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Center for Financial Security
UNIVERSITY OF WISCONSIN-MADISON

Exploring the Intersection Between Financial Security and Health: Summary of Workshop Proceedings

July 2016

Introduction

On June 1, 2016, the University of Wisconsin – Madison Center for Financial Security hosted a research workshop, supported by the Robert Wood Johnson Foundation Health and Society Scholars program at the University of Wisconsin-Madison, to explore connections between financial security and health. The goal of the event was to bring together academic researchers and other stakeholders to examine the associations among individuals' and communities' financial security and physical and mental health. Over the course of the day, academic experts and leaders in the Wisconsin health care field reviewed what is known about the relationship between health and economic well-being, discussed promising programs and interventions, described training initiatives, and identified areas for future research. This brief summarizes the themes of the discussion.

About the Center for Financial Security

The Center for Financial Security at UW-Madison focuses on the rigorous evaluation and measurement of financial security and household finances. The Center studies a range of issues, but has three focal areas of research:

1) Emergency savings— Access to liquidity—credit and savings—In the case of an unplanned event, it is crucial for families to be able to maintain financial security. In addition to studies of savings, small dollar credit, and related topics, the Center supported the publishing of A Fragile Balance: Emergency Savings and Liquid Resources for Low-Income Consumers. Published in March of 2015, this edited volume examines strategies to promote emergency savings, especially among underserved households.

2) Financial coaching—Coaching is a new, evidence-based approach to supporting people to achieve their financial goals in a supportive environment. Coaching motivates people to change their behavior and learn skills to sustain their new behaviors. The Center has multiple research and outreach projects related to coaching, including the development of a set of standardized outcome measures called the Financial Capability Scale (FCS), a field-wide survey known as the Financial Coaching Census, and a broad range of resources and publications available on the Center's Financial Coaching Strategies website.

3) Health and finances—The third area is the newest area and also the genesis of this workshop. The Center is seeking to support and facilitate research efforts across disciplines on health and household finance. The goal at this stage is to identify what we know, what research is already being conducted, where research should be going, and areas of potential partnership.

Existing Research

In order to prepare for the workshop, a Center researcher (graduate student Madelaine L'esperance) reviewed 20 studies related to health and household finances. Several themes emerge from this work:

Financial stress is associated with poorer health, especially mental health (depression and anxiety).

A key theme in literature that looks at households and families, especially in low-income populations, is that economic instability has a negative effect on health and well-being. For example, Berger, Collins, and Cuesta (2016) found a positive association between short-term debt and depression; and Cancian, Yang, and Slack (2013) found that stress from poverty is associated with a higher risk of child maltreatment. In addition, there's evidence that low-income groups deal with substantial amounts of stress and hits to well-being, related to their need to navigate complex and hostile benefit systems. Health is multi-faceted, and Duncan, Yeung, Brooks-Gunn, and Smith (1998) have found that childhood exposure to poverty and economic insecurity can have lasting effects on health even after controlling for adult

income status, as have Braveman and Barclay (2009) and Case, Fertig, and Paxson (2005).

Health and caregiving are related to financial issues.

Caregiving for others affects a wider array of people than we may recognize and has broad-based effects on the lives and productivity of those caregivers. Medical shocks are a key source of financial insecurity and bankruptcy. Himmelstein, Thorne, Warren, and Woolander (2011) found that the odds of bankruptcy with a medical cause have increased over time, and that increase is not isolated to low SES and/or uninsured individuals. In addition, health impacts labor market outcomes: Illness leads to a lower likelihood of employment, lower income in the short and long term, and negative spillovers to the household (García-Gómez et al., 2013); and disability leads to lower earnings, income, and consumption (Meyer, Mok, 2009).

Health insurance improves health outcomes.

There is evidence that health insurance reduces financial stress and improves health outcomes. Finkelstein et al. (2011) found that medical costs and debt decreased among low-income adults after the Oregon public health insurance expansion. Mazumder and Miller (2014) also found that the 2006 Massachusetts health care reform resulted in positive impacts for both health and finances.

Health shocks are associated with bankruptcy and financial insecurity.

As many as 17% to 25% of bankruptcies are related to a medical or health crisis (Dranove and Millenson, 2006; Gross and Notowidigdo, 2011). Health insurance facilitates higher levels of household financial security (Mohanan, 2013). When families experience a negative health shock, they are less able to afford food and housing, and more likely to see increased debt levels.

Health insurance has important implications for household finances.

Even people with health insurance can be financially impacted by health insurance choices. A study of employees in a large firm before and after a switch from free health care to a high-deductible plan found that high deductible plans lead people to cut useful care (Brot-Goldberg et al., 2015). Another study of employer-provided health insurance found that employees cannot effectively pick plans: A majority choose a health insurance plan that leads to excess spending (Bhargava, Loewenstein and Sydnor, 2015).

Outcomes studies vary widely.

Many studies have relied on income as the key measure of economic well-being. These studies ignore the nuanced definition of economic well-being that may be better reflected by other financial outcomes, like household debt, savings, credit score, bankruptcy, or creating a reliable and valid financial well-being scale. Using one measurement tool may reveal relationships that another does not. For example, not all debt has the same effects on health and well-being. Many existing health measures, like overall health rating, are subjective, which may bias findings.

Emerging Research Themes

The following 21 research themes were identified by workshop participants as promising research areas:

Intra-Household Spillovers. How do health shocks spill over within households? A sick person in a household influences caregiving, as well as finances across the household. What is the emotional "interest rate" of borrowing from family/friends? How does this stress connect to parenting behaviors, stress/mental health, and use of public benefits?

