

# Understanding the connections between health and financial wellness

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## *The greatest health is wealth. – Virgil*

Researchers have repeatedly proven what philosophers have long surmised—there is a strong connection between health and wealth. In essence, health is correlated with wealth. The rich may be healthier because they have access to better healthcare, while poverty creates obstacles to better health.<sup>1</sup> There are other issues involved in the relationship between health and wealth, and factors go in both directions. In this paper, we examine the various connections between health and wealth, as well as the repercussions of ignoring those connections.

## There is a general positive relationship between wealth and health

The relationship between wealth and health is not limited to one country or ethnic group. Research has shown that people classified as having “high socioeconomic status” are more likely to be healthier than those classified as having “low socioeconomic status.” Data from the 2013 Panel Survey of Income Dynamics shows that, regardless of race, the percentage of people who report poor health decreases as household wealth increases.<sup>2</sup>

Several studies have found that the overall health of a country’s population is positively tied to its level of economic development, while overall health falls in relation to the decline in the level of economic inequality. One article used data to evaluate the strengths of the relationship between wealth and the health of people aged 50 years and older in 16 countries.<sup>3</sup> That data found that people of high economic status were generally healthier than people of low economic status, even when factoring in socio-demographic attributes and household income. A country’s

economic resources increased its population’s average level of health but did not negatively affect the relationship between wealth and health. At the same time, a more equitable distribution of economic resources did not increase the population’s overall average health, and decreased the positive relationship between wealth and health.<sup>4</sup>

## There is a positive correlation between financial discipline and physical health discipline

The relationship between health and wealth goes both ways. People who are committed to improving their wealth, both in the short and long term, are also likely to care about their short- and long-term physical health. This makes sense because it follows that those who show discipline to improve their wealth would probably be more likely to show discipline in other areas of their lives.

According to one study, the psychological factors tied to retirement planning predict behaviors that are tied to improving health.<sup>5</sup> Researchers found that the decision to contribute to a 401(k) plan predicted whether an individual would act to address indicators of poor physical health, which were identified during an employer-sponsored health examination. In other words, people who value their future financial interests by putting money into a retirement account are more likely to make healthier choices today for the benefit of their future health. The study found that employees who contributed to a 401(k) experienced improvements in their abnormal blood test results and health behaviors approximately 27% more often than employees who did not make contributions.<sup>6</sup>

1 Urban Institute & Center on Society and Health (April 2015). How Are Income and Wealth Linked to Health and Longevity? Retrieved November 14, 2019, from <https://www.urban.org/sites/default/files/publication/49116/2000178-How-Are-Income-and-Wealth-Linked-to-Health-and-Longevity.pdf>.

2 Asset Funders Network (April 4, 2017). The Connection Between Health and Financial Life. Retrieved November 14, 2019, from [https://asfunders.org/wp-content/uploads/HealthandWealth\\_Presentation\\_April\\_2017.pdf](https://asfunders.org/wp-content/uploads/HealthandWealth_Presentation_April_2017.pdf).

3 Semyonov, M., Lewin-Epstein, N., & Maskilevson, D. (March 2013). Where wealth matters more for health: The wealth-health gradient in 16 countries. *Social Science & Medicine*, Volume 81, pp. 10-17. Retrieved November 14, 2019, from <https://www.sciencedirect.com/science/article/abs/pii/S0277953613000312?via%3DIihub>.

4 Ibid.

5 Gubler, T. & Pierce, L. (September 2014). Healthy, wealthy, and wise: Retirement planning predicts employee health improvements. *Psychol Sci* ;25(9):1822-30. Epub 2014 Jun 27. Retrieved November 14, 2019, from <https://journals.sagepub.com/doi/10.1177/0956797614540467>.

6 Ibid.

## People are taking a hit on their incomes and retirement savings to care for family members

In general, people want to care for family members when they are destitute or in poor health. In many cultures, families are expected to take care of their elders, as well as spouses and siblings who become ill or cannot afford to take care of themselves. In North America, there is a growing cohort known as the “sandwich generation,” which includes people—mostly in their 50s and 60s—who are taking care of aging parents and their own children. In 2015 through 2016, there were 41.3 million unpaid caregivers of adults over the age of 65.<sup>7</sup> This puts significant financial strain on the caregivers, who have to forgo saving for the future to pay for the health and welfare of family members currently under their care. These caregivers risk both their wealth caring for loved ones and the emotional well-being involved with providing the “expected” support and care needed.

