

Illness, medical bills linked to nearly two-thirds of bankruptcies

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Medical problems contributed to nearly two-thirds (62.1 percent) of all bankruptcies in 2007, according to a study in the August issue of the *American Journal of Medicine* that will be published online Thursday. The data were collected prior to the current economic downturn and hence likely understate the current burden of financial suffering. Between 2001 and 2007, the proportion of all bankruptcies attributable to medical problems rose by 49.6 percent. The authors' previous 2001 findings have been widely cited by policy leaders, including President Obama.

Surprisingly, most of those bankrupted by medical problems had [health insurance](#). More than three-quarters (77.9 percent) were insured at the start of the bankrupting illness, including 60.3 percent who had private coverage. Most of the medically bankrupt were solidly middle class before financial disaster hit. Two-thirds were homeowners and three-fifths had gone to college. In many cases, high medical bills coincided with a loss of income as illness forced breadwinners to lose time from work. Often illness led to job loss, and with it the loss of health insurance.

Even apparently well-insured families often faced high out-of-pocket medical costs for co-payments, deductibles and uncovered services. Medically bankrupt families with private insurance reported [medical bills](#) that averaged \$17,749 vs. \$26,971 for the uninsured. High costs - averaging \$22,568 - were incurred by those who initially had private coverage but lost it in the course of their illness.

Individuals with diabetes and those with neurological disorders such as multiple sclerosis had the highest costs, an average of \$26,971 and \$34,167 respectively. Hospital bills were the largest single expense for about half of all medically bankrupt families; [prescription drugs](#) were the largest expense for 18.6 percent.

The research, carried out jointly by researchers at Harvard Law School, Harvard Medical School and Ohio University, is the first nationwide study on medical causes of [bankruptcy](#). The researchers surveyed a random sample of 2,314 bankruptcy filers during early 2007 and examined their bankruptcy court records. In addition, they conducted extensive telephone interviews with 1,032 of these bankruptcy filers.

Their 2001 study, which was published in 2005, surveyed debtors in only five states. In the current study, findings for those five states closely mirrored the national trends.

Subsequent to the 2001 study, Congress made it harder to file for bankruptcy, causing a sharp drop in filings. However, personal bankruptcy filings have soared as the economy has soured and are now back to the 2001 level of about 1.5 million annually.

Dr. David Himmelstein, the lead author of the study and an associate professor of medicine at Harvard, commented: "Our findings are frightening. Unless you're Warren Buffett, your family is just one serious illness away from bankruptcy. For middle-class Americans, health insurance offers little protection. Most of us have policies with so many loopholes, co-payments and deductibles that illness can put you in the poorhouse. And even the best job-based health insurance often vanishes when prolonged illness causes job loss - precisely when families need it most. Private health insurance is a defective product, akin to an umbrella that melts in the rain."

"For many families, bankruptcy is a deeply shameful experience," noted Elizabeth Warren, Leo Gottlieb Professor of Law at Harvard and a study co-author. Professor Warren, a leading expert on personal bankruptcy, went on: "People arrive at the bankruptcy courts exhausted - financially, physically and emotionally. For most, bankruptcy is a last choice to deal with unmanageable circumstances."

According to study co-author Dr. Steffie Woolhandler, an associate professor of medicine at Harvard and primary care physician in Cambridge, Mass.: "We need to rethink health reform. Covering the uninsured isn't enough. Reform also needs to help families who already have insurance by upgrading their coverage and assuring that they never lose it. Only single-payer national health insurance can make universal, comprehensive coverage affordable by saving the hundreds of billions we now waste on insurance overhead and bureaucracy. Unfortunately, Washington politicians seem ready to cave in to insurance firms and keep them and their counterfeit coverage at the core of our system. Reforms that expand phony insurance - stripped-down plans riddled with co-payments, deductibles and exclusions - won't stem the rising tide of medical bankruptcy."

Dr. Deborah Thorne, associate professor of sociology at Ohio University and study co-author, stated: "American families are confronting a panoply of social forces that make it terribly difficult to maintain financial stability - job losses and wages that have not kept pace with the cost of living, exploitation from the various lending industries, and, probably most consequential and disgraceful, a health care system that is so dysfunctional that even the most mundane illness or injury can result in bankruptcy. Families who file medical bankruptcies are overwhelmingly hard-working, middle-class families who have played by the rules of our economic system, and they deserve nothing less than affordable health care."

More information: "Medical bankruptcy in the United States, 2007: Results of a national study," David U. Himmelstein, M.D; Deborah Thorne, Ph.D.; Elizabeth Warren, J.D.; Steffie Woolhandler, M.D., M.P.H. [American Journal of Medicine](#), June 4, 2009 (online).

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