



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

November 14, 2010

Elderly Driven to Bankruptcy by High Healthcare Costs

A study by the University of Michigan Law School by bankruptcy expert, Professor John Pottow shows that many elderly people have been filing for bankruptcy. For example, from 1991 to 2007 the percentage of those between age 65 and 74 who filed for bankruptcy rose by 178%. And since these figures are pre-recession, it is safe to assume that the figures after 2008 would be higher.

Healthcare expense is one of the primary expenditures for the elderly. And since the cost of healthcare has dramatically increased (even higher than the rate of inflation), it can empty the retirement savings of the elderly pretty quickly. A study by Fidelity Investments shows that the healthcare costs for retirees this year are up by 4.2% compared to last year. This represents a significant 56% jump since 2002. At the same time, inflation only rose by 1.1% this year. Fidelity also found that the elderly spend an average of \$535 per month on healthcare, an amount exceeded only by the cost of food.

Hence, health and medical expenses are major contributing factors to bankruptcy among the elderly in the US. Having Medicare helps but

<http://tampabankruptcy.pro/blog/>

Medicare does not cover everything. It does not pay for out-of-pocket expenses if you become seriously sick or need nursing care.

A report by the Center for Retirement Research at Boston College (CRR) shows that the typical married couple at age 65 will expect to spend an average of \$197,000 in uninsured costs in their lifetime, including insurance premiums, out-of-pocket expenses and home healthcare. This does not include any long-term healthcare needs like nursing care. If these are included, the figure will rise to about \$260,000. In 5% of cases, this figure might rise to \$570,000. Medical bankruptcies usually stem from high out-of-pocket expenses including the cost of financing these expenses, so says Melissa Jacoby who is a law professor specializing in bankruptcy cases in the University of North Carolina. These out-of-pocket expenses are usually due to purchases of drugs and nursing costs, which are compounded when they are charged to a credit card.

Another key contributing factor to bankruptcy among the elderly is their loss of income since many of them no longer work. Some legislation has been enacted to lighten the burden of the elderly.

The new healthcare reform law aims to close the gap in Medicare D prescription drug coverage for the beneficiaries with high expenses (known as the doughnut hole). Likewise, the Affordable Care Act (ACA) increases the subsidy for low-income seniors who use the Extra Help prescription drug. This subsidy now pays 100% of premiums for enrollees with annual income of \$16,245 a year (single) or \$21,855 (married couples).

If you need help in filing for bankruptcy to pay off your debts, call us at (813) 200-4133 for a free consultation.