



WASHINGTON NATIONAL  
Institute for Wellness Solutions

# Middle-Income America's Perspectives on Critical Illness and Financial Security

April 2013 | Consumer study





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# Introduction

Middle-income Americans are struggling with the high—and rising—cost of healthcare. Between 2003 and 2009, health insurance premiums increased by an average of **41%**, more than three times faster than the median U.S. household income.<sup>1</sup> Out-of-pocket medical costs have grown at the same time, particularly among critical illness patients. The average cancer patient with health insurance incurs **\$712** in monthly bills for physician copayments, prescription drugs and other expenses related to treatment.<sup>2</sup> Individuals also tend to lose valuable income when they're unable to work.

At the same time, middle-income Americans today face a significant risk of being diagnosed with one or more critical illnesses—including cancer, heart disease, stroke and Alzheimer's disease.

- Cardiovascular disease is the **No. 1** cause of death.<sup>3</sup>
- About **one-half of men** and **one-third of women** will develop cancer at some point in their lifetime.<sup>4</sup>
- Every **40 seconds** someone has a stroke, a top cause of death and a leading cause of disabilities.<sup>5</sup>
- **One-in-eight** older Americans has Alzheimer's disease, another top cause of death.<sup>6</sup>

## The impact of critical illness

**A critical illness diagnosis can be life-changing both financially and personally.** Many people find they must pay a surprising portion of the direct costs of treatment due to gaps in their medical insurance coverage. On top of these direct expenses, they may face large indirect costs that are not covered by medical insurance, including lost work time, transportation to and from treatments and extra required care.

Then there's the personal impact of critical illnesses. A diagnosis may require a meaningful lifestyle change—for the person who is diagnosed and for each person who provides support as a caregiver.

## INTRODUCTION

### Bridging the gap in understanding

#### **The impact of critical illnesses in the U.S. cannot be overstated.**

And yet there is much we don't know about how well Americans are prepared to deal with the total costs involved.

To date, little research has focused on the unique needs and perspectives of the **138 million** middle-income Americans<sup>7</sup> who must rely on personal resources and support networks—resources that already are stretched thin—when critical illnesses occur.

“Middle-Income America’s Perspectives on Critical Illness and Financial Security” aims to bridge the gap in our understanding by asking questions about this important demographic.

- What are the health concerns of middle-income Americans?
- How do their concerns relate to their health choices?
- How do they perceive the risks *of* and *from* critical illnesses?
- Are they prepared—financially and personally—for critical illness diagnoses?
- After a diagnosis, what sources of support, treatment and assistance would they look for?
- What role do they see for critical illness insurance?
- What key insights can be gathered to help middle-income Americans prepare for the real costs of critical illnesses?

# Methodology

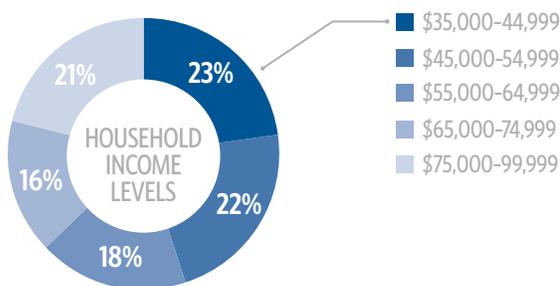
“Middle-Income America’s Perspectives on Critical Illness and Financial Security,” a study from the Washington National Institute for Wellness Solutions, was conducted in January 2013 by Zeldis Research, an independent research firm.

A cross-generational nationwide sample of 1,001 middle-income Americans participated in the internet-based survey. None of the respondents had ever been diagnosed with any of the following critical illnesses:

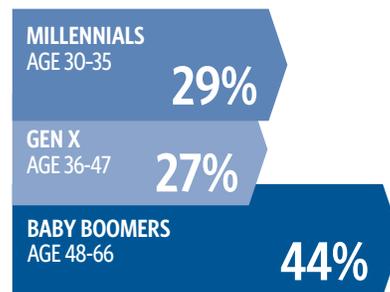
- Alzheimer’s disease or dementia
- Cancer
- Heart disease
- Multiple sclerosis
- Parkinson’s disease
- Stroke

Respondents were excluded if they had Medicare, Medicaid or Medicare supplement insurance. Females and males each represented approximately 50% of survey participants. Significant subsample differences were tested at the 95% confidence level.

By household income level, participants represented the following groups:



Survey participants came from a representative cross-section of adult generational groups, from age 30 to 66





## Key findings

**Middle-income Americans report being generally healthy today, but many are not actively engaged in becoming or staying healthier.**

Half of consumers consider themselves to be in “very good” or “excellent” health. Younger, higher-income consumers are particularly likely to feel this way.

Yet one-half or fewer say they regularly engage in health-promoting activities.

Middle-income Americans are more likely to cite external factors, rather than personal reasons, to explain why they are not healthier.

**Middle-income Americans of all generations, ethnic backgrounds and geographic regions say they are not prepared for a critical illness diagnosis.**

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Only 1-in-10 feels strongly confident in having enough savings to cover family emergencies or handle the financial implications of a critical illness.

