



Direction and Duration of the Pandemic

Financial and Health Executive Perspectives

Firms, advisors, and clients all need to manage for today AND plan for tomorrow. The Pandemic impacts needs, and it changes what works for advisors and clients in both timeframes.

Advisor and consumer expectations regarding the duration of each phase of the Pandemic will affect the speed, urgency, and resources they need to react and respond.

This survey is part of a qualitative series conducted for the Senior Healthcare Executive Forum (SHEF). Results, analysis, and implications are discussed at SHEF meetings (virtual and/or in person). The objective of this survey is to gage perceptions of Covid duration and phases. We will then revisit those perceptions, along with how, when and where life, work, medicine, care, and finance happen, as the phases unfold.

Report Outline

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 - Mental Health Crisis?
 - Confidence in Vaccine Distribution?
 - Healthcare Cost Changes
 - Advisors Integrating Pandemic Realities:
 - How well they do?
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Findings

Duration of Pandemic Phases

Participants were asked to consider three phases to the Pandemic: 1) an Immediate (pre-vaccination) phase, 2) an Intermediate (vaccination in process to herd immunity) phase, and 3) a Post pandemic normal (when the pandemic was no longer an apt descriptor of “normal”).

The mean of responses indicates a similar 10-to-12-month duration for each phase. However, the dispersion around the mean tells a quite different story. While 3 months was the low for all three phases, the high was 17, 24, and 24 months, respectively. In part the difference is due to the different perspectives of the financial and medical respondents. The magnitude of the differences underscores the uncertainty.

For a business assessing pandemic threats vs. opportunities, understanding the duration is critical. If one assumes a reversion to an old normal in a matter of months, then both threats and opportunities are small. ‘Riding out the storm’ is a good choice. In contrast, if it is a generational event, then the threats and opportunities may well be existential.

In January 2020, there was a widespread sense the pandemic was containable and/or transitory (as with SARS and Ebola). By late March, the realization that this was vastly different was firmly planted. Transportation, retail, and restaurant saw the existential threat. Remote support and online businesses saw a generational opportunity. But even then, as the CARES Act demonstrated in hindsight, the duration estimates were woefully understated.

From a financial services perspective, the clear need and opportunity to help clients was wide open. Some, usually advisors close to customers, started to seize it. Others turned inward to manage the increasing known and unknown risks to their businesses. That dichotomy continues today.

Disconnects

One way to assess disconnects that can impact duration is to look at the US performance relative to other countries. Nearly $\frac{1}{4}$ of the participants rated the US medical and economic performance in the top 2 quintiles. By any “pandemic measure” medical and economic performance has been in the lowest quartile.

Arguably, the US population’s health, with falling birth rates and a death rate of 9/1000, was subpar before the pandemic. Worth noting relative to current and future seniors, past pandemics of respiratory diseases have accelerated cognitive decline.

Fallout

Participants rated economic performance marginally better than medical performance. That masks another disconnect. Economic performance depends on a healthy pool of both capital and labor. While capital markets seem buoyant, no one is describing them as healthy. Labor productivity faces more than medical headwinds. The accumulation of non-mortgage consumer

debt, disruption of education at all levels, acceleration of changing skill requirements, and resulting stresses are all impediments to labor productivity.

Pandemic induced stresses manifest in both physical and mental illness. Mental illness has a subtler effect but can linger as long or longer. Nearly 75% thought the opioid epidemic was worse than the pandemic. Given the fact a pandemic affects everyone while an epidemic does not, there is a disconnect and another opportunity to help. Financial advisors are uniquely positioned to coach clients on using all possible financial tools to mitigate the causes of stress. The duration of this opportunity can be long and cross generational – for those who seize it on a timely basis.

Vaccine

A key criterion for moving through the second phase is vaccine availability. Tied in with that are the unknowns of efficacy, duration, mutations, supply logistics, and delivery. Mutations like the UK one that closed London in December, followed by the Brazilian and South African mutations increase uncertainty most. If any part fails, the duration and intensity of the pandemic likely increases.

In contrast, more vaccine alternatives requiring a single shot and less refrigeration could simplify and accelerate the process. Also, while vaccination is important, the objective is creating a cycle of ever diminishing spread. Other masking and distancing tools are still available, and ongoing infections may also reduce the future targets available to the virus.

Just over half thought the 2nd phase would be over in a year. The other half thought herd immunity would either take more time or never happen. Throughout December the administration's goal of 20MM vaccinations by year end got increasingly remote, increasing pessimism. The 50-50 split may reflect a growing level of uncertainty ahead in 2021.

Healthcare costs

People feel the healthcare cost picture is a bleak one with constant escalation. The cost for the entire population appeared to 'untether' from and exceed costs for both young and old after one year. Also, even though we know that younger people consume less care than older people, the difference between young and old disappears after two years.