In particular, the financial impact on caregivers is more severe when they have to take care of family members with dementia. One study analyzed the data from a survey of 1,500 family caregivers, which documented how dementia care differs from other types of family caregiving. Dementia caregivers spent more hours per week providing care than their non-dementia caregiving counterparts. This had more of an impact on their employment than other groups—a higher percentage of people in the dementia group had to work less demanding jobs, take early retirement, turn down promotions, lose job benefits, or give up work entirely.<sup>8</sup>

## The average person needs more income to deal with longer life expectancy

People are living longer today than they have in past generations. According to the Centers for Disease Control and Prevention (CDC), life expectancy at 65 years has increased from 78.9 in 1950 to 84.4 in 2015.<sup>9</sup> In other words, in 1950, those who reached age 65 were expected to live about 14 more years. In 2015, those who reached age 65 were expected to live almost 20 more years. That equates to over five additional years of living. Retirement income must last much longer today to cover

those extra years of living, especially if those final years are spent dealing with illness or living in long-term care settings. If people do not plan properly or if circumstances change drastically, it is possible to outlive savings. Failure to include health cost inflation as part of retirement planning can have implications on planning. Hospital services have increased over 200% since 1998, compared to an overall inflation rate of 56%.<sup>10</sup>

In general, people are not saving enough for retirement, and their safety nets are either lacking or nonexistent. According to the supporting data of a 2017 report by the Government Accountability Office (GAO), the median retirement savings for Americans with holdings between the ages of 55 and 64 was \$120,000.<sup>11</sup> Some financial experts advise that people need at least \$1 million to retire, so \$120,000 is not nearly enough. Many people currently rely, or are planning to rely, on Social Security to fund their retirements. However, according to GAO, the Social Security retirement program is projected to be unable to pay full benefits beginning in 2035.<sup>12</sup> Additionally, millions of employees do not have access to either a defined benefit (DB) or defined contribution (DC) pension plan, which means that they have to rely solely on their own savings. Fewer employers are also offering DB pension plans, and DC plans can be difficult for employees to manage.

## Stress from personal and/or work life influences a large number of health conditions, especially chronic ones

Stress has a significant impact on an individual’s health, which can affect their incomes in various ways. A National Public Radio (NPR) survey on the workplace and health found that 44% of working adults say that their current jobs affect their overall health. The data also shows that 36% of employees suffer from work-related stress, which costs U.S. businesses \$30 billion per year in lost workdays.<sup>13</sup> Various factors related to both work and health create stressful situations, such as caring for sick family members while holding down full-time jobs, experiencing disruptions in sleep due to working overtime or holding down shift work, working low-wage jobs, or coming home from work to unsafe communities.

7 U.S. Bureau of Labor Statistics (September 20, 2017). Unpaid eldercare in the United States—2015-16 summary. Economic News Release. Retrieved November 14, 2019, from <https://www.bls.gov/news.release/elcare.nr0.htm>.

8 Ory, M. et al. (April 1999). Prevalence and impact of caregiving: A detailed comparison between dementia and nondementia caregivers. *The Gerontologist*, Volume 39, Issue 2, pp. 177–186. Retrieved November 14, 2019, from <https://academic.oup.com/gerontologist/article/39/2/177/610023>.

9 CDC (2016). National Center for Health Statistics, Table 15. Life Expectancy at Birth, at Age 65, and at Age 75, by Sex, Race, and Hispanic Origin: United States, Selected Years 1900-2015. Retrieved November 14, 2019, from <https://www.cdc.gov/nchs/data/hsr/2016/015.pdf>.

10 U.S. Bureau of Labor Statistics. Databases, Tables, and Calculations by Subject. Retrieved December 17, 2019, from <https://www.bls.gov/data/>.

11 Survey of Consumer Finances (October 16, 2017). 2016 SCF Chartbook. Retrieved November 14, 2019, from <https://www.federalreserve.gov/econres/files/BulletinCharts.pdf>.

12 GAO (October 18, 2017). The Nation’s Retirement System. Retrieved December 17, 2019, from <https://www.gao.gov/products/GAO-18-111SP>.

13 Pazzanese, Christina (July 12, 2016). The high price of workplace stress. *The Harvard Gazette*. Retrieved November 14, 2019, from <https://news.harvard.edu/gazette/story/2016/07/the-high-price-of-workplace-stress/>.

## Chronic diseases are common, preventable, and costly

Healthcare costs related to the treatment of chronic medical conditions are consistently on the rise. According to the Milliman Medical Index, the cost of healthcare in 2019 for a hypothetical American family of four with an average employer-sponsored preferred provider organization (PPO) plan is \$28,386. These costs for a family of four grew at 10% a year in the early 2000s and, more recently, at 3.8% from 2018 to 2019.<sup>14</sup>

Many medical conditions are either preventable or affordably treatable when caught early enough. Selecting the wrong health insurance products can create serious financial implications. Traditionally, medical expenditures have been concentrated for the treatment of certain types of highly prevalent conditions or for treatment that often entails the use of high-cost services. In 2012, for people over age 65, the most costly medical conditions, in terms of direct medical spending, included heart conditions, cancer, arthritis and other nontraumatic joint disorders, trauma-related disorders, chronic obstructive pulmonary disease (COPD), and asthma. Treatment for heart conditions accounted for \$54.9 billion in total spending, some of which could have been mitigated had patients maintained healthier lifestyles.