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Middle-income Americans generally have a modest level of savings:

- The average savings reserve is \$30,000.
- One-fourth have no current savings.
- Half have less than \$2,000 in savings.

One-fourth would use credit cards or loans from family members, friends and financial institutions to offset expenses not covered by health insurance, and another one-fourth simply “don’t know” what resources they would use.

Six-in-ten have not had a meaningful conversation with loved ones or advisers about caregiving options or financial preparations in case of a critical illness.



## KEY FINDINGS

Cancer is the most concerning critical illness across middle-income America, followed closely by heart disease, stroke and Alzheimer’s disease.

**Thirty-eight percent** are “very concerned” about a cancer diagnosis, compared to:

- 30% for heart disease.
- 30% for stroke.
- 25% for Alzheimer’s disease/dementia.

If faced with a critical illness diagnosis, many middle-income Americans would seek information from healthcare providers and health insurance companies.

As sources of treatment information, healthcare providers and facilities are considered more than four times more important than other sources.

For financial information, consumers consider health insurance companies most important, followed by healthcare providers and facilities.



No more than 10% of consumers would heavily rely on the Internet as their primary resource for treatment options or financial information.



**Many middle-income Americans equate health with wealth.**

About half of middle-income Americans strongly agree with the statement that “people with more money receive higher-quality medical treatment.”

About 7-in-10 say they probably would receive treatment for a critical illness in their own city or town, but half would seek care elsewhere if access or cost were not a concern.

Mayo Clinic and Cleveland Clinic were frequently mentioned—especially in the Midwest—by consumers who were asked where they would prefer to receive treatment if cost or access were not an issue.



**Few middle-income Americans are taking advantage of the benefits of critical illness insurance.**

- Three-fourths are not aware of critical illness insurance.
- Only 5% have purchased it.
- The principal barrier to owning critical illness insurance, cited by 66%, is its perceived cost.

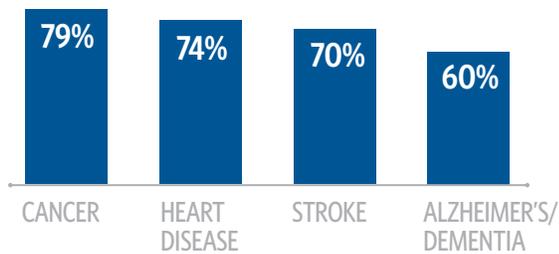


# Health concerns vs. health choices

Cancer tops the list of health concerns among middle-income Americans.

When asked to express their level of concern about being diagnosed with each of 14 different conditions, cancer was the top critical illness concern, followed by heart disease, stroke and, to a lesser degree, Alzheimer's disease.

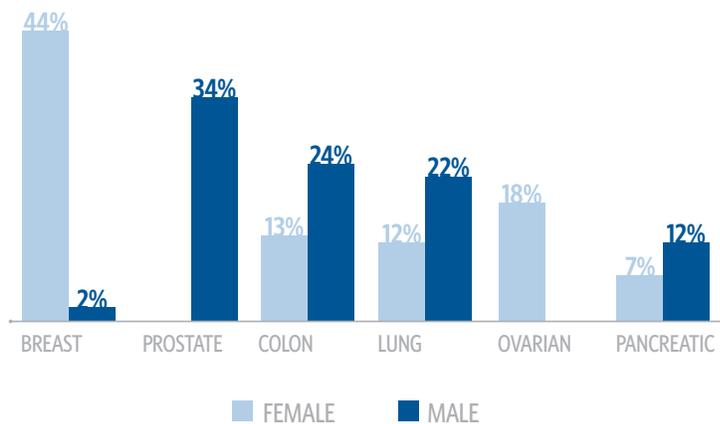
Percentage of consumers who are "somewhat concerned" or "very concerned" about critical conditions



Other conditions: severe arthritis (64%), diabetes (63%), influenza (62%), common cold (58%), pneumonia (57%), COPD (55%), obesity (53%), migraines (47%), Parkinson's disease (47%), multiple sclerosis (42%).

The specific cancer types that elicit the most concern correlate heavily with gender. Prostate, colon and lung cancer are the largest concerns for men; for women, breast cancer is the predominant concern.

Most concerning cancer types among those who are concerned about cancer



Those concerned about cancer and heart disease feel most vulnerable to healthcare costs and the life-threatening nature of these illnesses. People most concerned about stroke and Alzheimer’s/dementia, by contrast, feel vulnerable on quality-of-life issues and being able to maintain an independent life after a diagnosis and treatment.

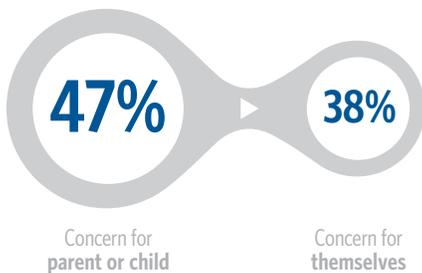
Highest consumer concerns by critical illness type

	CANCER	HEART DISEASE	ALZHEIMER'S/DEMENTIA	STROKE
Worry about disease being life-threatening:	59%	58%	21%	40%
Concerned about costs of treatment/healthcare:	46%	45%	34%	34%
Concerned it would interfere with quality of life:	26%	39%	42%	41%
Concerned about loss of independence:	20%	25%	56%	45%

Consumers tend to be more concerned about a loved one being diagnosed than themselves.

