

Is financially preparing for a chronic condition possible?



To understand consumers' needs and concerns about health saving and spending related to managing chronic care conditions, Optum Financial conducted qualitative research with patients and caregivers who are currently dealing with a range of chronic conditions including chronic obstructive pulmonary disease (COPD), Parkinson's and HIV/AIDS. Optum Financial sought to understand the connection between health and finances related to chronic conditions, with the goal of uncovering and addressing unmet needs.

Findings from the research are combined with the best thinking of the Optum Financial executive team to consider what types of financial solutions would benefit patients and caregivers.

This paper outlines the **emotional impact**

of chronic care and how deeply intertwined health and finances are. It concludes with ideas for how to financially weather a chronic condition.



Everyday experiences: The true impact of chronic conditions



60% of Americans (150 million) are living with at least one **chronic condition** such as heart disease, COPD or HIV/AIDS.¹

Many others are caring for patients with chronic conditions, a child with a disability or an elderly parent. These patients and caregivers experience many intertwined emotional, physical and financial struggles.

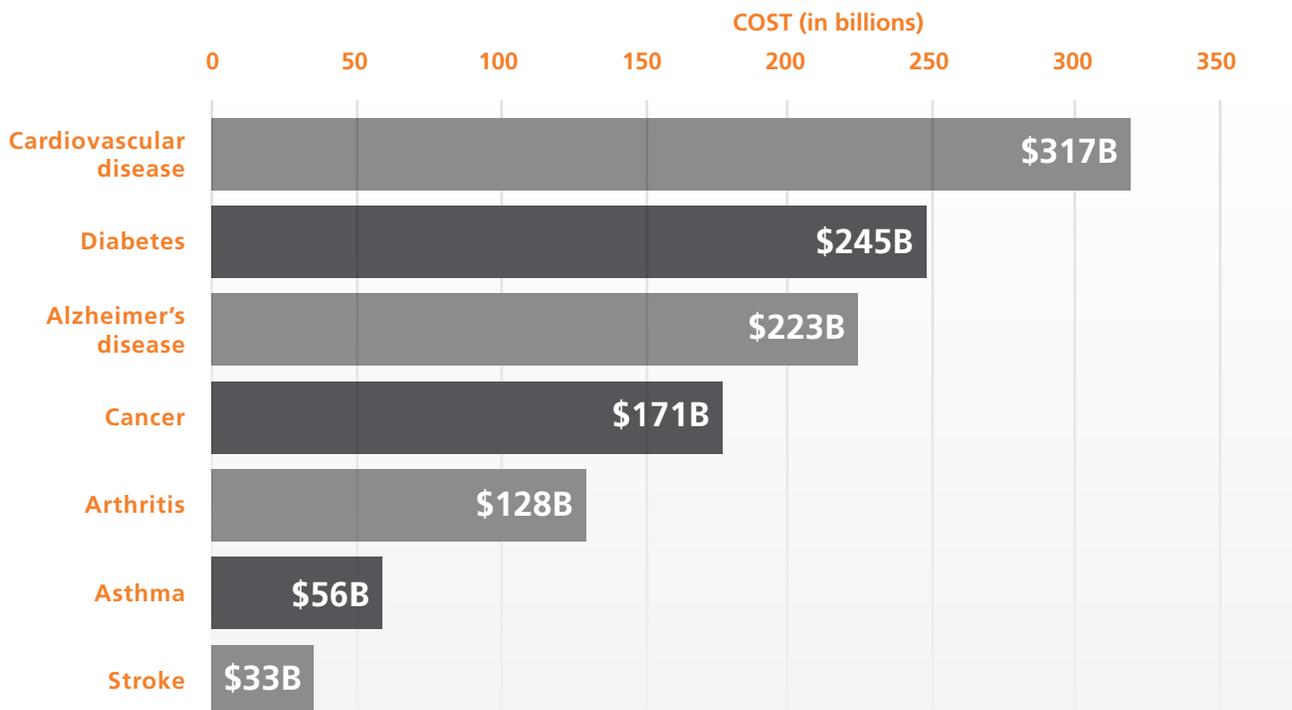


90% of national health care spending is on expenses related to living with a chronic condition.²



35% of those living with a chronic condition say they **have struggled to pay medical bills** in the past year.³

Most expensive chronic conditions for health payers to treat⁴



To understand the needs and concerns of patients and caregivers when it comes to managing finances, Optum Financial conducted qualitative interviews with people dealing with several types of chronic conditions.

Participants also completed extensive prework including writing letters to their younger selves and tying emotions to their experiences. This paper combines findings from the research with the best thinking of the Optum Financial executive team to consider what types of financial solutions would benefit patients and caregivers.



