

# Medical Bills Leading Cause of Bankruptcy, Harvard Study Finds

February 3, 2005

Illness and medical bills caused half of the 1,458,000 personal bankruptcies in 2001, according to a study published by the journal *Health Affairs*.

The study estimates that medical bankruptcies affect about 2 million Americans annually -- counting debtors and their dependents, including about 700,000 children.

Surprisingly, most of those bankrupted by illness had health insurance. More than three-quarters were insured at the start of the bankrupting illness. However, 38 percent had lost coverage at least temporarily by the time they filed for bankruptcy.

Most of the medical bankruptcy filers were middle class; 56 percent owned a home and the same number had attended college. In many cases, illness forced breadwinners to take time off from work -- losing income and job-based health insurance precisely when families needed it most.

Families in bankruptcy suffered many privations -- 30 percent had a utility cut off and 61 percent went without needed medical care.

The research, carried out jointly by researchers at Harvard Law School and Harvard Medical School, is the first in-depth study of medical causes of bankruptcy. With the cooperation of bankruptcy judges in five Federal districts (in California, Illinois, Pennsylvania, Tennessee and Texas) they administered questionnaires to bankruptcy filers and reviewed their court records.

Dr. David Himmelstein, the lead author of the study and an Associate Professor of Medicine at Harvard commented: "Unless you're Bill Gates you're just one serious illness away from bankruptcy. Most of the medically bankrupt were average Americans who happened to get sick."

Today's health insurance policies -- with high deductibles, co-pays, and many exclusions -- offer little protection during a serious illness. Uncovered medical bills averaged \$13,460 for those with private insurance at the start of their illness. People with cancer had average medical debts of \$35,878.

"The paradox is that the costliest health system in the world performs so poorly. We waste one-third of every health care dollar on insurance bureaucracy and profits while two million people go bankrupt annually and we leave 45 million uninsured" said Dr. Quentin Young, national coordinator of Physicians for a National Health Program.

"With national health insurance ('Medicare for All'), we could provide comprehensive, lifelong coverage to all Americans for the same amount we are spending now and end the cruelty of ruining families financially when they get sick."

Read more: [http://www.consumeraffairs.com/news04/2005/bankruptcy\\_study.html#ixzz0uPxN1q9y](http://www.consumeraffairs.com/news04/2005/bankruptcy_study.html#ixzz0uPxN1q9y)

[http://hms.harvard.edu/public/news/2010/061710\\_newhouse.html](http://hms.harvard.edu/public/news/2010/061710_newhouse.html)