Even the rich suffer from America's wack healthcare system

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 America's 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 do nearly half of U.S. residents have some form of healthcare debt? What are the scary implications of this and what can we do about it? To find out, we spoke to Dr. **James G. Kahn,** a professor emeritus of health policy, epidemiology, and global health at the University of California, San Francisco. An expert in health policy and economics, he is a health policy advisor for **Code WACK!** as well as editor and primary blogger for **Health Justice Monitor**, a health policy blog focused on a progressive agenda.

Welcome back to Code WACK! Dr. Kahn.

(00:54):

Kahn: Thanks for having me on.

(00:55):

Q: So a recent survey by the Kaiser Family Foundation found that 4 in 10 adults in America have some form of healthcare debt. That's nearly half of all Americans. Why do you think this is?

(01:08):

Kahn: Well it's because of the huge holes in health insurance. Over the past 10 years or so, our health insurance has gone from moderate cost sharing, things like deductibles and copays, to extensive cost sharing and in particular, the prevalence and size of deductibles is much higher. Deductibles are the money that the beneficiary is responsible for before the health insurance kicks in and this is often in the range of $2,000- $5,000. That's not a trivial amount. So in the beginning of the calendar year, typically the insurance doesn't pay anything until people have paid down the deductible and the problem is when people pay the deductible that's coming out of their financial reserves, which may be quite limited and they may have to take on medical debt. So that's the single biggest cause of the medical debt. There are other reasons too, such as care that is out of network and therefore not covered or care that is denied.

(02:18):

Or of course there are many people who are simply uninsured all together. All of those things contribute, but taken together the astounding number that four in 10 adults has medical debt, half of them debt is more than $2,500, it's really scary and should open some eyes. The other thing that Kaiser did really well is they asked respondents how this medical debt affects other spending and what they found is a wide variety of important household spending was affected by the medical debt. So for example, people had trouble paying rent. They may have decided to double up on living together, cuz they couldn't afford the rent. Some people reported that they postponed or gave up on higher education because they couldn't afford it because of the medical debt. So these medical debts are not only anxiety provoking, but they have real damaging consequences for how people live their lives.

(03:17):

You know, I like to say that understanding the healthcare system in its details is really hard because the system is extraordinarily complex. Indeed, I think the complexity is a feature, not a bug. It's a way for people who thrive on the system financially to hide what's really going on. Both Kaiser and the Commonwealth Fund have done important research over the years documenting the problem that people will skip or delay medical care because of financial barriers so they have you whichever way you go.If you get the care, then you're medically indebted. And if you don't get the care, well, then you might

well get sicker. There's no other wealthy country that imposes this kind of terrible choice on its people.

(04:09):

Q: A terrible choice. Indeed. The survey also noted that uninsured adults, women, Black and Hispanic adults, and those with lower incomes are disproportionately impacted. How does it affect people when they can't get a fair shake when it comes to health care?

(04:26):

Kahn: Well, our way of paying for health care is a huge contributor to inequity in our society. Again, both financial and health. We know as, as the Kaiser Family Foundation, you know, reconfirmed that the people who suffer most with these problems are poor, people of color and other disadvantaged groups and this is structurally a predictable consequence. For example, Medicaid is health insurance for the poor. Why should we have separate health insurance for the poor? Other countries don't. They just have health insurance or health coverage and I think it's time for us to recognize that we can provide equal healthcare – equally comprehensive, equally high quality to everyone and in the process actually save money. You know, there's an expression in economics that there's no such thing as a free lunch. That's supposed to mean that you don't get anything without paying for it somehow. But I actually argue that real health insurance reform like single payer is a free lunch because you do better at covering everyone and by simplifying the system, you actually save money. That was a long roundabout answer to your question.

(05:50):

It seems like the poor are already impacted negatively because they're more likely to have chronic health conditions and it's a double whammy when they have medical debt, because it's further setting them back financially.

(06:01):

Kahn: Right, it's sort of a vicious cycle as you point out. The poor are more likely to be sick. They're less likely to be able to get care. That exacerbates their illness and in the process, depending on their insurance situation, they may become more indebted, which adds to their stress, which worsens their illness. It is unsurprising when you look at the terrible mortality numbers in the United States, how many years fewer poor populations live than rich populations. There's a huge longevity gap. It's absolutely something that we can and should address. But there's another interesting fact here and that is if you compare the longevity of people who live in wealthy U.S. geographic areas

and compare that to the longevity of people who live in other wealthy countries, even in wealthy areas in the United States, we do worse than the overall average longevity in the other countries. So the people who are suffering most are absolutely the poor and there are huge inequities there, but even the wealthy are suffering from the failings of our system and I'm hoping that that will help us unite around a real solution – single payer.

(07:23):

Q: Right. Good point. Most adults with healthcare debt say the bills that led them into debt were from unexpected medical expenses and about half of them would be unable to pay a $500 unexpected medical bill without borrowing money.

(07:38):

Kahn: Well, I think it's important to recognize that wealth differences, that is how much money people have in the bank, are far greater than income differences. So when we talk about the poor, the working poor, you know, someone maybe making $25,000 or $30,000 a year, it's impossible to support a family on that. Maybe they're up to $40,000 a year. Someone who's doing well, a computer programmer or a lawyer may be making $150,000 or $200,000. So that's a big difference. That's a difference of fivefold. But if you look at wealth differences, they're much, much greater and that is a variety of things. First of all, the people who are making less, just don't have the opportunity to save and then there's a long history of racist decisions which have exacerbated wealth differences. For example, Black Americans were not able to participate in post World War II mortgage insurance programs offered by the federal government.