The responses indicate that there is either an assumption that the insured health pool will ultimately include everyone at a level cost – or it simply is not possible to understand the pricing dynamics out past two years.

Integration of Wealth and Health

Participants were asked how important integrating pandemic realities with a financial plan is, and how well it is being done.

When asked if it was important to integrate them, all participants regardless of industry background rated it as very important.

In contrast, participants from outside the financial services industry generally gave higher marks for "how well" it is done. (Some gave high marks for simply communicating about Covid.) However, the financial services industry participants were less positive. Financial services

participants, with their deeper understanding of how a financial planning process should work, gave themselves lower marks for the quality of integration.

One way to read this is: Covid “dropped the penny” - wealth and health are directly connected for both types of participants, and the further implication is advisors know what they could be doing better, but for some reason are not.

Real Uncertainty

At year end the disconnects and uncertainty were high and growing. Factoring in government actions up to year end, the CBO currently projects the GDP will reach its prior peak in mid-2021. However, they also project that the number of people employed will not return to the pre-pandemic level until the end of 2024 and the unemployment rate will not return to 3.5 % until the end of the decade. The medical situation at year end was bad and about to get worse with 20.1MM cases and 346K documented Covid deaths. In contrast the S&P closed the year at 3,727, up 535 points (17%), with a PE that increased from 24.9 to 38.4. There was a stark contrast between the real economy vs. the financial markets at year end.

Thinking about the duration and depth of the pandemic has evolved well beyond something analogous to the seasonal flu and will continue to do so. The end of Spanish Flu precipitated the Roaring 20's and a crash. History does not necessarily repeat, but it does often rhyme.

Advisors and firms that recognized help was needed and acted quickly made a significant investment in building trust. (Think of some in the auto insurance industry who passed savings back to policy holders for lower mileage.) Others saw that the risks in their books of business were changing too, and focused on how to manage risks down, move prices up, or both. (Think of some in the life and health insurance industries.)

The opportunities to differentiate, earn trust, and increase loyalty will continue evolving as the pandemic and its consequences unfold. The needs are ongoing, clients feel the stresses, and there is still time to identify ways to help them better while they need it most.

Environmental Context

The Survey was conducted in early December, as the impacts of the Thanksgiving weekend were becoming apparent, and a Christmas holiday was in the headlights.

The tempo and global nature of all the medical, economic, human resource, environmental, and leadership variables makes the scope, phases, and duration of the pandemic difficult to assess. With so much in motion, it is difficult to gain a cohesive perspective.

That said, it is critical for businesses, investors, and investment advisors to factor the variables in and choose how and when to respond. The markets tell us that a sea change is underway. There are distinct winners (digital and remote delivery) and losers (bricks and mortar and face-to-face retail). That dichotomy cuts across every aspect of where we live and work, how we access medicine and care – as well as where and how funding them all happens.

A broad global context of the Pandemic can provide perspectives on its pace and scope better than a daily firehose of US Covid news can. Below is a set of reference points drawn from health benchmarks and global events, and contrasted with the performance of the S&P.

Key times, events throughout the year include:

- The S&P started 2020 at 3,277 and a PE of 24.9. A virus let alone a Pandemic comparable to 1918 was not on the radar. Unemployment was 3.5%. 157.53 million people had jobs and 225K new job were created in the first month.
 - On December 31, 2019 the Chinese government announced a health problem in Wuhan. Days later they identified a new virus.
- The S&P climbed another 100 points to 3,370 on Feb 12 while on:
 - Jan 20 a WHO situation report confirmed the spread to Japan and Korea,
 - Jan 23 Wuhan was cut off,
 - Jan 31 the WHO declared a global health emergency,
 - Feb 2 travel to the US from China was restricted.
 - Feb 3 US declares a health emergency.
 - Feb 7, the Doctor who identified the virus died.
 - Feb 10 death toll exceeds SARS outbreak 17 years earlier.
 - Feb 11th the virus got a name.
- By Feb 14th Covid was in France and the S&P was in decline. It would continue to decline until Mar 23rd. During those six weeks:
 - Feb 23 Italy saw a major surge.,
 - Feb 24 Iran became a second focus.,
 - Feb 25 CDC says 2 of 3 factors for pandemic status are met, (person to person spread and death) only worldwide spread is lacking.

