

Statement of
Laurence G. Branch, Ph.D., Research Professor of Gerontology
Duke University Medical Center
June 10, 1999

I am pleased to be here to represent the panel of researchers who developed the estimates of cost of loss of independence for the Alliance for Aging Research study, Independence for Older Americans. I want to thank you for the opportunity to share the compelling data that was found through our work.

In developing this study we analyzed comprehensive data from 1995 on disability, nursing home admission, and cost of care that was collected as part of the Medicare Current Beneficiary Survey, a study of a representative sample of persons over 66 years of age by the Health Care Financing Administration.

The Medicare Current Beneficiary Survey is an ideal data source for estimating the cost of change in level of independence for several reasons. It combines information obtained in personal or proxy interviews together with Medicare administrative and claims data. It includes people living in both the community and in nursing homes; obtains longitudinal follow-up on participants; and can be extrapolated to nearly the entire older population of the United States.

The total estimated cost of losing independence was derived by determining the number of persons making transitions across three states of functional dependence and the additional costs incurred in the year when they made these transitions. The three states that were used to evaluate the transitions were:

1. Independence in the community in performing activities of daily living, which include bathing, dressing, eating, toileting, and getting in and out of bed
2. Living in the community but needing another person's help to perform activities of daily living, and
3. Taking up residence in a nursing home.

Since estimates are only for those people who survived for the full year of observation, the total cost does not reflect loss of independence occurring in the year prior to death, which may be less amenable to preventive interventions than disability which occurs earlier. Because people need to be in the Medicare program at least a year before they qualify for the Current Beneficiary Survey, these estimates are for persons age 66 and older. The costs of long term care used here are only for formal, paid care. The costs associated with informal care, such as the caregiver's lost time from work, are not included.

The findings of the study show that billions of dollars are spent each year when older people lose their independence. We found:

- * For older Americans who become disabled or enter a nursing home each year, the increase in medical and long-term care costs are \$26 billion greater than if they had not had an increase in their level of dependence over that year.
- * The \$26 billion estimate does not reflect the total costs of caring for disabled persons in the community or living in nursing homes, but only the additional costs incurred in the year when older persons actually lose their independence.
- * Total average annual cost for persons with activities of daily living (ADL) disability in the community

whose status remains unchanged was \$19,400, but if they entered a nursing home, it rose to \$40,900.

* Average annual long-term care costs were \$3,400 for those who made the transition from independence to staying in the community, but with a disability with self-care activities; \$6,800 for those beginning the year with ADL disability whose status remained stable, and over \$21,000 for all persons who began the year in the community but entered a nursing home at some time during the year.

* Total average annual cost of care for people who remained independent over the year was \$4,800. For those who began the year living independently, but ended it living in the community needing help with ADLs, total costs were \$18,000. If an individual entered a nursing home during the year, costs were \$36,600, more than seven times that of the person who remained independent in the community.

The findings of the Alliance for Aging Research study sound an important warning that, in the face of a rapidly aging population, we cannot afford to wait any longer to address the growing crisis of loss of independence in the older population. Billions of dollars could be saved through research advances in prevention and treatment of the diseases that threaten our older population's quality of life and their valued independence.