

Pennsylvania Medical Bankruptcy Lawyer: When to File for Bankruptcy Due to Medical Debt

With a bankruptcy, there are debts that take priority over others and cannot be discharged. There are many reasons you are able to file due to any medical debt.

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CIBIK & CATALDO P.C.
PhiladelphiaBankruptcyLawyers.com

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No one plans to get sick or get into a debilitating accident. We pay exorbitant amounts for health insurance for such events. Depending on the health plan you have, it might only cover a fraction of the medical expenses one incurs. If you don't have health care, the costs for care are astronomical.

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Michael A. Cibik, Partner

There will also be other costs, such as gas for going to the doctor's, treatment centers and hospital. And if a spouse must take time off from work, it becomes unpaid leave after a certain number of weeks or may have to quit his or her job (or to take care of a family member), reducing the family income by as much as half. It's not uncommon to hear of fundraisers for those stricken with an illness, which helps but is usually

not enough to make a dent.

If 25% or more of your income is going toward medical bills, you might want to consider filing for medical bankruptcy. This type of bankruptcy is no different than filing for a Chapter 7 or Chapter 13 bankruptcy. With a bankruptcy, some debts take priority over others and cannot be discharged.

The debts that take priority are ones that are secured (collateral is put up as payment) and cannot be wiped (discharged). These debts include child support, alimony, and student loans. Medical bankruptcy is considered a non-priority, unsecured debt meaning it can be wiped without having collateral. The only catch is that you must be eligible for Chapter 7 (personal bankruptcy).

In earlier blogs, we discussed the requirements for Chapter 7 and Chapter 13 bankruptcies. With a Chapter 7, you must pass the means test and have little to no assets. There is no limit/cap on the amount of debt you can discharge. And with a Chapter 13, you must earn above the median Pennsylvania income and have assets. You'll be put on a payment plan set up by the IRS too. Once you make all the payments, the rest of the debt will be wiped away. However, just like being eligible for

a Chapter 7 bankruptcy, there is a catch for a Chapter 13. The catch is that there is a debt limit. Chapter 13 is for those who have less than \$394,725 total in unsecured debts. Also, they must have less than \$1,184,200 in secured debt.

When Medical Bankruptcy is the Solution

There are other options to pay medical bills:

- Negotiate with the medical provider on a settlement. If a collections agency is contacting you, you can negotiate with them as well.
- Ask the billing department if you can set up a payment plan.
- Ask your doctor's office or hospital if there is an assistance program. Many times, there is a local charity that can help offset costs.

If these options do not provide the permanent relief you need, then medical bankruptcy is the solution. At Cibik & Cataldo, we know that bankruptcy is not what you want. You're afraid of what people may think of you for taking this route. Believe us; it is not an easy route to take because it involves a deep look into your finances and having you gather the paperwork, such as creating an itemized list of your expenses and financial transactions from the past two years.

There are millions of people who are in a similar situation and have filed for bankruptcy. You're also afraid that declaring bankruptcy, whether for medical bills or not, will hurt your credit score. Yes, it will hurt your credit score, but so will late and missed payments on your credit cards because you paid your medical bills with them, and maybe even maxed them out in the process.

Discharging Only Medical Debts

Some believe that you can discharge only medical debts in bankruptcy. This is not true. When you declare bankruptcy, you must put all of your outstanding debts on it, secured and unsecured. However, this is a good thing because it simplifies your finances and the bankruptcy process. This will give you an absolute fresh start. It will relieve a large burden so you can focus on getting better (or focus on your loved one who is ill) and get back on track financially. You'll also be able to concentrate on getting a new job if you had to quit your old job due to the medical situation.

If you think you will endure future medical bills, such as another round of chemotherapy, then you should wait to file for bankruptcy since you can only file for Chapter 7 bankruptcy every eight years. If you have been discharged from a Chapter 7 bankruptcy and need to file a Chapter 13 bankruptcy, you'll only have to wait four years. However, if you never received a discharge from the bankruptcy, no matter the bankruptcy type, then you don't have to abide by the time limits.

Medical Bills By Default

Some are forced to declare a medical (Chapter 7) bankruptcy. If you are divorced and your ex files a Chapter 7 because of medical bills, you can be included in the bankruptcy if you co-signed on a loan(s). Even though you are able to pay your own bills, you cannot pay the outstanding debt too. Thus, filing for bankruptcy is the best solution.

We must warn you about consolidating your debt with a consumer credit counseling service. The creditors may make a payment plan with you and you think that's it. However, this agreement is not set in stone. The creditors can come back and try to get the rest of the money at a later date, in which you end up filing bankruptcy. This is why it is vital to contact a bankruptcy lawyer if you are thinking about using one of these consumer credit services or filing bankruptcy. Talking to an [experienced bankruptcy lawyer](#) can prevent additional interest charged by a creditor and protect your home from foreclosure. You'll also get bankruptcy facts and what is involved with filing.

Don't Face Bankruptcy Alone

When you need solid bankruptcy advice, turn to Cibik & Cataldo, the Philadelphia bankruptcy attorneys. For over 40 years, we have helped tens of thousands of people like you get the bankruptcy information they need to make an educated decision on whether or not to file for bankruptcy and which type of bankruptcy is best for their particular needs.

We are ABC certified, so you can trust we know the United States Bankruptcy Code inside and out. We stay on top of the latest code changes to give our clients the best counsel and our fee is cost-efficient. Contact us today or call (215) 735-1060 to set up your free consultation!

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