



‘Bottom-line vampires?’ How insurance companies are sucking U.S. businesses dry

Dispatcher: 911, what’s your emergency?

Caller: America’s healthcare system is broken and people are dying! (ambulance siren)

Welcome to **Code WACK!**, where we shine a light on our callous healthcare system, how it hurts us and what we can do about it. I’m your host **Brenda Gazzar**. This time on **Code WACK!** Why are businesses struggling to maintain employer-sponsored health plans? And how are they trying to control their skyrocketing healthcare costs? To find out, we recently spoke to health insurance industry whistleblower and New York Times bestselling author **Wendell Potter**. Wendell’s the former vice president of corporate communications for the health insurance giant Cigna. Today, he’s a strong and informed voice for Medicare for All and is the co-founder of Business Leaders for Health Care Transformation.

Welcome back to Code WACK! Wendell.

Potter: Thank you.

(00:46):

Q: Maintaining employer-sponsored health plans has been characterized as a burden on business owners. Is that true? And if so, is it an administrative challenge, a cost challenge, a complexity challenge, or all three?

[\(01:03\):](#)

Potter: It's all three because for one, to your last point, our system has become so complex, so hard to understand, that employers don't. They have to hire brokers or consultants to help them try to figure out the most affordable way to provide coverage to their workers. What they don't often realize is in many cases, those brokers work for insurance companies and are getting paid a commission for every sale they make. So it's, it is really quite a scam. Most employers are completely unaware of this. They're unaware of all the hidden fees that they're being charged so even the largest employers are beginning to recognize it's a raw deal for them and they've been sold a bill of goods over many years by the insurance industry. A lot of them don't see any way out. They say this is not sustainable for them. In fact, the Purchaser Business Group on Health, which is based in California, did a survey of its membership last year.

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And these are some of the biggest companies in California and the world and a big majority of them said that they could not continue on the way they are five or 10 more years down the road because of these ever-increasing expenses. I was talking to someone today who said what we have now really are bottom-line vampires and that's what these insurance companies really are. They are sucking money out of our employers that otherwise could go into improving the business or paying their workers more, but more and more every year has to go into insurance companies to cover the premiums that they demand to the point that more and more employers are throwing in the towel.

Only 31% of employers with 50 or fewer workers offer coverage now and fewer than half of ,, employers overall are offering coverage now. The big ones stay in the game, but even as I said earlier, even they are finding it increasingly difficult to see how they can continue doing this forever. They can't (do it) forever and stay in business. It's just not a possibility.

[\(03:07\):](#)

Q: *Wow. I imagine that will have such a huge impact and is having a huge impact on economic productivity and just survival of these employees, survival of these business owners.*

[\(03:19\):](#)

Potter: Absolutely. Warren Buffet, by the way, has said that U.S. health care is the tapeworm that is destroying American competitiveness and he's right. What most people don't recognize is health insurance companies have claimed that they can control healthcare costs. They cannot nor do they want to because as healthcare costs go up as it costs more to stay in the hospital or prescription drugs to cost more, because they're the only game in town, because there is no alternative to private insurance for most of these companies or for all these companies. There's no public option available to them. There's no Medicare for All single-payer option so they're kind of stuck and insurance companies can demand higher premiums every year and they do because they can.

[\(04:04\):](#)

Q: Right, right. Do we know how much these costs are that businesses are paying on average?

[\(04:10\):](#)

Potter: It varies on the size of the employer, the average age of the workforce. An employer that has a workforce with older folks can be paying considerably more in premiums than another employer down the road that has more young people working for them. It's called experience rating. The insurance company will look at a lot of the demographics of your workforce and decide how much to charge you or how much you will have to pay to insure your workers. So it's a huge amount of money. It just varies from employer to employer and it varies on the quality of the coverage. An employer that offers the policy that doesn't saddle their workers with a lot of out of pocket cost, well, the premiums will be higher. That policy will cost that employer more, which is why a lot of employers have resorted to shifting their workers into these high-deductible plans.

[\(05:03\):](#)

Q: Right. Makes sense. And it seems like it could be an incentive for them to not hire older workers, because then they're going to have to end up paying more for their health insurance.

[\(05:13\):](#)

Potter: It's absolutely the case. People in their fifties are at a big disadvantage if they have to find or want to change jobs because employers fear that employee very possibly will result in their healthcare costs going up, even if that employee doesn't get sick or injured. But just because they are older, you know, there is the assumption that employee will need more care. It also is a factor when companies lay people off, when they're looking at a layoff, and you've got a 50-year old and a 30-year old and both of them are, you know, similarly qualified. My bet would be that they would probably lay off the 50-year old because that would be eliminating not only that person's paycheck, but also probably more in healthcare costs.

