

DESTROYED BY DOCTOR BILLS

Insured? Confident? Be careful:
A Harvard study finds costly
illnesses are bankrupting
millions of middle-class families

On the day in 2000 when Christopher Heinrichs visited his dermatologist for what he assumed was a routine consultation, neither he nor his wife, Deborah, were thinking about money. "Melanoma," his doctor said of the small discoloration on Christopher's right cheek. He gave Heinrichs five years to live.

Even after that dire diagnosis, the Heinrichses still didn't focus on the potential financial toll. After all, the couple earned \$140,000 a year between Christopher's job as director of operations for a truck-parts company and Deborah's as a \$14-an-hour office worker. Christopher's employer provided the family with health, disability and life insurance—"good insurance," says Deborah, 42. And despite the costs of two growing sons and a three-bedroom house in a Houston suburb, the Heinrichses had \$10,000 in savings, money they had banked for just such an emergency.

Little did the Heinrichses imagine that they would soon join the roughly 2 million Americans walloped each year by medical bankruptcy. In a new study released on Feb. 2, Harvard University researchers offer a pair of startling findings: Half of all bankruptcies in the U.S. stem from a medical crisis—and the group hardest hit is the middle class. "We thought we were going to find these were poor people, uninsured," says Dr. David Himmelstein, the study's lead investigator. "By and large, we found it was the middle class."

More specifically, of the 700,000 households that are driven into bankruptcy each year by medical crises, three-quarters had health insurance at the onset of their illness, more than half were homeowners, and 50 percent included a member with a college education. "These aren't abstract numbers," says U.S. Sen. Chris Dodd (D-Conn.), who cham-

THE BRUNNERS, NORMAN, OKLA. MEDICAL CRISIS: CHILD INGESTS A SMALL PLASTIC SHARD

COSTS AFTER LOSS OF INSURANCE:

- Emma's four-day stay in the intensive care unit
- Emma's ambulance ride to the hospital

OUT-OF-POCKET TAB: \$28,000 BANKRUPT: 2003



"It's easy to blow through \$100,000 when you've got a catastrophic illness," says Deborah Heinrichs (with Joshua and Travis).

THE HEINRICHSES, KINGWOOD, TEX. MEDICAL CRISIS: HUSBAND DEVELOPS TERMINAL CANCER

COSTS NOT COVERED BY INSURANCE:

- 10 to 20 percent copays on three surgeries, seven rounds of chemotherapy, office visits and all medications
 - \$90,000 in medical costs after reaching their insurance policy's \$100,000 cap
 - \$3,100 for Christopher's cremation
- OUT-OF-POCKET TAB: \$150,000 BANKRUPT: 2004**

pions health-care reform. "[There are] families who are desperately fighting to stay afloat while an undertow of healthcare costs drags them down." Susan Pisano, a spokeswoman for the American Association of Health Plans, says the problem of skyrocketing health costs cannot be blamed on the insurance industry—and urges workers to better prepare themselves for catastrophes. "A lot of us don't have sufficient savings to help during a period of illness or stress," she says.

Just ask Deborah Heinrichs. Despite an insurance policy that covered 90 percent of hospital costs, the Heinrichses soon found themselves scrambling to cover their 10 percent on each of Christopher's three surgeries. Then there was their 10 percent portion of medications that set them back more than \$100 a week, plus unforeseen expenses, like the hospital's \$12-a-day parking fee. A year into their nightmare, Christopher, who continued to work, was laid off from his job. To main-

tain health coverage, the Heinrichses had to pay \$969 monthly. Just when Christopher's cancer spread to his colon, the family reached their policy's \$100,000 maximum-benefit cap. Faced with staggering bills, Deborah surrendered the family SUV. "We held on as long as we could," she says. In the summer of 2003 the family filed for bankruptcy.

Though that effectively eliminated the debt they knew they could never pay off, the Heinrichses weren't out of the woods. Last April Christopher died at age 47, leaving Deborah and sons Joshua, now 17, and Travis, 14, with not only their grief but also \$90,000 in hospital bills that accrued *after* the bankruptcy. While Christopher's life insurance paid off their mortgage, the legal protection from past creditors has been their lifeline. "Without it," says Deborah, "we wouldn't be able to

pay for lights, gas and food."

Not all victims of medical crises are able to accept bankruptcy so calmly. Leanna Brunner, 34, a secretary, and her husband, Eric, also 34, a self-employed painter, had barely been making ends meet when their 4-year-old daughter Emma swallowed a tiny shard of plastic in 2002. Three days later Emma was rushed to the hospital, with both of her lungs collapsed. Unable to pay the premiums, Leanna had lost her Blue Cross coverage just months before. Now, pressured by the full costs of surgery and ICU care, the Brunners found their already strained marriage collapsing. "It put us over the edge," says Leanna. Four months after Emma

recovered, they divorced.

Faced with a \$28,000 hospital tab, Leanna declared bankruptcy. "I hated filing," she says. On a \$6-an-hour salary, she has moved her kids into a rental house and makes payments on her new health policy. Says Brunner: "I'm still in a bind if there's another emergency."

For Kelly and Andrew Donnelly, the crisis is ongoing—with no end in sight. In September 2003, the life they had built in Owego, N.Y., on a joint income of \$32,000—a three-bedroom house, a daughter and another on the way—began to unravel when Kelly was diag-

nosed with skin cancer. Soon too weak to work, Kelly had to quit her \$7.50-an-hour drugstore job. "At first we were worried about my health," says Kelly, 26. "Then the bills started coming."

Even with the insurance coverage provided by Andrew's employer,

monthly costs spiraled to \$330 as they faced copays on both Kelly's treatment and medication for the baby, whose birth had been induced prematurely so doctors could operate on Kelly. Last August the couple filed for bankruptcy and lost their house. One of the hardest parts about moving to an apartment was telling Abigail, 2, that the landlord's no-pets rule meant they couldn't keep their dog.

Like the other families, the Donnellys appreciate the relief of not having to pay their old bills—even while discovering hidden costs of going bust. Because they defaulted on electric bills in their old home, they had to put down a \$500 deposit to switch on the power at their new address. Leanna Brunner has managed to secure only a single credit card—one with a \$300 limit. As for Deborah Heinrichs, who was laid off from her job in August, each new employment application is a challenge. "At every one they ask if they can run a credit check. Just because I filed for bankruptcy, I'm not a bad person," she says. "I'm not a deadbeat."

By Jill Smolowe. Lisa Gray in Kingwood, Anne Driscoll in Boston, Chad Love in Norman, Susanna Schrobsdorff in Endicott and Robert Schlesinger in Washington, D.C.

BANKRUPTCY BY THE NUMBERS

- Every 45 seconds, an American family goes bankrupt
- More kids have to endure parents' bankruptcies than divorces
- Half of all bankruptcies are due to illness and medical bills

Source: Harvard study

"We just wanted to have a couple of kids and raise them in a three-bedroom house the way my parents did," says Andrew Donnelly (with wife Kelly, Abigail and Lauren).

THE DONNELLYS, ENDICOTT, N.Y. MEDICAL CRISIS: PREGNANT WIFE DIAGNOSED WITH CANCER

COSTS NOT COVERED BY INSURANCE:

- Copays on medication for Kelly and her baby, who was delivered prematurely so Kelly could be treated
- Travel costs to Buffalo for Kelly to see specialists
- Loss of Kelly's \$12,000 income

OUT-OF-POCKET TAB: \$20,000 BANKRUPT: 2004