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## Healthcare

*Medical bills tied to more bankruptcies*

*A new study showing that healthcare costs play a role in 62% of*

June 04, 2009 | Lisa Girion

President Obama's push for healthcare reforms gets a boost today from a new study by Harvard University researchers that shows a sizable increase over six years in bankruptcies caused in part by ever-higher medical expenses.

The study found that medical bills, plus related problems such as lost wages for the ill and their caregivers, contributed to 62% of all bankruptcies filed in 2007. On the campaign trail last year and in the White House this year, Obama had cited an earlier study by the same authors showing that such expenses played a part in 55% of bankruptcies in 2001.

Medical insurance isn't much help, either. About 78% of bankruptcy filers burdened by healthcare expenses were insured, according to the survey, to be published in the August issue of the American Journal of Medicine.

"Health insurance is not a guarantee that illness won't bankrupt you," said Steffie Woolhandler, one of the authors, a practicing physician and an associate medical professor at Harvard.

"Lots of health insurance comes with big co-payments, deductibles and uncovered services," she said. "So you can be insured and still end up with big bills. At the same time, even if you have good insurance through your employer, you can lose it if you get sick and can't work."

Most people who filed medical-related bankruptcies "were solidly middle class before financial disaster hit," the study says. Two-thirds were homeowners, and most had gone to college.

The study does not suggest that medical expenses were the sole cause for these bankruptcies, but it does identify them as a contributing factor. The increase in such filings occurred despite a 2005 law aimed at making it more difficult for individuals to seek court protection from creditors.

And the latest study probably understates the current burden of medical expenses because it is based on bankruptcies filed before the recession hit.

The findings by a team of Harvard researchers from the law and medical schools are expected to help fuel the debate over what type of healthcare system is right for the U.S.

In a letter Wednesday, Obama made another push for a healthcare overhaul, reiterating his concern about the financial burden the current system places on families and businesses.

"Soaring healthcare costs make our current course unsustainable," he wrote in the letter to Sens. Edward M. Kennedy (D-Mass.) and Max Baucus (D-Mont.), who are leading efforts to develop healthcare legislation. "It is unsustainable for our families, whose spiraling premiums and out-of-pocket expenses are pushing them into bankruptcy and forcing them to go without the checkups and prescriptions they need."

Momentum has been growing in Congress for healthcare reform. Such change can't come soon enough for Mary McCurnin.

She and her husband, Ron, filed for bankruptcy and nearly lost their home near Sacramento after a series of medical crises, including her breast cancer and his open-heart surgery. Ron, 63, lost his insurance coverage when the company providing it lost its California license after paying 10% of his hospital bills. Mary, 59, managed to get on Medi-Cal after they "went broke."

Despite the ordeal, she said, the self-employed illustrators feel fortunate that they survived and managed to hang on to their home. "The healthcare industry is killing people," she said. "There's no other way to put it. We just got lucky."

Linda and Jeffrey Somach pay \$800 a month for health insurance. But the Staten Island, N.Y., couple filed for bankruptcy a month ago when their out-of-pocket medical expenses surpassed \$40,000.

Linda Somach, a psychologist, can earn \$80,000 a year if she sees patients full time. But she had to scale back to care for Jeffrey, who has terminal brain cancer. That reduced their income. At the same time, she is constantly getting bills for out-of-network charges, deductibles and medical care that their insurance doesn't cover.

"We put so much of the medical stuff on credit cards," she said. "My patients do it too."

The study suggests that such plights are routine.

Woolhandler is on the board of Physicians for a National Health Program, a group that advocates for a single-payer system, in which government, not private insurers, brokers healthcare. She said the study showed that private insurers had failed in their core mission:

protecting consumers from financial ruin in the event of a medical crisis.

"We need to rethink health reform," Woolhandler said. "Covering the uninsured isn't enough. Reform also needs to help families who already have insurance by upgrading their coverage and assuring they never lose it."

A spokesman for private insurers said the industry recognized that uncovered and expensive medical care imposed a burden on families and businesses. But he said that private insurers were in a better position to rein in spiraling medical costs and that the industry had a plan for protecting people from being forced into bankruptcy over medical expenses not covered by insurance.

"In fact, in our comprehensive reform proposal we recommended in December that Congress should look at an out-of-pocket spending cap and a system of tax credits for low-income people," Robert Zirkelbach, a spokesman for America's Health Insurance Plans, a Washington, D.C.-based trade group.

"If an individual's health expenses reached a certain level, there could be tax credits or other assistance to help those individuals," he said.

The study found that medical-related bankruptcy filers with private insurance reported average medical bills of \$17,749. By comparison, people who filed for bankruptcy without insurance reported average medical expenses of \$26,971.

Individuals with diabetes and neurological disorders, such as multiple sclerosis, had the highest medical bills, averaging \$26,971 for those with insurance and \$34,167 for those without. Hospital bills were the largest expense for about half the families that filed health-related bankruptcies.

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