

Guest Editor's Introduction to the Special Issue on Health and Consumer Finance

Manouchehr Mokhtari^a

Health and consumer finance are hard to disentangle. Social and power structures in the imperfect health-care market favor suppliers and their regulators. The asymmetric control of resources and information by the industry renders consumers impotent in finding the optimum levels of medical goods and services; thus, transforming consumers into patients who only search for affordable healthcare. A critical outcome is the fact that about half of collection activities that are reported to the main credit agencies are related to medical bills owed to providers. However, in the health-care arena, consumer sovereignty is tethered by (a) the uncertainty about the nature and timing of the need for medical care; (b) reliance on providers' credence rather than the goods and services; (c) the spiral bureaucracy and the captured regulators; and (d) the inherent moral and morale hazards in receiving, providing, financing and regulating health care. These tethers box a consumer as a patient and cause a simultaneous feedback between health and finance, which adversely impacts consumers' long-term well-being and financial standing in the economy.

Operating in a suboptimal environment, patients' decisions are primarily tuned to receiving care and not receiving the best financial advice. Understanding this dynamic and providing guidance to consumers and financial planners requires tremendous intellectual curiosity and skills in translating scholarship into practice. The articles in this Special Issue rise to the challenge and show an array of insights into the current state of flux in consumer health, health-care market, regulatory environment, and consumer finance. The underlying facts and research show that, while worsening sociodemographic factors adversely influence health outcomes, regulatory uncertainty, which

shrinks the number of insurers, further erodes consumer choice and sovereignty when they are needed the most. This has exacerbated health-care costs that are believed to be the main cause for the majority of consumer bankruptcies. In an imperfect health-care market, rising consumers' expenditures do not necessarily yield proportionally more health care and/or better outcomes, rather an increasing level of mental and financial stress.

This Special Issue brings together nine articles. All the manuscripts in the Special Issue underwent rigorous peer-review process with two or more reviewers. The articles in this Special Issue address three main themes: The first set of three articles reveals the root causes of the consumer's cash flow deterioration and mounting medical debts. Shinae Choi and Justin Blackburn's study examines sociodemographic characteristics as predictors of patterns of health insurance premiums and medical expenses of consumers. Their findings inform households and financial advisers in their quest for projecting health insurance premiums and medical expenses throughout the life course of households. Yoon G. Lee's investigation shows that obese individuals have lower levels of income and net worth than normal weight and overweight individuals. Patrick Richard, Nilam Patel, Yuan-Chiao Lu, and Pierre Alexandre examined the relationship between self-reported health status and medical debt outcomes. They find that poor health status impose a financial burden on households.

The second set of three articles finds literacy and financial education are effective in cushioning consumer finances from potential shocks to their health-care costs. G. Nathan Dong's study is informative about health expenditure shocks and

^aAssociate Professor, School of Public Health, University of Maryland–College Park, College Park, MD 20742. E-mail: mokhtari@umd.edu

financial distress leading to bankruptcy. Dong's findings reinforce the view that financial literacy may play an important role in undertaking financial planning: strategic default and bankruptcy avoidance. Racquel Tibbetts and Sonya L. Britt examine how the perceived loss of financial and health resources leads to stress. They conclude that stakeholders interested in reducing stress on individuals should first assess and then try to improve individual perceptions of health and financial resources. Nicole White, Kathleen Packard, Kathleen Flecky, Julie Kalkowski, and Jennifer Furze's assessment of a 2-year financial education program on the health of single, low-income women shows a positive and sustained effect on the health and health-related quality of life of these women.

The last set of three articles identifies consumers who are at the risk of medical bankruptcy and proposes ingenious solutions for hedging against the eventual adverse wealth outcomes. Donald D. Hackney, Daniel L. Friesner, and Erica H. Johnson analyze bankruptcy court data to provide evidence-based criteria for creating a profile of bankruptcy petitioners who are at risk of medical bankruptcy. Gao Niu, Jeyaraj Vadiveloo, and Cary Lakenbach consider the feasibility of a combination annuity to provide financial relief for a family with a child with Down syndrome. Their simulation model provides mathematical framework and numerical support for a financial setup that allows for financial relief upon loss of both parents. The final article by Tracey West and Andrew C. Worthington examines the impacts of financial shocks, such as serious illness or injury, on the role of the family home in asset portfolios of Australian households. The authors show that adverse wealth outcomes may be hedged through better

financial education, insurance products, or general financial preparedness.

These insightful articles paint a complex environment in which consumers must navigate to finance their health-care needs. Yet a number of these articles forward innovative solutions and strategies, which aid consumers, inform financial counselors and planners, and provide useful input into the policy-making process at the national and local levels.

As the guest editor for this Special Issue, I was fortunate to have the full support and excellent guidance of the Editor-in-Chief Jing Jian Xiao. Editing this issue was an exciting opportunity for me to interact with the most dedicated scholars and generous reviewers who patiently made it possible to fully explore Health and Consumer Finance for the *Journal of Financial Counseling and Planning*. I am grateful to the authors for submitting their articles and their cooperation in refining their contributions to the critical issues in health and consumer finance. I would like to extend my sincere thanks to the following reviewers who have served this Special Issue by providing excellent editorial assistance and in-depth reviews: Kristy L. Archuleta, Joseph F. Arns, Mamak Ashtari, Bryn Alexander Coles, Zeynep Copur, Denise Coughlin, Alassane B. Diaw, Frederick Ray Fernatt, Gretchen Holthaus, Carrie Lei Johnson, Erica H. Johnson, Jennifer Hunter Osman Kavcar, Liza Barros Lane, Melanie Mendiola, Presha E. Neidermeyer, Patrick Payne, Derek Potter, Devi Erna Rachmawati, Ralph Abbey Ssebagala, Colby Duncan Taylor, Rebecca J. Travnichek, Jamie Wagner, JeongHee Yeo, Rustin Yerkes, Jeremy Yorgason, and John H. Young.