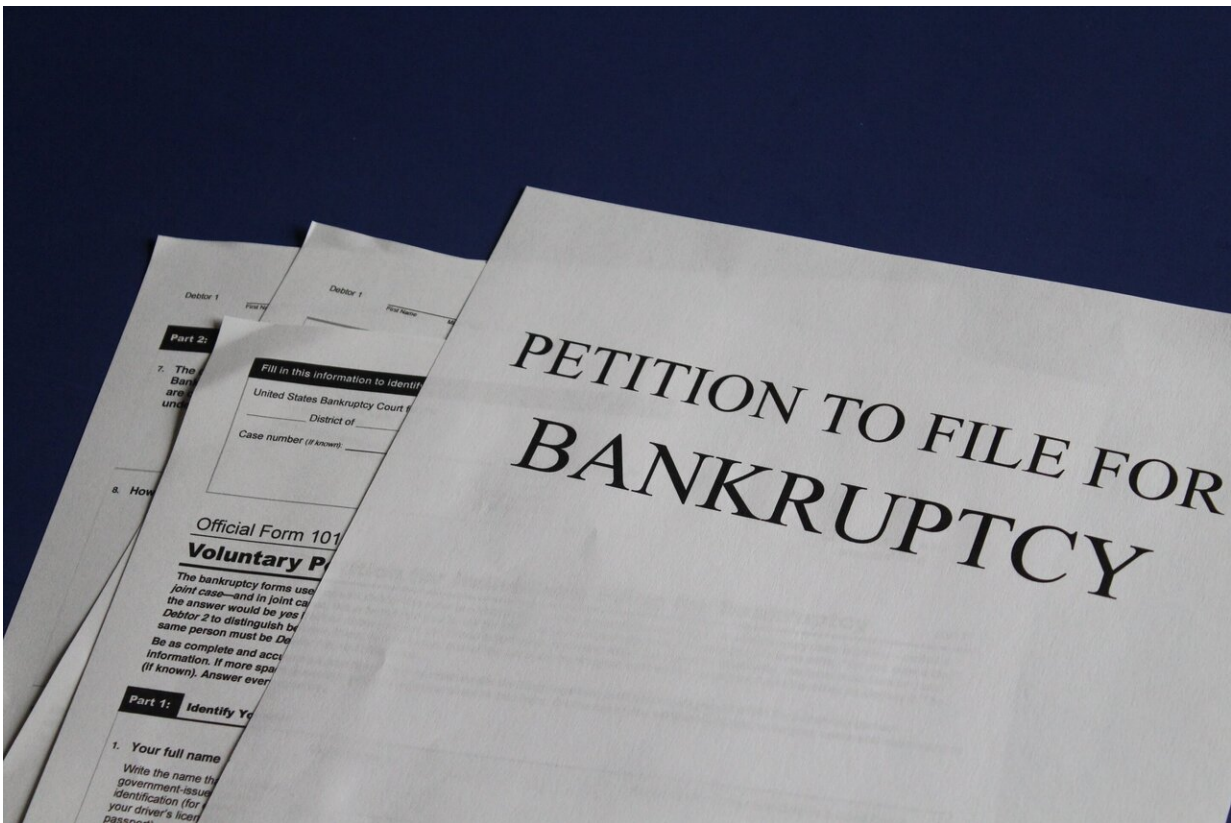


App attempts to break barriers to bankruptcy for those in medical debt

January 12 2022, by Blake Farmer



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An unplanned and complicated pregnancy pushed Carlazjion Constant of Smyrna, Tennessee, to the financial brink.

Her high-deductible health insurance paid virtually nothing toward the extra obstetrician visits needed during her high-risk pregnancy. Just as those bills totaling \$5,000 came due last year, a real estate company started garnishing her paycheck over a broken lease during college a decade ago.

"I have a child. Like, I can't do that," said Constant, who works as a medical assistant in a pediatric office. "Something has to be done. There has to be a way out."

She stumbled upon the Brooklyn-based nonprofit Upsolve, which helps consumers use [bankruptcy](#) laws to their advantage.

Medical bills are often what push people into personal bankruptcy, despite rarely figuring as a family's largest debt. But they tend to be unexpected. Nearly 1 in 5 U.S. households are on the hook for overdue medical bills, according to the U.S. Census Bureau, with higher concentrations in the South, where many states haven't expanded Medicaid to cover the working poor.

