Closing down the shop: Optimal health and wealth dynamics near the end of life

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Summary

**Aim:** assess the optimality of the joint decisions of health and wealth depletion
→ rationalize health and wealth dynamics near the end of life

**Model:** a continuous life-cycle model with endogenous health investment

**Data:** HRS 2002 to validate the theoretical results

**Results:**
- three (health and wealth) regions where
  - rich/healthy agents postpone health declines by health investment
  - most agents choose to partially fight back the depreciation of health stock
  - some agents choose to *closing down the shop* by accelerating the depletion of both wealth and health.
- the effect of income redistribution policies to reduce the incidence of closing down strategies
- the existence of the acceleration zone using empirical data and simulations.
Comments

- topic: very interesting & important topic: health & wealth dynamics and their interactions
- method: derive analytical solutions to the (complex) life-cycle model,
- completeness: both theoretical and empirical
- significant contributions: both results and the method
Comments

**Definition of healthcare investment I:** including non-curative costs such as long-term care costs?

- if so, many empirical evidence on the high end-of-life healthcare expenditure (paper shows lower) e.g., Zweifel et al. (1999), Stearns and Norton (2004) and Wu et al. (2016) using HRS 1998 to 2008—more likely to have zero out-of-pocket healthcare expenditure, higher means, more right skewed

- if not, seems reasonable: less curative spending when health is very bad (but contradicts with the text and the empirical validation)
Health & wealth dynamics and their interactions:

- discuss health-dependent utility: relevant (richer people postpone health decline) e.g., Finkelstein et al. (2013) and Ameriks et al. (2015)

Remark 1 is unclear (labor income in retirement)

- interaction of bequest & precautionary motives for late-in-life savings: e.g., Ameriks et al. (2011) and Ameriks et al. (2015).
Empirical validation: expecting to see empirical paths of healthcare spending over the retirement period (which requires longitudinal data, while paper uses cross-sectional data)

Existence of the accelerating region: since policy interventions are effective and they exist in reality, to what extent we can observe the incidence of the closing down, particularly the accelerating, strategies? Seems need more convincing empirical evidence.


