Medical Bankruptcies Continue With the Affordable Care Act

April 24, 2017 - You might think that after the inception of the Affordable Care Act (ACA) that number of people filing for bankruptcy due to unaffordable medical bills would have dropped. After all, millions of people gained access to insurance which, for a variety of reason, hadn't been available to them previously. But some recent studies suggest that the ACA has actually had little to no effect on the number of people who declare bankruptcy as a result of unaffordable healthcare costs. If correct, it means that the government's intervention in healthcare has been an utter failure.

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According to the New York Times, as recently at 1980 fewer than 9% of all bankruptcies were caused by medical bills. By 2001, that number had increased to 46.2% and by 2007 it rose to 62.1% of all bankruptcy filings. Those numbers are according to a study by the American Journal of Medicine.

Fast forward about ten years and a Harvard study that shows just over 62% of all bankruptcies are still being caused by medical bills. But how can that be? Between 2007 and 2017, millions of Americans became eligible to purchase private health insurance under the ACA. In fact, just about everyone is required by law to purchase health insurance or fact stiff fines. Shouldn't bankruptcies have gone down?

What is clear from the study is that people are purchasing health insurance. Nearly 3/4 of the people who declared bankruptcy due to medical bills last year actually had insurance. Yet they still couldn't afford their bills.

What appears to be happening is that people are purchasing the healthcare plan that they can afford. And the most affordable plans have the largest co-pays and highest out of pocket costs that consumers find. Effectively, the ACA is forced millions of Americans onto healthcare plans that are no better than catastrophic coverage plans prior to the ACA. And in many cases, these plans cost significantly more than the better plans consumers had prior to the ACA.

As you probably know already, there is an ongoing debate in congress over the future of the ACA. Given the fact that the current law doesn't appear to be helping consumers at all - and there is a legitimate argument that it is hurting a lot of people - before any changes are make there needs to be a serious look at the economic affects those changes will have on people and the economy as a whole.
byJim Malmberg
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