When Constant, 31, started looking into Chapter 7 bankruptcy, though, she learned lawyers might charge her at least \$1,500.

"To get out of debt, I'm going back into debt," she said. "It was just wild to me."

Bankruptcy is a last-resort fix, but the financial reset button is also out of reach for many because the act of declaring bankruptcy is relatively expensive. Most people use one of two options under the federal bankruptcy laws to get out of debt. Chapter 7 bankruptcy is intended for those without many assets to protect. It essentially cancels most debts—though rarely student loans—while the other commonly used option, Chapter 13, often sets up repayment plans.

Constant's web search for a cheaper solution led her to the Upsolve site, where users can download a [free app](#) that helps them file without the expense of hiring an attorney. Users still owe a \$335 court filing fee, though the app helps them apply to have it waived.

"Those legal fees are like modern-day poll taxes," said co-founder and CEO Rohan Pavuluri. "If you can't pay the fee, you can't access this right you're supposed to be guaranteed."

He calls the app the "TurboTax of bankruptcy." By answering questions in plain English through the app, users add their financial data to nearly two dozen forms required to file bankruptcy with federal courts.

To offer the service free of charge, the nonprofit receives government funding as well as money from charitable foundations and some big-time Silicon Valley names, such as former Google CEO Eric Schmidt.

Since Upsolve's founding in 2018, the nonprofit says, it has relieved more than \$440 million of debt.

Beyond simplifying the process, Pavuluri said, he's on a mission to destigmatize bankruptcy. He said it's seen as a moral failure even though bankruptcy is frequently used strategically in the corporate world to get a fresh start.

"We want to empower everyday Americans to get the same tools that the richest people and the richest corporations in America have," he said.

But there are concerns—and not just from bankruptcy attorneys—about making bankruptcy so easy that the implications are overlooked. The guidance attorneys give has real value, said Tennessee bankruptcy lawyer Cynthia Podis.

"The medical debts you have right now might just be the tip of the iceberg," she said, giving the example of a client feeling the pressure of \$20,000 in overdue [medical bills](#) for an initial round of chemotherapy. "But you know that over the next four or five years, you're going to have \$150,000 worth of cancer treatment. You may not want to file a Chapter 7 right now."

Chapter 7 can be used only once every eight years. So if debt continues to accrue, that won't be an option again for a while.

Bankruptcy also devastates credit for years, making it difficult to qualify for a conventional car loan or an apartment lease.

Erin Akery, who provides free financial counseling with the United Way of Greater Nashville, said bankruptcy isn't right for everyone. And the cost, while sometimes prohibitive, forces those saddled with debt to consider the trade-offs of Chapter 7.

"That may not be so great for people who are looking for a quick, easy solution, and it's not the right path for them," she said. "If people don't have to go through that [cost-benefit analysis](#), then a lot more people might file bankruptcy who really shouldn't."

But the repercussions of financial debt are expected to grow in the aftermath of the covid-19 pandemic, with a disproportionate impact on Black Americans. Upsolve's data shows nearly half of its African American users cite the pandemic as the primary reason for filing. By comparison, fewer than 40% of white users point to covid as the main factor.

And medical debt increasingly represents a larger share of personal debt. Upsolve found the average user had about \$7,000 in medical [debt](#) before the pandemic; a year into the pandemic, the figure had more than

doubled.

Even financial counselors such as Akery who consider Chapter 7 the "nuclear option" say it can be a useful tool.

"That stigma keeps a lot of people from doing it who really could benefit from it and come out the other side with a more healthy financial future," she said. "But on the flip side, there are people who file for bankruptcy every eight years."

Six months into Constant's Chapter 7 filing, she said she has no regrets. Her only complaint after bypassing a lawyer was that it fell to her to notify all her creditors. But the app helped generate the paperwork automatically and sent her instructions.

"I'm feeling like I got a fresh start," she said, adding that she wants to "make it count."

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Citation: App attempts to break barriers to bankruptcy for those in medical debt (2022, January 12) retrieved 20 April 2024 from <https://techxplore.com/news/2022-01-app-barriers-bankruptcy-medical-debt.html>

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