

## Wealth Accumulation by Health Conditions Among Low-income Families

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The Patient Protection and Affordable Care Act is intended to ensure all Americans have access to quality, affordable health care supporting the idea that affordable health care will improve the well-being of individuals and families. Kim, Yoon and Zurio (2012) analyzed Health and Retirement Study data to determine the extent out-of-pocket medical expenses, related to a new health event, contributed to an increase in unsecured debt. They found new health events increased unsecured consumer debt by 6.3% to 9.3% with approximately 20% of the increase resulting from out-of-pocket medical expenses. Health insurance was found to have a positive role in not increasing consumer debt caused by the out-of-pocket medical expenses. Sharpe (2008) found rising health care costs forced individuals and families to cut back on household items, such as retirement savings, other savings and basic necessities. Nielsen, Garasky and Chatterjee (2010) conducted a study to address how health insurance coverage is associated with out-of-pocket medical expenses and a family's ability to access enough food. Results indicated the probability of individuals and families experiencing food insecurity increased as out-of-pocket medical expenses increased. Findings from the studies raise the question of how health conditions influence debt levels which impact the accumulation of wealth.

This study investigates the impact of health insurance and out-of-pocket medical expenses on the ability of low-income families to increase their net worth. The influence consumers' perceived health conditions (e.g., excellent, very good, good, fair, and poor) impact the decision to obtain health insurance was analyzed. Also, whether or not having insurance influences the amount of out-of-pocket medical expenses and the size of household debt was studied. Research questions guiding the analysis are: Are consumers who perceive themselves as having poor health conditions more likely to not have health insurance? Are consumers who perceive themselves as having poor health condition more likely to pay more out-of-pocket medical expenses than their counterparts? Are consumers who perceive themselves as having poor health conditions more likely to hold higher debt and/or have lower net worth?

Data to analyze the relationship between health conditions, different types of health insurance, out-of-pocket medical expenses, and the size of household debt and net worth among low-income families were drawn from the 2010 RAND HRS. The RAND HRS, sponsored by the National Institute on Aging (NIA), is nationally representative longitudinal study of elderly Americans, aged 50 and older and has been biannually collected since 1992. The sample size of low-income families below the income poverty threshold was 1,662 in the 2010 data.

Almost half of the respondents reported their health condition was excellent, very good or good (48%), whereas 16.8% of respondents reported health condition was poor. The number of health insurance plans were significantly different by health conditions ( $F=11.000$ ,  $p<.000$ ) and the amount of out-of-pocket medical expenses was different between groups ( $F=2.284$ ,  $p<.05$ ). Total household net worth was also significantly associated with respondents' perceived health conditions ( $F=27.572$ ,  $p<.000$ ). The implication of these results is to educate individuals and families, who report poor health conditions, about types of insurance plans that fit their situation and strategies to reduce OOP expenses, utilize tax saving methods regarding medical expenses and creation of emergency savings accounts.

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