

Half of Bankruptcies Tied to Medical Bills, Study Finds

Most Pulled Into Debt by Illness Have Jobs, Health Insurance By Maggie Fox, Reuters, 2/2/05

WASHINGTON (Feb. 2) - Half of all U.S. bankruptcies are caused by soaring medical bills and most people sent into debt by illness are middle-class workers with health insurance, researchers said on Wednesday.

The study, published in the journal Health Affairs, estimated that medical bankruptcies affect about 2 million Americans every year, if both debtors and their dependents, including about 700,000 children, are counted.

"Our study is frightening. Unless you're Bill Gates you're just one serious illness away from bankruptcy," said Dr. David Himmelstein, an associate professor of medicine at Harvard Medical School who led the study.

"Most of the medically bankrupt were average Americans who happened to get sick. Health insurance offered little protection."

The researchers got the permission of bankruptcy judges in California, Illinois, Pennsylvania, Tennessee and Texas to survey 931 people who filed for bankruptcy.

"About half cited medical causes, which indicates that 1.9 to 2.2 million Americans (filers plus dependents) experienced medical bankruptcy," they wrote. "Among those whose illnesses led to bankruptcy, out-of-pocket costs averaged \$11,854 since the start of illness; 75.7 percent had insurance at the onset of illness."

The average bankrupt person surveyed had spent \$13,460 on co-payments, deductibles and uncovered services if they had private insurance. People with no insurance spent an average of \$10,893 for such out-of-pocket expenses.

"Even middle-class insured families often fall prey to financial catastrophe when sick," the researchers wrote. Bankruptcy specialists said the numbers seemed sound.

"From 1982 to 1989, I reviewed every bankruptcy petition filed in South Carolina, and during that period I came to the conclusion that there were two major causes of bankruptcy: medical bills and divorce," said George Cauthen, a lawyer at Columbia-based law firm Nelson Mullins Riley & Scarborough LLP. "Each accounted, roughly, for about a third of all individual filings in South Carolina."

He said fewer than 1 percent of all bankruptcy filings were due to credit card debt. "That truly is a myth," Cauthen said in a telephone interview.

Cauthen said he was not surprised to hear that so many of the bankrupt people in the study were middle-class.

"Usually people who have something to protect file bankruptcy," he said. "The truly indigent – people that we see on the street – there is no relief that we can give them."

Dr. Steffie Woolhandler, a Harvard associate professor and physician who advocates for universal health coverage, said the study supported demands for health reform.

"Covering the uninsured isn't enough. We must also upgrade and guarantee continuous coverage for those who have insurance," Woolhandler said in a statement.

She said many employers and politicians were pressing for what she called "stripped-down plans so riddled with co-payments, deductibles and exclusions that serious illness leads straight to bankruptcy."



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