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Being a Patient

When Health Insurance Is Not a Safeguard

By JOHN LELAND

CAMBY, Ind. - Until the fourth trip to the hospital in 1998, Zachery Dorsett's parents thought their son was an average child who was having trouble getting over a passing illness. He was 7 months old, and it was his second case of pneumonia.

The Dorsetts, Sharon and Arnold, were concerned about Zachery's health, but they were not worried about the financial consequences. They were a young, middle-income couple, with health insurance that covered 90 percent of doctors' bills and most of the costs of prescription drugs.

Then the bills started coming in. After a week in the hospital, the couple's share came to $1,100 - not catastrophic, but more than their small savings. They enrolled in a 90-day payment plan with the hospital and struggled to make the monthly installments of nearly $400, hoping that they did not hit any other expenses.

But Zachery, who was eventually found to have an immune system disorder, kept getting sick, and the expense of his treatment - fees for tests, hospitalizations, medicine - kept mounting, eventually costing the family $12,000 to $20,000 a year. Earlier this year, the Dorsetts stopped making mortgage payments on their ranch house, in a subdivision outside Indianapolis, because they could not afford them. In March, they filed for bankruptcy.

"Zach was really mad at us when we told him we were going to lose the house," Mrs. Dorsett said. "We told him we had to make a choice: whether to pay for medical bills or the house."

She added: "I didn't want the kids to hate their father for working all the time, but I also didn't want them to think we were irresponsible. I was worried about Zach feeling guilty or his sister blaming him that she has to leave her friends. But whatever we gave up is a small price to pay for his health."

Never have patients had so many medical options to extend, enrich or alter their lives. But these new options are expensive, and with them has come a change for which many Americans - even those with health insurance - are financially ill prepared.

After decades in which private and government insurance covered a progressively larger share of medical expenses, insurance companies are now shifting more costs to consumers, in the form of much higher deductibles, co-payments or premiums. At the same time, Americans are saving less and carrying higher levels of household debt, and even insured families are exposed to medical expenses that did not exist a decade ago. Many, like the Dorsetts, do not realize how vulnerable they are until the bills arrive.

Lawyers and accountants say that for the more than 1.5 million American families who filed for bankruptcy protection last year, the most common causes were job loss and medical expenses. New bankruptcy legislation, which went into effect Oct. 17, requires middle-income debtors to repay a greater share of their debt.

The Fight for Solvency

The Dorsetts' filing came after years of accumulating relatively modest bills, often just co-payments on doctor visits or prescriptions. Almost since Zachery's birth, they had finished each year with more credit card debt than they had the year before. Even when they took out a second mortgage to pay off their credit cards, by the end of the year they were in debt again, with higher mortgage payments. And each year, their projected expenses were greater.

On a late summer morning, Mrs. Dorsett, now 32, sat with her son in Room 4013 at St. Vincent Children's Hospital in Indianapolis as a colorless infusion of immune globulin, a treatment made from blood plasma, dripped slowly into his left arm, supplying the antibodies that his immune system does not produce.

The monthly infusion, which has become a regular part of his childhood along with soccer practice and family camping trips, costs $54,000 a year, of which the Dorsetts will pay more than $5,000.

"My friends don't understand it," Mrs. Dorsett said, looking back at the family's relentless, inevitable process of insolvency. "They think, How could it get so bad so quick? Unless you have a sick kid, you don't know what it's like."

For the Dorsetts, this is what the end looked like, according to the family's bankruptcy filing: They had $1,431 in their checking and savings accounts; they owed $29,146 on various credit cards; and after refinancing their house to pay down their credit cards, they could no longer afford the payments on their house or car.

Mr. Dorsett, who works on commercial heating and air conditioning systems, sometimes stitching together 90-hour weeks, earns $68,000 a year. It is more money than his father ever made, but not enough to cover the bills, especially with the monthly infusions starting.

Mrs. Dorsett recounts the impact their medical expenses have had on the family: They buy their clothing at yard sales, and skip vacations and restaurant meals. Mr. and Mrs. Dorsett argue, like many couples, mainly about money. Mr. Dorsett has had to work nights and weekends, with little contact with his wife and children; Mrs. Dorsett has tried to create a home for the children.

"We don't live a frivolous life, but I need to make my kids' life normal," she said. "They still need bikes. My husband says, 'Kids in the third world don't have those things.' I say, 'We don't live in a third world country.' "

As the bills mounted, it was Mrs. Dorsett who forced her husband to acknowledge that he could not simply work more hours. "I showed him, even if I went back to work, we'd still be in debt in 10 years," Mrs. Dorsett said. "Our kids could not go to college."