Nearly half say they would be very concerned if a parent or child were diagnosed with cancer.

Level of concern for a cancer diagnosis

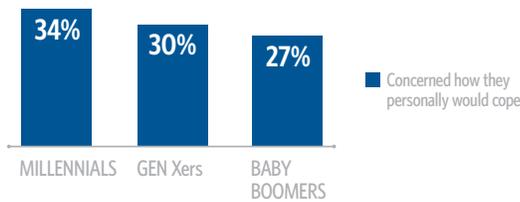


## HEALTH CONCERNS VS. HEALTH CHOICES

### ★ GENERATIONAL INSIGHT\*

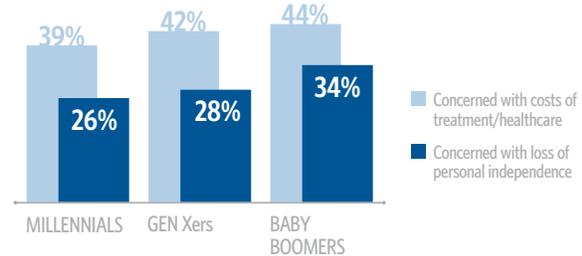
**Millennials**, while feeling healthier and less vulnerable, are more concerned than older generations about how they personally would cope with a critical illness. They are more likely to want to stay healthy to boost self-esteem.

Level of concern for personally coping with a critical illness



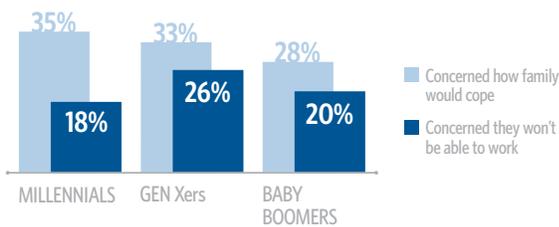
**Baby Boomers** are more likely to acknowledge their vulnerability to critical illnesses. They are more concerned than younger generations about the costs of treatment and healthcare and the potential for lost personal independence.

Level of concern for cost of treatment/healthcare and loss of independence



**Gen Xers**, like Millennials, feel healthier and less vulnerable, and they are more concerned than Baby Boomers about how their families would cope and about not being able to work.

Level of concern for how family would cope and being able to work

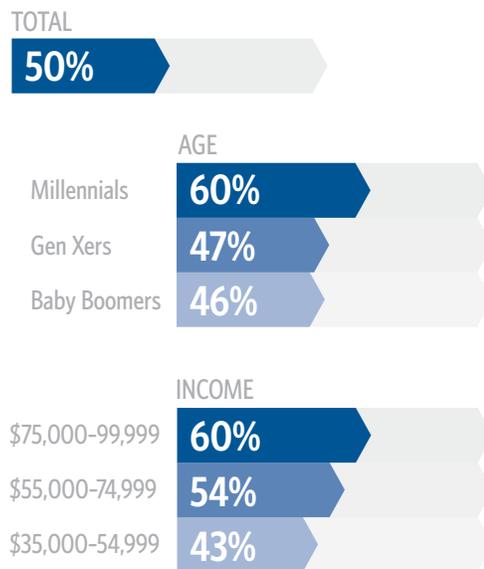


\*Percentages are based on average responses to cancer, heart disease and stroke questions.

Middle-income Americans believe they are healthy, but not all are engaged in wellness activities.

Half of consumers consider themselves to be in “very good” or “excellent” health. Younger, higher-income consumers are particularly likely to feel this way.

Percentage of consumers who describe their overall health as “very good” or “excellent”



But fewer than one-half say they regularly engage in these health-promoting activities:

- 49% engage in physical activity.
- 47% eat healthy foods.
- 43% get eight hours of sleep.
- 37% see a dentist.

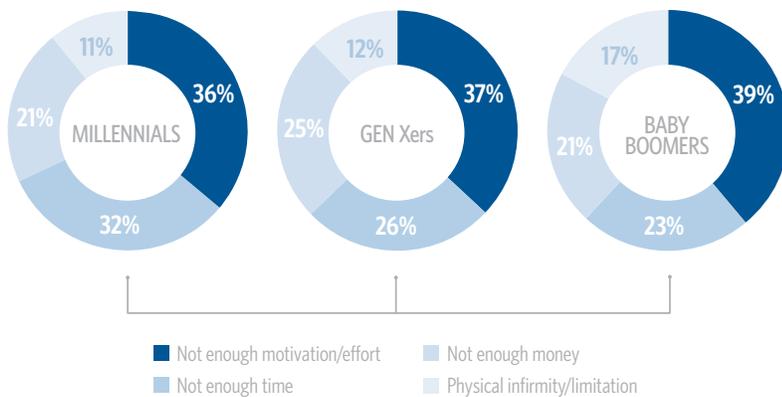
And, unfortunately, a sizable minority (23%) use tobacco products.

