

Massachusetts reform hasn't stopped medical bankruptcies: study

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The percentage of personal bankruptcies linked to medical bills or illness changed little, and the absolute number actually increased in Massachusetts after the implementation of its landmark 2006 law requiring people to buy health insurance, a Harvard study says.

The new study, which appears in today's [American Journal of Medicine](#), found that between early 2007 and mid-2009, the share of all Massachusetts bankruptcies with a medical cause went from 59.3 percent to 52.9 percent, a non-significant decrease of 6.4 percentage points. Because there was a sharp rise in total bankruptcies during that period, the actual number of medical bankruptcy filings in the state rose from 7,504 in 2007 to 10,093 in 2009.

The findings have national implications because the Obama administration's health law is largely patterned after the Massachusetts plan, including its individual mandate. One of the administration's arguments in support of the new federal law was that it would significantly reduce medical bankruptcies nationwide. The findings in Massachusetts cast doubt on that claim.

Moreover, the president's recent proposal to let states opt out of the national health reform threatens to further weaken the inadequate standards for coverage that were included in the 2010 reform law. The result may well be the growth of skimpier plans nationwide, leading to even higher rates of medical bankruptcy than in Massachusetts.

To explain why medical bankruptcies persist in Massachusetts, the authors of the new study write: "[Health costs](#) in the state have risen sharply since reform was enacted. Even before the changes in health care laws, most medical bankruptcies in Massachusetts – as in other states – afflicted middle-class families with [health insurance](#). High premium costs and gaps in coverage – co-payments, deductibles and uncovered services – often left insured families liable for substantial out-of-pocket costs. None of that changed. For example, under Massachusetts' reform, the least expensive individual coverage available to a 56-year-old Bostonian carries a premium of \$5,616, a deductible of \$2,000, and covers only 80 percent of the next \$15,000 in costs for covered services."

The study's lead author, Dr. David Himmelstein, said, "Massachusetts' health reform, like the national law modeled after it, takes many of the uninsured and makes them underinsured, typically giving them a skimpy, defective private policy that's like an umbrella that melts in the rain: the protection's not there when you need it."

In the case of Massachusetts, "while we can't completely rule out the possibility that the reform reduced medical bankruptcies, any reduction is certainly small," he said. Himmelstein conducted the study as associate professor of medicine at Harvard Medical School; he currently is professor of public health at City University of New York.

In 2007, the last year for which national estimates are available, medical issues contributed to 62.1 percent of bankruptcies nationally, according to a 2009 study by the same group of researchers. That study, which was frequently cited by the president and congressional reform advocates, also found that 77.9 percent of those bankrupted were insured at the start of their illness, including 60.3 percent who had private coverage.

The authors note that Massachusetts has historically had fewer medical

bankruptcies than the rest of the nation, presumably reflecting, among other things, the state's more robust social safety net, including public hospitals and a system of free medical care for the poor that predated the recent reform. Massachusetts' 51 percent increase in total bankruptcies between 2007 and 2009 was slower than the increase in the majority of other federal jurisdictions.

The state's health law was passed in 2006 and was fully implemented by early 2008. According to the U.S. Census Bureau, the share of state residents who were uninsured fell by 58 percent between 2006 and 2009, from 10.4 percent to 4.4 percent, and remains the lowest rate of any state.

Because bankruptcies lag many months behind a financial shock, the early 2007 and mid-2009 surveys provide a good "before and after" look at the effects of the health reform, the researchers said.

Study co-author Dr. Steffie Woolhandler, a professor of public health at City University of New York who was professor of medicine at Harvard when the research was conducted, said, "American families need the kind of comprehensive coverage that protects people in nations with single-payer national health insurance, such as Canada." Although recent data are lacking, an older study found few medical bankruptcies in Canada, she said.

More information: "Medical bankruptcy in Massachusetts: Has health reform made a difference?" David U. Himmelstein, M.D., Deborah Thorne, Ph.D., and Steffie Woolhandler, M.D., M.P.H. Deborah Thorne is associate professor of sociology at Ohio University. *American Journal of Medicine*, March 2011 (print edition).

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