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Medical bills tied to 60 percent of bankruptcies

Most families had health insurance, but still overwhelmed by health debt



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WASHINGTON - Medical bills are involved in more than 60 percent of U.S. personal bankruptcies, an increase of 50 percent in just six years, U.S. researchers reported on Thursday.


More than 75 percent of these bankrupt families had health insurance but still were overwhelmed by their medical debts, the team at Harvard Law School, Harvard Medical School and Ohio University reported in the American Journal of Medicine.

"Using a conservative definition, 62.1 percent of all bankruptcies in 2007 were medical; 92 percent of these medical debtors had medical debts over \$5,000, or 10 percent of pretax family income," the researchers wrote.


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"Most medical debtors were well-educated, owned homes and had middle-class occupations."

The researchers, whose work was paid for by the Robert Wood Johnson Foundation, said the share of bankruptcies that could be blamed on medical problems rose by 50 percent from 2001 to 2007.

"Unless you're Warren Buffett, your family is just one serious illness away from bankruptcy," Harvard's Dr. David Himmelstein, an advocate for a single-payer health insurance program for the United States, said in a statement.

"For middle-class Americans, health insurance offers little protection," he added.

The United States is embarking on an overhaul of its healthcare system, which is now a patchwork of public programs such as Medicare and

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employer-sponsored health insurance that leaves 15 percent of the population — 46 million people — with no coverage.

About 170 million people get health insurance through an employer but President Barack Obama says soaring health care costs are hurting the economy and forcing businesses to drop medical insurance for their workers.

Coverage trims

"Nationally, a quarter of firms cancel coverage immediately when an employee suffers a disabling illness; another quarter do so within a year," the report reads.

Obama told Congress on Wednesday he was open to making mandatory health insurance part of the overhaul but only with exemptions for the poor and for small businesses.

Neither Congress nor Obama are considering the kind of single-payer plan advocated by Himmelstein and his colleague Dr. Steffie Woolhandler.

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"We need to rethink health reform," Woolhandler said. "Covering the uninsured isn't enough.

"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."

The researchers surveyed 2,134 random families who filed for bankruptcy between January and April in 2007, before the current recession began.


They used public bankruptcy court records and survey 1,032 respondents by telephone.

While only 29 percent directly blamed medical bills for their bankruptcy, 62 percent had medical bills that totaled more than 10 percent of family income, said an illness was responsible, had lost income due to illness or some other medical factor.

"Among common diagnoses, nonstroke neurologic illnesses such as multiple sclerosis were associated with the highest out-of-pocket expenditures (mean \$34,167), followed by diabetes (\$26,971), injuries (\$25,096), stroke (\$23,380), mental illnesses (\$23,178), and heart disease (\$21,955)," the researchers wrote.

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