## HEALTH CONCERNS VS. HEALTH CHOICES

While more than three-fourths of middle-income Americans have a personal healthcare provider whom they see at least annually, fewer seek regular preventive care. Only one-third received a flu shot in the past six months (during flu season), less than two-thirds of women 40 and older received a mammogram in the past two years, and only about half of all middle-income Americans older than 50 have had a colonoscopy.

To explain why they are not healthier, consumers are more likely to cite personal reasons—such as lack of motivation—rather than external factors, such as the lack of time and money or physical limitations.

Reasons cited by consumers to explain why they are not healthier

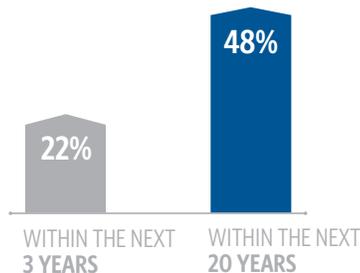


# Perceived risks from critical illness

Middle-income Americans on average give themselves about a 1-in-5 chance of being diagnosed with a critical illness in the next three years.

Consumers estimate they have a significantly higher probability—a 1-in-2 chance—of being diagnosed with a critical illness within the next 20 years.

Participants' average estimated chance of being diagnosed with a critical illness



Those who feel more vulnerable in the short term—with a perceived diagnosis risk greater than 50% over the next three years—tend to have a lower income, fewer resources and poor health and be more worried for themselves and their families.

Compared to others, those who consider themselves highly vulnerable to critical illnesses are more likely to:

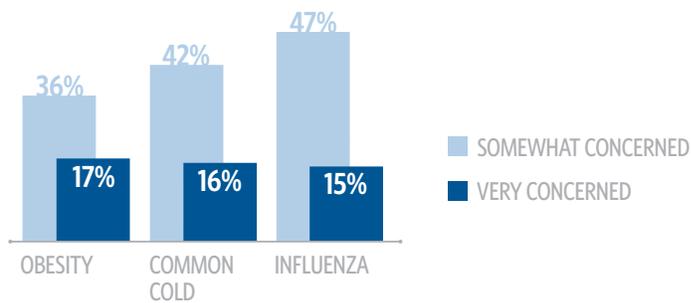
- Be lower income: **52%**
- Be uninsured: **21%**
- Be unemployed: **13%**
- Consider themselves to be in poor/fair health: **22%**
- Have had a meaningful conversation about caregiving options in case of a critical illness: **50%**
- Be concerned a parent/child will be diagnosed with a critical illness: **46%-54%**
- Believe that a spouse/partner will be diagnosed with a critical illness within the next three years: **52%**

## PERCEIVED RISKS FROM CRITICAL ILLNESS

Consumers tend to discount obesity as a health risk—despite its prevalence.

Consumers underestimate the rate of obesity and underappreciate obesity’s impact on their overall health. Consumers in general are as concerned about the common cold and influenza as they are about obesity.

Level of concern by consumers for obesity, common cold and influenza



### ★ GENERATIONAL INSIGHT

Many middle-income Americans of all generations seem to see no strong connection between being overweight and being at risk health-wise.

Relationship between BMI and personal perception of health

	MILLENNIALS	GEN Xers	BABY BOOMERS
Percentage of consumers who report a BMI indicating they are overweight or obese:*	49%	64%	66%
Of those who report being overweight/obese, percentage who consider themselves in “very good” or “excellent” health:	50%	38%	42%

\*BMI is body mass index calculated from a self-reported height and weight.

According to the World Health Organization, research has shown that as weight increases to the levels referred to as “overweight” and “obese,” the risks also increase for other serious conditions, including:<sup>8</sup>

- Coronary heart disease
- Type 2 diabetes
- Cancers (*endometrial, breast and colon*)
- Hypertension (*high blood pressure*)
- Stroke

# Are middle-income Americans prepared for critical illness?

Despite the perceived vulnerability to a critical illness diagnosis, only a small percentage of middle-income Americans believe they are financially prepared.

Just 1-in-10 consumers are “strongly confident” they have enough savings to cover family emergencies and handle the financial implications of critical illnesses.

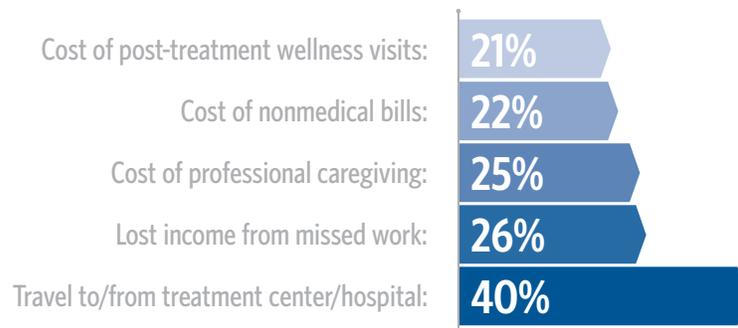
## Consumer confidence in financial preparedness for critical illness



These low-preparedness estimates might even be optimistic.

