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Massachusetts Reform Hasn't Decreased Medical Bankruptcies

Submitted by [Ramona Bates MD](#) on 2011-03-08 - 15:46 Follow on Facebook 58

A new Harvard study, appears in today's American Journal of Medicine, reports the percentage of personal bankruptcies linked to medical bills or illness changed little, and the absolute number actually increased in Massachusetts after the implementation of its landmark 2006 law requiring people to buy health insurance.

Dr. David Himmelstein and colleagues found that between early 2007 and mid-2009, the share of all Massachusetts bankruptcies with a medical cause went from 59.3% to 52.9%.

The researchers note there was a sharp rise in total bankruptcies during that period resulting in an increase in the actual number of medical bankruptcy filings in the state from 7,504 in 2007 to 10,093 in 2009.

Much of the Obama administration's health law is largely patterned after the Massachusetts plan, including its individual mandate. The administration has argued in support of the new federal law, stating it would significantly reduce medical bankruptcies nationwide. In President Obama's own words: "*And we'll finally start reducing the cost of care - creating millions of jobs, preventing families and businesses from plunging into bankruptcy, and removing over a trillion dollars of debt from the backs of our children.*" [2nd reference below]

The findings in Massachusetts cast doubt on that claim.

The state's health law was passed in 2006 and was fully implemented by early 2008. According to the U.S. Census Bureau, the share of state residents who were uninsured fell by 58% between 2006 and 2009, from 10.4% to 4.4%, and remains the lowest rate of any state.

To explain why medical bankruptcies persist in Massachusetts, the authors of the new study write, "Health costs in the state have risen sharply since reform was enacted. Even before the changes in health care laws, most medical bankruptcies in Massachusetts – as in other states – afflicted middle-class families with health insurance. High premium costs and gaps in coverage – co-payments, deductibles and uncovered services – often left insured families liable for substantial out-of-pocket costs. None of that changed. For example, under Massachusetts' reform, the least expensive individual coverage available to a 56-year-old Bostonian carries a premium of \$5,616, a deductible of \$2,000, and covers only 80 percent of the next \$15,000 in costs for covered services."

Himmelstein, said, "Massachusetts' health reform, like the national law modeled after it, takes many of the uninsured and makes them underinsured, typically giving them a skimpy, defective private policy that's like an umbrella that melts in the rain: the protection's not there when you need it."

Himmelstein conducted the study as associate professor of medicine at Harvard Medical School; he currently is professor of public health at City University of New York.

In 2007, the last year for which national estimates are available, medical issues contributed to 62.1% of bankruptcies nationally, according to a 2009 study by the same group of researchers. That study, which was frequently cited by the president and congressional reform advocates, also found that 77.9% of those

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bankrupted were insured at the start of their illness, including 60.3% who had private coverage.

The authors note that Massachusetts has historically had fewer medical bankruptcies than the rest of the nation, presumably reflecting, among other things, the state's more robust social safety net, including public hospitals and a system of free medical care for the poor that predated the recent reform. Massachusetts' 51% increase in total bankruptcies between 2007 and 2009 was slower than the increase in the majority of other federal jurisdictions.

Because bankruptcies lag many months behind a financial shock, the early 2007 and mid-2009 surveys provide a good "before and after" look at the effects of the health reform, the researchers said.

There is a recent proposal from the president to let states opt out of the national health reform. Will the result be the growth of skimpier plans nationwide, leading to even higher rates of medical bankruptcy than in Massachusetts.

Source

"[Medical bankruptcy in Massachusetts: Has health reform made a difference?](#)" David U. Himmelstein, M.D., Deborah Thorne, Ph.D., and Steffie Woolhandler, M.D., M.P.H.; American Journal of Medicine, March 2011 (print edition)

[Will people no longer be at risk of medical bankruptcy?](#); ProCon.org, 8/11/2010

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