

Simplicity Bolsters Wellness

Health plans that rely on behavioral and financial choices often disappoint.

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A \$100 billion dollar health care package was proposed by congressional Republicans this past summer, and afterward endorsed by some Democrats. It aims to save money by encouraging you to make big life changes. But the package will probably fail to achieve its goals for a simple reason: scarcity. Chances are you don't have the time, money or bandwidth to follow through.

The legislation is expected to be reintroduced in the first quarter this year, and it has laudable goals. It encourages exercise by treating gym memberships as tax-deductible medical expenses. It would help cover out-of-pocket costs for high-deductible health plans by allowing people to deposit more money in tax-shielded health savings accounts. And it would permit the use of flexible spending accounts and health savings accounts to buy sports equipment.

In other words, the spending package is intended to nudge Americans to exercise more and to get a better handle on their finances. But it would require people to restructure their lives in response to modest financial incentives. The package is an *active* policy: It requires opting in.

Most of us won't. We're experiencing multiple, and often compounding, types of scarcity.

"Scarcity in one walk of life means we have less attention, 'less mind,' in the rest of life," wrote Eldar Shafir and Sendhil Mullainathan, Princeton and Harvard professors who study behavioral economics. They refer to scarcity as a "cognitive tax" that makes it hard for people to live healthy lives and make health-promoting choices.

Perhaps the most familiar

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source of that cognitive tax comes from a busy professional and family life. After working a full-time job, many people spend the rest of the day chauffeuring children to activities, helping with their homework, making dinner and taking care of household chores. As Claire Cain Miller of *The Upshot* wrote recently, modern parenting seems unending, especially for working mothers.

As a result, many people struggle to get to the gym or to muster the attention span to delve into finances.

Choices involving money and health are especially tricky, as shown by a survey of studies on the relationship between stress and decision making. They often require people to make decisions despite inadequate information and lots of uncertainty. The resulting stress impairs the ability to make good choices. One experimental study, for example, found that stressed individuals tend to

Default enrollments may aid those with scarce time, energy or money.

make riskier decisions.

Scarcity is an especially tough problem for those struggling to make ends meet. In addition to time and money, some Americans might also lack educational opportunities and social support.

That's why active policies haven't proved very helpful for the 50 million United States citizens who live in poverty. Work by the University of Southern California economics professor Leandro Carvalho and colleagues showed that low-income people were more "present-biased" after payday, worrying about the immediate more than the long-term effects of their decisions.

Some people will benefit from active policies, but they'll disproportionately be those who would have done what the policies encourage anyway. That's a big part of why wellness programs — which provide financial incentives for healthy activities or preventive care — don't work, as numerous studies have shown. Even

without the programs, those people would have been likely to exercise, eat well and get preventive care. A wellness program tends to just throw another financial break at those who don't need it.

Likewise, studies have shown that health savings accounts are used primarily by wealthy people less in need of help with medical expenses. In financial literacy quizzes, a national survey found that college graduates and those making more than \$75,000 per year did much better than other groups. This explains why people with an abundance of opportunity — those with higher incomes and more education among them — are likelier to make sound financial decisions, like investing in health savings accounts.

In contrast, scarcity of money and education is correlated with lower rates of financial literacy, and, consequently, misinformed financial decisions like using costly payday or high-interest home loans. Moreover, tax-deferred vehicles like health savings accounts are less beneficial for those in lower tax brackets and virtually useless for families who lack surplus income to devote to the account.

So if active policies fail most of us, what works? The evidence suggests it's passive policies. These are programs that don't require individual action; you're not expected to add another task to the to-do list. Examples include default enrollment in a 401(k); in the health realm, they are public health efforts like water fluoridation and air quality improvement.

Other advanced nations tend to have universal health systems that are simpler, while in the United States, the many types of plans and premiums introduce complexity and increase the time necessary to enroll. Millions of Americans select from a large variety of health plans each fall, for example, and research shows they tend to make mistakes, often paying more than they need to.

So long as they're well designed, public health policy and programs that work passively seem more likely to improve our lives by acknowledging and respecting just how busy and distracted we are.