medicare beneficiaries, including seniors and younger adults with disabilities, live on fixed incomes supplemented by the savings they accumulated during their working years. Their income and accumulation of savings is tied to many life experiences, including their education, health status, marital status, number of work years, household income, periods of unemployment, investments, years of homeownership, access to employer retirement benefits, inheritance, other financial supports, and various economic factors. As a result, the income and assets of Medicare beneficiaries vary greatly.[1]
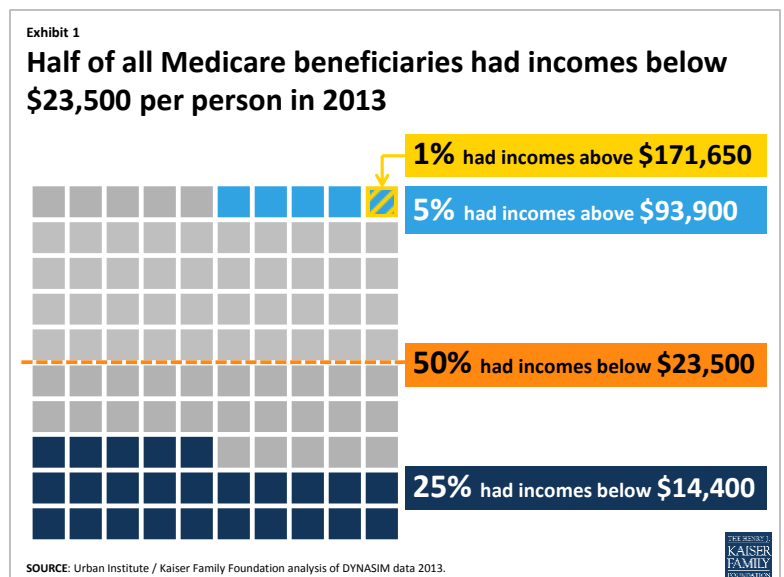
This data brief updates previous work that describes the income and assets of Medicare beneficiaries now, and in the future (2030).[2] It incorporates updated projections about the current and future U.S. economy, and the effects of the economic downturn and recovery on current and future beneficiaries' income, savings, and home equity. This brief provides context for understanding the extent to which the current and future generations of beneficiaries can afford to absorb higher health care costs.

INCOME OF MEDICARE BENEFICIARIES

In this analysis, the income of the Medicare population takes into account Social Security, pensions, earnings, and other income sources, including income from assets, rental income, and retirement account (IRA) withdrawals. Income is presented on a per person basis; for married people, income is divided equally between spouses to calculate per capita income. Projected growth in income is adjusted for inflation and all dollar amounts are in 2013 per capita dollars.

IN 2013

Half of all Medicare beneficiaries had incomes below $23,500 in 2013, but incomes varied substantially among beneficiaries (**Exhibit 1**). One-quarter of beneficiaries had incomes below $14,400, while at the other end of the distribution, five percent had incomes exceeding $93,900, including one percent who had incomes exceeding $171,650 in 2013.

Exhibit 1

Half of all Medicare beneficiaries had incomes below $23,500 per person in 2013

1% had incomes above **$171,650**

5% had incomes above **$93,900**

50% had incomes below **$23,500**

25% had incomes below **$14,400**

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2013.

Incomes among beneficiaries varied across demographic characteristics (**Exhibit 2**). Median per capita income was substantially higher for white beneficiaries ($26,400) than for black beneficiaries ($16,350) or Hispanic beneficiaries ($13,300). Across all ages, median per capita income was lower for beneficiaries under the age of 65 with permanent disabilities ($17,200); for seniors, median income declines with age. Among beneficiaries ages 85 and older, more than half lived on an income of less than $18,000 in 2013. Married individuals had higher median per capita incomes ($27,400 per

Exhibit 2

Median per capita income among Medicare beneficiaries varies by beneficiary characteristics in 2013

NOTE: Total household income for couples is split equally between husbands and wives to estimate income for married beneficiaries.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.

beneficiary) than divorced, widowed or single beneficiaries ($20,250, $21,050, and $14,150, respectively) in 2013. As might be expected, median income varied by years of education, and almost three times higher among beneficiaries with college degrees ($41,300) than among beneficiaries with less than a high school education ($13,900) in 2013 (**Table 1**).

