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Investigating the Relationship Between Medical Crowdfunding and Personal Bankruptcy in the United States: Evidence of a Digital Divide

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Abstract

As of 2007, an estimated 62% of individual bankruptcy filings in the United States were a direct result of costs borne from medical treatment following illness or injury, up from 46% in 2001. This pressing issue is only getting worse and is in need of relief. In this work, we consider the potential of a relatively recent, and rapidly growing, phenomenon to mitigate the problem: online crowdfunding for medical expenses, wherein patients reach out to their social network for monetary support via online platforms that facilitate the process. On the surface, medical crowdfunding holds the potential to address insurance gaps and to help those burdened by medical debt. However, recent questions have arisen in the healthcare literature around fairness and equity in the distribution of funds. Consistent with the notion of digital divide, many have raised concerns that the individuals most likely to benefit from these services are not the individuals who are most in need. Accordingly, we first seek to establish the effect of this novel phenomenon on a key indicator of financial distress: rates of personal bankruptcy. We then explore heterogeneity in patterns of funding solicitation and acquisition, to assess the presence inequalities across patient populations. We leverage proprietary data from a large medical crowdfunding platform based in the United States, which we combine with county records of personal bankruptcy filings. We report evidence that greater success amongst medical crowdfunding campaigns does translate into a reduction in personal bankruptcy filings. Subsequently, we report analyses which revealed evidence consistent with the presence of a digital divide. Specifically, we report evidence that disadvantaged groups are systematically more likely to launch medical crowdfunding campaigns, yet conditional on campaign launch, garner systematically less in funding. We discuss the implications for the literature on the digital divide, as well as implications for practice and policy.

Keywords: Econometrics, crowdfunding, medical bankruptcy, online platform, digital divide