

GOVERNMENT & MEDICINE

Medical costs lead more people to bankruptcy
Most debtors had health insurance when the illness that fueled their financial problems struck.

By Joel B. Finkelstein, AM News staff. Feb. 21, 2005.

Washington -- Medical bills have become a major driver of personal bankruptcy -- accounting for half of these filings, according to a recent study.

In a survey of 1,771 people who declared bankruptcy in 2001, more than a quarter cited illness or injury as a main factor. Another quarter reported having more than \$1,000 worth of unpaid medical bills, the study's authors report in a Feb. 2 article on the Health Affairs Web site.

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The number of overall bankruptcies, at nearly 1.5 million, was 3.6 times higher in 2001 than 1980, but there were 23 times as many medical-related bankruptcies in 2001. About 673,000 medical-related bankruptcies occurred in 2001, the survey found.

"Many had coverage at the onset of their illness but lost it. In other cases, even continuous coverage left families with ruinous medical bills," said lead author David Himmelstein, MD, an associate professor at Harvard Medical School in Boston.

Dr. Himmelstein and senior author Steffie Woolhandler, MD, also of Harvard, are prominent members of Physicians for a National Health Program, which advocates for universal, single-payer health coverage.

According to American Medical Association Chair J. James Rohack, MD, the study "points to the need for health insurance reform that provides affordable access to care."

673,000 personal bankruptcies in 2001 were directly related to medical costs.

Although many physicians provide uncompensated care to those who cannot afford treatment, charity care alone is not the answer to the problem, he said. The AMA's plan for reducing the ranks of the uninsured calls for expanding coverage and choice through refundable tax credits inversely related to income, individually selected and owned health insurance, and other changes.

The study found that while three-fifths of respondents who declared bankruptcy due to illness or injury had private health insurance when they got sick, one-third of them subsequently lost coverage, often because they had to stop working.

Those findings reveal a significant gap in the safety net -- "the risk that people who get seriously ill lose their coverage," said Paul Ginsburg, PhD, president of the Center for Studying Health System Change.

Hospital costs were the biggest expense for 42.5% of people with medical bankruptcy, but prescription drugs were the biggest cost in 21% of cases and doctors' bills in 20%.

Even with coverage, drug costs can build up, Dr. Ginsburg said. Unlike hospital and doctor bills, drug benefits often have no out-of-pocket maximum to limit a patient's liability.

The study seems to support that.

1.5 million Americans filed for bankruptcy in 2001. While hospital bills can quickly run into the tens of thousands, many of the patients surveyed averaged less than \$4,000 in out-of-pocket costs in the year before their bankruptcy. But for patients with chronic illness, expenditures for drugs span years.

The problem has almost certainly become worse, even since 2001, Dr. Ginsburg said.

He recently conducted a study using 2003 data showing that rising health care costs combined with increased cost-sharing has resulted in a jump in the number of people with chronic illnesses who are spending more than 5% of their incomes on out-of-pocket medical expenses.

That is a trend that has some employers concerned.

A survey conducted by the California HealthCare Foundation found that even as companies are increasingly turning to cost-sharing strategies to rein in the cost of employee benefits, they are becoming more concerned about the effect on workers with chronic illnesses.

"Chronically ill individuals, particularly those with low incomes, feel the effect of cost-sharing," said Sophia Chang, MD, MPH, director of the Chronic Disease Care Program at CHCF. "About 20% of adults with a chronic condition, such as diabetes, hypertension, high cholesterol or arthritis, report not going to a doctor, skipping a recommended test or procedure, or not getting their annual check-up due to cost."

The medical bankruptcy survey had similar, if more pronounced, findings. Among those with medical bankruptcy, 60% skipped needed physician or dentist visits, and 46.7% did not fill prescriptions.