In 2030

Per capita income among the Medicare population will be moderately higher in 2030 than it is today, after adjusting for inflation; however, much of the growth is projected to be in the upper incomes (**Exhibit 3**). Incomes are projected to be 19 percent higher for beneficiaries in the top five percent of the income distribution in 2030 compared to the current generation, an increase of about $18,000 between 2013 and 2030, after adjusting for inflation. In contrast, per capita income for beneficiaries in the bottom quartile of the income distribution are projected to be 14 percent higher in 2030, an increase of about $2,000, after

Exhibit 3

Growth in per capita income is projected to be concentrated among beneficiaries with higher incomes

Per Capita Total Income (in 2013 dollars)

NOTE: All incomes are adjusted to 2013 dollars.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.

adjusting for inflation. In 2030, twenty-five percent of beneficiaries are projected to have incomes below $16,400 and about half will have incomes below $28,250. Ten percent of beneficiaries are projected to have incomes above $84,100 and five percent are projected to have incomes above $111,900 in 2030, after adjusting for inflation.
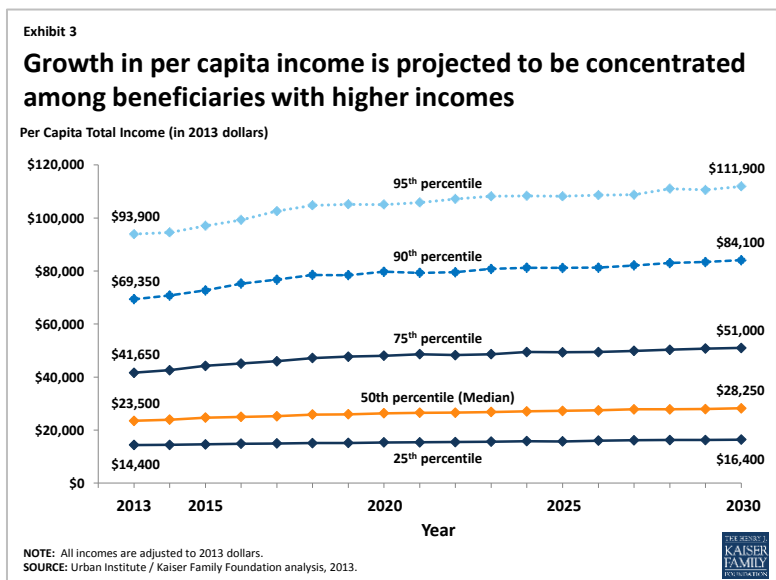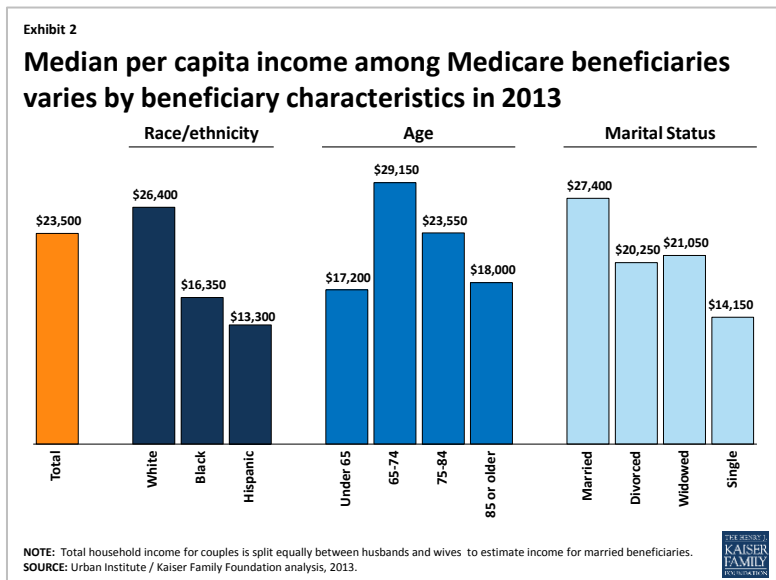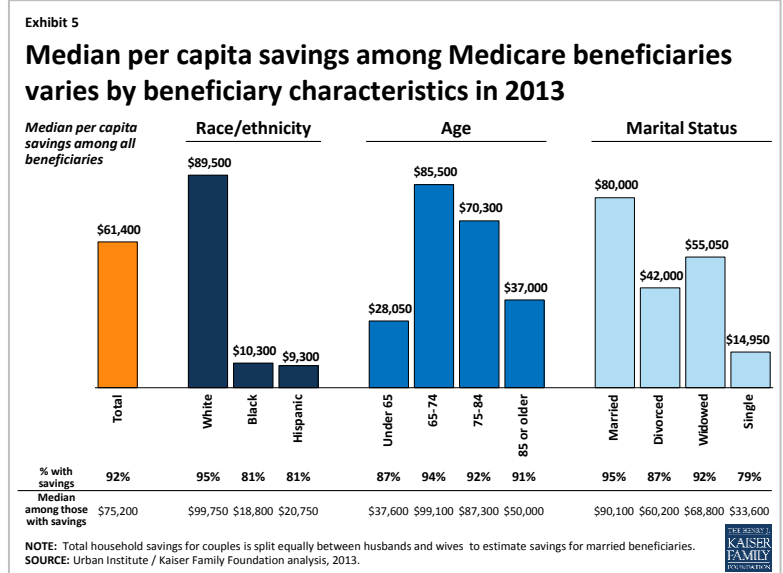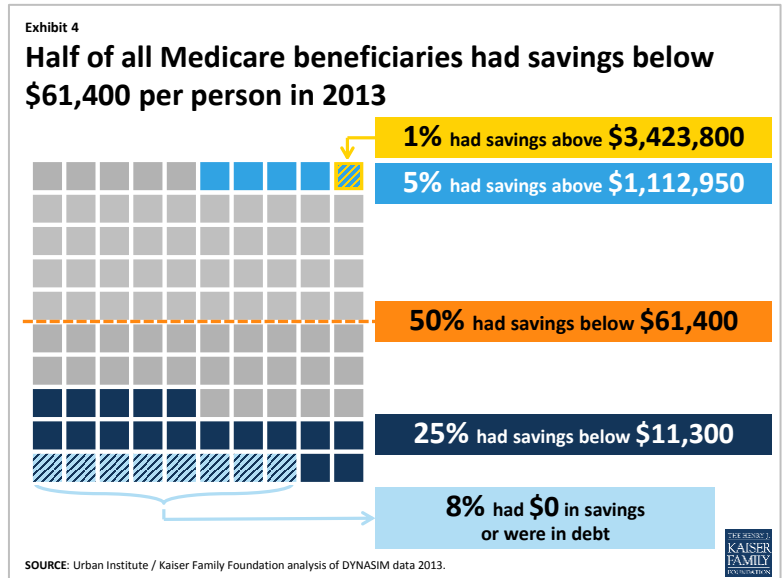
SAVINGS OF MEDICARE BENEFICIARIES