Middle-income Americans frequently omit associated costs—like post-treatment wellness visits, nonmedical bills, professional caregiving, lost income from missed work, travel to and from treatment and other expenses—when they consider the total costs of critical illnesses.

## Percentage of consumers who did not account for each category when considering financial recovery following a critical illness diagnosis



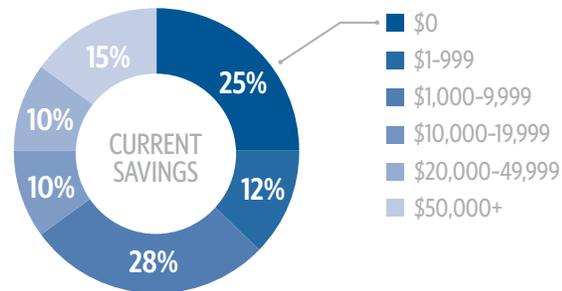
## ARE MIDDLE-INCOME AMERICANS PREPARED FOR CRITICAL ILLNESS?

If diagnosed with a critical illness, most would be forced to borrow or draw on savings to pay for out-of-pocket expenses not covered by insurance.

Half would use personal savings to pay expenses, but many have little, if any, savings to fall back on:

- Middle-income Americans on average have about \$30,000 in savings that could be used.
- The median level of savings is even lower. Half have less than \$2,000.
  - 75% have less than \$20,000 in savings.
  - 65% have less than \$10,000 in savings.
  - About one-fourth have no savings.

Level of personal savings by middle-income Americans



### ★ GENERATIONAL INSIGHT

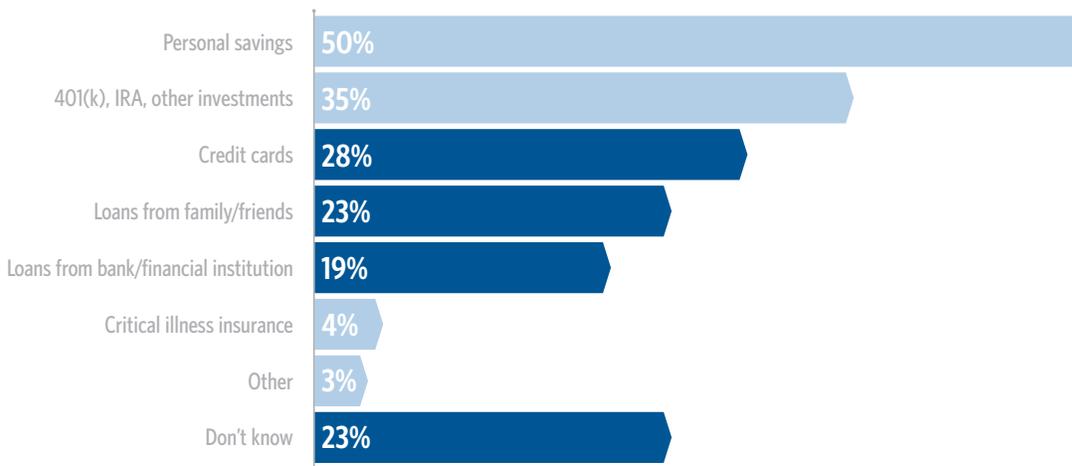
**Millennials** are less likely to believe they would “never recover” financially from a critical illness diagnosis. Yet they report low savings—averaging about \$13,000—and anticipate greater reliance on credit cards and loans to pay out-of-pocket expenses.

**Gen Xers** are closer to Millennials than Baby Boomers in financial situations. Like Millennials, they report low savings—averaging about \$16,000—and anticipate greater reliance on credit cards and loans to pay out-of-pocket expenses.

**Baby Boomers** feel most vulnerable to critical illnesses and are more likely to have personal experience with such diseases through friends and family. They have accumulated more savings—still low at an average of \$50,000—but are more focused on avoiding the loss of independence and on containing healthcare costs.

One-fourth of middle-income Americans would need to use credit cards or loans from family, friends or financial institutions if diagnosed with a critical illness. Another one-fourth simply “don’t know” what resources they would use to help offset their expenses.

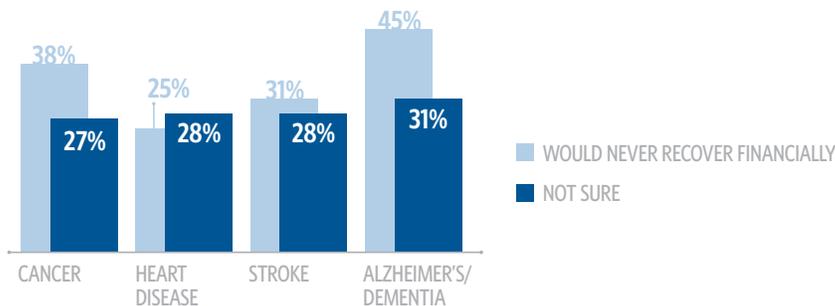
Resources consumers would use to pay critical illness costs



For many, the answer to this important question—“Am I prepared?”—is unknown today.

