



How hospitals & insurers
drive soaring
healthcare costs

*With producers
Richard Master & Wendell Potter*

This time on Code WACK!

Are hospitals and health insurers incentivized to keep costs high? **Are mergers and acquisitions in the healthcare sector helping - or hurting?** How has the state of Maryland kept hospital costs in check – and how might other states do the same?

To find out, we spoke with **Richard Master, CEO of MCS Industries**, founder of [Business Leaders for Health Care Transformation](#) and executive director of American Hospitals, the latest film in his [documentary series](#). He's joined by **Wendell Potter**, a former health insurance industry communications executive, the New York Times best-selling author of [Deadly Spin](#) and president of Business Leaders for Health Care Transformation. This is the second episode in a two-part series about the film ***American Hospitals***.

SHOW NOTES

WE DISCUSS

A New York Times article reported the survival of seriously ill COVID patients depended largely on what hospital they were sent to. Why is that?

“... a sophisticated, up-to-date hospital in Manhattan or a university-related research hospital ... had ... four patients to every nurse. In a hospital in Brooklyn, in a disadvantaged neighborhood, it could be eight, nine to one.

“They had less access to technology ... they had less access to the new advances in medications that university hospitals had.

“So you had some hospitals which had 41% of COVID patients going in, [but] not coming home.” – **Richard Master**

How have hospital corporatization and mergers changed the healthcare industry's economic incentives?

“... over the past several years, there have been almost countless mergers and acquisitions to the point that you have just a very few health insurance companies ... that control the marketplace. And they were beginning to have outsized leverage when they were negotiating with hospitals ...

“... because of all the mergers on the insurance side, hospitals decided to merge themselves so that they would not lose that competitive advantage at the negotiating table.

"So we've seen this arms race, if you will. Insurance companies continue to consolidate But hospitals have merged as well too. So you have these huge mega systems in many states ...

'..these mergers do not bring the cost of care down. They result in higher prices. So that's a fact and a feature of U.S. health care, and one more reason why we have out of control healthcare costs and in particular, out of control hospital costs." – **Wendell Potter**

In your documentary, American Hospitals, you talk about the Maryland all-payer system. What is it and how could it help?

"...annually, [the state has] a price commission and doctors and other providers and hospitals and insurance companies, and Medicare, of course, has an interest in this.

"They all get together and they hash out what is a reasonable price for service. And that price, if it's \$10,000 for an appendectomy, is the price that is paid regardless of who is paying the bill.

"Medicare had to give a waiver. The U.S. Congress had to allow Medicare to pay initially more than its base rate nationally for that appendectomy. But over time, what's happened is that the increase overall in the expense in Maryland was much more modest.

"And here we are in 2023, where Maryland has actually been able, as a result of all-payer, to contain its overall hospital prices, the cost of prices for those procedures, to the point where Maryland had the lowest price or among the lowest price to handle a complex COVID patient. So this is something and it is working. " – **Richard Master**

Helpful Links

[Fix It Healthcare Films](#)

[Find a local screening of American Hospitals](#)

[Hospital Consolidation Continues to Boost Costs, Narrow Access, and Impact Care Quality](#), *Leonard Davis Institute of Health Economics, University of Pennsylvania*

[Health insurance consolidation: Good for consumers?](#), *Benefits Pro*

[Maryland Total Cost of Care Model](#), *CMS.gov*

[Meaningful Value-Based Payment Reform, Part 1: Maryland Leads The Way](#), *Health Affairs*

Episode Transcript

Read the full [episode transcript](#).

Biography: Richard Master

Richard is the Founder and CEO of MCS Industries Inc., North America's leading supplier of picture frames, decorative mirrors and other construction and consumer products.

Richard is a graduate of the Wharton School of Business at the University of Pennsylvania and Columbia University, School of Law in 1969.

In 1980, Richard founded MCS Industries, which evolved into a leading designer and manufacturer of picture frames, mirrors and home décor. MCS currently has manufacturing plants in the U.S., Mexico and China. MCS

customers are the largest mass-market retailers in the United States in addition to 2,000 small and medium sized retailers.

Richard has an active interest in public policy. He has served as a Chairperson of the Bethlehem Authority, which finances the municipal water system for 13 communities in the Lehigh Valley Region of Pennsylvania. Early in his career, he served as a trial lawyer in the Civil Rights Division of the US Department of Justice (1970-1972).

His interest in healthcare was triggered by the relentless cost increases his company and its employees have been experiencing annually since 2000. His initial research and investigation led him to form the "Unfinished Business Foundation", which led to the production of the films Fix It: Healthcare at the Tipping Point, Big Pharma: Market Failure and Big Money Agenda: Democracy on the Brink, as well as multiple educational short films about healthcare. Richard serves as the film series' Executive Producer.

In 2019, Richard formed Business Leaders for Healthcare Transformation, a coalition of business leaders, CEOs, entrepreneurs, sole proprietors, and concerned citizens who believe that the employer-based health insurance system is fundamentally broken and hinders American competitiveness. The organization's mission is to educate the public and the business community about the economic development potential of fixing our broken health care system.

In 2020, Richard formed the Lehigh Valley Justice Institute, an independent nonpartisan research, policy, and advocacy organization working to develop and promote a reimagined criminal justice system that is equitable and fair for all.

Biography: Wendell Potter

Wendell Potter is a former health insurance company executive who became that industry's worst nightmare. Time Magazine called Wendell "the ideal whistleblower." Bill Moyers called him a straight shooter. Michael Moore called him "the Daniel Ellsberg of corporate America."

Wendell walked away from his job at Cigna, the giant health insurance corporation, in 2008 after what he has described as a crisis of conscience. Now, Wendell is President of two organizations -- the Center for Health & Democracy; which publishes HEALTHCARE un-covered and houses the Lower Out-of-Pockets NOW Coalition and Business Leaders for Health Care Transformation.

Wendell has explained how insurance companies flout regulations designed to protect consumers, and how they intentionally make it nearly impossible for consumers to get information they needed about their policies in language they could understand.

Wendell went on to become a bestselling author. The New York Times called his first book – *Deadly Spin* – "a tour de force." Pulitzer Prize-winning author and historian Doris Kearns Goodwin called his most recent book – *Nation on the Take* —"a stirring guide for how we can work together to reclaim our democracy and reunify our country."

Wendell has also written numerous articles for publications in the U.S. and abroad, including the New York Times, the Washington Post, USA Today, the Los Angeles Times, the Chicago Tribune, Newsweek and the Guardian, and has been a frequent guest on TV and radio.

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