(08:35):

So they were much less likely to buy homes. Well, homes are the basis for building family wealth and so now you have people of color, poor, no financial reserves and yes, a health expenditure comes along that's unexpected. I must say, you know, how often do we expect health expenditures? Aren't health expenditures mostly about dealing with medical problems as they arise. I don't plan to get an infection or plan to get an asthma exacerbation. I may know that there's some risk or I may not. It may be completely out of the blue. So I'm not at all surprised that there are a lot of people who don't have the financial reserves and who are surprised by turns in their health and the need for care. That's just the way life works. It doesn't need to be this way. Again, free lunch. I'm just going to use that as my shorthand, we have a free lunch.

(09:33):

We have a buffet that's laid out in front of us that we could have all of the health care we need and still save money and why are we not doing that? Well, it's because of all of the organizations and people who profit hugely by this complex system, which is completely nonfunctional, the insurance companies, many provider groups, the drug companies. They make massive amounts of money and if I may just talk about COVID for one second.

In Health Justice Monitor, we recently covered this phenomenon, which is just stunning. In 2020, when the pandemic hit, healthcare utilization actually dropped. There was some more COVID care, but many people delayed non-urgent care because they didn't want to go to a doctor's office or hospital and get sick from people with COVID. Makes sense. So the claims that were submitted to insurance companies, including in Medicare Advantage, the private insurer part of Medicare, they went down, the claims went down. So the insurance companies didn't have to pay out as much so the profits went way up, but the providers in order to survive needed federal government help to cover those services that weren't required and so the federal government paid the insurance companies to administer Medicare Advantage and the insurance companies kept all of these excess profits and the federal government also paid the providers to keep them financially solvent. So we, the taxpayers, paid twice for health care that no one received because they were avoiding hospitals and doctor's offices. How insane is that?

(11:14):

Q: That is insane. And I understand that some are even denied medical care because of their debt. Welcome to America's for-profit healthcare system. So how would things be different, Dr. Kahn, if we had Medicare for All. Would people just not get medical bills at all anymore?

(11:31):

Kahn: Thank you for putting it so simply, but that's exactly right. So basically the government, it could be the federal government, it could be a state-level government agency, would pay for all care. There might be very small income adjusted copays for certain kinds of care, or there might not be. There would be no deductibles. People wouldn't face a cliff of $2,000 to $5,000 that they have to pay before they can even get care and the providers would have one insurer to deal with – that's the single government payer. So their life in the doctor's office to arrange for payment would be far simpler. Right now doctors spend about 13% of revenue just to get paid and that would drop to 2% to 3% so they would instantly have a 10% savings. That's the secret to this free lunch. That is you reduce that complexity in the provider offices.

(12:27):

You similarly get rid of private insurance intermediaries who are taking – depending which part of the system you're looking at – at least 10% and maybe 15% in profits and administrative bloat and you get rid of all of that waste and now you can afford to pay every medical bill. You can eliminate financial barriers to care, and everyone is covered again – efficient, generous, equitable. In medicine, there's been a movement for a couple of decades called evidence-based medicine, where we do our very best in clinical medicine to conduct and then rely on the results of clinical trials. The idea is to learn from careful study how to best treat patients. Well, in the world of health policy, we were really bad at that. We make a lot of efforts to improve things where we really don't have evidence. For me, one example of that is value-based care or ACOs, accountable care organizations.

(13:29):

It's a real favorite of some people in health policy because it doesn't disturb the dynamics of the current health insurance system, which benefits so many people. They claim that it will lead to cheaper and better care. It doesn't. It's not evidence based. What would be evidence based is learning from more than three dozen countries around the world, wealthy countries, who all have the same kind of arrangement. They universally cover everyone with a standardized health insurance benefit package. That means that doctors have to deal with only one.payer, doctors only have to deal with one formulary, which is the list of medicines that they can prescribe. Drug prices can be negotiated. But the fundamental thing is that everyone's covered with exactly the same package. Now, some countries use a single government payer, some countries use private insurers, but they're nothing like private insurers here. They are not for profit, highly regulated insurers who all sell exactly the same product.

(14:33):

It would be kind of like if everyone in the neighborhood drove a blue Prius and that standardization in simplicity is what has been proven to work time and time again. So my plea is that we do our health policy based on the extensive evidence there is in the world. Our system not only is failing on health and financial measures, but is getting worse. We do worse today in 2022 than we did in 2012. So Obamacare resolved a few problems. There are more people insured than there were before Obamacare, a lower rate of uninsurance, but the insurance is now much less helpful because of the rapid rise in deductibles.

(5-second music stinger)

(15:23):

Thank you, Dr. James G. Kahn. Stay tuned for our next episode with Dr. Kahn as we talk about avoidable deaths and the COVID pandemic.

Do you have a personal story you'd like to share about our 'wack' healthcare system? Contact us through our website at heal-ca.org.

Find more Code WACK! episodes on ProgressiveVoices.com and on Nurse Talk Media. You can also subscribe to Code WACK! wherever you find your podcasts.

This podcast is powered by HEAL California, uplifting the voices of those fighting for healthcare reform around the country. I'm Brenda Gazzar.