In this analysis, the total savings of the Medicare population includes retirement account holdings (such as IRAs or 401Ks) and other financial assets, including savings accounts, bonds and stocks. Savings are presented on a per person basis; for married people, savings are divided equally between spouses to calculate per capita savings. Projected growth in savings is adjusted for inflation and all dollar amounts are in 2013 per capita dollars.

IN 2013

In 2013, nearly all beneficiaries (92%) had some savings, but eight percent had no savings or were in debt (i.e., negative savings), with median debt of $800. Half of all beneficiaries had savings below $61,400, with substantial variation in savings across beneficiaries (**Exhibit 4**). One-quarter of beneficiaries had savings below $11,300, including beneficiaries who had no savings or were in debt. At the other end of the distribution, five percent had more than $1.1 million in savings, including one percent who had more than $3.4 million in savings in 2013.

Like income, savings among beneficiaries varied greatly across demographic characteristics (**Exhibit 5**). While nearly all beneficiaries (92%) had some savings, rates of savings were lower among some groups, particularly black beneficiaries (81%), Hispanic beneficiaries (81%), beneficiaries under the age of 65 with disabilities (87%), and beneficiaries who were divorced or single (87% and 79%, respectively). Median per capita savings among white beneficiaries ($89,500) was more than eight times higher than median per capita savings among black beneficiaries ($10,300) or Hispanic beneficiaries ($9,300). Median per capita savings among beneficiaries under the age of 65

Exhibit 4

Half of all Medicare beneficiaries had savings below $61,400 per person in 2013

1% had savings above **$3,423,800**

5% had savings above **$1,112,950**

50% had savings below **$61,400**

25% had savings below **$11,300**

8% had **$0** in savings or were in debt

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2013.