The emotional impact: Ongoing stress

When speaking to study participants, Optum Financial first sought to understand the emotional impact of living with a chronic condition.

At the time of diagnosis, the majority of patients were living seemingly normal lives including working, caring for their family and enjoying social time with friends. However, at some point they began to feel stress caused by symptoms and fear of the unknown. After receiving a formal diagnosis, their world was turned upside down as they struggled to understand the impact of their diagnosis and understand options for insurance, doctors and their work situation. In some cases, this stress led to anxiety, depression and even substance abuse.

In present day, after patients have settled into life with a chronic condition, their level of stress remains the same; however, their focus has shifted. Many patients are now preoccupied with managing logistical details like transportation, insurance claims and finances. Others feel stress from managing their complicated symptoms and feel the negative effects of social isolation caused by their condition.

Caregivers also feel the daily strain of these conditions, and the stress they experience often rivals that of the patients themselves. Caregivers struggle to juggle multiple responsibilities and adjust their definition of normal as they are constantly re-evaluating priorities.

“Managing insurance claims [for my loved one]

feels like a part-time job. I’m a very busy person, so I have to look at insurance claims at midnight after completing my other responsibilities.”

— Research Participant, Caregiver



The financial burden: Rapid changes and uncertainties

While each patient and caregiver experiences a unique financial journey, the research by Optum Financial exposed a few common trends related to participants' past, current and future financial state.

At the time of diagnosis, finances were a low priority for patients because they were busy dealing with everyday life. Once they were diagnosed, the first step for many was figuring out their work situation, as many struggled to work full time while dealing with the demands of doctor appointments, treatments and taking time to rest.⁵ Reducing working hours led to an immediate increase in stress on finances.

Other initial financial stressors included navigating insurance systems, uncovering potential financial resources and understanding caregiver needs. Patients and caregivers struggled to find additional sources of income, liquidated assets and depleted savings accounts early on. Several participants had created health savings accounts (HSAs) earlier in their life, which they used to pay for qualified expenses like wheelchairs, bandages, laboratory fees and prescriptions.

Today, patients say their finances have been impacted by their condition, but to varying degrees. Some are succeeding financially while others are in extremely precarious financial situations and struggle to afford basic needs. Most patients feel guilty about the financial toll their condition has on their family and caregivers.

This varying degree of financial impact also applies to caregivers as many find themselves paying for medical expenses, handling insurance paperwork or reducing working hours to meet caregiver demands.

When thinking about the future, both patients and caregivers feel uncertain. They don't have a firm grasp on the progression of their condition, sources of income, cost of medical expenses and insurance coverage. Most participants expect costs to be high in the future but feel like the unknown makes it impossible for them to plan.

When reflecting on their past, patients agreed that when they were young and healthy it was impossible to fathom that they may have an expensive chronic condition in the future. Young people also find it difficult to predict and prepare for the cost of health care related to chronic conditions.

**"I got sick,
and being self-employed**

we didn't have health insurance, so finances went very quickly — almost all of our savings were gone in the first two years."