[\(06:06\):](#)

Q: *Hmmm fascinating – in a morbid kind of way. (laugh)*

[\(06:11\):](#)

Potter: It's just awful. It affects us in so many ways that most people don't take into consideration. They don't understand that this is a factor but our healthcare system affects all of us every single day in ways that it doesn't in other countries.

[\(06:24\):](#)

Q: *Right. Right. How are businesses trying to control healthcare costs? You mentioned some of them just aren't offering health insurance anymore. What else are they doing to try and control these costs?*

[\(06:35\):](#)

Potter: Well, some of them are doing some very innovative things. I've been watching this and I'm going to be writing more about this as time goes by. Some big ones are contracting directly with health systems. They're cutting out the insurance carrier – often referred to as a third party administrator. Boeing is one company that's kind of led the way in this area. Boeing has a lot of employees in the Pacific Northwest and the Seattle area, but also in Southern California and the Long Beach area...also in South Carolina. There's a big concentration of employees in those markets. And so Boeing has been contracting directly with big hospital systems in those cities and cutting their own deals and saving a considerable amount of money. And more and more employers are beginning to see that this is an option for them. It didn't seem like it was going to

be an option for anyone, any companies except the very big ones with those kinds of employee concentrations.

(07:30):

But there are some enlightened brokers and consultants who have left their former jobs because like me, they realized this is not working for people and they're restructuring how they advise employers and in many cases, even small employers. School districts and towns and cities of all sizes are doing something comparable. They're cutting out the middle man, which is something by the way that my former CEO at Cigna said kept him up at night. This was several years ago. I, you know, left Cigna now some years ago and someone asked him at a leadership meeting what kept him up at night. And he said, this intermediation, which almost nobody in the room had ever heard of that word, but what it means is, it's a way of cutting out the middleman. And that's what insurance companies are, as are PBMs – Pharmacy Benefit Management companies. Both of them are just giant middlemen who capture a great deal of the money that we spend on health care to convert to profits.

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It doesn't do a darn thing to get us well or keep us from getting sick in the first place, but it makes their shareholders wealthy. So, but more and more employers are realizing that is an option for them. And so my former CEO's nightmare, what kept him up at night, is coming true to a certain extent as more and more employers realize they don't have to deal with these big companies, which by the way some folks refer to the big companies as BUCAH, which stands for Blue Cross, United [Healthcare], Cigna, Aetna and Humana. That's where that acronym comes from. You can live in this world without BUCAH, employers are beginning to realize they just have to work with the right broker, who is an honest broker, who is not taking money and commissions from the insurance company.

(09:31):

Q: Wow. So I'm curious. Is the insurance industry fighting back in some way?

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Potter: At this point, I'm not seeing them fight back because I don't think they're seeing this as a real threat right now. You better believe they will ultimately. On the other hand, they don't care

so much for the commercial space as they used to. When you look over the past 12 years, their growth has been almost entirely in the government space. So their new love interest is the government and they're looking at employers as well, you're nice. If you want to hang around, that's okay. We're gonna raise your rates. You can stay with us. A lot of employers won't know that they have an alternative. The ultimate point here is they don't care all that much in that space because they're seeing that Uncle Sam is a very generous payer.

(10:20):

Q: Amazing. Wow. Well, good for Boeing and these other companies. Good for them for figuring out a way to kind of circumvent the middleman.

(10:29):

Potter: Yeah. It's a shame that we have to do all that, that employers have to do that. Employers in other countries don't have to try to figure this out. But in this country, (employers) have to try to figure out how to keep from getting robbed and these companies have been robbed over many years. Someone kind of equated it also to Stockholm Syndrome. They've been held hostage. They don't know that there's a way to escape, but they have some misplaced affinity for the people who are holding them hostage, their captors. There's some truth to that. A lot of employers feel some attachment to these big insurance companies and think that a world without them would not be a good world.

(11:13):

Q: Right. Right. I think change is hard for a lot of people. They have a hard time knowing what they're going to get. And so it's like, 'well, let's just stick with what we know. Even if it's bad for us.'

(11:22):

Potter: It's true. It's the devil you know and the fear of the unknown and also in this country, big corporations have done a very good and thorough job of villainizing our government, which is kind of a paradox because they're making money, hand over fist from the government. They're seeing the government now as a very reliable payer, but they don't want the rest of us to see the government as a solution.

[\(11:48\)](#):

Q: Right. Right. You mentioned competitiveness. Tell us a little bit more about how having more affordable healthcare costs would help America to be more competitive with business.