Exhibit 5

Median per capita savings among Medicare beneficiaries varies by beneficiary characteristics in 2013

Median per capita savings among all beneficiaries

	Race/ethnicity			Age				Marital Status			
Total	White	Black	Hispanic	Under 65	65-74	75-84	85 or older	Married	Divorced	Widowed	Single
$61,400	$89,500	$10,300	$9,300	$28,050	$85,500	$70,300	$37,000	$80,000	$42,000	$55,050	$14,950

% with savings	92%	95%	81%	81%	87%	94%	92%	91%	95%	87%	92%	79%
Median among those with savings	$75,200	$99,750	$18,800	$20,750	$37,600	$99,100	$87,300	$50,000	$90,100	$60,200	$68,800	$33,600

NOTE: Total household savings for couples is split equally between husbands and wives to estimate savings for married beneficiaries.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.

and disabled ($28,050) was lower than for seniors of any age group; among seniors, those ages 85 and older had relatively low savings, with more than half having less than $37,000 in savings in 2013. Median savings also differed by marital status and was higher among married beneficiaries ($80,000) than among divorced, widowed, or single beneficiaries ($42,000, $55,050, and $14,950, respectively). Median per capita savings was higher among beneficiaries with more years of education; the median savings of college-educated beneficiaries ($216,200) was more than 20-times higher than the median savings among beneficiaries with less than a high-school education ($10,150; **Table 1**).

In 2030

Median savings among the Medicare population in 2030 is projected to be somewhat higher than among the current generation of beneficiaries, after adjusting for inflation, with much of the growth in savings expected to be realized among a minority of beneficiaries (**Exhibit 6**). Among beneficiaries in the top five percent of the savings distribution, savings are projected to be almost $358,000 higher for the next generation of beneficiaries, compared to the current generation of beneficiaries, after adjusting for inflation. In contrast, among beneficiaries in the middle of the savings distribution, savings are projected to be almost $40,000 higher in 2030 than in 2013,

Exhibit 6

Growth in per capita savings is projected to be concentrated among beneficiaries with more savings

Per Capita Total Savings, among all beneficiaries (in 2013 dollars)

NOTE: All savings are adjusted to 2013 dollars.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.

after adjusting for inflation. This points to a widening gap in savings between beneficiaries in the top five percent and middle of the distribution. In 2030, twenty-five percent of beneficiaries are projected to have savings below $24,750, including 6 percent of beneficiaries who are projected to have no savings or be in debt, and about half are projected to have savings below $101,150 in 2030. At the other end of the spectrum, ten percent of beneficiaries are projected to have savings above $896,550 and more than five percent are projected to have savings above $1.4 million in 2030, after adjusting for inflation.
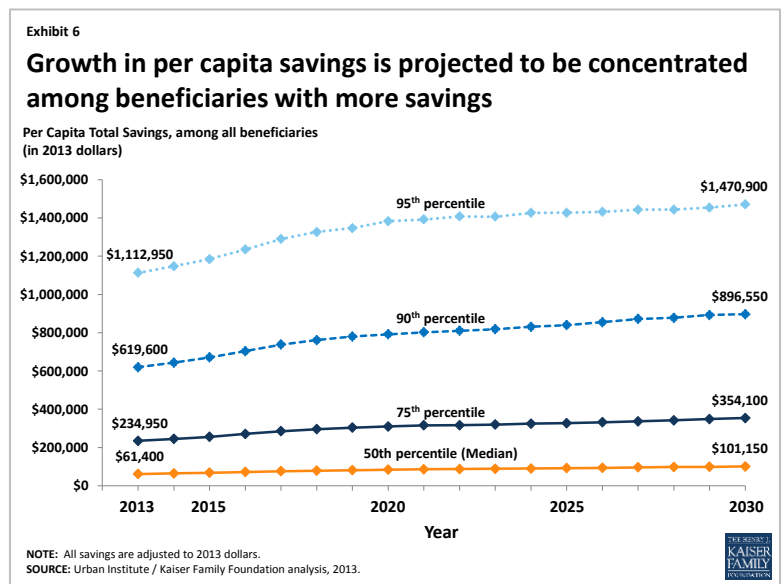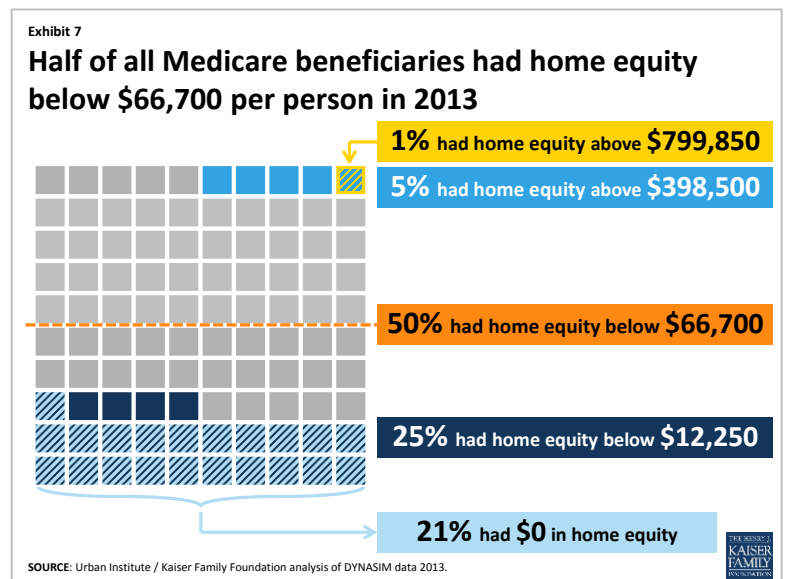
HOME EQUITY OF MEDICARE BENEFICIARIES

