



'Scot free from scrutiny?'

The overlooked role of hospitals in America's healthcare fiasco

American Hospitals narrator: Can Americans afford hospital care when the cost is twice the amount paid by other advanced countries? Is high cost preventing access to the care that they need?

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**.

(music)

This time on **Code WACK!** What led the CEO of **MCS Industries**, the leading supplier of picture frames and decorative mirrors in the U.S., to launch a series of films about health care? Hint: It has to do with the toll our healthcare system takes on American businesses and employees today. And what role do hospitals play in driving health care's astronomical pricing and monopolistic practices?

To find out, we spoke to **Richard Master**, the CEO of MCS Industries, founder of Business Leaders for Health Care Transformation and executive director of American Hospitals, the latest film in the 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 first episode in a two-part series about the film American Hospitals.

Welcome to Code WACK! Richard and Wendell. I just saw your documentary American Hospitals, and I thought it was really powerful.

Potter: Thank you so much Brenda. Glad you watched it. Glad you liked it.

Q: Thank you, Wendell. Richard, American Hospitals is the fourth documentary about health care that you've produced. Why have you dedicated yourself to making these documentaries?

Master: This is Richard, Richard Master. I'm the CEO of MCS Industries. At MCS, we have responsibility for about 300 members of a health plan here for 140 workers and this goes back 10 years ago that we started to turn over the rocks of the healthcare system. We did that because we were receiving persistent annual double-digit increases in healthcare costs, and we wanted to understand why this was happening. Sometimes they were high double digits, 20% and 30% on an annual basis. Today, a family plan at MCS is very close to \$30,000 a year. That's \$15 an hour, and some of our employees are working in distribution centers and making \$20, \$21, \$22 an hour so when you look at the cost of the healthcare benefit and what it means to them, it really is dramatic and something that needs to be addressed.

We felt it was our responsibility to address it. So we looked initially at the insurance industry, and that's how we became familiar with Wendell Potter. And ultimately Wendell became an associate producer of this series and a very important person strategically for our initiative. We looked at insurance companies and that was called Fix It: Healthcare at the Tipping Point. We took the approach that we wanted to understand the situation and the problems we identified as significant, and then we wanted to look positively at fixes. Wendell introduced us to various ways to address health insurance and what the alternatives were, including Medicare for All, which we ultimately endorsed in that movie.

Q: Right, I learned so much from that documentary about how single payer works in Canada. And then what did you do?

Master: So we went from there to pharma and we looked at pharma and we produced a movie called Big Pharma Market Failure, which really described the inability of the market system to discipline price in the United States.

What we're seeing, particularly on specialty drugs, an outrageous set of prices, mostly protected monopolies that are protected by patent law in the United States, even though the government does have the power to get pharmaceutical companies to negotiate underutilized regulation enforcement efforts, again, by our government. Because we looked at how the healthcare industrial complex was protecting itself, we did a movie called The Big Money Agenda, Democracy on the Brink, which really tracked how the health sector was influencing national health policy in the U.S. Congress.

And our last movie, the movie that we were, you know, most anxious to do, but also really most concerned about doing was American hospitals. We were concerned because American hospitals are so powerful. In 90% of the population centers in the United States, you have really monopoly-like power, political power. These are the largest employers in our communities. They have huge financial reserves. They're in many cases the largest developer of real estate throughout the United States. So, and this is what we are revealing in our movie, and we're looking at Maryland, the innovation of all-payer and global budgeting in Maryland as something that we think could be a significant solution to controlling the runaway prices that hospitals are using.

Q: Got it. we'll talk a little bit more about the all payer system later on, but for now, one of the people that the film features is John Kimmich who owns a small brewery.

"Health care is on our minds every day as business owners. It is insanely expensive, it is mind-bogglingly complex, and it is probably the biggest waste of time as business owners that we experience on a day-to-day basis. "

Richard, as the CEO of MCS industries, the leading supplier of picture frames and decorative mirrors in the US with hundreds of employees. What have you learned about providing health insurance to your employees?

