

Medical bills trigger half of all bankruptcies

Study finds most bankruptcy filers had health insurance

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BOSTON - Costly illnesses trigger about half of all personal bankruptcies, and most of those who go bankrupt because of medical problems have health insurance, according to findings from a Harvard University study to be released Wednesday.

Researchers from Harvard's law and medical schools said the findings underscore the inadequacy of many private insurance plans that offer worst-case catastrophic coverage, but little financial security for less severe illnesses.

"Unless you're Bill Gates, you're just one serious illness away from bankruptcy," said Dr. David Himmelstein, the study's lead author and an associate professor of medicine. "Most of the medically bankrupt were average Americans who happened to get sick."

The study, to be published online Wednesday by the journal *Health Affairs*, distributed questionnaires to 1,771 bankruptcy filers in 2001 in California, Illinois, Pennsylvania, Tennessee and Texas. That year, there were 1.46 million personal bankruptcies in the United States.

More than 900 of those questioned underwent more detailed interviews about their financial and medical circumstances for what the authors say is the first in-depth study of medical causes of personal bankruptcies, which have risen rapidly in recent years.

Illness and medical bills were cited as the cause, at least in part, for 46.2 percent of the personal bankruptcies in the study. Himmelstein said the figure rose to 54.5 percent when three other factors were counted as medical-related triggers for bankruptcies: births, deaths and pathological gambling addiction.

The study estimates medical-caused bankruptcies affect about 2 million Americans each year, counting debtors and their dependents, including 700,000 children.

Most were insured

Most of those seeking court protection from creditors had health insurance, with more than three-quarters reporting they had coverage at the start of the illness that triggered bankruptcy. The study said 38 percent had lost coverage at least temporarily by the time they filed for bankruptcy, with illness frequently leading to the loss of both a job and insurance.

Out-of-pocket medical expenses covering co-payments, deductibles and uncovered health services averaged \$13,460 for bankruptcy filers who had private insurance at the onset of illness, compared with \$10,893 for those without coverage. Those who initially had private coverage but lost it during their illness faced the highest cost, an average of \$18,005.

"We need to rethink health reform," said Dr. Steffie Woolhandler, a study co-author and associate professor of medicine at Cambridge-based Harvard. "Covering the uninsured isn't enough. We also must upgrade and guarantee continuous coverage for those who have insurance."

Susan Pisano, a spokeswoman for America's Health Insurance Plans, representing nearly 1,300 health insurance providers, said the study did not adequately explore the role that disability income protection plans and personal savings can play in helping someone with a medical problem avoid bankruptcy.

"It's very important to ask questions about what the financial stressors are for American families, but we don't think this study digs deeply enough," Pisano said.

Middle-class hit hard

The findings indicate medical-related bankruptcies hit middle-class families hard — 56 percent of the filers owned a home, and the same number had attended college.

"Families with coverage faced unaffordable co-payments, deductibles and bills for uncovered items like physical therapy, psychiatric care and prescription drugs," Himmelstein said.

The study, funded by the Robert Wood Johnson Foundation, did not examine how many bankruptcy filers were from dual-income families where both partners had insurance, Himmelstein said.

Jeff Morris, resident scholar at the American Bankruptcy Institute, founded by Congress in 1982 to analyze bankruptcy trends, said the Harvard findings roughly mirror those of a 1996 ABI study in which 57 percent of bankruptcy filers cited medical problems as a primary bankruptcy cause. Respondents in that study were more likely to cite three other factors as primary causes, including easy access to credit, job loss and financial mismanagement.

Morris said he was aware of no data indicating that the Harvard study, which was based on 2001 bankruptcy filings, does not accurately reflect current trends in medical-related bankruptcies.

"Medical coverage is becoming more for catastrophic loss than for intermediate expenses," Morris said.

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