

Medical Expenses and Bankruptcy: Arizona Bankruptcy Attorney

By Arizona Bankruptcy Attorney John Skiba

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A fair amount of my clients have dealt with an extended illness that caused them to incur significant medical bills. In my own experience it seems that the health insurance premiums keep rising but the level of coverage keeps decreasing. Because of this it is not unusual to see people with tens of thousands of dollars in medical bills. While it is my experience that the medical community is less aggressive on the collection side of things as compared to credit card companies, if medical bills go unpaid long enough many doctors are sending the accounts to a collection agency. I am even seeing accounts at a collection agency where there is very little owed (\$200-\$500).

Medical bills are unsecured debts and much like credit card will be discharged/eliminated through a chapter 7 bankruptcy filing. Medical debts can also be dealt with in a chapter 13 bankruptcy filing but during the chapter 13 bankruptcy process there is typically some paying back of the debt required.

Two issues come up with medical debt and bankruptcy that we don't really worry about with other types of unsecured debt. First, there is the concern that the doctor will no longer provide services to them. This is a valid concern. If you discharge a debt owed to Dr. Smith it is likely that Dr. Smith will not want you as a patient in the future. If you anticipate either wanting or needing to receive medical care from a doctor in the future you ought to approach the doctor about your current financial situation and see if an agreement can be reached. This may require you to pay all or a portion of the debt on a voluntary basis after your bankruptcy is completed. Or, you could even offer to reaffirm the medical debt with your doctor during your bankruptcy case. To reaffirm a debt is to simply agree in writing that you are still contractually bound to pay the underlying debt. It will be necessary to get the bankruptcy court to sign off on the reaffirmation agreement. Before taking this drastic step it is important to discuss the matter with a bankruptcy attorney as reaffirming a debt can have serious consequences. If you live in a smaller community this issue comes up more often due to the limited number of doctors in the area. If you live in the Phoenix metro area there are other doctors who you can go to for medical treatment.

Next, I am always concerned with the timing of a bankruptcy if a client is continuing to receive ongoing medical treatment that they will not be able to pay. For instance, is a person has a disease such a cancer, and we know there will be significant, expensive treatment in the coming months, it will likely be better to wait until that treatment has been completed prior to filing for bankruptcy. In a chapter 7 bankruptcy only those debts incurred prior to filing your case with the bankruptcy court are eligible to be discharged or eliminated.

It is important to distinguish between waiting to file bankruptcy until your medical treatment is completed and incurring debts under false pretenses with no intent on paying. Debts incurred in this manner may be deemed non-dischargeable by the bankruptcy court – meaning that they will not be discharged, ever. Bankruptcy courts have been good about distinguishing between debts incurred for needed medical treatment and those debts incurred immediately prior to filing bankruptcy for things like vacations or a credit card shopping spree.

If you have significant medical debt that you are having trouble paying, I offer a free bankruptcy consultation where we can discuss your specific situation. Arizona bankruptcy attorney John Skiba can be reached at (480) 464-1111.