Medical Bankruptcy – Fact Sheet

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• 1.458 million individuals or couples filed for bankruptcy in 2001. These bankruptcies involved 1.925 million debtors and 1.939 million dependents – a total of 3.864 million people.

• Between 46.2% and 54.5% of all bankruptcies (midpoint estimate 50.35%) were caused, at least in part, by illness or medical debts. Thus, medical bankruptcy involved between 1,850,098 and 2,227,000 Americans in 2001 (midpoint estimate = 2,038,549). (For further details and definitions see: “Illness and Injury as Contributors to Bankruptcy” Exhibit 2 – available after February 1 at http://content.healthaffairs.org/webexclusives/index.dtl?year=2005)

• The number of medical bankruptcies increased approximately 2200% between 1981 and 2001.

• Most medical debtors had some health insurance, but many suffered gaps in coverage:
  - 75.7% had health insurance at the onset of the bankrupting illness.
  - 68% had coverage at the time of their bankruptcy filing
  - 62% had continuous coverage
  - 1/3 of those with private coverage at onset lost it during the course of illness
  - Only 2.9% of the uninsured went without coverage voluntarily – most others couldn’t afford it.

• High medical bills contributed to 60% of medical bankruptcies, with drug costs contributing to 48%. (Drug costs were the major problem for most Medicare-insured debtors, and many of those with psychiatric disorders). In 35% of cases lost income due to illness was a factor.

• Out-of-pocket medical costs since the onset of illness averaged $11,854
  - The privately-insured had the highest costs - $13,460 – due to the very high costs incurred by those who initially had private coverage but then lost it.
  - Cancer patients’ costs averaged $35,878.

• Families in medical bankruptcy suffered many privations. In the 2 years before filing for bankruptcy:
  - 22% went without food
  - 30% had a utility shut off
  - 61% went without needed medical care
  - 50% failed to fill a doctor’s prescription

• Only between 7.1% and 14.3% of Canadian bankruptcies are due to “health/misfortune” according to previous studies. Many of these may be due to other catastrophic events (e.g. loss of income or property due to death or fire).