- Feb 26 Latin America reported its first case,
 - Feb 29 the US reported its first death, but earlier deaths had already occurred.
 - Mar 6-21 Positive tests on a cruise ship that is held offshore.
 - Mar 11 WHO declares Covid-19 a pandemic.
 - Mar 13 Trump declares a National Emergency, unlocking funds to fight spread.
 - Mar 15 the CDC recommended gatherings of no more than 50.
 - Mar 16 Quarantines and lockdowns spread across Latin America.
 - Mar 17 Europe barred travelers from outside the bloc.
 - Mar 17 CMS temporarily expands Telehealth.
 - Mar 19 California issues statewide stay at home order.
- On March 23rd the S&P hit a low of 2.305 before commencing an upward, if uneven, trend for the balance of the year.
 - On March 24th India announced a 21-day lockdown. Mar 26 the US took the lead in cases and shortly after the lead in deaths. Both leads we continue to hold by roughly a factor of 2 or more.
 - Mar 27 CARES Act with 2.2T to bridge the pandemic signed into law.
 - Apr 2 US cases topped 1MM, 10MM people were out of work, 6.6 MM were on unemployment.
 - The job losses were unprecedented and reliance on employer sponsored health insurance heightened the health risks for many.
 - Apr 6 Boris Johnson went into intensive care.
 - Apr 10 Cases in Moscow doubled in a week and pushed the healthcare system to the limit well ahead of an expected peak.
 - Apr 21 California announces the two earliest death occurred Feb 2 and 17 as their data reporting catches up with the reality.
 - Apr 26 deaths globally cross 200K with the knowledge that the toll is much higher but will be by an unknown amount for an unknown period.
 - Airlines announce masking rules.
 - May 5 France reports 1st Covid death in France predicated the Chinese announcement.
 - May 17th Japan & Germany enter recessions.
 - May 22, Brazil overtakes Russia to take 2nd place in infections.
 - May 27 US deaths cross 100K in four months.
- Jun 3 the S&P climbs back to the 3,200 level, roughly where it started the year.
 - Jun 4 daily new cases cross 100,000 and permeates countries at all income strata globally. It is when, not if, and that it will compound stress in less stable lower income countries.
 - Countries are differentiating themselves based on their success in managing the virus, but the rankings are constantly subject to change.
 - Jun 11 cases in Africa top200K. The 1st 100K took 98 days. The 2nd took 18 days.

- Jun 19 US reports 30K new infections, a post May 1 high, concentrated in 19 states across the south and mid-west.
- Jun 30 EU reopens borders – but not for the US, Brazil, or Russia.
- Jul 1 Iran enters lockdown.
- July 7 Brazil's Bolsonaro is infected after ignoring protective measures and 65K Brazilians die.
- July 10 US sets seven records in 11 days.
- July 10 Hong Kong shuts school confronting a 3rd wave.
- July 13 5.4 million Americans have lost health insurance.
- July 16 South Korean research find children over 10 spread Covid as well as adults.
- Jul 17 India crosses 1MM cases and reimposes lockdowns.
- Jul 21 Europe agrees on \$857B stimulus.
- Aug 1 US cases in July are double any other month.
- Aug 3 Trump address echoes Bolsonaro: "It is what it is" as death toll crosses 150K.
- Aug 16 CDC pilots vaccine distribution plan in CA, FL, MN, and Philadelphia.
- Colleges and Universities open.
- [The S&P hit an interim high for the year on Aug 23 at 3,527.](#)
 - Sep 3 Cases at colleges pass 51,000.
 - Sep 6 India takes over 2nd place with over 4MM cases.
 - Sep 13 US cases fall in most of US, but surge in the Midwest.
- [The S&P erodes to 3,316 and continues in a narrow range until Oct 27.](#)
 - Sep 18 Israel imposes 2nd lockdown.
 - Sep 22 US deaths cross 200,000.
 - Sep 28 Global deaths hit 1MM.
 - Oct 1 NYC opens Public Schools for in person classes.
 - Oct 2 President Trump tests positive.
 - Oct 11 1MM cases were added globally in 3 days.
 - Oct 19 Belgium imposes curfew and closes restaurants.
 - Oct 24 Poland's president tests positive.
- [The S&P starts a rise from 3,369 for the balance of the year on Oct 27.](#)
 - Nov 5 England enters one month lockdown.
 - US College cases cross 250,000.
 - Nov 8 US cases pass 10MM.
 - Nov 13 CDC reports 31% increase in children (12-17) visits to ERs for mental health problems.
 - Nov 17 First at home test approved by the FDA.
 - US deaths cross 250K, adding 50K in less than 2 months.
 - Nov 21 FDA grants emergency authorization for Regeneron's antibody treatment.
 - Dec 2 UK approves Pfizer vaccine.

