

Medical bills cause more than half of US personal bankruptcies

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Debt due to medical bills is the largest single cause of personal bankruptcies in the United States, a newly published study on the Health Affairs web site reported. About half of those filing bankruptcy in 2001 did so because of medical bills resulting from illness or injury. What is most unexpected about the data is that most individuals or couples who went bankrupt were not part of the 45 million uninsured. Nearly 76 percent had health insurance at the start of their illness.

The report, “Illness and Injury as Contributors to Bankruptcy,” is based on research conducted by David Himmelstein, an associate professor of medicine at Harvard Medical School in Boston; Elizabeth Warren, a professor of law at Harvard Law School; Deborah Thorne, associate professor in the Department of Sociology and Anthropology at Ohio University; and Steffie Woolhandler, associate professor of medicine at Harvard.

In 2001, nearly 4 million debtors and dependents were involved in personal bankruptcy. The researchers surveyed 1,771 bankruptcy filers in five federal courts in 2001 and conducted in-depth follow-up interviews with 931. The study was the first to collect detailed information on medical expenses, diagnoses, access to care, work loss and insurance coverage.

Millions of working class and middle class wage earners obtain health insurance through their employers or must pay many hundreds of dollars a month for individual coverage. As medical expenses continue to soar, fueled especially by prescription drug costs and expensive new technology, employers are saving money by shifting more of the costs of coverage to employees and by cutting benefits.

The research showed that the median income in the year before filing major medical bankruptcy was \$24,500. Increased costs for coverage and fewer

benefits combined with a major, chronic illness of a family member or wage earner can create conditions in which no matter how the family tries, it cannot meet expenses. Debtors reported that in the two years before filing for bankruptcy, 40.3 percent had lost phone service, 19.4 percent had gone without food, 53.6 percent had gone without needed doctor or dentist visits, and 43.0 percent had not filled a prescription.

The employment-based health care system can produce a vicious downward spiral for someone with an illness. Taking time off work because of illness can lead to loss of a job, which leads to loss of health coverage, producing huge medical bills, leading to bankruptcy. A medical event that in Germany or Japan might mean someone taking a few months off for treatment and therapy before resuming work and normal activities, in the US can result in serious hardship and even financial catastrophe.

One example in the report describes a man who worked for a large national company that provided a high-deductible health plan. After suffering a broken leg and torn knee ligaments, he had to pay \$13,000 for co-payments, deductibles and uncovered services. He was forced into bankruptcy as a result.

Compounding the problems of increased costs and fewer benefits is loss of work and income, since employers may not pay disability insurance or sick leave. This can take place because workers themselves become ill or because they may have to take time off work to care for an ill spouse or child. The cost of paying for someone else to take care of the ill family member is prohibitive.

When an individual cannot continue to work, there is frequently a lapse in health care coverage.

While medical debtors were similar to other debtors in many respects—the average debtor was a 41-year-old

woman with children and some college education, most were home owners in the working and middle class—one major difference was that nearly 40 percent of medical debtors had experienced a lapse in coverage during the two years before the filing. Even though most medical debtors had insurance at the start of their illness, one devastating—and paradoxical—consequence of a serious illness can be to lose medical coverage.

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The medical debts incurred did not have to be in the hundreds of thousands of dollars to push an individual into bankruptcy, although sometimes that was the case. Debtors' out-of-pocket medical costs in the year before the bankruptcy averaged \$11,854. But most families' budgets are so tight, simply paying for food, shelter, utilities and other essentials, that one serious illness can cause bankruptcy.

With the coming of an illness, families live in constant tension. The researchers noted that in the interviews they conducted, "Debtors' narratives painted a picture of families arriving at the bankruptcy courthouse emotionally and financially exhausted, hoping to stop the collection calls, save their homes, and stabilize their economic circumstances. Many of the debtors detailed ongoing problems with access to care. Some expressed fear that their medical care providers would refuse to continue care, and a few recounted experiences of this kind."

Since 2001, the number of personal bankruptcies, which include medical bankruptcy, has continued to rise sharply. The current trend toward high-deductible health plans, linked to the Bush administration's campaign for private health savings accounts, will only increase the number of medical bankruptcies. With these plans, an individual or family has to first pay thousands of dollars out of pocket before services are covered. Many people can be forced into bankruptcy by health care charges before their health plan even starts to pay.

The authors of the report conclude that even universal health insurance would be inadequate unless coverage is much more comprehensive than in current health plans. They state, "Many of the health insurance policies prove to be too skimpy in the face of serious illness." In addition, because illness can result in job and income loss of income along with high medical

bills, disability insurance and paid sick leave are a necessity.

The report provides substantive evidence of the hardships that the profit-driven health care system in the United States causes. Even though medical knowledge and techniques are making big advances, the benefits of these advances are not available to millions of people and can cause victims of illness and their families financial ruin.



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