

**PATTEN, PETERMAN, BEKKEDAHL & GREEN, P.L.L.C.**

***Attorneys-at-Law***

James A. Patten  
Patricia D. Peterman  
Bruce O. Bekkedahl \*  
W. Scott Green  
Michael F. McGuinness

Suite 300, The Fratt Building  
2817 Second Avenue North  
Billings, Montana 59101

Craig D. Martinson, *Of Counsel*

Telephone: (406) 252-8500  
Facsimile: (406) 294-9500  
Website: www.ppbglaw.com  
E-mail: japatten@ppbglaw.com

\* Also Admitted in North Dakota & Arizona

March 25, 2013

My name is Andy Patten; I urge the passage of HB 590.

I am a bankruptcy attorney practicing in Billings. I have 30 years experience in bankruptcy, as an attorney, as a chapter 7 trustee, and as a volunteer to Montana Legal Services. I have prepared or reviewed literally thousands of bankruptcy petitions.

In my experience, unpaid medical bills play a large part in many bankruptcies. Various studies identify medical debt as the cause of bankruptcies in 46% to 62% of all individual chapter 7 bankruptcies. I have never kept track of the specific cause of cases I have been involved with, but I know medical debt is the reason for a substantial portion of bankruptcy filings and have no reason to dispute these percentages as accurate and applicable to the cases filed in Montana.

In 2012, there were 1960 individual chapter 7 bankruptcies filed in Montana. If the published statistics are applied to Montana, there were somewhere between 900 and 1200 fellow Montanans who had to file for bankruptcy due to overwhelming medical debt. This equates to 3 bankruptcies each day of the year filed in Montana because of medical debt.

Through discussion with my clients, I have learned a lot about the difficulties they endure before filing for bankruptcy. I understand the circumstances that propel them to file for bankruptcy.

If you are a low wage worker, the loss of any part of your income through garnishment can wreak havoc with a budget and impair your ability to provide the most basic necessities of life.

In Yellowstone County, a household of 4 with 2 wage earners, each earning the minimum wage, will gross \$31,356 annually, an income within 138% of the poverty level. Together, the take home pay for this family is no more than \$2200 per month. If this family pays the lowest available rent of \$431 per month, it is left with less than \$1800 each month for food, clothing,

utilities, and gas. According to the IRS, the monthly cost of food, clothing, and transportation in Yellowstone County is \$1686. While the cost of utilities is difficult to determine, the hypothetical family of 4 is left with \$114 per month for utilities, electricity, gas, water and telephone.

The cost of health insurance and health care is not included in the hypothetical budget.

What happens when a medical bill is incurred and not paid? Unpaid medical bills are, except in a few circumstances, turned over for collection. If collection agencies cannot convince the debtor to make voluntary payment, which in my experience are usually well beyond the ability of the debtor to consistently pay, the collection agency will file suit and will nearly always get a judgment. The judgment is enforced primarily through wage garnishment. Using the hypothetical family of 4, garnishment could take \$172 per month of the wage earners' combined monthly take-home pay. This blows up an already difficult budget.

Some of these low wage Montanans find their way to bankruptcy lawyers, either directly or through Legal Services who get private attorneys to give free service. These are the ones that I represent or meet with. These are the ones who tell me of their difficult circumstances caused by their low wage, their medical debt, and the garnishment of their already low wages. Those that can file for bankruptcy are the lucky ones. Very few can afford the costs of a bankruptcy lawyer. Some find their way into the Legal Services self help program, but even this program cannot help all those who need it.

Those that cannot or do not get bankruptcy relief either suffer through wage garnishments or drop out of the employment market or change employment so their creditors cannot find them in order to garnish their wages. These employment choices have long term consequences that are bad for them. Their employment choices are distorted by their need to avoid wage garnishment. Those that do get bankruptcy relief may lose property that is necessary to their survival. Cars are at risk due to the low exemption amount; even earned income tax credit will be lost. Bankruptcy is a better outcome than continual wage garnishments, but can still cause financial distress.

The most recent chapter 7 bankruptcy case I just filed, last Friday, is a good example of the plight of people with medical debt. The debtors, husband and wife, are expecting a child. The husband works as a ranch hand and the wife works as a cashier. Their combined monthly income has been as low as \$11,000 a year although now it is higher. These debtors incurred medical bills of \$30,000 when their wages were low and they could not afford insurance. They are now being sued by collection agencies and know they cannot support their family and have their wages garnished. They filed bankruptcy to avoid wage garnishment. If they had health insurance when their wages were low, they would not be in bankruptcy now.

I have met with health care providers who themselves were considering bankruptcy as they could not pay their bills due to their patients being unable to pay. One health care provider

filed for bankruptcy and left the small town where he practiced, leaving only two physicians in the county. Another provider, who decided against a bankruptcy filing, is a community hospital. It provides immediate care services, including emergency services, which are not otherwise available within the county. Both of these providers suffered financially because of the inability to collect payment from their uninsured patients which, in turn, caused a loss, or threatens the loss, of local medical care.

We all know that unpaid medical services result in a cost shift to those who do pay. According to the State Auditor there was \$400 million of uncompensated health care costs in 2011. Much of that cost is passed onto taxpayers and the private insurers. At my firm, we have always provided comprehensive health insurance as a benefit for all our employees. We have watched our health insurance costs increase every year. As it is, those of us Montanans with health insurance are paying for those who are not insured.

One in five Montanans don't have health insurance. From the people I meet with, it is not a matter of choice, but they simply can't afford it. According to the State Auditor's office, 97% of low income wage earners without insurance reported they couldn't afford the cost of purchase.

Passage of HB 590 will help these individual Montanans avoid financial ruin and keep medical care providers in our smaller towns. Passage of HB 590 will reduce the uncompensated health care costs and will also slow the cost shift of uncompensated care to the insured which should slow the growth in health insurance premiums. Passage of HB 590 will reduce the number of Montanans facing wage garnishment or bankruptcy due to medical debt. Passage of HB 590 will help our working poor. In short, it is the right choice for Montana. I urge your support of HB 590.