Americans believe that the financial impact of a critical illness can be lasting. Thirty-eight percent believe they might never financially recover from a battle with cancer, and 45% believe they would never recover financially from an Alzheimer’s/dementia diagnosis.

Consumer perception of financial impact of a critical illness diagnosis



## ARE MIDDLE-INCOME AMERICANS PREPARED FOR CRITICAL ILLNESS?

Few middle-income Americans have had meaningful discussions about potential caregiving options or financial planning for critical illness.

**Fifty-eight percent** have had no conversations with loved ones or advisers about potential caregiving options.

**Sixty percent** have not discussed financial planning for critical illnesses.

Even fewer have researched caregiving options.

Only **12%** have actively explored caregiving options they could draw on if diagnosed.



# External sources of support, treatment and assistance

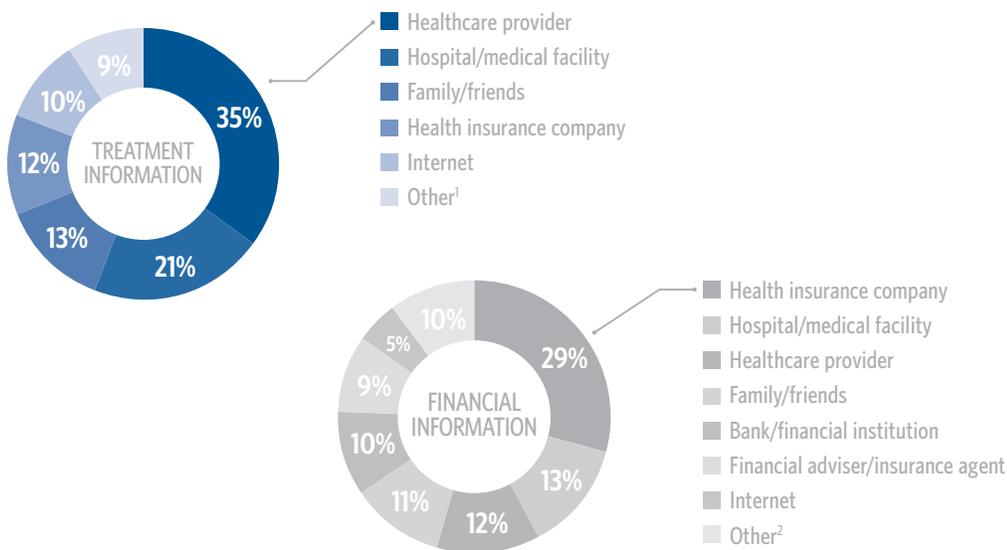
## Information sources

As sources of treatment information, healthcare providers and facilities are considered more than four times more important than other sources.

For financial information, consumers consider health insurance companies most important, followed by healthcare providers and facilities.

No more than 10% of consumers would heavily rely on the Internet as their primary resource about treatment options or financial information.

### Relative importance of information sources



<sup>1</sup> Includes pharmacist, social/case worker and "other."

<sup>2</sup> Includes lawyer/accountant, pharmacist and "other."

## ★ GENERATIONAL INSIGHT

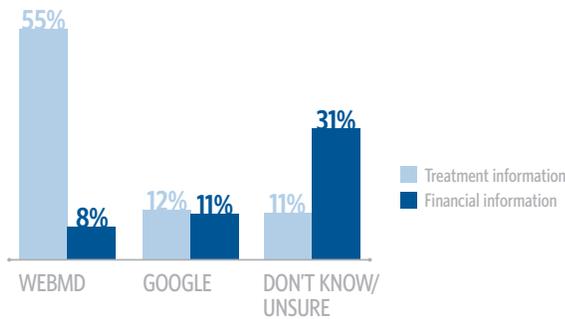
Baby Boomers are somewhat more likely to rely on their healthcare provider for treatment and financial information. Millennials and Gen Xers would rely more heavily on family and friends as well as the Internet.

## EXTERNAL SOURCES OF SUPPORT, TREATMENT AND ASSISTANCE

For consumers, Internet resources can help provide an abundance of health and financial information.

WebMD is cited most frequently as an online source of information about treatment and finances. However, many middle-income Americans (31%) are unsure where they would find financial information about a critical illness.

Preferred online information sources



For many, the perception is that wealth equals health.

About half of middle-income Americans strongly agree with the proposition that “people with more money receive higher-quality healthcare.”

People with more money receive higher-quality medical treatment.



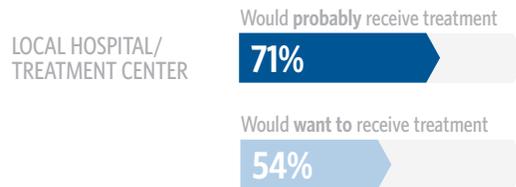
Uninsured consumers and African-Americans are more likely to feel that wealth influences treatment quality.