- Dec 3 Biden ask Americans to wear masks for 100 days.
 - Dec 8 UK begins vaccinations.
 - Dec 11 FDA approves Pfizer vaccine.
 - Dec 14 US deaths cross 300K. up 100K in less than a month.
 - Dec 18 FDA approves Moderna vaccine.
 - Dec 20 London enters severe lockdown in response to fast spreading variant, with discovery of a Brazilian and South African to follow in 2021.
 - Dec 27 A 2nd Covid Relief of \$900B bill is signed 9 months after the 1st.
- At the end of the year the S&P closed at 3,727, up 535 points for the year, with a PE of 38.4. The US fell short of a yearend goal of 20MM vaccinations with 2.8MM initial doses. It was adding 231K cases/day on the way to another peak day of 300K on Jan 2. It was also suffering 3,462 deaths/day, later to peak at 4,380 on Jan 20. There were 20.1MM cases and 346K deaths during the year. Just 42% of the 22.2MM jobs lost were regained. Jobs were being lost at a rate of 144K/month and the unemployment rate was 6.7%.

Clearly there is a yawning gulf between the Covid experiences and perceptions of the financial world and the actual Covid experiences across the globe.

As with any imbalance of this magnitude, it will settle into a new equilibrium. The question is threefold:

1. How quickly and when will it settle?
2. How much of a new equilibrium will be due to medical successes versus financial adjustments to a new reality?
3. How do you get where you want to be when your customer reaches the/their new equilibrium?

Response Details

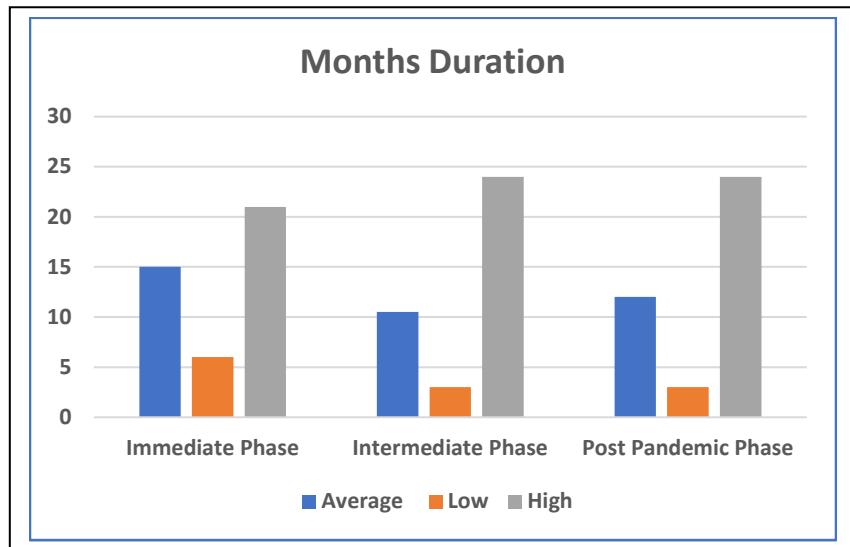
Duration of the Pandemic

How long will the economic consequences of the pandemic persist?

Think about three phases: First, the “Immediate” or current phase which lasts until a vaccine is available at scale. Second, the “Intermediate” phase which starts when a vaccination is available at scale and lasts until population immunity. Third, the “Post Pandemic Normal” phase, which lasts until people fully adjust and no longer think of a “Pandemic Normal”.

Take-aways:

A key question that no one has a definitive answer for is how long Covid will stress people’s lives and distort the economy. It has already acted as a catalyst to accelerate both adoption and dissolution of businesses, delivery systems, and workplaces. Digital is “in” and physical is “out.” The problems everyone faces will not change; they are already in play. The difficulty is the



speed of change and understanding how long it will continue, how far it will go, and when it will finally settle into a post Covid normal.

At some point (after effective “herd immunity”) the pendulum will swing back, but how far and how long will it take to play out is an unknown. It confronts people with the uncertainty of how much they need to move in one direction to adjust for Covid, and then how much they will need to retrench after covid. They must constantly focus on what they face today, and concurrently focus on what will be temporary or permanent in a future they must prepare for.

As the graph above clearly shows, there is a great deal of variability in participants expectations for the duration of each phase. Below are selected respondent comments along with background description if available and the estimate of how many quarters duration the total Pandemic experience will run.

Participant Comments:

Consumer, 11 Months: It's going to take a significant time before we can quantify all the various aspects of the impact of the virus.

Financial, 11 Months: Even if vaccines are distributed in January, it is likely only healthcare workers and nursing home residents will have access through March or even a little later. I expect it will take until at least fall for a wider swath of the population to see any meaningful penetration on getting vaccinated.

NA, 13 Months: With 70% of the population inoculated, many of the health department restrictions on social gatherings will be relaxed. This level of inoculations should be reached here in Colorado by summer 2021.

Medical: 14 Months: Vaccine "to scale" will take longer than anticipated. More importantly, population immunity will only happen when a combination of natural immunity plus vaccine immunity reaches 70 % of a population of over 300 million. Current vaccine hesitancy will greatly prolong that timeline.