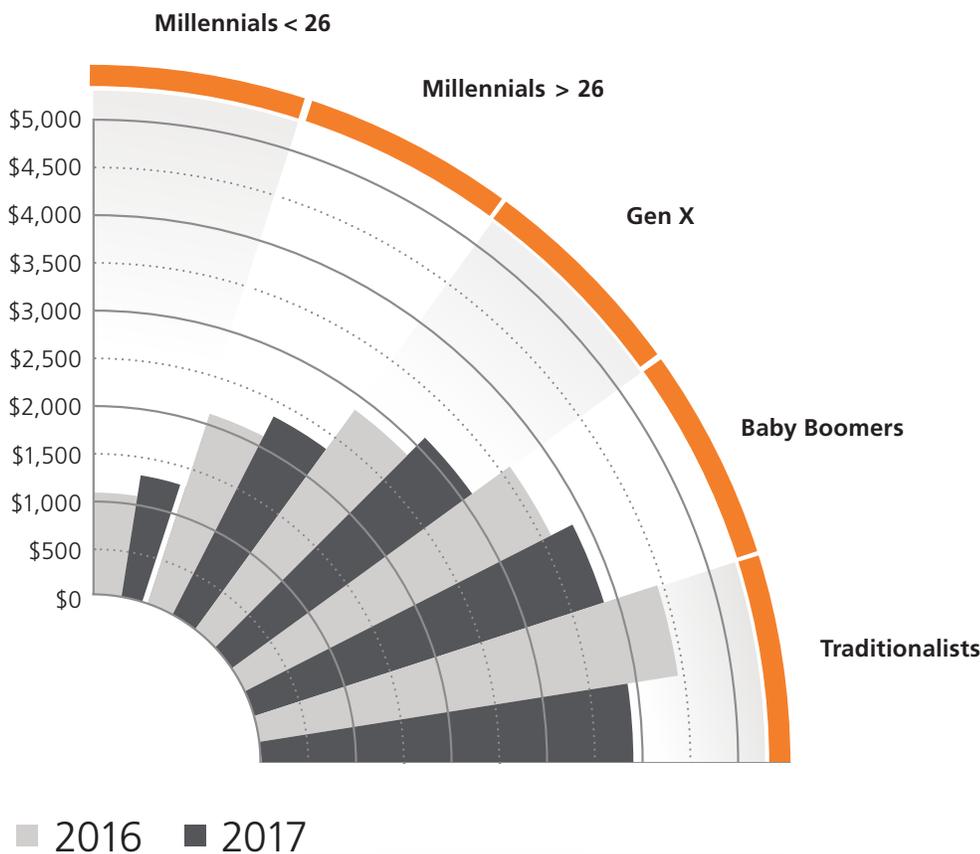
— **Research Participant,
Patient**



Most patients feel guilty about the financial toll their condition has on their family and caregivers.

Optum Financial urges everyone, but especially young people, to be proactive while they're healthy and prepare for any chronic conditions or health complications they or a loved one may experience in the future. An easy way to do this is by enrolling in an HSA, if in a qualified medical plan. Millennials are at the ideal age to participate in an HSA as their funds will have time to grow before they are older and more likely to develop a chronic condition. Despite this fact, research shows that millennials contribute to HSAs at the lowest rate of all age groups in the workforce.⁵

Average HSA employee contribution



An HSA is the single best tax-advantaged individual bank account to save and pay for qualified medical expenses. It's like an IRA for health; but unlike an IRA, participants can use the money either now (for qualified medical expenses) or in retirement (for qualified medical expenses or Medicare premiums).

An HSA can help anyone who has a qualifying high-deductible medical plan prepare for the possibility of a chronic condition by setting aside an emergency fund to pay for costs like prescription drugs, medical supplies, doctor visits or long-term-care insurance. Participants can even choose to invest part of their HSA in mutual funds or other investments to further grow their retirement savings tax free.



HSA SCENARIOS



Sarah, 25 years old and single

- Each year for 20 years, Sarah contributes the individual maximum contribution amount (\$3,500*), for a total contribution of \$70,000.
- She invests any balance over \$3,500.
- She uses \$10,000 for qualified medical expenses.
- In 20 years, she saves \$17,000 in taxes (24% tax bracket).

Her investments earn almost \$50,000.**

Rick and Nancy, married and 45 years old

- Each year for 20 years, Rick and Nancy contribute the maximum for a family, \$7,000,* and an extra \$1,000 for every year the account holder is over age 55, for a total contribution of \$150,000.
- They invest any balance over \$2,500.
- They use \$30,000 for qualified medical expenses.
- In 20 years, they save \$36,000 in taxes (24% tax bracket).

Their investments earn over \$102,000.**

Common challenges and solutions:

Throughout the Optum Financial study, participants identified several common financial challenges that burden them daily. Optum Financial has thought of several notable tools that could help these patients and caregivers overcome these challenges. First and foremost, participants emphasized their desire to interact with people who can relate to their situation and thus show them compassion.

| CHALLENGE | SOLUTION |
|--|---|
|  <p>Medical costs are unpredictable, adding to stress of the unknown and making it difficult to financially plan and save.</p> | <p>A cost estimator or medical expense predictor can help patients and caregivers understand costs of health care and plan for expenses.</p> |
|  <p>Resources are difficult to find, so patients and caregivers spend a lot of time searching for these resources and miss out on valuable opportunities for assistance.</p> | <p>A resource connector categorized by condition could connect patients to available resources, whether that be places or people.</p> |

*Examples are based on 2019 contribution limits, which may change based on IRS regulations.

**Assumes 6% rate of return, compounded annually. [Source: Based on 20-year annualized total return with reinvested dividends for the S&P 500 Index (4/30/1999–4/30/2019). Bloomberg.]

Hypothetical examples are for illustrative purposes only. All events, persons and results described herein are entirely fictitious and amounts will vary depending on your unique circumstances.

CHALLENGE SOLUTION



Health care paperwork is confusing and requires time. Patients and caregivers struggle to understand and navigate these systems.

An insurance liaison or advocacy program could **help patients navigate finances, assist with paperwork and make phone calls** on the patient’s behalf.