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Potter: Well, if American businesses didn't have to spend as much money as they are having to spend on health care, they could give us raises. They could expand their operations. They could invest in new technologies. There are a lot of ways that money could be better spent to improve the bottom line of those companies to pay workers better, to give them other, you know, better benefits and other ways, but that's holding them back. It's also holding back entrepreneurship in this country because people are reluctant – certainly as they get older to leave a job that offers pretty decent health benefits for fear of not having coverage or going a period without coverage, or just not being able to afford it. If they go out to try to start their own business. So our current system depresses entrepreneurship in this country as well, too. Right?

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Q: Right, right. So basically you have probably a lot of people with unfulfilled entrepreneurial dreams because they're tied to a job that will give them health insurance.

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Potter: Absolutely and the Affordable Care Act is supposed to take care of that and it has been somewhat of a release valve, but not adequate. You can buy coverage through the Affordable Care Act exchanges like Covered California but in many cases, the people who are enrolled in those plans are underinsured. They're functionally uninsured because of high deductibles. The Commonwealth Fund in a survey or a study and research they did a couple of years ago, found that about 40% of people who get their coverage through Obamacare or ACA exchanges or the marketplace are underinsured and close to 30% of people who get their coverage through their employers are now underinsured because of the cost-sharing requirements.

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Q: Mm-Hmm. Tell us about Business Leaders for Healthcare Transformation.

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Potter: Well we have members in every state and many as you can imagine in California. We have supported Medicare for All legislation. There's nothing quite frankly at the federal level that has much of a chance of moving forward. Although I will say that I understand Senator Sanders, Bernie Sanders, is going to be reintroducing his Medicare for All bill next month so stay tuned. That will generate some renewed interest in Medicare for All. With our current president (Joe Biden) not being a fan, I don't know that it would go anywhere and with Joe Manchin being essentially the president himself...co-president...probably would block it. What we support is looking at the state level to see what we can do to help employers get a better deal. I, in California, spent time talking to the sponsor of the single-payer bill that – I think it was AB 1400 – that would've established a California single-payer system.

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I submitted information on the record to the Appropriations Committee when that bill was before that committee. As we know the bill was pulled before seeing a vote in the legislature. The sponsor got a lot of criticism for that. But myself, I think he made the right decision. That's probably a conversation for another day, but going back to what we were talking about earlier. Big companies, big insurance companies spend a lot of money to influence how legislators in California and every other state think and vote. And there, even with your super majority in California, there are a lot of Democrats who take money from insurance companies. There are very few Democrats in the legislature in California who have sworn off taking any PAC money or corporate money. The sponsor of that bill was one who does not take corporate or PAC money. But I think there are only two or three more who do so even though that was worthy legislation to support, people just need to realize that until you're able to do something about money and politics at the federal and state level, it's really, really hard to move forward with progressive legislation.

[\(16:10\)](#):

Q: *Right, right. Wendell, what else do you want us to know?*

[\(16:14\)](#):

Potter: Well, that said it's important not to give up, not to lose faith or to give up the fight. But what I would encourage people to do is if you support single-payer health care, continue to fight

for it, but also fight for political reform for the very reason that we're just now talking about. Get politicians to agree to not to take corporate money, get something going in California, to shame Democrats for taking insurance money, for taking any kind of PAC money from corporations. That's what I would do if I were out there and I do want to spend more time in California, but that's really so important to try to change the environment, to make it more likely that when a single-payer bill is before the legislature again, it might advance to a vote and be enacted. But until you do something that changes Democrats, that gets them off of these corporate contributions, I'm afraid we're just going to see a repeat of history..

(17:19):

Q: Right. That sounds like a great investigative project to look at. You know, what Pharma has donated, what the insurance companies have donated.

(17:27):

Potter: Yeah, exactly. And I hope your listeners will follow us at the [Center for Health and Democracy](#) because we're going to be doing some of that kind of work. We're going to be following the money. We're going to be looking and reporting on which California politicians are taking money from special interests, big health care special interests in particular. And I think it'll be very revealing and that'll give voters some information that's important when you go vote for somebody or to say, look, you've been the legislature X number of years, you've been taking all this money. We're going to vote for someone, a candidate who is not taking corporate money.

(18:02):

Q: Great. The name of the center again that you mentioned is?

(18:05):

The Center for Health and Democracy. Check us out – [CenterforHealthandDemocracy.org](#) and that's one of the organizations that I lead and stay tuned. We want to have more of a presence by the way in California. So over the coming months and into next year, you'll hopefully be seeing more of us there as well as Business Leaders for Healthcare Transformation.

(18:26):

Q: Wonderful. Wendell, thank you so much for your time today.

[\(18:29\)](#):

Potter: Oh my pleasure. Thank you, Brenda.

[\(18:30\)](#):

***Do you have a personal story you'd like to share about our 'wack' healthcare system?
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