

Financial literacy linked to lower hospitalization risk in older adults

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Could being more knowledgeable about finances help to keep you out of the hospital? Older adults with higher financial literacy are at lower risk of being hospitalized, reports a study in the July issue of *Medical Care*.

"Our findings support the notion that financial literacy—the ability to access, understand, and utilize financial concepts—may represent a modifiable risk factor associated with lower likelihood of being hospitalized in later life," comments lead author Bryan D. James, Ph.D., of Rush University Medical Center, Chicago.

Low Financial Literacy a Risk Factor for Hospitalization in Later Life

The study included 388 [older adults](#) without dementia, enrolled in an ongoing study of factors affecting healthy aging. All participants completed a questionnaire assessing their [financial literacy](#). The assessment included the ability to perform calculations (numeracy) as well as knowledge of financial concepts (stocks and bonds, compound interest, etc).

Financial literacy score was evaluated as a predictor of the risk of [hospital](#) admission, with adjustment for a wide range of other factors. During an average follow-up of 1.8 years, 30 percent of the older [adults](#) were hospitalized at least once.

Lower financial literacy was associated with a higher risk of being admitted to the hospital. Average financial literacy scores (on a 23-point scale) were 11 points for older adults who were hospitalized versus 13 points for those who were not. The association remained significant after adjustment for a wide range of factors, including income and indicators of physical and mental health.

In the final model, a 4-point increase in financial literacy score (the standard deviation) was associated with a 35 percent lower risk of hospitalization. The only other independent risk factors were older age and problems with daily activities for independent living—for example, cooking and cleaning.

The link between financial literacy and hospitalization risk was mainly related to knowledge of financial concepts, not the ability to do calculations. There association appeared stronger for elective hospitalizations, rather than urgent or emergency ones.

Financial literacy is an essential [concept](#) for maintaining independence and quality of life with aging. In addition to its obvious implications for finances, recent studies have linked financial literacy to health status and well-being.

The new study is the first to look at the association between health literacy and hospitalization risk. Based on the findings, "The ability to understand and utilize financial concepts may be important to keeping older adults out of the hospital," Dr. James and coauthors write.

How does financial literacy affect hospitalization risk? The study can't draw any conclusions. Higher income and better health could play a role, but the association remained significant after adjustment for these factors. Based on the association with elective hospitalizations, the researchers suggest that financial literacy might affect medical decision-

making and related financial factors, such as which procedures are covered by Medicare or private insurance.

"These findings build on a growing body of research indicating that financial literacy is associated with better health and well-being in old age," Dr. James and colleagues write. They suggest that, with further study, knowledge of financial concepts could be a focus of efforts to lower the likelihood of hospitalization in older adults—either by enhancing financial [literacy](#), or by identifying patients at higher risk of hospitalization who could benefit from other services or counseling.

More information: Bryan D. James et al, Association of Financial Literacy With Hospitalization in Community-dwelling Older Adults, *Medical Care* (2018). [DOI: 10.1097/MLR.0000000000000932](https://doi.org/10.1097/MLR.0000000000000932)

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