As with income and savings, in this analysis, home equity values are divided equally between spouses to calculate per capita home equity. Projected growth in home equity values is adjusted for inflation and all dollar amounts are in 2013 per capita dollars. The home equity values shown account for any decrease in home equity values that occurred as a result of the mortgage crisis; it has been estimated that more than 1.5 million Americans over age 50 lost their homes between 2007 and 2011.[3]

In 2013

Most beneficiaries (79%) had some home equity, with substantial variation in home equity across beneficiaries in 2013. Half of all beneficiaries had less than $66,700, and one-quarter had less than $12,250 in home equity, including 21 percent who had no home equity at all in 2013 (**Exhibit 7**). At the other end of the distribution, five percent had more than $398,500 in home equity, including one percent who had more than $799,850 in home equity in 2013.

Exhibit 7

Half of all Medicare beneficiaries had home equity below $66,700 per person in 2013

1% had home equity above **$799,850**

5% had home equity above **$398,500**

50% had home equity below **$66,700**

25% had home equity below **$12,250**

21% had **$0** in home equity

SOURCE: Urban Institute / Kaiser Family Foundation analysis of DYNASIM data 2013.

The share of beneficiaries with home equity, and the distribution of home equity, differed across demographic characteristics in 2013 (**Exhibit 8**). Rates of home equity were lower among single beneficiaries (36%) and divorced beneficiaries (61%) than among married or widowed beneficiaries. Home equity rates were also lower among Hispanic and black beneficiaries (60% and 65%, respectively), and among beneficiaries under the age of 65 with disabilities (63%) in 2013.

Median per capita home equity among beneficiaries with home equity was $97,650 in 2013. Among beneficiaries with home equity, median home equity values were much higher among white beneficiaries ($106,100) than among black beneficiaries ($52,600) or Hispanic beneficiaries ($60,450). Median home equity among beneficiaries under age 65 and disabled with home equity ($45,900) was less than half the median home equity among seniors with home equity ($106,350), including beneficiaries ages 85 and older with median home equity of $104,450 in 2013. Among beneficiaries with home equity, median home equity was highest among married beneficiaries, but on a per capita basis, median home equity values were higher

among widowed beneficiaries ($140,050) than among married, divorced, or single beneficiaries ($80,700, $105,750, and $92,550) in 2013. Similar to income and savings, median home equity was also higher among beneficiaries with more years of education, and the median home equity of college-educated beneficiaries ($142,900) was more than double the median home equity of beneficiaries with less than a high-school education ($57,350) in 2013 (**Table 1**).