Medical: 18 Months: It will take a number of months to distribute the vaccine to those in the population who want it. There will be those who will never accept. The actual recovery (psychological, economic, etc.) will take several years. Some businesses will never totally recover.

Financial: 11 Months: It will take longer than people think to distribute the vaccine which means it could take 2 years to vaccinate everyone. Secondly, there will be lingering fears of contamination even after the vaccine is distributed. I believe masks will persist for years to come. Once the public trust is broken it will take a long time for it to be repaired.

Economist: 23 Months: Scale sufficient to get full herd immunity will be difficult. 2 doses for 330MM required 660MM doses if everything goes 100% right. That is a high bar. Population immunity will be difficult from the start. There are also anti-vaxers and people who resist Government direction. If either the duration or the safety longer term is not good - all bets are off. There is no readily visible path back to a balanced budget or normal FRB balance sheet.

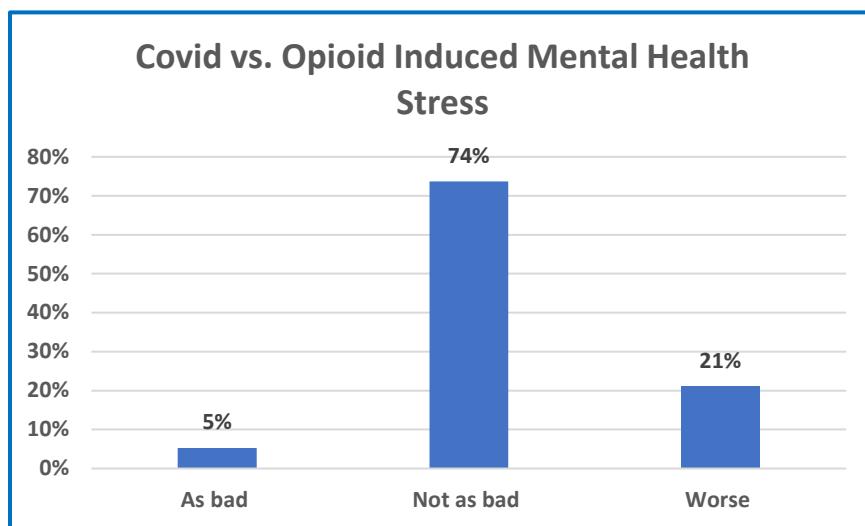
Mental Health Crisis?

Pandemics can have many facets. They impact different people in different ways. Now, many are pointing to mental health issues arising out of the Covid-19 Pandemic as the next major health crisis.

How bad do you feel our Mental Health crisis will become??

Participants were asked to contrast the future Covid induced mental health situation with the opioid epidemic induced mental health situation by selecting one of three options:

- As bad as the current Opioid Crisis
- Not as bad as the Opioid Crisis
- Worse than the current Opioid Crisis



Take-aways:

As noted above, Covid has cut life expectancy by multiples of the impact of the Opioid Epidemic. Yet 74% thought it is not as bad. That may not surprise as awareness of the opioid damage evolved over years, not months.

The work on suicide data is just starting the analysis and review process. In prior similar events, suicide rates increased. High-income countries have decreasing suicide rates at the start, followed by an increase. Low-income countries simply increase. The difference between them may well be attributable to their respective safety nets.

Japan provides an example of the pattern for high-income countries based on monthly data covering the entire population. The suicide rate dropped by 14% during the first 5 months, but in the second wave increased by 16%, with a larger increase among women (37%) and children/young adults (49%). Possible reasons for the reversal include government's subsidies, reduced working hours, school closure, and "Covid Fatigue".

Additional points of reference:

- The 2019 Cigna Well-Being Survey put the US barely above the global average, before Covid.
- The 2020 Cigna Resilience Index place over 60% of Americans at risk, and young adults most at risk.

Based on the Japanese experience, we see the potential for extremely negative reversals in the second wave. If one looks at the Cigna measures above, we also can see that as with mortality, life expectancy, and birth rates, we are not starting from a strong position in terms of mental health.

Participant Comments

Medical: The pandemic exacerbated the mental illnesses already present and created many new cases. Given the current state of treatment for psychiatric illnesses, this growing case load will not be easily addressed.

Financial: I think it will be as widespread as the opioid crisis. But because of the denial and shame associated with mental health issues, I doubt the same level of awareness about the impact of this issue and treatment levels are unlikely to be as high. Just like there is a lot of denial other issues, where people can see it happening in front of them, people will be unlikely to "see" a widespread mental health crisis unfolding around them.

Medical: We have no vaccine equivalent to prevent/treat addiction

Economist: The Opioid Crisis is a mental health crisis - but just one of many in the larger population. The Pandemic is a physical medical problem that preys on everyone, regardless. The scars are going to be more like those left by the Great Depression or the Spanish Flu, which also affected virtually everyone. Mental health problems existed in the Great Depression; they just weren't recognized because they were so prevalent. They also existed with the Spanish flu but were masked by the euphoria of the end of WWI.

