

**Statement of the Honorable John Conyers, Jr.  
For the Hearing on “Medical Debt: Is Our  
Health Care System Bankrupting Americans?”  
Before the Subcommittee on Commercial and Administrative Law**

**Tuesday, July 28, 2009, at 11:00 a.m.  
2141 Rayburn House Office Building**

At a hearing two years ago, this subcommittee learned that medical bills were the cause of nearly half of all consumer bankruptcy cases. That study was recently updated with data from 2007 and it now shows that 62 percent of bankruptcy filings were caused by medical debt or illness. We hold today’s hearing at a critical moment in the national debate over health care reform. As we meet, several committees are considering H.R. 3200, the “America’s Affordable Health Choices Act of 2009.” The House may vote on this bill later this week.

Among other things, H.R. 3200 would help low income people by expanding Medicaid to cover individuals who make up to 133% of the federal poverty level. It also provides for affordability credits for individuals and families with incomes between 133 percent and 400 percent of the federal poverty level. These credits can help people pay their health insurance premiums and out-of-pocket costs.

H.R. 3200 also addresses the problem of underinsurance. Under H.R. 3200, there will be no more co-payments or deductibles for preventive care, which helps avoid chronic illness that might result in high medical costs and bankruptcy. H.R. 3200 also provides a cap of \$5000 for individuals and \$10,000 for families on out-of-pocket expenses.

Finally, H.R. 3200 provides access to a robust public option that will provide consumers with a low-cost, high-quality public health insurance plan. This public option will provide health insurance without a profit motive, leveraging purchasing power to negotiate low prices for prescription drugs and medical

equipment, and limit administrative costs. It will use the existing Medicare provider network, giving consumers the choice of doctor or hospital. I believe that H.R. 3200 can be a workable solution to the problem of the uninsured and under-insured – both of which lead to medical bankruptcy – but only with some needed changes. Research shows that when out-of-pocket spending for medical bills exceeds 2.5 percent of family income, patients become overburdened by medical debt. Therefore, H.R. 3200 should be amended to create a rule limiting cost-sharing so that no individual or family pays more than 2.5 percent of gross adjusted annual income on out-of-pocket expenses. I plan to offer such an amendment once H.R. 3200 is reported by the Energy and Commerce Committee.

H.R. 3200 should also place a cap on premiums. Simply put, no family should pay an unreasonable amount on health insurance. We have an opportunity in this Congress to remedy many of the defects in both our health care system and our bankruptcy law, while laying groundwork for the ultimate solution to our health care crisis: universal health care for all Americans. To that end, I want us to keep three things in mind during today's hearing.

**First**, Congress must continue seeking a solution to the overall problem of crushing medical debt. One of the primary purposes of health insurance is to protect you and your family from financial ruin in the event of illness. Yet our nation's private insurance system fails miserably in fulfilling that goal. Medical debt and medical bankruptcies are uniquely American phenomena, at least in the industrialized world. Medical bankruptcies are a by-product of our profit-based health care financing system, and the skyrocketing and unsustainable costs that result. It is a national shame.

The health care crisis in this country is of such a profound magnitude that it touches nearly every part of our society – doctors, patients, large and small businesses, union and non-union workers, and taxpayers generally, all suffer. In

2009, health expenditures in the United States are expected to total \$2.5 trillion. Our broken health care system now consumes 17.6 percent of our economy, and that number is projected to reach 20 percent – *one-fifth of our gross domestic product* – in less than a decade. The average premium for family health coverage grew 119 percent from 1999 to 2008 to \$12,680. In comparison, inflation rose 17 percent between 2002 and 2007 and wages grew 19 percent.

More and more Americans simply cannot afford health insurance coverage. More than 45 million Americans were uninsured in 2007, including more than a million in my home state of Michigan. Moreover, it would be a mistake to think that simply providing the uninsured the kind of private coverage that is offered by insurance companies today would be a solution. For while health care costs and insurance premiums have skyrocketed, the quality of the coverage offered by private insurance carriers has continued to deteriorate. Insured families face bigger co-payments, higher deductibles, and more and more uncovered services, and as a consequence they often go without the care they need.

Absent the necessary changes to H.R. 3200 that I outlined earlier, the only meaningful way to fix our broken health care system is through the establishment of a national health insurance, as I have proposed to do in H.R. 676, “The United States National Health Care Act.” H.R. 676 would establish a single-payer system of national health insurance that could provide comprehensive health coverage to all Americans for life. Unlike today’s private health care insurance policies, there would be no deductibles, no uncovered services, and no other gaps in coverage. All medically necessary care would be covered in a system that is self-financed and controls costs. Nobody in America would ever need to receive a medical bill, and therefore, no American would ever have medical debt or have to declare bankruptcy simply for becoming sick. No American would ever be turned away from a hospital, dentist, pharmacy, or doctor’s office because he or she couldn’t afford care.

**Second**, we should consider whether the Bankruptcy Code needs to be reformed to better respond to the needs of distressed medical debtors. The Harvard study featured at our hearing two years ago found that more than three-quarters of the medically bankrupted had insurance at the time they became ill. These were people who thought they were financially protected. But when disaster struck, they learned that their defective insurance policies did not offer true protection. For these Americans, their illness resulted in a financial meltdown. The study found that:

- 53.6 percent went without a needed doctor or dentist visit because of the cost;
- 43 percent failed to fill a necessary prescription because of the cost;
- 40.3 percent had given up telephone service;
- and 19.4 percent went without food on occasion.

The Harvard research team has updated their study, with the first-ever national random-sample survey of bankruptcy filers, using data from 2007. And it shows the problem has become even worse. In 2007, medical bills had become the cause of not half, but 62 percent of all bankruptcies. And this was **before** the current economic crisis hit. And these families can no longer rely even on bankruptcy protection like they could prior to the Bankruptcy Code changes Congress adopted in 2005.

It is no secret that I adamantly opposed those so-called bankruptcy law “reforms” over the seven-plus years they were under consideration by Congress. And looking at the new hurdles placed in the way of financially distressed Americans, it looks like some of my worst fears may have come true. As a result of the 2005 changes, families forced into bankruptcy because of overwhelming health care costs, through no fault of their own, must obtain and pay for essentially meaningless credit counseling. And they must prove their eligibility for relief through a burdensome means test – one form alone asks *57 questions* about financial circumstances.

I would like to see, at the very least, revisions to some of the more onerous provisions of the 2005 bankruptcy amendments, particularly with respect to debtors dealing with significant medical issues. For one thing, these debtors should not be forced to take credit counseling – it would not make one iota of difference in their financial lives. Indeed, a GAO report from a couple of years ago essentially concluded that the credit counseling requirement is a waste of time and money.

I would also like to relieve distressed medical debtors from the onerous means test requirements that often end up catching the unwary, but honest, debtor. I encourage our witnesses to share their thoughts about other ways to improve our bankruptcy law, particularly for those facing overwhelming medical debt.

**Third,** I want to stress the “fierce urgency of now.” I am deeply disappointed that action on meaningful health care reform keeps getting stalled. The latest Harvard study proves that delay is resulting in an even greater proportion of consumer bankruptcy filings that are a result of medical debt. As many of you know, I’ve been pushing for meaningful health care reform for a very long time. And I am going to work for this reform even harder, especially in light of this latest Harvard study.

I am pleased that not only do we have one of the principal contributors to this study with us today, but that we will have the benefit of Elizabeth Edwards’s learned counsel on this subject.

I thank all of our distinguished witnesses for their participation at our hearing, and I welcome their views in this important discussion.