

Facing a Choice Between Home And Health Care

Housing Rout Cuts Off Source Of Funds to Pay Medical Bills; Chemo, and Then Foreclosure

BY SARAH RUBENSTEIN

The housing market's collapse is forcing a growing number of Americans sitting on large medical bills to choose between paying the mortgage and paying the doctor. People have long resorted to borrowing against their homes to pay for medical care in times of illness or after an accident. But with home values plummeting and interest rates on adjustable mortgages ratcheting higher, some indebted patients are at risk of losing their homes in order to pay for surgery, cancer treatment, drugs and other big-ticket medical expenses. Other patients are forgoing health care in order to keep from losing their homes

Adding to the pressure is the weak economy, which has lost more than 1.2 million jobs so far this year. For many people, being laid off also means loss of health insurance. Replacing that coverage on your own can be expensive, or may be difficult to obtain for people with pre-existing health conditions. John Buckenroth of Bellefontaine, Ohio, had no insurance when he was diagnosed with a brain tumor in 2003. the 54-year-old former security-guard -qualified for Medicaid, the government insurance program for low-income people, and Medicare, the program for the elderly and disabled, which paid for most of his treatments. But to cover continuing drug costs, the family was forced to refinance their home. Now, Mr. Buckenroth still owes about \$20,000 for medical treatments, including an operation that his wife needed. The debt

became harder to repay after monthly payments on their new adjustable mortgage reset at a higher interest rate. After falling behind on those payments, the family last week received a foreclosure notice, two days after Mr. Buckenroth started chemotherapy again.

"I'm scared to death," Mr. Buckenroth says. "I didn't know I was going to get brain cancer and not be able to work. You never know that." Just how many people are being forced to choose between home and health care is hard to tell. Freddie Mac, the big government-sponsored home-loan investor, says illness appears to be a growing reason homeowners with some of the company's 12 million mortgages are falling behind in payments. Illness was the chief cause for 15% of Freddie Mac's delinquencies in the first half of this year, behind such reasons as loss of income and too much debt. Although that percentage is down from previous years, the actual numbers are higher because more people are delinquent on their loans.

Nationwide, more than 9% of mortgages on one- to four-family homes were a month or more overdue or were in foreclosure in the second quarter, according to the Mortgage Bankers Association. That compared with about 6.5% a year before and was the highest level since the association began such surveys 39 years ago.

Medical Debt Arrears

"Health-care costs are creating

The Cost of Care

Medical debt is putting more patients at risk of losing their homes.

- Consumer advocates say people generally shouldn't refinance or use home equity to pay medical bills.
- Hospitals are often more willing than banks to forgive debts or set low payments.
- Patients may be able to persuade a home lender to modify a loan by documenting their medical bills.

financial problems that lead to housing problems," says Mark Rukavina, executive director of the Access Project, a Boston-based research and advocacy group on medical debt. A biennial survey last year by the Commonwealth Fund, a nonpartisan research group, found that 41% of about 2,600 working-age adults had fallen behind on medical bills, up from 34% in 2005. Consumer advocates generally urge patients not to refinance a mortgage or use home-equity loans to pay outstanding medical bills because of

the risk of losing their homes to foreclosure. In contrast, medical providers typically must obtain a court judgment to put a lien on a patient's home, and they generally still won't get paid until the home is refinanced or sold.

Sometimes patients feel pressured. Kim Carpenter, of North Plainfield, N.J., says several collection agencies have pushed her and her husband to take out a second mortgage to pay off about \$60,000 in medical bills from various hospital stays. They have resisted. Ms. Carpenter, a 49-year-old self-employed marketing consultant, says the couple continued adding to their medical debt even after taking out a new insurance policy, which cost nearly \$1,000 a month, because it didn't cover pre-existing conditions during the first year it was in effect.

For Bowen Richards, a self-employed electrician in Cocoa, Fla., the weakening economy has added to his medical problems, cutting his income to about \$22,000 so far this year from a normal \$55,000 in years past. Mr. Richards, 52, lost the health coverage he had through his wife's work when the couple divorced, and he was rejected for his own insurance because of diabetes. Now, Mr. Richards has some \$35,000 in unpaid medical bills because of complications from his disease. He tried putting off medical care to save money, but as a result, two toes got infected and needed to be amputated.

Selling a House

Mr. Richards put his house up for sale five months ago, but has had no takers. He is trying not to think about his medical debt. "I've been keeping up with my mortgage, my electric and my telephone, and then trying to get around so I can try to find work," he says.

Hospitals are often reluctant to take steps that would force patients from their homes, in part out of concern for bad publicity, says Chi Chi Wu, a staff attorney at the National

Dealing With Medical Debt

Dos

- Request a copy of your hospital's financial- assistance policies and look into charity care. If you qualify for Medicaid, the program often pays for care retroactively.
- Ask the hospital for a discount. If you can pay some of the bill, medical providers may be willing to lessen the total cost.

Don'ts

- Try to avoid paying with a home loan or a credit card. Once you do so, you lose much of your negotiating ability and often risk greater consequences for nonpayment.
- Don't stop paying higher priority bills, such as mortgages, rent or car loans. Even if you are sued for medical debt, the consequences of losing may be less severe than failing to pay your mortgage.

Groups that work with patients

- Access Project
www.accessproject.org/medical.html
- Patient Advocate Foundation
www.patientadvocate.org/help.php?p=186

Information on insurance programs in each state

- Foundation for Health Coverage Education
www.coverageforall.org
- **Help with housing problems**
- Housing and Urban Development sponsors counseling
www.hud.gov/offices/hsg/sfh/ncc/hccprofil4.cfm
- **Neighbor Works America**
www.nw.org/network/Utilities/NWOLookup.asp

Source: Consumers Union; National Consumer Law Center

Consumer Law Center. State homestead exemption laws often protect people's homes and a certain amount of the equity in them from being taken by anybody other than home lenders, she says. Hospitals are generally more willing than banks to forgive debts or set low-payment terms. But for people who are having trouble making housing payments because of medical bills, it is sometimes possible to persuade home lenders to modify terms of the loan, especially if you provide adequate documentation of your medical bills, housing advocates say.

"I spend a lot of my time these days working on medical debt and access to health care, because that's what people need if they want to stay in housing," says Jane Walsh, a community organizer at Making Connections Louisville, a community advocacy group in Kentucky.

Susan Harris, 46, of Asheville, N.C., was self-employed and uninsured when she was diagnosed with a type of cancer called liposarcoma in 2003. She cashed out her 401(k) plan and gave the money to the hospital as part of an asset spend-down to qualify for Medicaid.

No More to Mortgage

But Ms. Harris still had \$26,000 in hospital bills that Medicaid didn't cover, and she continued to build up additional debt because of out-of-pocket expenses. Last year, she refinanced her home and spent \$28,000 on medical bills. Last week she had another operation to remove the cancer from her lung.

"I will once again be cancer free, but over my head in debt," she said prior to the procedure. "There's no more money in my house to mortgage it again."