

MARKET WATCH

Illness And Injury As Contributors To Bankruptcy

Even universal coverage could leave many Americans vulnerable to bankruptcy unless such coverage was more comprehensive than many current policies.

by David U. Himmelstein, Elizabeth Warren, Deborah Thorne, and Steffie Woolhandler

ABSTRACT: In 2001, 1.458 million American families filed for bankruptcy. To investigate medical contributors to bankruptcy, we surveyed 1,771 personal bankruptcy filers in five federal courts and subsequently completed in-depth interviews with 931 of them. About half cited medical causes, which indicates that 1.9–2.2 million Americans (filers plus dependents) experienced medical bankruptcy.¹ Among those whose illnesses led to bankruptcy, out-of-pocket costs averaged \$11,854 since the start of illness; 75.7 percent had insurance at the onset of illness. Medical debtors were 42 percent more likely than other debtors to experience lapses in coverage. Even middle-class insured families often fall prey to financial catastrophe when sick.

If the debtor be insolvent to serve creditors, let his body be cut in pieces on the third market day. It may be cut into more or fewer pieces with impunity. Or, if his creditors consent to it, let him be sold to foreigners beyond the Tiber.

—Twelve Tables, Table III, 6 (ca. 450 B.C.)

OUR BANKRUPTCY SYSTEM works differently from that of ancient Rome; creditors carve up the debtor's assets, not the debtor. Even so, bankruptcy leaves painful problems in its wake. It remains on credit reports for a decade, making everything from car insurance to house payments

more expensive.¹ Debtors' names are often published in the newspaper, and the fact of their bankruptcy may show up whenever someone tries to find them via the Internet. Potential employers who run routine credit checks (a common screening practice) will discover the bankruptcy, which can lead to embarrassment or, worse, the lost chance for a much-needed job.²

Personal bankruptcy is common. Nearly 15 million couples or individuals filed bankruptcy petitions in 2001, a 360 percent increase since 1980.³ Fragmentary data from the

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