

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF LEGISLATIVE AFFAIRS,

Washington, DC.
Hon. **CHARLES E. GRASSLEY**,
U.S. Senate,
Washington, DC.

DEAR SENATOR GRASSLEY: This responds to your letter, dated February 5, 2005, requesting information from the Executive Office for United States Trustees (EOUST) concerning medical debts of those who file for bankruptcy protection and the recently published study in the Health Affairs journal (“Market Watch: Illness and Injury As Contributors to Bankruptcy”).

It is the practice of the U.S. Trustee Program (USTP) not to comment on data collected and analyses performed by outside researchers for reasons that include difficulties in verifying their data and research methodologies. It is noted in the cited study of 1,771 filers that very broad definitions of “medical bankruptcies” are used. The authors considered a “Major Medical Bankruptcy” to include cases in which debtor reported any of the following: illness or injury as a reason for filing bankruptcy, uncovered medical bills exceeding \$1,000 in the past two years, loss of two weeks of work-related income due to illness or injury, or mortgage of home to pay medical bills. The authors considered “Any Medical Bankruptcy” to include cases containing any of the factors above or birth or death in the debtor’s family *or* birth or death in the debtor’s family or addiction or uncontrolled gambling.

Enclosed in a description of related USTP data and a summary of findings from analysis of a similar but larger sample of bankruptcy cases (5,203) utilizing data from official records during approximately the same time period as the study cited above. It should be noted that reported credit card debt also may reflect medical-related debts, but are not shown in these findings.

In general, the data describing medical-related expenses contained in official documents filed by chapter 7 debtors reveal that slightly more than 5 percent of their general unsecured debt is medical-related. The conclusion that almost 50 percent of consumer bankruptcies are “medical related” requires a broad definition and generally is not substantiated by the official documents filed by debtors.

We hope this information is responsive to your inquiry. If we can be of further assistance, please do not hesitate to contact this office.

Sincerely,

William E. Moschella,
Assistant Attorney General.

Enclosure.

Summary of USTP Data and Findings on Medical Debt

USTP DATA

The USTP database contains 5,203 no asset chapter 7 cases that were closed between 2000 and 2002. The database includes cases filed in 48 States, Washington, DC and Puerto Rico proportionate to chapter 7 filings in each location. The database contains no cases from North Carolina and Alabama, because those States are served by Bankruptcy Administrators. Nearly all of these cases had been filed about 4 months prior to closing.

On each petition we reviewed Schedule F of the petition to see if any medical debts were listed. This would include where the creditor was a doctor, hospital or other treatment facility, medical collection agency, or if the debt was in any way identifiable as being medical in origin.

This accounting would not have identified medical debts charged on credit cards, placed with certain collection agencies, or paid prior to the bankruptcy filings.

FINDINGS

All Debtors (N = 5,203):

54 percent listed no medical debt.

Medical debt accounted for 5.5 percent of the total general unsecured debt.

90.1 percent reported medical debts less than \$5,000.

1 percent of cases accounted for 36.5 percent of medical debt.

Less than 10 percent of all cases represent 80 percent of all reported medical debt.

Cases Reporting Medical Debts (N = 2,391):

Among the debtors reporting medical debt, the average medical debt was \$4,978 per case.

78.4 percent reported medical debts below \$5,000 (average of \$1,212 for this group).

21.6 percent reported 80.9 percent of the total medical debt.

Medical debts accounted for 13.0 percent of the total general unsecured debt for those reporting medical debt.