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# How Well Can Medicare Records Identify Seniors with Cognitive Impairment Needing Assistance with Financial Management?

David Weir and Kenneth Langa *

There are legitimate concerns about the need for assistance with financial management among elderly beneficiaries with cognitive impairment. Social Security benefits account for a large part of the income of older persons, so mismanagement will directly affect well-being. The first question to ask before any policy could be designed is how could a government agency become aware of cognitive impairment in program participants? In this paper we examine the potential use of Medicare records. How well can Medicare records identify persons in need of assistance with financial management?

## HRS DATA

We address the question using the Health and Retirement Study (HRS). The HRS has linked Medicare records on about 90 percent of its participants 70 and older. In addition to Medicare records, HRS also has direct assessment of cognitive status, the need for assistance with financial management, and family or institutional care availability.

The vast majority of older persons live in private homes and apartments. Even among the most severely impaired, only about one quarter live in institutional settings that provide for basic needs. Because cognitive impairment is most prevalent among the oldest part of the population, the patterns of potential support by cognitive status follow patterns by age and gender. Only about 20 percent of severely impaired persons have a cognitively intact spouse or partner, compared with more than half of persons with normal cognition. Nearly half the impaired live in the community with a co-resident spouse or child. About 20 percent have a child living nearby and 12 percent live in the community with no nearby source of family support.

## MEDICARE RECORDS

Researchers interested in diagnostic information from Medicare records typically limit their analysis to persons enrolled in traditional or fee-for-service Medicare and exclude persons enrolled in Part C Medicare Advantage

* ***David Weir*** *is the principal investigator of the Health and Retirement Study at the University of Michigan.* ***Kenneth Langa i****s the Cyrus Sturgis Professor in the Department of Internal Medicine and Institute for Social Research and associate director of the Health and Retirement Study, all at the University of Michigan.* *This research brief is based on MRRC Working Paper 2018-391.*

(managed care) plans. Diagnostic information is available in Part A and B records, but not Part C. Focusing on the fee-for-service population clarifies the relationship between CMS diagnoses and direct assessments of function, but it would not make for a viable policy to systematically include or exclude program participants based on their choice of Medicare services provider. Here we consider a strategy to include all Medicare beneficiaries. There is some Part A and B diagnostic reporting for most beneficiaries. We can then augment this by using Part D records of prescription drugs. Part D records are especially useful in the MA group because most Medicare Advantage plans offer Part D benefits. Four drugs prescribed uniquely for dementia are used to infer the diagnosis: Donepezil (Aricept) , galantamine (Razadyne), rivastigmine (Exelon), or memantine (Namenda).

In all, we have 6,676 HRS respondents 70 or older at their 2016 interview with linked Medicare records. Diagnosis rates from all available Medicare records are similar in overall level, and by age, to rates based on cognitive assessments in HRS. At the individual level, however, the match is imperfect. The great majority of seniors are not impaired and Medicare records and HRS assessments agree on 83 percent as unimpaired, and agree on another 6.6 percent as impaired. Roughly equal numbers of approximately 5 percent of the population are rated as impaired by only one source. That means about 44 percent of people with impairment are not diagnosed as such in Medicare records, while 43 percent of people who are diagnosed in Medicare records do not have severe impairment when tested in HRS.

A further difficulty arises from the fact that not all impaired persons perceive a need for financial management assistance, while some less impaired persons do, and family members often disagree with the individual on this need. Only two-thirds of people rated by informants as having severe difficulty said they had any difficulty (4.2/6.3). One-quarter of respondents who reported some difficulty were rated by their informants as having no difficulty (2.3/9.1). We noted before that most older persons with cognitive impairment had family support available. This level of internal disagreement about need for financial management assistance indicates how difficult it may be to coordinate family support and government assistance with cognitive impairment.

We incorporate HRS data on reported difficulty with financial management with data on cognitive impairment to arrive at a comprehensive picture. Approximately 2 million people 70 and older live in nursing homes or other institutional settings. Of the approximately 3.8 million community-dwelling seniors 70 and older with a perceived need for assistance or severe cognitive impairment, Medicare records identify 1.5 million. In addition, Medicare records identify 1.2 million people who have no or mild impairment and no perceived need for financial assistance.

## Conclusion

Medicare records are an imperfect guide to cognitive impairment as a medical diagnosis. They are even worse as a guide to who perceives or is perceived by others as needing financial management assistance. Outside of institutional settings, Medicare records identify fewer than half the people needing financial management assistance, and point to a substantial number of people who say they do not.

University of Michigan Retirement Research Center
Institute for Social Research 426 Thompson Street Room 3026
Ann Arbor, MI 48104-2321 Phone: (734) 615-0422 Fax: (734) 615-2180
mrrcumich@umich.edu www.mrrc.isr.umich.edu

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