



Harvard Study Finds Illness and Medical Bills Are Linked To Nearly Two-Thirds of Bankruptcies

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According to research conducted jointly by Harvard Law School, Harvard Medical School, and Ohio University, medical bills were a factor in 62.1% of all bankruptcies filed in 2007. The data for the study was collected prior to the current economic downturn, and likely understates the current impact of illness on bankruptcy filings.

The study, which is published in the August 2009 issue of the American Journal of Medicine, indicates that the proportion of all bankruptcies attributable to medical problems rose from 49.6% in 2001 to the 62.1% figure in 2007. Surprisingly, 77.9% were insured at the beginning of the illness that resulted in bankruptcy, and most were solidly middle class before falling ill. Two-thirds were homeowners and three-fifths had gone to college. Often, medical bills coincided with a drop in income due to lost work time from the illness. And illness frequently led to job loss and the loss of health insurance.

Because of high out-of-pocket medical costs for co-payments, deductibles, and uncovered services, medically bankrupt families with insurance had medical bills that averaged \$17,749 versus \$26,971 for the uninsured. Costs averaging \$22,568 were incurred by those who initially had insurance coverage but lost it in the course of their illness.

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The research was the first conducted nationwide on medical causes of bankruptcy. The researchers surveyed a random sample of 2,314 bankruptcy filers during early 2007, examined their bankruptcy court records, and conducted extensive telephone interviews with 1,032 of the bankruptcy filers.

Although Congress made it harder to file for bankruptcy in 2005, which caused a sharp drop in filings, personal bankruptcy filings have soared as the economy has deteriorated, and are now back to the 2001 level of about 1.5 million annually.

Dr. David Himmelstein, the lead author of the study and an associate professor of medicine at Harvard, commented, “Our findings are frightening. Unless you’re Warren Buffett, your family is just one serious illness away from bankruptcy. For middle-class Americans, health insurance offers little protection. Most of us have policies with so many loopholes, co-payments, and deductibles that illness can put you in the poorhouse. And even the best job-based health insurance often vanishes when prolonged illness causes job loss – precisely when families need it most. Private health insurance is a defective product, akin to an umbrella that melts in the rain.”

“For many families, bankruptcy is a deeply shameful experience,” noted Elizabeth Warren, Leo Gottlieb Professor of Law at Harvard, a study co-author, and a leading expert on personal bankruptcy. “People arrive at the bankruptcy courts exhausted – financially, physically, and emotionally. For most, bankruptcy is a last choice to deal with unmanageable circumstances.”

According to study co-author Dr. Steffie Woolhandler, an associate professor of medicine at Harvard and primary care physician in Cambridge, Massachusetts, “We need to rethink health reform. Covering the uninsured isn’t enough. Reform also needs to help families who already have insurance by upgrading their coverage and assuring that they never lose it. Only single-payer national health insurance can make universal, comprehensive coverage affordable by savings the hundreds of billions we now waste on insurance overhead and bureaucracy. Unfortunately, Washington politicians seem ready to cave in to insurance firms and keep them and their counterfeit coverage at the core of our system. Reforms that

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expand phony insurance – stripped-down plans riddled with co-payments, deductibles, and exclusions – won't stem the rising tide of medical bankruptcy.”

A copy of the study can be obtained from [Physicians for a National Health Program](#), a membership organization of over 16,000 physicians which supports a single-payer national health insurance program.

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