

Consumer Health Spending Index Shows Big Gains

A mismatch between rising out-of-pocket medical costs and smart spending behavior is improving fast in the latest annual *2016 Consumer Health Spending Index* by an independent research firm using standard survey research methodology. The independent study, sponsored annually by Alegeus, for the first time proves conclusively that rising consumer out-of-pocket spending is indeed causing U.S. employees and individuals to become better health shoppers over time.

2016

Alegeus Healthcare
Consumerism Index

The study has two prongs. First it asks consumers to assess their attitudes and behavior for a wide set of household *spending* decisions – including both healthcare and non-healthcare purchases. For example, buying health care and buying a TV console. Three years ago the initial benchmark for health spending was only 40.4, meaning U.S. consumers were not yet heavily engaged in health spending decisions. This year is far different: the 2016 benchmark hit 54.4 after rising in 2015 to 48.3, demonstrating a long-term trend by U.S. consumers to be more engaged.

A second index tracks consumer household *savings* – attitudes and behaviors regarding saving for household costs such as retirement, college education and an emergency fund. The news here is not great. *The U.S. benchmark for health savings in 2016 is only 21.9* compared with 41.5 for retirement savings and higher scores for all other savings goals. "Disciplined saving for short and long term healthcare costs represents a paradigm shift for most consumers, and the majority of consumers are currently under-funding their healthcare savings," the study concludes. "Many US consumers continue to live paycheck-to-paycheck, with only 50% currently making contributions toward retirement each month – more than twice the number that are saving for healthcare."

Today, consumers "simply don't view their healthcare costs from a long-term perspective." Two-thirds of Americans (66%) "Don't know how much they need to save for healthcare costs this year," and less than one-fourth (23%) "Are saving aggressively for healthcare." A shocking 69% of U.S. consumers "Are not confident they have maximized their tax benefit for health care savings."

The same set of questions were asked for each type of spending decision to allow easy comparison: • Are they focused on reducing costs? • Are they focused on getting better value for the dollars they must spend? • Does cost influence their decision-making for whether to spend, or which option to choose? • Do they understand costs before they purchase? • Can they forecast how much they will need to spend this year and into the future? • What is the degree of diligence performed before spending? • Do they compare options for cost, quality and value?

Based on responses a single rating score was developed for each decision type – on a scale of 0-100. The bigger the number, the greater the degree of cost/value focus and consumerism exhibited.

