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FROM: Greg Scandlen

IN THIS ISSUE:

Medical Bankruptcy

A new article in "Health Affairs" has been burning up the airwaves and print media across the country. The article by David Himmelstein, Elizabeth Warren, Deborah Thorne, and Steffie Woolhandler is summarized in the media as revealing that half of all bankruptcies in the United States are caused by medical problems, especially inadequate insurance coverage.

That is certainly an attention-grabbing headline, and the fact that the authors are associated with the Harvard Medical and Law Schools gives the article an air of authority. But the article is so biased as to be worthless in even identifying a problem and so grossly exaggerated that it buries rather than illuminates what may very well be a real problem.

Most of the media reports seem to be based on a press release issued by Doctors Himmelstein and Woolhandler on Harvard stationery. It is headlined, "Illness and Medical Bills Cause Half of All Bankruptcies - 2 Million Americans Financially Ruined Each Year," and goes on in a similar vein explaining:

"According to study co-author Dr. Steffie Woolhandler, an Associate Professor of Medicine at Harvard and primary care physician in Cambridge, Massachusetts: 'We need to rethink health reform. Covering the uninsured isn't enough. We must also upgrade and guarantee continuous coverage for those who have insurance. Only national health insurance can do that. But we're headed in the wrong direction. An increasing number of employers and politicians are peddling phony insurance - stripped-down plans so riddled with co-payments, deductibles and exclusions that serious illness leads straight to bankruptcy. We need real health security, not counterfeit coverage.'"

The material accompanying the press release includes a state-by-state breakdown of the problem in 2004, even though the article is based on only 1,700 cases filed in 2001 in just five different courts (out of 77). The five districts (California, Illinois, Pennsylvania, Tennessee, and Texas) were chosen, not because they are representative of anything but because that is where they found federal judges who would cooperate with them in gathering bankruptcy information.

It's a wonder what one can do with extrapolation. In the state-by-state breakdown, the authors say there were 20,945 Medical Bankruptcies in Alabama in 2004, and they have similar numbers for each of the 50 states, plus Washington, D.C. (978 medical bankruptcies), Guam (183), the Northern Mariana Islands (7), and other territories. This level of precision is intended to forestall any further discussion, even though the authors never looked at a single instance of bankruptcy in Alabama, D.C., Guam, or in 69 other jurisdictions. And, remarkably, in every single state or territory, the rate of medical bankruptcies ran just about 50% of the total. There were no outliers or exceptions.

The authors claim that having health insurance didn't stave off bankruptcy. They say in the press release that people with insurance at the start of an illness incurred out-of-pocket costs of

\$13,460 while those uninsured had \$10,893 in OOP costs. Hence, Dr. Woolhandler's conclusion that "covering the uninsured isn't enough."

Doctors Woolhandler and Himmelstein are cofounders of Physicians for a National Health Program so it is not surprising they should conclude we need a national insurance plan. But according to the article, being on Medicare or Medicaid is no protection against "medical bankruptcy." They don't bother to give the number of people surveyed who were on these public programs at the time of their bankruptcy, but they do list the amount of out-of-pocket debts incurred by those on the programs.

Withholding the enrollment information about the study population is one example of the poor scholarship presented in this article. They claim to have collected demographic information, but they present only medians for age, income, homeownership and occupation, not a breakdown.

But the greatest flaw in the study is the way it defines "Major Medical Bankruptcy." The authors define it as meaning anyone who declared bankruptcy and had at least \$1,000 in "medical debts," OR were off the job for two weeks due to an illness. These conditions didn't have to cause the bankruptcy or even contribute to it. They could be merely incidental to someone declaring bankruptcy.

Undoubtedly some families do indeed have a problem when they get sick or injured, lose their jobs, and lose their health insurance as well. But this article provides absolutely no information about those families. Their real plight is lost in an effort to exaggerate and overstate the case. All credibility is lost in the hyperbole.

But solutions to these problems are not hard to find. Putting everyone on Medicare clearly is not the solution since their conclusion shows that Medicare is no protection against bankruptcy. But enabling people to own their own insurance plan would help. That would allow people to keep their coverage even when they become too ill to work and lose their job, and keep their health insurance along with it.

But the best remedy might be widespread adoption of Health Savings Accounts (HSAs). People who are able to save money in an HSA while they are healthy will have a nest egg to fall back on when they become ill and incur extraordinary medical expenses, or when they lose their job and have to pay their own premium.

President Bush's proposal to create refundable tax credits to help lower-income people afford health insurance coverage would help, too. Those people who can no longer work and enjoy the benefit of an employer subsidy would be able to get help from the federal government instead.

So, we can be grateful that the authors have published this article. Though it is grossly exaggerated, it does call attention to a need for which consumer driven health care is the much better solution.

SOURCE: <http://content.healthaffairs.org/cgi/content/abstract/hlthaff.w5.63>.

Please send all comments/questions directly to me at gmscan@aol.com.

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