In a study of 1,771 people who filed for bankruptcy, reported this year by four researchers at Harvard and Ohio University, 28 percent said the cause was illness or injury. Most were middle class, educated and had health insurance at the start of the treatment. Many lost phone service, went without meals or skipped medications to save money. Although the study relied largely on people's own accounts of their finances, the figure suggests that as many as 400,000 American families file for bankruptcy each year because of medical expenses.

"Not only are the bills higher, but the way we pay for care has changed," said Elizabeth Warren, a professor at Harvard Law School and one of the study's authors. "My mother always carried a bill with the doctor, but every dollar she paid went to principal.

"Today, the doctor takes a credit card, and a family might be paying that off at extraordinary interest rates. So people may recover physically from major medical injury, but may not recover financially."

A Shift in Burden

Though health care costs have been rising for decades, changes in insurance starting around 2001 have put more pressure on consumers, especially those who need the most treatment, said Paul Ginsburg, president of the Center for Studying Health System Change, a nonpartisan research group financed primarily by the Robert Wood Johnson Foundation.

The families driven into bankruptcy by these costs include those dealing with both rare and common medical conditions, and others who simply saved too little or owed too much in the false confidence that there would not be unforeseen medical problems, or that their insurance would protect them.

In Pfafftown, N.C., Glenda and Robert Lee Gantt filed for bankruptcy protection after Mrs. Gantt's rheumatoid arthritis forced her to give up working as a security guard. In Houston, Roy and Patsy McKanna filed for bankruptcy after helping their adult daughter pay for breast cancer treatment.

"We were just trying to keep them from sinking until things got better," said Mrs. McKanna, 71. "They took bankruptcy a little more than a year before we did. We managed our budget for 52 years. You never know what life's going to throw at you."

In the 1990's, as medical expenses rose faster than inflation, insurance companies limited costs of coverage by limiting patients' treatment options through the system known as managed care. Even as hospitals and drug companies introduced expensive new treatments, out-of-pocket costs for patients actually fell during the decade.

But as consumers have objected to the limits imposed by managed care, insisting on more choice, the trade-off has been higher insurance premiums and higher out-of-pocket costs, said Arnold Milstein, medical director of the Pacific Business Group on Health.

Dr. Milstein said companies had two rationales for shifting expenses to consumers: to "share the pain" that came with higher overall costs and to encourage patients to seek care judiciously.

"But what if you're unlucky enough to get sick?" he said. "Now you pay a lot more out of pocket. One of the unintended consequences of cost-shifting is that sicker people - the ones who most need insurance - are the ones who end up paying more of their bills."

From 2000 to 2005, employees in the most common type of insurance plan, known as preferred provider organizations, saw their premiums for individual coverage rise 76 percent, to $603 from $342, while their deductibles - the amount they pay out of pocket before insurance kicks in - rose almost 85 percent, to $323 from $175, according to the Kaiser Family Foundation. By 2003, a survey by the Center for Studying Health System Change estimated, 20 million American families had trouble paying their medical bills. Two-thirds of these had health insurance.

Twists of Fate

Mr. and Mrs. Dorsett never expected to be part of this group. They met more than a decade ago at a gas station where she worked part time while studying to be a nurse.

Mr. Dorsett liked to talk on his way home from work. Both wanted to have a big family. They married with plans to have six children. Mrs. Dorsett hoped to finish her studies and work as a nurse; Mr. Dorsett thought she should stay at home with the children.

But shortly after Zachery was born, they knew something was not right. He got the same illnesses or infections as other children, but while others got better, he would get worse. A cold would turn into bronchitis; a sinus infection would require 45 days of antibiotics, and often turn into pneumonia. He needed follow-up doctor visits, refills on prescriptions, X-rays, CAT scans - each time ringing up co-payments of $10, $15, $30 or more.

On a blazing summer evening, the Dorsetts sat at their kitchen table. Their one extravagance, a large-screen television, occupied the children: Zachery, 8; Dakota, 5; and Jessica, 4. Mrs. Dorsett bought the television with her mother as a present for her husband, from money she had earned baby-sitting. Mr. Dorsett, she recalled, had complained about the expense.

At 40, Mr. Dorsett has a ruddy complexion, buzzed blond hair and a light beard. As he nursed a can of supermarket-brand cream soda, he seemed to wish he could turn back the calendar, find some alternative to bankruptcy court. It is a source of recurring friction between them: Mr. Dorsett never wanted to file; Mrs. Dorsett convinced him that there was no alternative.

"I make good money, and I work hard for it," Mr. Dorsett said. "When we filed for bankruptcy, I felt I failed."