Uninsured consumers: **62%**

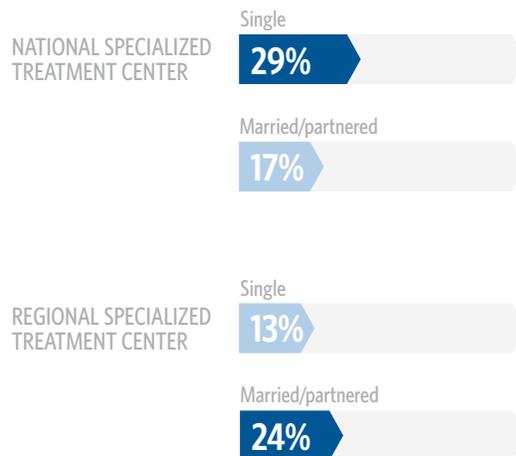
African-American consumers: **67%**

About 7-in-10 say they probably would receive treatment for a critical illness in their own city or town—but only half would do so if access or cost were not a concern. Costs aside, single consumers would be more likely to seek treatment at a national specialized treatment center; married or partnered consumers would turn to regional treatment centers.

Consumer preference for local hospital/ treatment center

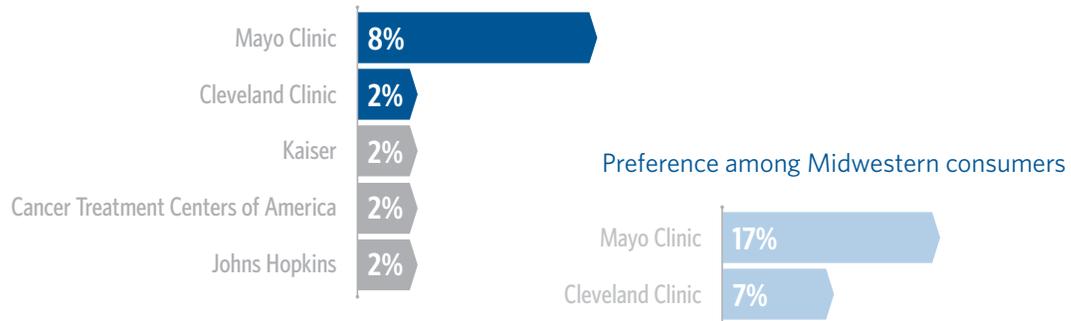


Consumer preference if cost and access were not an issue



The Mayo Clinic and Cleveland Clinic were frequent mentions—especially in the Midwest—when consumers were asked where they would prefer to receive treatment if cost or access were not an issue.

#### Preferred treatment centers

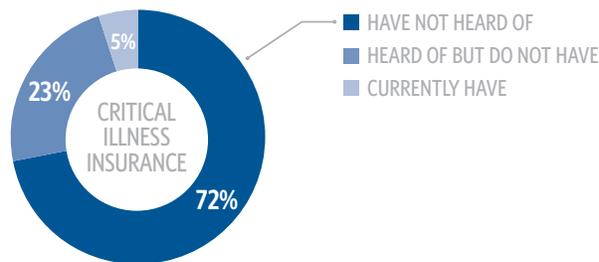




# Perspectives on critical illness insurance

Nearly three-fourths of middle-income Americans are unaware of critical illness insurance. Only 5% have purchased it.

Consumer awareness of critical illness insurance



Perceived high cost—cited by 66% of non-owning consumers—is seen as the primary barrier to purchasing critical illness insurance. The ability to mitigate the costs of treatment and care—cited by 66%—is seen as the primary advantage of ownership.

## Primary barriers:

- Cannot afford additional insurance: **66%**
- Don't think cash payment will be nearly enough to cover expenses: **39%**
- Have other types of insurance that will help cover costs: **38%**

## Primary advantages:

- Would help with treatment and medical expenses: **66%**
- Would help me pay nonmedical bills: **51%**
- Will give me peace of mind: **50%**

Among those who are unaware of critical illness insurance, 24% are very interested in learning more about it today. The interest level rises to 4-in-10 when thinking ahead 20 years.

African-Americans (42%) and Hispanics (33%) have the highest current interest levels among ethnic groups.



### What is critical illness insurance?

Even middle-income Americans who have medical insurance face a variety of medical and nonmedical expenses in the case of a critical illness diagnosis. Expenses like these can add up quickly:

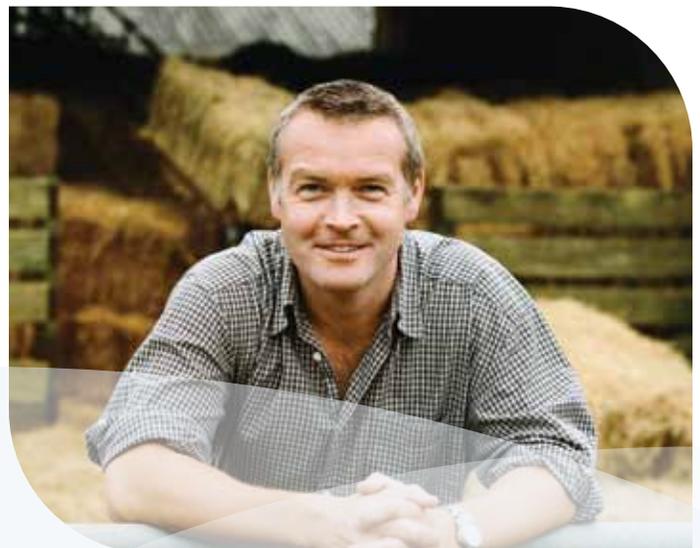
- Deductibles
- Copays
- Coinsurance
- Alternative treatments
- Transportation
- Caregiver costs

