

Medical Bills Induce Many Bankruptcies

Medical Bills Induce Many Bankruptcies; Health costs increasingly lead 'play by the rules' people to financial crisis, a study finds.

This is an interesting article from Justin Dickerson at Los Angeles Times in February 2005 regarding bankruptcies because of health cost increasing.

About half of all bankruptcy filings in the United States occur because of health-related expenses -- and that share is growing, a study released today has found.

While the number of overall bankruptcies more than tripled from 1980 to 2001, when almost 1.5 million individuals and couples sought protection from their creditors, health-related bankruptcies increased 23-fold over the same period, the study found -- suggesting that rising medical bills were a significant factor in the increasing number of court filings.

Most of those who sought bankruptcy for medical reasons were middle-class homeowners who had health insurance when their health problems began, researchers found.

The study, which its authors said was the first to examine specific medical reasons for bankruptcy, was published in the health policy journal Health Affairs. Conducted by investigators from Harvard University's law and medical schools and Ohio University, the study examined filings from 2001 in five federal bankruptcy courts, including the Central District of California, and interviewed those who cited medical reasons as the main cause of their bankruptcy filing.

Those cases involved injury or illness, uncovered medical bills of more than \$1,000 in the two years before filing, loss of at least two weeks of work because of illness or injury, or mortgaging a home to pay medical bills.

"These are hard-working, 'play by the rules' people who have health insurance and have discovered that they were just one bad diagnosis away from financial catastrophe," Elizabeth Warren, a professor at Harvard Law School and one of the study's authors, said in an interview Tuesday. "I think that's the real heart of the story. This is about people who thought they were all safe."

Even with health insurance, people often pay large out-of-pocket sums for healthcare. In addition, the study found, employment-based coverage does not fully protect families because illness can lead to job loss and loss of coverage.

"Families are hit with a one-two punch when someone gets sick," Warren said. "They both lose income and get hit with new expenses, and the combination turns them upside down financially."

When his medical expenses for cancer treatment became overwhelming, even with insurance, Steven Choi of Rowland Heights filed for bankruptcy, his son said Tuesday. That allowed Medi-Cal to cover the costs of his treatment before his death last year.

"The medical condition caused us to do things we never thought we'd have to do," said Tom Choi, 35, of Buena Park. "My dad was a pretty proud guy. And we told him [declaring bankruptcy] is the only option you have.

"We could support our parents if we had to, but we couldn't support a million-dollar hospital bill," he said.

Unlike others who filed for bankruptcy, medical debtors were more likely to have had a lapse in health coverage, either because they could no longer afford to pay for insurance or they changed plans and, because of their preexisting ailments, lost coverage.

Three-quarters of the study's interviewees had medical coverage when they first got sick, but later lost it.

The study, which will follow up with interviewees to see how the bankruptcy affects their lives, found that one-third of medical debtors continued to have problems paying bills, particularly mortgages, rent and utilities.

"A person may recover physically from a medical problem, but they never recover financially," Warren said.