

Medical bills cause about half of bankruptcies, study finds Most filers at first had insurance

By Liz Kowalczyk, Boston Globe Staff | February 2, 2005

About half the people who file for bankruptcy do so because they can't pay their hospital, doctor, and medication bills, Harvard researchers found in a new study.

One of the most surprising results of the study: Most of the people had health insurance when they got sick.

In one of the largest and most in-depth studies on medical debt and bankruptcy, researchers from Harvard Medical School and Harvard Law School reviewed court records on 1,771 bankruptcy filers and interviewed 931 of them about their debt in five states: California, Illinois, Pennsylvania, Tennessee, and Texas.

In all states, about half of the bankruptcy filers cited an illness or injury as the reason for their debt. All had at least one of the following experiences: uncovered medical bills exceeding \$1,000, with an average of \$11,854 in out-of-pocket costs since the start of their illness; they had mortgaged their home to pay medical bills; or they had lost at least two weeks of work-related income because of an illness.

"The biggest surprise was that 76 percent of people who had a medical-related bankruptcy had health insurance when they first got sick," said Dr. Steffie Woolhandler, a doctor at Cambridge Hospital and one of the authors. "That's really new. No one has asked that before."

The study is to be published today in the journal *Health Affairs*' Internet edition. Woolhandler said the study exposes gaps in the country's health insurance system, as well as the plight of the uninsured. Even middle class families filed for bankruptcy because of medical debt.

People who had health insurance when they got sick often became too sick to work and lost their coverage. In other cases, the person's health insurance had "loopholes," she said, including large deductibles, copayments, or uncovered services such as physical therapy.

Woolhandler said this happened to her and her husband and coauthor, David Himmelstein, also a Cambridge Hospital physician, when their daughter needed reconstructive knee surgery.

"The doctor said she needed seven months of physical therapy and the plan paid for two months," she said. "Even with Cadillac coverage, if you have a child with ongoing serious illness you can accumulate \$5,000 in out-of-pocket expenses."

The authors' research showed there were 1,584,170 personal bankruptcies in the United States last year. If their results hold true nationally, that would mean about half -- or 797,630 -- were caused by medical debt. In Massachusetts, 17,734 people filed for personal bankruptcy last year.