While it is not in the top five for the most costly medical conditions, diabetes is a mostly preventable chronic medical condition and is expensive to treat over the long term. In 2017, the total estimated cost of diagnosed diabetes was \$327 billion, which included \$237 billion in direct medical costs and \$90 billion in reduced productivity. Care for diabetic patients accounts for \$1 of every \$7 spent on healthcare in the country. Patients incur \$16,752 in average annual medical expenditures per year, which is approximately 2.3 times higher than nondiabetic patients. Diabetic patients without health insurance have 60% fewer physician office visits and are prescribed 52% fewer medications than people with insurance coverage, but are also responsible for 168% more emergency room (ER) visits.<sup>15</sup>

14 Girod, Christopher S., Hart, Susan K., Liner, David M., Snook, Thomas D., & Weltz, Scott A. (July 25, 2019). 2019 Milliman Medical Index. Retrieved November 14, 2019, from <http://www.milliman.com/mmi>.

15 Soni, Anita (April 2015). Top Five Most Costly Conditions Among Adults Age 18 and Older, 2012: Estimates for the U.S. Civilian Noninstitutionalized Adult Population. Statistical Brief #471. Agency for Healthcare Research and Quality, Rockville, MD. Retrieved November 14, 2019, from [https://meps.ahrq.gov/data\\_files/publications/st471/stat471.shtml](https://meps.ahrq.gov/data_files/publications/st471/stat471.shtml).

## Increased morbidity increases the risk of needing long-term care or going broke

If a person is generally unhealthy when approaching retirement, then there is a higher likelihood that that person will need long-term care (LTC). Many older people in poor health need assistance with activities of daily living (ADLs), such as bathing, dressing, toileting, and eating. At least 40% of people using LTC services required assistance with at least one ADL. More than 95% of people in nursing home environments or using home health agencies require assistance with bathing.<sup>16</sup>

Mental healthcare also needs to be taken into consideration. The percentage of people in poor mental health is significantly higher among the LTC population than the overall population of elderly people. According to estimates from the Aging, Demographics, and Memory Study, 13.9% of Americans aged 71 and over have Alzheimer's disease or another type of dementia. However, Alzheimer's disease and other types of dementia are found in almost one-half of nursing home residents, nearly 45% of hospice patients, almost 40% of residential care residents, and more than 30% of people in day services centers and home healthcare.<sup>17</sup>

Depression is also higher in the LTC population than the general populace. According to the Federal Interagency Forum on Aging-Related Statistics, in 2008, 12.0% of U.S. adults aged 65 and over had clinically depressive symptoms, while the numbers in the LTC population ranged from 22.2% among hospice patients up to 48.5% of nursing home residents.<sup>18</sup>

Entering into LTC is expensive, and those costs are expected to rise with inflation and an aging demographic that will continue to strain the LTC system. Without proper planning and insurance, these costs can drain the finances of most retirees. Licensed caregivers charge, on average, from \$20 to \$25 per hour. If a person needs help with two or more ADLs, which is the level commonly found in private LTC insurance, it can cost more than \$45,000 per year.<sup>19</sup> This will quickly drain most people's retirement savings within a few years of entering long-term care.

16 American Diabetes Association. The Cost of Diabetes. Retrieved November 14, 2019, from <https://www.diabetes.org/resources/statistics/cost-diabetes>.

17 CDC (December 2013). Long-Term Care Services in the United States: 2013 Overview. CDC Stacks. Retrieved November 14, 2019, from <https://stacks.cdc.gov/view/cdc/22285>.

18 Ibid.

19 Giese, Chris & Schmitz, AI (June 2018). Are Medicare Advantage Plans Ready for the High Costs of Long-Term Care? Milliman White Paper. Retrieved November 14, 2019, from <http://www.milliman.com/uploadedFiles/insight/2018/Medicare-Advantage-long-term-care.pdf>.

## The health and financial wellness connection

Our goal was to demonstrate there is a connection between finances and health by reviewing research on the following aspects:

1. Population-level studies that show a connection between health and wealth.
2. Individual commitment and the connection between financial and health activities.
3. The financial impact of caring for family members.
4. The increasing financial and health needs resulting from longer life expectancy.
5. The influence of stress on chronic conditions.
6. The financial and health cost of preventable chronic diseases.
7. The impact of long-term care on finances.

In our paper “Considerations for Better Health and Wealth Planning”,<sup>18</sup> we discuss how the use of accurate and up-to-date health cost data and trends can improve the estimates of financial projections and retirement planning. When the financial planning industry fully embraces the connection between health and wealth and can properly plan and communicate to clients, we will begin to improve the financial health and well-being of people everywhere.

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18 Boschert, J., Jennings, J., & Schmidt, R. (2019). Considerations for Better Health and Wealth Planning. Milliman White Paper. Retrieved January 7, 2020, from <https://www.milliman.com/insight/2019/Considerations-for-better-health-and-wealth-planning/>.



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