

Study Snapshot:

The Link Between Major Illness and Financial Catastrophe

April 2013

key findings

- When faced with a new major illness, the uninsured, near-elderly lose between one-third and one-half of their total financial assets to medical expenses.
- The financial risks for the uninsured, near-elderly are greatest for those who are diagnosed with cancer, heart disease, or stroke.
- Comparable insured, near-elderly typically do not experience a significant loss of assets when facing a new, major illness.

The Question:

How does illness affect the financial well-being of the uninsured near-elderly?

Millions of uninsured Americans are potentially one major illness away from financial catastrophe. When faced with a major illness, individuals without health insurance may need to draw on multiple financial resources, including retirement savings, to cover medical bills. In a HCFO-funded study,¹ David Dranove, Ph.D., professor at Northwestern University, and colleagues assessed how insurance status affects personal wealth and earning in the population nearing age 65, or “near-elderly.” This population has a heightened probability of adverse health events but has not yet qualified for Medicare. At a time when they are typically saving and planning for retirement, these individuals are particularly at risk for adverse financial impacts when facing major illness. The full results of the study are available in *Health Services Research*. An overview and summary of the key findings are also available in the related HCFO Findings Brief.

The Implications:

Millions of Americans are potentially one illness away from financial catastrophe.

Compared to insured households, the uninsured experience a significant reduction in total assets when faced with a major illness. Moreover, medical-related financial burdens may have broader spillover effects, creating risks to employment, home equity, and overall consumption. Insured individuals in the study did not experience the same financial risks as the uninsured, which might be attributable to the insured being more likely to have group rather than individual coverage. However, the researchers note that even insured individuals who experience a major illness could suffer asset depletion over time. Dranove and colleagues’ findings underscore the fact that health insurance not only creates a vehicle to access care, but may also stave off financial destabilization for the near-elderly who experience a significant medical illness. “It’s important to consider that being uninsured has serious implications beyond one’s physical health,” says Dranove.

Contact Us

For more information on the results from this grant, please contact the principal investigator Dr. David Dranove at d-dranove@kellogg.northwestern.edu.

¹ The Robert Wood Johnson Foundation Changes in Health Care Financing and Organization (HCFO) Initiative supports timely and policy relevant health services research on health care policy, financing, and organizational issues.



Robert Wood Johnson Foundation

Changes in Health Care Financing and Organization is a national program of the Robert Wood Johnson Foundation administered by AcademyHealth.

If you would like to learn more about other HCFO-funded work, please contact: Bonnie J. Austin, HCFO Deputy Director | bonnie.austin@academyhealth.org