

Are We Just One Injury or Illness Away From Bankruptcy?

[From The Hospital to Bankruptcy Court](#) is the title of a recent article in the New York Times that gets to the heart of why we need healthcare reform. You could have a job that provides health insurance, but that health insurance policy has a cap on how much they will pay over the life of the policy. Add to that limit, your deductible and co-payment amount of say 20% and you have a recipe for financial disaster and a prime bankruptcy case.

If you're faced with medical debt, do not use your credit cards or home equity or any other financing to pay that debt. You're only adding interest to that debt and avoiding the most likely inevitable bankruptcy. What's worse is that if you use home equity, you could lose your home later if you fall behind on your mortgage. Taking action sooner, on deciding your options, could help you avoid a financial collision with bankruptcy court.

First, be sure you understand the limits on your health insurance plan and if you anticipate any large medical expenses, check to see if your employer offers a benefit plan where cash is taken from your paycheck, in pre-tax dollars, in advance to cover anticipated medical expenses. What this does is essentially save you from paying income taxes on that money in advance, as opposed to deducting it on your income tax return later. If you've already paid for medical bills with your after tax money, then be sure to deduct it on your tax return.

Second, if you have medical bills that have gone to collections, you can make an effort to negotiate that debt. Unfortunately, if the bills are completely out of your ability to pay, you need to consult with a bankruptcy lawyer who can help you file the right bankruptcy chapter for you and get that debt discharged. Remember, you don't have to go broke to file for bankruptcy and you should consult a bankruptcy lawyer before playing debt roulette and using credit cards or savings to pay for medical bills because medical debt can be discharged in bankruptcy.

From: Los Angeles Bankruptcy Law Monitor