IN 2030

Home equity values among Medicare beneficiaries in 2030, adjusted for inflation, are projected to be moderately higher than they are in 2013, with much of the growth in home equity values among people in the top decile, although the share of beneficiaries with home equity (79%) is projected to remain flat (**Exhibit 9**). Median home equity is projected to grow by $5,000, or seven percent, from $66,700 in 2013 to $71,700 in 2030, after adjusting for inflation. In contrast, among beneficiaries in the top five percent of the home equity distribution, median home equity is projected to be 43 percent higher among the next generation of beneficiaries than among the current generation, growing by $172,850, from $398,500 in 2013 to $571,350 in 2030, after adjusting for inflation. As a result, the distribution of home equity values is projected to widen over time.
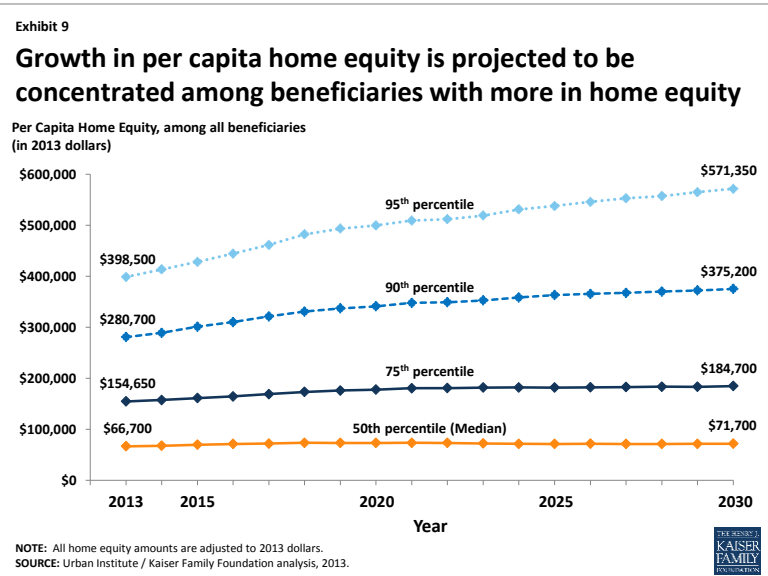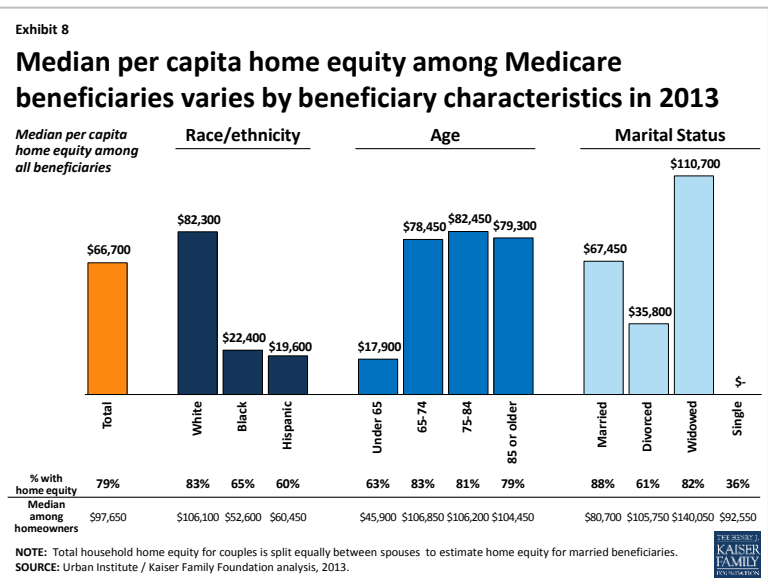
CONCLUSION

While a small share of the Medicare population lives on relatively high incomes, most are of modest means, with half of people on Medicare living on less than $23,500 in 2013. The typical beneficiary has some savings and home equity, but the range of asset values among beneficiaries is wide and varies greatly across demographic characteristics. Looking to the future, the income, assets and home equity values of Medicare beneficiaries overall are projected to be somewhat greater in 2030 than in 2013 after adjusting for inflation; yet, much of the growth is projected to be realized among those with relatively high incomes and assets. As policymakers consider options for decreasing federal Medicare spending and addressing the federal debt and deficit, these findings raise questions about the extent to which the next generation of Medicare beneficiaries will be able to bear a larger share of costs.

