

Medical Bankruptcy – Fact Sheet

David U. Himmelstein, M.D., Deborah Thorne, Ph.D., Elizabeth Warren, J.D., Steffie Woolhandler, M.D., M.P.H.

- In May 2009, more than 5,000 families filed for bankruptcy every business day. For all of 2009, the total is expected to reach about 1.4 million. The average personal bankruptcy involves 2.71 debtors and dependents. In total, an estimated 3.8 million Americans will be involved in personal bankruptcy filings this year.
- Illness and medical bills were linked to at least 62.1% of all personal bankruptcies in 2007. Based on the current bankruptcy filing rate, medical bankruptcies will total 866,000 and involve 2.346 million Americans this year – about one person every 15 seconds.
- Using identical definitions in both years, the proportion of bankruptcies attributable to medical problems rose by 49.6% between 2001 and 2007.
- Most medically bankrupt families were middle class before they suffered financial setbacks. 60.3% of them had attended college and 66.4% had owned a home; 20% of families included a military veteran or active-duty soldier.
- Most medical debtors had some health insurance, but many suffered gaps in coverage:
 - ❖ 77.9% of the individuals whose illness led to bankruptcy had health insurance at the onset of the bankrupting illness; 60.3% had private insurance.
 - ❖ 69% of debtor families had coverage at the time of their bankruptcy filing
 - ❖ 60% of families had continuous coverage
 - ❖ Only 0.3% of the uninsured went without coverage voluntarily, i.e. because they thought they didn't need it – most others couldn't afford it.
- Among medical debtors, hospital bills were the largest medical expense for 48% drug costs for 19%, doctors' bills for 15% and insurance premiums for 4%. In 38% of cases, lost income due to illness was a factor.
- Out-of-pocket medical costs since the onset of illness averaged \$17,943.
 - ❖ For the privately-insured, out-of-pocket costs averaged \$17,749.
 - ❖ For the uninsured, out-of-pocket costs averaged \$26,971.
 - ❖ Patients with neurologic disorders such as multiple sclerosis faced the highest costs, and average of \$34,167, followed by diabetics at \$26,971.
- According to earlier studies, between 7.1% and 14.3% of Canadian bankruptcies are due to “health/misfortune” (a category that includes some non-medical problems).