Association: I believe there many mental ailments will recover when we can re-engage socially and with loved ones. The cloud will lift. Opioids are addictive, mental health might be contagious, but it is not addictive.

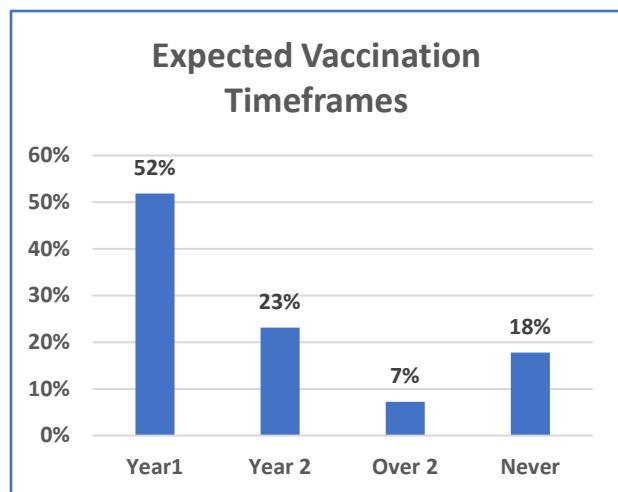
Consumer: The virus has affected everyone, while the opioid crisis has not.

Medical: The pandemic and its impact on the population as a whole was more far reaching than the opioid crisis.

NA: This is more widespread

Confidence in and Distribution of a Vaccine

Achieving population immunity will require a vaccine. After vaccinations are available at scale, what percent of people will be vaccinated during the periods below? [Answers should add up to 100%]



Take-aways:

Vaccination is a focus of everyone's attention, but not the only tool to reach population immunity. Between September and December, KFF polls showed increasing receptivity to taking a vaccine, (Up 8 percentage points to 71%).

Receptivity is just one factor, what it will do for them is a key motivation. Dr. Fauci estimates that roughly 85% is required for optimal herd immunity. That may be feasible

or not, depending on what benefit people think it provides them. For example, in the 2018-2019 Flu season only 45.3% of adults got vaccinated. In contrast over 90% of children between 19 and 35 months receive the MMR vaccine.

Less discussed are opportunities to accelerate effective immunity at lower levels of vaccination. How much vaccination is needed to reach effective immunity is difficult to know. We don't know how many asymptomatic people may already have immunity, the duration of immunity, or the contagion of any variants.

By coupling masks, hand hygiene, distancing, as well as testing/contact tracing with isolation, the time and amount of vaccination can be reduced to a point where the rate of spread constantly diminishes. Such approaches may be necessary if more contagious variants take hold.

Participant Comments

Consumer: There certainly will be some people who will never take the vaccine.

Medical: I imagine, despite the political polarization of the pandemic, that vaccination rates for COVID will be close to flu vaccination rates in the US.

Media: I think I read that our population penetration even with more established and widely available vaccines is in the range of 70%. I doubt the coronavirus vaccine will exceed the usual

levels of penetration seen with other vaccines. I also think in the first year there will be many who want to wait-and-see and distribution challenges that tamper the vaccine's population penetration.

NA: I believe most people agree herd immunity is key to defeating this invisible attacker. Only vaccination protocol can safely reach that goal.

Medical: Once safety/side effect profile firmly established (after year 1), more will accept, but vaccinating over 60% of adults with anything is unfortunately becoming problematic.

Financial: rampant misinformation spread including on social media, mistrust of science

Medical: A significant portion of the population will not receive the vaccine given efficacy and safety concerns.

Association: I think 5% will never touch it. Not sure what % of America are conspiracy theorists, but that group isn't likely to take it.

Financial: There will be distribution issues, supply issues, and priority issues. Who gets it first, when will they run out and when can you get an appointment? I tried to get the shingles vaccine and they ran out, so I had to wait two months between the first and second shot.

Consultant: There is no trust in government now. Polio vaccination happened during an era when everyone "liked Ike" and trusted government. 10%+/- are anti-vaxer inclined, 20%++ are unreachable 30%+/- won't trust the government 25% +/- won't trust the efficacy There are lots of overlaps, but given our performance in the last administration with the Census - I think 60% is optimistic

Health Care Cost Changes

Health care costs have been rising steadily for some time for people of all ages.

All things considered, how much do you think the overall cost of health and care will change over the time frames indicated:

- For Seniors (where near-term costs are the greatest)?
- For young people (where unknown potential long-term risk is highest)?
- For the entire population?

Choices in the frame to the right were ranked 1 to 9 in order of ascending costs. In the graph below, 2 indicates costs will remain the same, 3 indicates an increase of 1%, #4 indicates a 3% increase, and 5 indicates a 7.5% increase.