METHODOLOGY

Asset and income projections are based on the Urban Institute's Dynamic Simulation of Income Model (DYNASIM3). DYNASIM3 is a dynamic microsimulation model that projects the population and analyzes the long-run distributional consequences of retirement and aging issues. The model starts with a representative sample of individuals and families and ages the data year by year, simulating demographic and economic events including all key components of retirement income. The model integrates many important trends and differences among groups in life course processes, including birth, death, schooling, leaving home, first marriage, remarriage, divorce, disability, work, retirement, and earnings. Projections of fertility, disability, mortality, net immigration, employment, average earnings, and price changes are aligned to be consistent with 2013 OASDI Trustees intermediate cost projections. Projections of assets are aligned to the Survey of Consumer Finance (SCF). For a fuller description of DYNASIM3, see Karen E. Smith. February 2012. "Projection Methods Used in the Dynamic Simulation of Income Model (DYNASIM3)," Program on Retirement Policy, The Urban Institute.

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[1] Kaiser Family Foundation, "Wide Disparities in the Income and Assets of People on Medicare by Race and Ethnicity: Now and in the Future," September 2013.

[2] Kaiser Family Foundation, "Projecting Income and Assets: What Might the Future Hold for the Next Generation of Medicare Beneficiaries?" June 2011.

[3] Trawinski, Lori, "Nightmare on Main Street: Older Americans and the Mortgage Market Crisis," AARP Public Policy Institute, July 2012.

Table 1. Per Capita Income, Savings, and Home Equity of Medicare Beneficiaries by Selected Demographic Characteristics, 2013 and 2030 (in 2013 dollars)

2013

		Share of total Medicare population	Income Median	Savings Median among all beneficiaries	Savings % with savings	Savings Median among beneficiaries with savings	Home Equity Median among all beneficiaries	Home Equity % with home equity	Home Equity Median among homeowners
	Total	100%	$23,500	$61,400	92%	$75,200	$66,700	79%	$97,650
Race/Ethnicity	White	77%	$26,400	$89,500	95%	$99,750	$82,300	83%	$106,100
	Black	10%	$16,350	$10,300	81%	$18,800	$22,400	65%	$52,600
	Hispanic	9%	$13,300	$9,300	81%	$20,750	$19,600	60%	$60,450
	Under Age 65	17%	$17,200	$28,050	87%	$37,600	$17,900	63%	$45,900
	Seniors	83%	$24,950	$72,800	93%	$86,850	$79,550	82%	$106,350
Age	Age 65-74	47%	$29,150	$85,500	94%	$99,100	$78,450	83%	$106,850
	Age 75-84	25%	$23,550	$70,300	92%	$87,300	$82,450	81%	$106,200
	Age 85 and Older	11%	$18,000	$37,000	91%	$50,000	$79,300	79%	$104,450
Gender	Female	54%	$21,800	$54,700	91%	$69,650	$71,100	78%	$103,400
	Male	46%	$25,850	$69,600	93%	$83,850	$62,350	79%	$90,300
Marital Status	Married	55%	$27,400	$80,000	95%	$90,100	$67,450	88%	$80,700
	Divorced	13%	$20,250	$42,000	87%	$60,200	$35,800	61%	$105,750
	Widowed	23%	$21,050	$55,050	92%	$68,800	$110,700	82%	$140,050
	Single	8%	$14,150	$14,950	79%	$33,600	$ -	36%	$92,550
Education	Less than High School	18%	$13,900	$10,150	82%	$18,950	$31,350	68%	$57,350
	High School Graduate	39%	$21,400	$49,200	92%	$58,700	$62,150	78%	$89,650
	Some College	19%	$27,850	$85,250	95%	$94,950	$80,500	82%	$107,450
	College Graduate	24%	$41,300	$216,200	96%	$232,200	$115,450	85%	$142,900
Federal Poverty Level	<200% FPL	33%	$12,250	$11,450	82%	$20,200	$21,900	59%	$72,100
	200-400% FPL	30%	$23,050	$54,950	95%	$62,750	$63,250	82%	$85,550
	400% FPL or more	38%	$49,500	$220,150	98%	$227,150	$111,650	92%	$123,300

