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# Medical Bills Are the Biggest Cause of US Bankruptcies: Study



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Tuesday, 25 Jun 2013 | 2:29 PM ET



Stigur Karlsson | E+ | Getty Images

Bankruptcies resulting from unpaid medical bills will affect nearly 2 million people this year—making health care the No. 1 cause of such filings, and outpacing bankruptcies due to credit-card bills or unpaid mortgages, according to new data. And even having health insurance doesn't buffer consumers against financial hardship.

The [findings](#) are from NerdWallet Health, a division of the price-comparison website. It analyzed data from the U.S. Census, Centers for Disease Control, the federal court system and the Commonwealth Fund, a private foundation that promotes access, quality and efficiency in the health-care system.

"A lot of Americans are struggling with medical bills," said NerdWallet Health Vice President Christina LaMontagne.

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NerdWallet estimates that households containing 1.7 million people will file for bankruptcy protection this year.

Even outside of bankruptcy, about 56 million adults—more than 20 percent of the population between the ages of 19 and 64—will still struggle with health-care-related bills this year, according to NerdWallet Health.

And if you think only Americans without health insurance face financial troubles, think again. NerdWallet estimates nearly 10 million adults with year-round health-insurance coverage will still accumulate medical bills that they can't pay off this year.

High-deductible insurance plans requiring consumers to pay more out-of-pocket costs are a challenge for many households.

"With an average American family bringing home \$50,000 in income, a high medical bill and a high-deductible insurance plan can quickly become something they are unable to pay," LaMontagne said. "If you have an out-of-pocket maximum of \$5,000 or \$10,000, that's really tough," he said.

The analysis of rising health costs is the first of its kind for NerdWallet.

(Read More: [Making a Case for Self-Funded Health-Care Plans](#))

#### Medical Bankruptcy by Age

Age Range	% of Total Bankruptcies 2013, Estimated	US Medical-Related Bankruptcies 2013, Estimated	Size of Household	People Living in Households with medical-Related Bankruptcy 2013, Estimated
18-24	2.3%	14,618	2.41	35,229
25-34	18.7%	120,708	2.86	344,622
35-44	28.9%	186,812	3.35	624,888
45-54	26.4%	170,875	2.81	480,159
55-64	15.8%	102,080	2.18	222,534
65+	8.0%	51,719	1.76	90,767

Source: NerdWallet Health Analysis

#### Obamacare 'Not a Panacea'

With millions buried under medical bills, more insured under the Affordable Care Act will not completely solve that problem, LaMontagne said. While the ACA's reforms will indeed give more people coverage, NerdWallet's data shows that millions of people with year-round, full coverage are still overwhelmed by medical bills, she said.

"I don't think Obamacare is going to get rid of the situation," LaMontagne said. "The data suggests that already-insured Americans are struggling. With the expansion of insurance, it doesn't seem like that problem will go away entirely. It's not a panacea."

(Read More: [Health-Care Cost Inflation Slows](#))

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The number of medically related bankruptcies is slightly less than the rate of recent years. Despite the anticipated 2013 dip, such bankruptcies represent about three out of every five filings.

"A lot of Americans probably think about bankruptcy as coming from unpaid credit-card debt or mortgages," LaMontagne said. "But the root cause of all those troubles may well be medical bills."



Not surprisingly, more than 11 million people will take on additional credit-card debt to cover mounting medical bills, LaMontagne said. Because credit cards often charge high interest rates for unpaid balances, debt only mounts, creating a vicious cycle for consumers.

Meanwhile, NerdWallet found, 15 million people will deplete their savings to cover medical bills. Another 10 million will be unable to pay for necessities such as rent, food and utilities because of those bills.

### **Skiping Prescription Medications**

When their savings are gone and their credit cards are maxed out, stretched consumers take the drastic step of cutting back on prescription medications.

More than 25 million people are skipping doses, taking less medication or delaying refilling prescriptions to save money, NerdWallet found.

"That statistic is actually quite troubling," LaMontagne said. Delaying needed medication is a short-term fix that only triggers more health problems in the long term, she said.

—By CNBC's Dan Mangan. Follow him on Twitter [@danpostman](#)



**Dan Mangan**  
Reporter

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