

# Medical bankruptcies likely to rise

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By Phillips Murrah Director [Clayton D. Ketter](#)

One of the central promises of Donald Trump's candidacy was that, once elected, the Affordable Care Act (also known as

Obamacare) would be repealed. Now, with President Trump in office, and aided by a Republican Congress, the ACA's remaining days are likely numbered.

According to the U.S. Department of Health and Human Services, the ACA has resulted in an estimated 20 million people who previously lacked health insurance becoming insured. Along with the many other effects resulting from a large number of Americans becoming insured, one less discussed consequence was a drop in medical-related bankruptcy filings.

Research by Daniel A. Austen, an associate professor at the Northeastern University School of Law, found that medical costs were a predominant cause of between 18 to 25 percent of all bankruptcies. Since the ACA was passed, one study by the National Bureau of Economic Research found that medical debt had been significantly reduced for those covered by the act.

These findings are intuitive, as hospital visits are often unexpected and typically result in large bills. Without insurance, most individuals lack the financial flexibility to absorb those medical debts. Bankruptcy can be an effective tool in those situations, as it can either allow a person to repay the debt over time or, in some cases, wipe it out altogether.

Problems can arise, however, for those facing ongoing health issues. A bankruptcy filing will only eliminate past debt. It does nothing for liabilities incurred after the bankruptcy is filed. Further, there are certain time restrictions to how often a person can receive a bankruptcy discharge. Depending on the type of bankruptcy at issue, those time limitations can be up to eight years. Thus, if an uninsured person is faced with a health issue that forces them to seek bankruptcy, his or her financial options may be seriously constrained if health issues return before the time limitations have run.

Such scenarios are all too familiar to bankruptcy

practitioners, especially given insurance companies' distaste to insuring people who have histories of health issues. Although there has been a temporary decline in those types of cases, they are likely to make a comeback should Congress choose to repeal the ACA without enacting a replacement or stopgap.

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