2030

		Share of total Medicare population	Income Median	Savings Median among all beneficiaries	Savings % with savings	Savings Median among beneficiaries with savings	Home Equity Median among all beneficiaries	Home Equity % with home equity	Home Equity Median among homeowners
	Total	100%	$28,250	$101,150	94%	$115,850	$71,700	79%	$106,450
Race/Ethnicity	White	71%	$32,650	$145,300	97%	$154,650	$92,100	84%	$121,200
	Black	11%	$19,750	$30,600	88%	$41,850	$33,350	71%	$57,900
	Hispanic	11%	$17,400	$28,750	85%	$41,850	$29,050	63%	$69,300
	Under Age 65	11%	$19,850	$41,700	86%	$59,250	$20,550	58%	$64,900
	Seniors	89%	$29,550	$111,900	95%	$125,250	$79,650	82%	$111,050
Age	Age 65-74	47%	$31,750	$114,200	96%	$124,300	$68,150	82%	$94,500
	Age 75-84	31%	$29,000	$117,500	95%	$132,750	$95,550	84%	$128,250
	Age 85 and Older	11%	$24,100	$83,950	92%	$106,250	$101,300	80%	$140,350
Gender	Female	54%	$27,450	$97,100	94%	$111,950	$79,050	81%	$114,000
	Male	46%	$29,150	$105,350	94%	$120,300	$64,500	78%	$97,650
Marital Status	Married	56%	$31,300	$112,400	96%	$123,150	$70,750	88%	$85,550
	Divorced	13%	$24,150	$84,650	91%	$103,950	$47,850	64%	$120,050
	Widowed	20%	$28,000	$107,700	95%	$122,450	$139,500	86%	$176,150
	Single	11%	$19,000	$56,650	87%	$84,500	$ -	45%	$118,400
Education	Less than High School	12%	$13,950	$16,400	82%	$27,700	$26,400	64%	$58,300
	High School Graduate	34%	$23,050	$67,200	94%	$75,700	$58,100	77%	$89,650
	Some College	23%	$30,900	$111,800	97%	$120,000	$76,300	82%	$105,200
	College Graduate	31%	$45,500	$300,150	98%	$313,650	$122,350	86%	$152,700
Federal Poverty Level	<200% FPL	26%	$12,300	$17,550	83%	$26,500	$22,750	58%	$70,750
	200-400% FPL	28%	$23,800	$75,100	96%	$80,450	$63,200	80%	$90,850
	400% FPL or more	47%	$53,400	$292,200	99%	$301,350	$113,850	91%	$131,450

SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.

Table 2. Number of Medicare Beneficiaries by Race/Ethnicity and Other Selected Demographic Characteristics, 2013 and 2030 (in thousands)

		2013				2030			
		Total	White	Black	Hispanic	Total	White	Black	Hispanic
Total		52,367	40,097	5,310	4,522	80,901	57,220	9,216	9,165
Age	Under Age 65	8,782	6,060	1,379	906	8,852	5,599	1,468	1,114
	Seniors	43,585	34,037	3,931	3,615	72,049	51,621	7,747	8,051
	Age 65-74	24,515	18,712	2,461	2,174	38,130	26,704	4,379	4,665
	Age 75-84	13,116	10,491	1,037	978	25,052	18,323	2,663	2,518
	Age 85 and Older	5,954	4,834	434	463	8,866	6,594	705	868
Gender	Female	28,508	21,675	3,024	2,551	43,291	30,508	5,293	4,759
	Male	23,859	18,422	2,286	1,971	37,610	26,712	3,922	4,406
Marital Status	Married	28,938	22,640	2,359	2,425	45,121	32,292	4,460	5,220
	Divorced	6,966	4,941	1,058	665	10,856	7,542	1,371	1,149
	Widowed	12,077	9,649	1,023	937	15,838	11,758	1,536	1,665
	Single	4,386	2,867	870	495	9,086	5,629	1,849	1,131
Education	Less than High School	9,527	5,606	1,460	1,986	9,889	4,269	1,374	3,481
	High School Graduate	20,273	15,852	2,237	1,441	27,832	20,022	3,538	2,850
	Some College	10,171	8,256	896	620	18,507	13,576	2,355	1,571
	College Graduate	12,396	10,383	717	474	24,673	19,353	1,948	1,263
Federal Poverty Level	<200% FPL	17,047	11,128	2,609	2,418	20,656	11,495	3,551	3,893
	200-400% FPL	15,542	11,934	1,528	1,333	22,606	16,107	2,633	2,496
	400% FPL or more	19,779	17,035	1,173	771	37,639	29,618	3,031	2,776

NOTE: Numbers do not sum to total, because beneficiaries identified as "other" races not shown separately.
SOURCE: Urban Institute / Kaiser Family Foundation analysis, 2013.