In the event of cancer, heart attack, stroke, diabetic complications, Alzheimer's disease, end-stage renal failure or other common critical illnesses, supplemental health insurance can pay lump-sum and/or indemnity benefits based on the level and coverage type selected.

### ★ GENERATIONAL INSIGHT

**Thirty-four percent** of Baby Boomers are aware of critical illness insurance, compared to **26%** of Gen Xers and **22%** of Millennials.

Younger, single consumers are more likely to cite the limited immediate risk of a diagnosis as the primary barrier to purchasing critical illness insurance.



# Recommendations for consumers

By practicing healthy habits and seeking regular care, you can significantly decrease your odds of being diagnosed with most common critical illnesses. The recommendations listed below may help you take control of your wellness today and may improve your odds for a long, healthy life.

Please take a few minutes to read this information and share it with your loved ones.

## **Start by making good health a personal priority.**

Strive to maintain a healthy diet and stay active. The health choices you make today have a significant impact on the total costs of critical illness in your future. A portion of critical illness diagnoses are attributable to genetics—but many more cases develop as a result of unhealthy habits and behaviors, such as tobacco use, obesity, physical inactivity and poor diet.

## **Educate yourself about the real-life costs of critical illness.**

In addition to direct costs of treatment, you could face nonmedical costs and other expenses not covered by medical insurance, including lost work time, transportation to and from treatments, extra required care and other expenses.

## **Have a family discussion.**

Talk to your spouse, your family and your advisers about your potential risks and the financial and treatment resources you can put in place to pay for critical illnesses.

## **Find out what your current insurance will—and will not—cover, and then assess your overall financial health.**

Identify the gaps between the resources you would need and the options already available to you.

## **Explore your other insurance options.**

Middle-income Americans can choose affordable solutions that offer protection from the financial impact of critical illnesses. Supplemental critical illness insurance can help with many of the direct and indirect costs of diagnosis, treatment, recovery and follow-up care. Critical illness insurance premiums can be surprisingly affordable, especially during your working years.

Policyholders are able to use their cash benefits to help maintain their wellness, access needed care, pay for out-of-pocket costs, cover regular bills, replace lost wages and keep up with household expenses through periods of illness.

## **Plan ahead and act now.**

Use the information and support systems available to you. Make a plan to boost your financial “rainy day” fund, take better control of your future and restore your peace of mind. Then set your plan in motion.

# About the Washington National Institute for Wellness Solutions

The Institute for Wellness Solutions is Washington National's research and consumer education program. The organization sponsors studies and supports awareness campaigns to help Americans meet the challenges of critical illnesses. Specifically, the institute provides insight and practical advice about:

- Wellness and illness prevention.
- Illness care and treatment.
- Managing the total costs—financial and personal—of critical illnesses.

Washington National has helped Americans since 1911 to protect themselves and their families from the financial hardship that often comes with critical illnesses, accidents and loss of life. The company remains dedicated to helping middle-income Americans who work hard and want to protect themselves and their loved ones.

## Learn more

For more information about the Washington National Institute for Wellness Solutions, visit [WNInstituteforWellness.com](http://WNInstituteforWellness.com).

Washington National partners with independent insurance agents to serve individuals and families nationwide. For more information, visit [WashingtonNational.com](http://WashingtonNational.com).

*Supplemental insurance policies are limited-benefit policies that have limitations and exclusions. For costs and complete details, contact Washington National.*

## ENDNOTES

<sup>1</sup>“State Trends in Premiums and Deductibles, 2003-2009,” The Commonwealth Fund, December 2010

<sup>2</sup>“Cancer’s Growing Burden: The High Cost of Care,” *USA Today*, Feb. 12, 2012

<sup>3</sup>Centers for Disease Control and Prevention, [www.cdc.gov/features/heartmonth](http://www.cdc.gov/features/heartmonth), February 2013

<sup>4</sup>American Cancer Society, *Cancer Facts & Figures 2013*, p. 1

<sup>5</sup>American Heart Association, *Heart Disease and Stroke Statistics—2012 Update: A Report from the American Heart Association*, p. 3

<sup>6</sup>Alzheimer’s Association, *2013 Alzheimer’s Disease Facts and Figures*, p. 1

<sup>7</sup>U.S. Census Bureau, *Statistical Abstract of the United States: 2012, Income, Expenditures, Poverty and Wealth*, p. 452

<sup>8</sup>“What Are the Health Consequences of Being Overweight?” World Health Organization, [www.who.int](http://www.who.int), March 2013



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