

## MONEY & MAIN ST.

# Medical bills prompt more than 60 percent of U.S. bankruptcies

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 Health

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This year, an estimated 1.5 million Americans will declare bankruptcy. Many people may chalk up that misfortune to overspending or a lavish lifestyle, but a new study suggests that more than 60 percent of people who go bankrupt are actually capsized by medical bills.



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Expert: "Medical bills ... are an issue that can very easily and in pretty short order overwhelm a lot families."

Bankruptcies due to medical bills increased by nearly 50 percent in a six-year period, from 46 percent in 2001 to 62 percent in 2007, and most of those who filed for bankruptcy were middle-class, well-educated homeowners, according to a report that will be published in the August issue of The American Journal of Medicine.

"Unless you're a Warren Buffett or Bill Gates, you're one illness away from financial ruin in this country," says lead author Steffie Woolhandler, M.D., of the Harvard Medical School, in Cambridge, Mass. "If an illness is long enough and expensive enough, private insurance offers very little protection against medical bankruptcy, and that's the major finding in our study."

Woolhandler and her colleagues surveyed a random sample of 2,314 people who filed for bankruptcy in early 2007, looked at their court records, and then interviewed more than 1,000 of them.

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They concluded that 62.1 percent of the bankruptcies were medically related because the individuals either had more than \$5,000 (or 10 percent of their pretax income) in medical bills, mortgaged their home to pay for medical bills, or lost significant income due to an illness. On average, medically bankrupt families had \$17,943 in out-of-pocket expenses, including \$26,971 for those who lacked insurance and \$17,749 who had insurance at some point.

Overall, three-quarters of the people with a medically-related bankruptcy had [health insurance](#), they say.

"That was actually the predominant problem in patients in our study -- 78 percent of them had health insurance, but many of them were bankrupt anyway because there were gaps in their coverage like co-payments and deductibles and uncovered services," says Woolhandler. "Other people had private insurance but got so sick that they lost their job and lost their insurance." **Health.com: Where the money goes -- A breast cancer donation guide**

However, Peter Cunningham, Ph.D., a senior fellow at the Center for Studying Health System Change, a nonpartisan policy research organization in Washington, D.C., isn't completely convinced. He says it's often hard to tell in which cases medical bills add to the bleak financial picture without being directly responsible for the bankruptcies.

"I'm not sure that it is correct to say that medical problems were the direct cause of all of these bankruptcies," he says. "In most of these cases, it's going to be medical expenses and other things, other debt that is accumulating."

Either way, he agrees that medical bills are an increasing problem for many people. **Health.com: 5 quick ways to stop back pain**

"I think medical bills are something that a lot of families are having a lot of difficulty with and whether it's the direct cause of bankruptcy or whether it helps to push them over the edge because they already were in a precarious financial situation, it's a big concern and hopefully that's what medical reform will try to address," he says.

The study may overestimate the number of bankruptcies caused by medical bills yet underestimate the financial burden of health care on American families, because most people struggle along but don't end up declaring bankruptcy, according to Cunningham.

"Bankruptcy is the most extreme or final step for people who are having problems paying medical bills," he says. "Medical bills and medical costs are an issue that can very easily and in pretty short order overwhelm a lot families who are on otherwise solid financial ground, including those with private insurance." **Health.com: Where to find money to pay for your major health bills**

His group's research found that medical bills unduly stress 1 in 5 families.

### STORY HIGHLIGHTS

- Study: More than 60 percent of bankruptcies are linked to medical bills
- Three-quarters of people with a medically-related bankruptcy had health insurance
- Researcher: "You're one illness away from financial ruin in this country"
- Situation likely to worsen: study was done a year before recession

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Either way, the high cost of health care is a problem that's probably getting worse for people in the United States, particularly since the [economic picture](#) became grimmer after the study was conducted.

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"The recession didn't happen until a year after our study," says Woolhandler. "We're quite sure that the problem of bankruptcy overall is worse, the numbers have been soaring, and the number this year is expected to be higher than it was before Congress tightened bankruptcy eligibility in 2005."

In 2005, bankruptcies peaked at two million filings. [E-mail to a friend](#) | [Mixx it](#) | [Share](#)

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