Caregiving. What are the social and economic roles and impacts of caregivers? Helping a sick child, sibling, or parent has direct and indirect costs and may cause disruptions in savings and credit.

Couples and Relationships. How are relationships and household structure correlated with income/assets and with health status?

Income Volatility. How do consumption and income volatility impact health outcomes, even controlling for income levels? Policies may offer substantial amounts of prevention in health and well-being by focusing on financial support for at-risk families. There's a mismatch between people's daily lives and their ability to manage cash flow.

Income Supports. In what ways are income supports "well-being policies" that benefit (or harm) health outcomes? For example, how might more (or less) protective garnishment policies result in better (or worse) health outcomes?

Literacy. How do health literacy and financial literacy intersect? How are each defined and measured? Health care decisions are complicated, as is retirement savings planning. What are the challenges in understanding insurance options? Does financial/health literacy result in choices around high-deductible plans or other choices that result in sub-optimal health or financial outcomes?

Social Security and Medicare. How do health and financial status relate to disability claiming (SSDI), old age claiming (OASI), and Medicare enrollment? How do people weigh factors in terms of when to claim? This may involve accessing new and interesting data sets, including state and federal administrative data.

Financial Planning. How does financial planning and counseling treat health care costs and insurance options? This may involve cross-disciplinary research including social work, counseling psychology, law/estate planning, and financial planning and counseling. Are there "rules of thumb" that are in use? Are these optimal, or do new guidelines need to be developed?

Financial Inclusion. How does individual and community access to financial services and products drive decision-making? How can community resources, circumstances, and programs provide better or worse financial access options that result in improved health?

Insurance Plans and Policies. To what extent is health insurance like a regressive tax? In the U.S., we pay for insurance as a percentage of our premium, whereas we pay for retirement as a percentage of our income. How does a focus on health behaviors for which individuals are responsible result in inequality in terms of health insurance and the costs of care? How are these issues exacerbated within private sector (e.g., insurance and employers), versus publically-provided insurance?

Health Care Costs and Consumption. How do people use small dollar credit, such as payday loans, auto title loans, borrowing money from family members, etc., to maintain health consumption? Does a reduction in access to credit result in reduced health consumption—e.g., splitting pills?

Adherence. As more care involves compliance and cooperation of patients to do self-care, how often does financial hardship result in worse outcomes (for example, not filling prescriptions or attending counseling)? Adherence score models based on credit report data are emerging—are these useful across demographic groups?

Cognitive Depletion. What are the physiological consequences of financial decision-making and health decision-making on cognition and stress levels? This could include the direct effects of financial insecurity on health outcomes, as well as biological pathways. How much does attention or inattention play a role in decision-making related to health and finance choices? Do people become fatigued with red tape and processes? Are these systematically harming certain populations?

Race. How are economic hardships, race, or Hispanic origin related to health? Does income volatility or hardship explain some of the disparities in health by race and ethnicity?

Physicians and Medical Teaching. How can we best educate medical students on providing care to poor patients?

Credit Reports. How are health shocks related to consumer behaviors contained in credit reports? How is credit information used in health decisions (e.g., medication adherence)? How are medical collections and health-related debt reflected in reports? One area would be to study shocks—for example, flu outbreaks are shown to lead to growing credit card delinquency.

Reverse mortgages. How much is home equity borrowing by people in retirement driven by health? If people have exhausted all their resources, and claim Social Security at 62, does the equity pay for health costs until they can get to Medicare at 64 ½?

Financial vs. Health Well-being. The key components of financial well-being are resilience (emergency fund, liquidity), having financial goals and being on track to accomplish them, feeling a sense of financial freedom (the ability to make choices about spending), and the ability to manage day-to-day cash flow. Does this same type of framework apply to physical/mental well-being?

Target Populations. How are health and finances related across these population groups: incarcerated, former incarcerated, kids under six, low-income households, custodial parents, people paying child support, people with disabilities, women, the elderly, and young adults?

Measurement. How can health and financial well-being be measured with more validity and reliability? For example, is child maltreatment a health outcome or a negative input to children's health/well-being? Is social and mental development a health outcome? What is "health"? Physical, mental, emotional? What is "finance"? Income, wealth, net wealth, assets? The CFPB Financial Wellbeing definition— (1) resilience to shocks, (2) autonomy/control, (3) ability to pursue what makes you happy, (3) being on track to achieve goals—is much broader and more supportive of health + financial health. It's also important to unpack what "household finance" means—it's dollars and cents, but also the stress and

burden of managing money, which encompasses both mental and physical health.

Data. Medical and health researchers use very different data sources than are used in household finance. To what extent are health issues captured in household surveys? To what extent are finances issues captured in health data? Can we cross-walk data sources to develop new insights?

Next Steps

The general consensus is that there is a compelling need for more studies related to health and finances. In particular, there is a need for studies that can establish causal relationships, such as with experimental designs or exploiting natural experiments. Future studies of policy changes, natural random processes, and randomized control trials will expand our understanding of causal mechanisms. There is also a need to better understand existing data sources, which continue to expand, as well as to better measure "health" and "household finances" in future work. More support and funding is needed to make these studies possible, however. Overall, this interdisciplinary event highlights the exciting possibilities going forward.

During the workshop, the Center recorded brief videos of workshop attendees that capture the themes and mood of the workshop, with the prompt: What do you see as an important area/topic for future research on the area of health and finance? To view event videos, visit the event page at: https://cfs.wisc.edu/2016/06/28/health-and-finances-workshop/

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Other resources:

International Health Economics Association, https://www.healtheconomics.org/

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