In years 1 and 2 costs for younger people were expected to increase at a slower rate than for seniors, then evened out over the 5- and 10-year timeframes. The cost for the entire population appeared to ‘untether’ from both young and old after one year and accelerated past both of them.

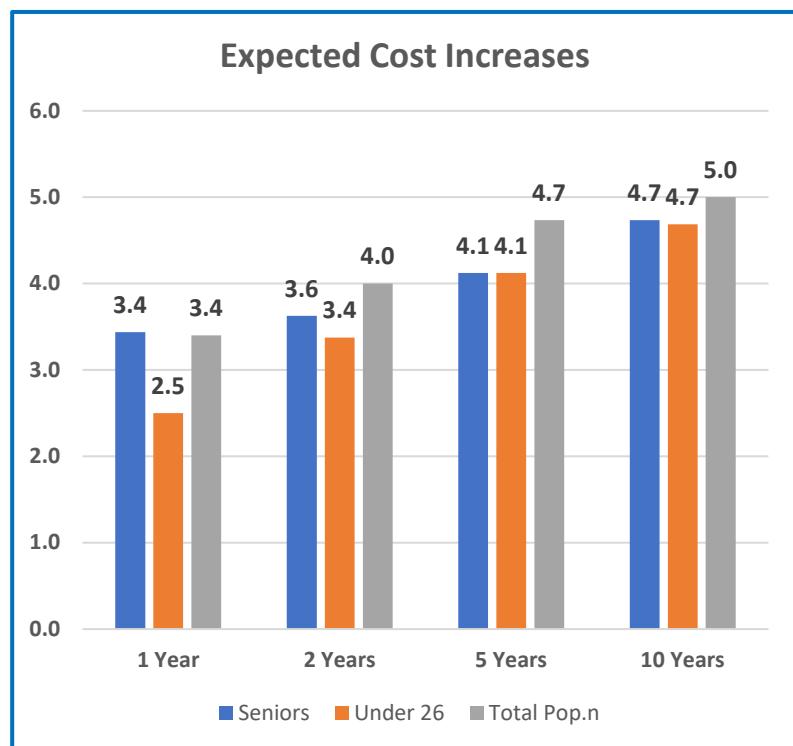
- HC costs will reduce
- HC costs will stay the same
- Increase 1%
- Increase 3%
- Increase 7.5%
- Increase 10%
- Increase 15%
- Increase 20%
- Increase more than 20%

Take-aways:

People feel the cost picture is a bleak one with constant escalation. The differential between young and old disappears after two years, even though we know that younger people consume less care than older people. It seems there is either an assumption that the insured health pool will ultimately include everyone at a level cost – or it is a statement that it isn’t possible understand the pricing dynamics out past two years.

Points of reference:

- National health expenditures grew 4.6% to \$3.8 trillion in 2019, or \$11,582 per person, and accounted for 17.7% of Gross Domestic Product (GDP)
- National health spending is projected to grow at an average annual rate of 5.4 percent for 2019-28 and to reach \$6.2 trillion by 2028.



- The health share of the economy is projected to rise from 17.7 percent in 2018 to 19.7 percent in 2028.
- The [AARP's Public Policy Institute](#) found that in 2017, about 41 million caregivers provided 34 billion unpaid hours of care, with an estimated economic value of approximately \$470 billion not captured in spending data.

Participant Comments

Medical: I don't know enough to answer this question well.

Medical: We have no effective strategy in our current system to effectively contain costs. Premiums will rise and so will co-pays. Seniors on Medicare will be somewhat protected.

Financial: It may be closer to 4% or 5% nearer term and decline to closer to 3% later after the further system reforms and changes. Usually runs a few points higher than overall inflation and we may be in a "lower for longer" inflation environment. Eventually, if the system stops working pressure for reform grows.

Medical: Many individuals have delayed accessing the health care system due the pandemic - lowering the overall cost of care somewhat. I do not expect that to subside until immunity in the population is sufficient. Additionally, we will continue to see shifts in care to the Outpatient setting, also resulting in lowering the cost of care.

Financial: People are living longer putting pressure on long-term care. However, health care has improved in terms of treatment, so people may live longer with expensive treatments. The cost for healthy people will rise at least with inflation. Hard to say long term. If a Nationalized medicine program gets implemented other than Obamacare, it will obviously change the cost landscape.