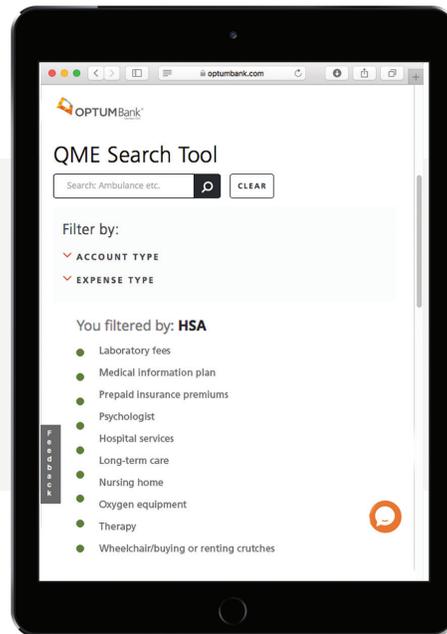


Prioritizing finances and saving for the future are difficult when patients are already juggling debt, bills and medical expenses, leaving them barely able to survive financially. Trying to balance all of these priorities leaves patients and caregivers in a constant state of frustration and reactivity.

Patients could benefit from access to tools for increasing their savings and decreasing monthly expenses. Access to an HSA, through an employer or a self-funded, qualified medical plan, could help patients set aside money for costs related to qualified medical expenses.

Access to financial advisors would also allow patients to **uncover strategies for saving and investing, decreasing monthly expenses, and finding additional ways to earn income.**

The Optum Financial Qualified Medical Expense (QME) Search Tool filters by account type and expense type to determine an individual’s health account coverage.



Conclusion

Health and finances are highly intertwined, and chronic conditions lead to stress and hardship associated with both factors.

Patients and caregivers commonly feel unprepared for the initial diagnosis of a chronic condition and then unable to keep up with related financial tasks and costs.

While most people feel financially unprepared to pay for all of the costs associated with a chronic condition, Optum Financial strives to help consumers understand what steps they can proactively take to prepare themselves for such a diagnosis.

First and foremost, consumers should set up an HSA as soon as they are eligible, preferably when they are young and have time on their side. Optum Financial research has shown there are 5 Stages of Health Saving and Spending in the Health Finance Journey™:

5 Stages of Health Saving and Spending



Consumers experience different goals and activities during each stage and move through the stages at different paces. However, getting to the Manage or Optimize stage before diagnosis for themselves or a family member can help prepare them to handle this unexpected impact on their health and finances.

After the initial diagnosis, patients and caregivers have tools they can use to ease the burden of managing their finances. The Optum Financial online banking and mobile app make it easy for HSA members to track their balance and contribution limits, search for qualified medical expenses and pay bills. These easy payment solutions help patients and caregivers take control of their finances while saving them valuable time.

Optum Financial is integrated with many technology solutions to give members fast answers to HSA questions. They can say "OK, Google" or "Hey, Alexa" to easily connect to the Optum Financial skill (download in the App Store) to ask general questions about contribution limits and qualified medical expenses. Members can also use Apple Pay® or Google Pay™ to pay for qualified expenses from their mobile device.



While nobody can truly financially or emotionally prepare

for the possibility of a chronic condition, taking steps to proactively save money early in life is the surest way to take ownership of one's health and finances.



About Optum Financial

Optum Financial is advancing the way we save and pay for care, connecting the worlds of health and finances in ways that no one else can. Optum Financial is the No. 1 provider of health savings accounts, managing 4 million HSA member accounts and over \$10 billion in assets.⁶ Optum Financial Payment Solutions include Optum Pay™ and Optum Wallet™, innovative payment platforms that make paying for health care easier and more efficient for people and health organizations. By developing proprietary technology and applying advanced analytics in new ways, Optum Financial helps reduce costs while guiding people to the right care. Optum Financial is solely dedicated to health care banking with more than 10 years of experience managing health savings accounts (HSAs). Health care and finance is in our DNA.

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In this role, Deb oversees OF products and provides leadership for Optum Financial. She ensures that all OF products deliver financial services expertise to every point in the health care system through consumer health accounts, health care payments and stop loss insurance products. Deb brings more than 30 years of industry experience in institutional and consumer financial services both domestically and internationally.

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Barb Page is the vice president of marketing for Optum Financial (OF). In this role, Barb is responsible for the marketing strategy and execution for Optum Financial. She brings over 30 years of financial services experience and health care expertise to the marketing arena. Barb has a master's degree in business communications and a Master of Science degree in health care leadership.

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Investments are not FDIC insured, are not guaranteed by Optum Bank®, and may lose value.



Mutual fund investment options are made available through the services of an independent investment advisor. Shares are offered through Charles Schwab & Co., Inc., a registered broker-dealer. Orders are accepted to effect transactions in securities only as an accommodation to HSA owner.

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