He said one of his hardest moments was telling his father about the bankruptcy. His father had worked two or three jobs during hard times, but always managed to pay his debts. Arnold Dorsett made more money than his father ever had, he said, but what good did it do him?

"At work," he said, "the single guys say our insurance is good. Well, it's good for them, because they don't have kids, or don't get sick. When you have a kid who's chronically sick, it's totally different."

On his long days, Mr. Dorsett usually skips lunch rather than spend $6 or $7 at a fast food restaurant. He wishes he could take the family to the Grand Canyon, or afford a house where the girls could have their own bedrooms. But when asked about his sacrifices, he said the luxury he missed most was time, not money. "Zach and I had no relationship until two years ago," he said. "Dakota hardly ever talked to me. I was putting in 80, 90 hours a week, not having a relationship with my children."

While Mr. Dorsett works, Mrs. Dorsett juggles child care with the seemingly endless wrangling with insurance companies and, until the bankruptcy filing, with creditors.

Managing a Medical Mystery

On an August morning at home, Mrs. Dorsett prepared a lunch of corn dogs and macaroni and cheese while Zachery got ready for soccer camp. By all appearances, he is a healthy-looking boy with a somber disposition. Though he has missed as many as 42 days in a school year because of illness, he has friends and keeps up with his classes, his mother said. His worst problem at school, she said, is pushing himself too hard.

Until earlier this year, no one knew what was wrong with him. His immune disorder, known as common variable immune deficiency, can be detected through a simple blood test, but as Mrs. Dorsett took him from doctor to doctor, usually with small problems that would not go away, the doctors looked elsewhere. Some treated only the immediate symptoms; others made Mrs. Dorsett feel she was overtreating her child.

"I felt there was something wrong," she said. "But you can't walk into a doctor's office and say you think you know what it is because you saw it online. They're the ones with the prescription pads, and I didn't want to make them mad."

As the family went from one doctor to the next, without a diagnosis of the root problem, the insurance company often questioned the expenses. Why did Zachery need four doctor visits or five rounds of antibiotics for an ailment that most children shook off in a couple of days? Mrs. Dorsett spent days on the phone, often in voice-mail loops, and often long-distance, pleading her case.

"Like when they refused to pay for antibiotics when he had pneumonia" last year, she said. "The antibiotics cost $373, and we didn't have it. But we couldn't just not give it to him. I knew the review board would come around eventually, but he needed the medicine right away. Finally the doctor gave us samples."

She managed the expenses, like many people, by constantly applying for new credit cards, rolling the debt from the old cards into the new ones, which usually came with low introductory interest rates. In a good year, they would have the rolling charges on their credit cards down to $5,000 or $6,000, but the charges always went up again.

Gradually the debts started to catch up with her. When she fell behind on one of her heavily used cards, the company raised the 2.9 percent interest rate to 14 percent. Suddenly, she could not find a card with a low interest rate or a line of credit of more than $5,000, when the family balance exceeded $13,000. She tried playing dumb with the company, saying she was sure she had sent the check. "But they weren't buying it," she said.

With Mr. Dorsett's insurance, Zachery's bills were not astronomical, but they were just beyond what the Dorsetts could afford. Finally, Mrs. Dorsett asked one of the hospitals for assistance. "They said all I could do was go to churches," she said. "Which is worse, filing for bankruptcy or - I'm going to say it - begging at churches?"

Now, Uncertainty

Since the couple filed for bankruptcy protection in March, the creditors have stopped calling for money. The Dorsetts filed for, and were granted, protection under Chapter 7, which means that a trustee will liquidate their nonexempt assets to pay their creditors. But as in most Chapter 7 cases, there are no assets to liquidate.

In the meantime, since they are resigned to losing their house, they are putting aside the money that would have gone to the mortgage for the next round of big expenses. For the first time since Zachery's birth they are saving money.

Even now, credit card companies still offer them cards, which they have turned down. But because of the bankruptcy, they know they will not be able to secure a mortgage on their next home. Many of their friends, and especially the mothers in Mrs. Dorsett's preschool group, do not know about the bankruptcy.

Even with their debts cleared for the moment, there are no guarantees that the Dorsetts will be able to stay above water. The immune globulin may keep Zachery out of the emergency room this winter, but it may not. They have no credit to buffer unforeseen expenses - a sudden car repair, a slowdown at work, braces.

Mrs. Dorsett tried to put the best spin on the contingencies that loom over their lives: "If we get another house for under $800 a month, if nothing else happens, if the treatments work, we'll make it."

And if things do not work out, they will face that another day, and for many days after that.