OLDER ADULT OUT-OF-POCKET PHARMACEUTICAL SPENDING AFTER HOME MORTGAGE PAYOFF

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In recent decades an increasing share of homeowners have been carrying mortgage debt into retirement. This increase has resulted in concerns that high housing costs may limit spending on healthcare needs later in life. Concerns particularly arise for older low-income households that rely heavily on Social Security income.

Older Adult Out-of-Pocket Pharmaceutical Spending after Home Mortgage Payoff

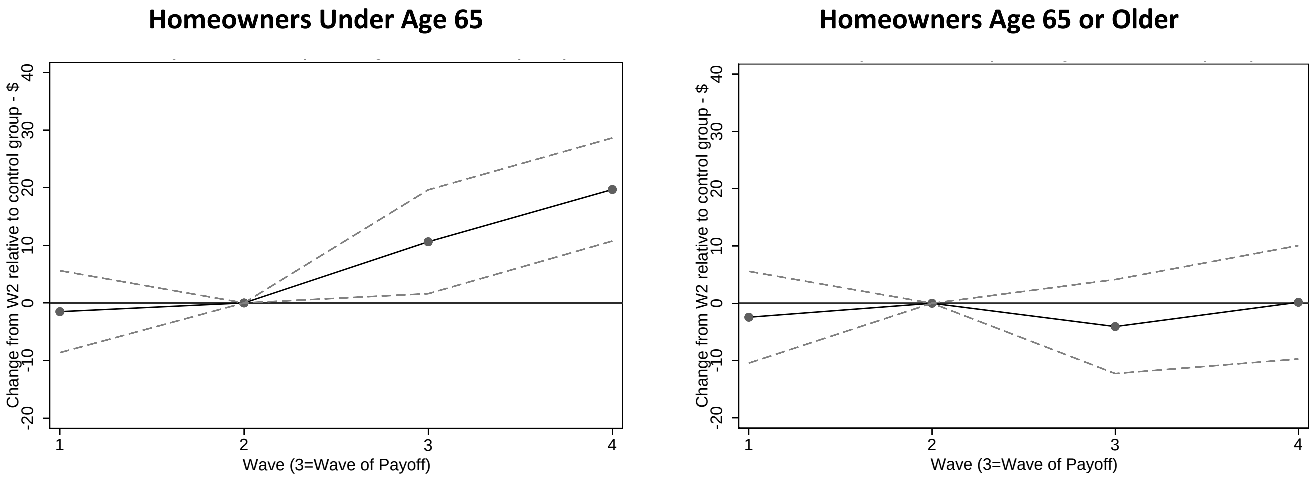
Older adult homeowners increasingly carry mortgage debt into retirement. The share of homeowners aged 65 and older with outstanding mortgages doubled between 1989 and 2016, while the outstanding loan-to-value ratio tripled from 13 to 39 percent over the same period (JCHS 2018). It is not clear how these trends impact older adult welfare. This research expands our understanding of the relationship between housing debt and health by demonstrating spillover impacts between outstanding mortgage debt and healthcare utilization, as many older adults struggle to simultaneously pay their health and housing costs. This paper examines changes in out-of-pocket pharmaceutical spending around the time of mortgage payoff for householders over age 50 to assess whether mortgage payments constrain healthcare spending for some households.

Findings suggest that out-of-pocket pharmaceutical spending increased by 25 percent for all households that paid off their mortgage, and by nearly 50 percent for households whose residents were roughly between the ages of 50 and 64. These under 65 households spent an additional $20 each month on average on out-of-pocket pharmaceuticals. Differential impacts by age suggest that age-related subsidies such as OASI and Medicare program benefits smooth health spending constraints for older households and increase their ability to afford both health and housing. This research fills gaps in the literature around household spending changes at mortgage payoff and the relationship between mortgage debt and health expenditures.

Homeowners under 65 who carry a mortgage spend significantly less on out-of-pocket pharmaceutical drugs than homeowners whose mortgage is paid off.

This research examined the differences in out-of-pocket pharmaceutical spending by homeowners paying a mortgage and homeowners whose mortgage was recently paid off. Findings suggest that out-of-pocket pharmaceutical spending increased by 25 percent for all households that paid off their mortgage, and by nearly 50 percent for households whose residents were roughly between the ages of 50 and 64. These
households increased out-of-pocket spending on pharmaceuticals by $20 each month after their mortgages were paid off, suggesting that many households struggle to simultaneously meet housing costs and health costs.

Difference in Differences of Out-of-Pocket Monthly Pharmaceutical Spending
Before and After Mortgage Payoff by Age Group



Note: This analysis compares the size of differences in pharmaceutical spending between homeowners whose mortgage payments ended (Wave 2) and homeowners whose payment remained consistent. The size of differences between the two groups were compared to differences in Wave 2.

Implications

- Many homeowners struggle to afford both housing costs and health costs as they near retirement.
- When homeowners cannot afford both housing and health costs, health needs may go unmet.
- Income supports and healthcare subsidies provided to adults age 65 and older may reduce the need for this trade-off between health and housing

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