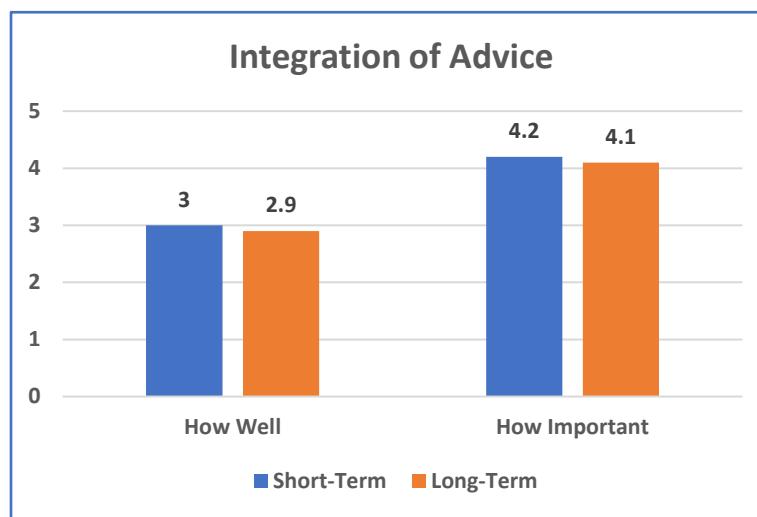
Economist: The current system is broken. Increased costs are embedded in the population's age, its diet (think sugar/diabetes), the ultimate costs of the Pandemic, degraded environmental impacts, and misaligned incentives are built into the ways we pay for it. Left to run their course, costs are bound to accelerate unsustainably. The only way to stop that is a holistic approach to increase the entire population's health. People in virtually all other developed economies have charged their Governments with carving out a path to do that. We have taken a different path that relies heavily on employers and our tax code.

Financial Advisors' Actions: How Well, How Important Is Integrating Pandemic Realities?

How well do you think financial advisors are integrating pandemic realities into their clients' plans on a short term and long-term basis?

How important do you think it is for financial advisors to integrate pandemic realities into financial plans?

Please rate on a scale of 1-5 where 1 is little or no integration and 5 is heavy integration.



Take-aways:

Integration of wealth and health appears to be higher than it may be. Numerous participants from outside the financial services industry gave higher assessments of "how well" pandemic reality integration is happening. Those clearly identifying as part of the financial services industry were more pessimistic. A different reading of the question might

account for the divergence. Non-financial service participants saw communication from an advisor or the firm as integration of pandemic realities. Some financial services participants focused on the term "financial plans" and may did not thought enough was known about the pandemic realities to incorporate in a formal plan.

There was a high level of agreement that integration of pandemic realities over the short-term and the long-term is important. Almost half of the participants gave the maximum rating of 5, and another quarter rated the importance at 4. One way to read this is: Covid dropped the "penny", wealth and health are directly connected.

Articles for reference, an advisor perspective – what, why, and how might integration unfold:

- [What the Coronavirus Means for the Future of Financial Planning](#)
- [Op-ed: Here are 5 lessons the pandemic taught this financial advisor](#)
- [The Importance of Financial Literacy During the COVID-19 Pandemic](#)
- [This Advisor Explains Why Financial Planning Is So Important for Small Business Owners](#)
- [Life After Lockdown](#)

Participant Comments – How Well?

Consumer, 4: Based on my personal experience and that reported by friends.

Media, 2: I don't think many people are thinking long-term at this time. We are still trying to get through the crisis.

Medical, 3: Not a financial advisor, nor do I know the industry, but my advisor has been sending out pandemic related financial advice since the beginning.

Financial, 2-3: Some advisors do more comprehensive financial plans and regularly update these - others don't. Some do them only for top clients. The full realities of the pandemic are unknown so not easy to integrate.

Financial, 1-3: Few advisors take a true financial planning approach to their practices. As a result, healthcare issues get left out of the discussion more often than not. As more advisors get the CFP designation and integrate a planning approach that will change.

Financial, 1-2: Perhaps 5-10% have enough life experience to do it AND are inclined to. The rest need their firms to take the lead and incent the behavior – and/or a use a regulatory hammer. Over the long term, maybe 20% or more will do it effectively. If Firms or Regulation bring incentives and/or threats to the table more effectively, that goes higher. As younger advisors gain life experience and replace retiring ones, it also rises.

Participant Comments – How Important?

Consumer, 5: It's a critical reality.

Medical, 4: The pandemic has complicated decisions about planning for both investments and long- term living decisions/expenses. Age at home, CCRC, etc. Market swings, etc.

Financial, 5: Realities can be anything; ability to work, returns, other life plan changes, or long-term health issues. All impact a retirement plan.

Financial, 5: Health care should be a topic in every client discussion. It currently is not. I don't see that changing in the long term.

Financial, 5: In light of the lessons of the Pandemic, it's disingenuous to hold yourself out as a "financial planner" yet ignore the liability side of the 'health income statement and balance sheet'. At the end of the day, it's a question of focus. Is it on gathering assets or on the quality of advice? A Client Relationship Statement is a step, but it probably ought to include a list of what they don't do as well.