Master: Mr. Kimmich and I are in lockstep on this, and it is a challenging issue for MCS to deal with. We have HR staff that is devoted in large extent to wrestling with problems that our employees have in securing and paying for health care. And it's something that really isn't in the stream of what we do in our business. It has nothing to do with our business. And we're really, we question whether or not businesses should pay for this, but should they be administering the healthcare plans for their employees? That was the attractiveness of Medicare for All that the business community would get out of the day-to-day responsibility of a practice that they have really little motivation or knowledge to address.

Q: <Affirmative> Great. Thank you. Wendell, would you like to add anything to that? What would you like to say about the struggles businesses face dealing with health insurance hassles?

Potter: Yeah, this is Wendell. The business community has been taken advantage of by big insurance companies because insurance companies have been extraordinarily ineffective in controlling healthcare costs. And in fact, employers need to know, and I think this movie helps to explain that, that insurance companies not only are ineffective, they're not even motivated to bring healthcare costs down because as hospital prices go up, as drug prices go up, insurance companies, because frankly, they're the only game in town – there is no public option, there is no single-payer system – they have to work with insurance companies and they get hit every year with premium increases as Richard has, as the Kimmichs have in Vermont and we've got to do something more than rely on insurance companies to bring down the cost of hospital care or medications for that matter. We saw that the federal government at long last did begin to allow Medicare to begin negotiating drug prices, beginning with a few drugs.

Now they need to turn their attention to hospitals as Libby Rosenthal, who is the editor of Kaiser Health News says in the movie hospitals have largely gotten off scot free from scrutiny from policymakers and the media and we made this movie to change that, to make sure that both employers and policy makers and the media begin to pay attention to what is happening to hospitals and to know that there are solutions. We don't necessarily have to rely on Washington to act. States can get involved, as Richard said, as Maryland has, to bring the cost of hospital care down.

Great point. Thank you. I was struck by this quote by David Johnson of 4sight Health.

"We're a rich country and the fact that people go to sleep at night and ruin themselves or maybe more importantly their families because of a medical condition, I think is one of the cruelest things we can do to the American people."

How does healthcare strangle the US economy and American families?

Master: Richard and I have talked about this quite a bit. When you have Americans having to pay so much for health care, the cost of a family premium now is well over \$20,000. And that does not even include what people now have to pay out of their own pockets before their coverage kicks in. People can be on the hook for an additional \$18,000 for a family out of pocket, and the consequence is that Americans have less and less to spend on other things.

We're spending more and more on health care to the point that it is now more than 18% of GDP and it's affecting the competitiveness of American companies. Warren Buffet has said that the U.S. healthcare system is the tape worm that is destroying American competitiveness. So if you've got someone like that saying that, you know that he knows what he is talking about. So that's another reason why we made this movie to help employers and everybody else understand that this makes no sense. It's not our choice to spend that much on health care, but we have no option. But it is restricting people from spending money in other ways, and it is requiring our businesses to spend money on things that are not part of what they exist to do.

Q: Mm-Hmm. <affirmative>. Right. Thank you so much. Richard, what would you like to say?

Master: Yeah, if you look at this from a macroeconomic perspective and also an historical perspective, in the 1960s, we were spending 5- 6% of GDP on healthcare. And the military expenditure in that period was 6- 9% of GDP and we were concerned about that. President Eisenhower and his farewell address indicated that he was concerned with something called "the military industrial complex." Well, here we are in 2023, we're spending 18% – not 5% – 18% on healthcare, and we're spending 3% on military expenditure. We're concerned about military spending, but we're not so concerned about apparently in the media healthcare expenditures, even though we're spending twice what other major industrial

advanced industrial societies are spending for better care than we're receiving. So what David Johnson is saying is that health care is the military industrial complex on steroids. We're spending one out of every \$3 in a \$4.5 trillion healthcare system ... on American hospitals.

And it's something that we all should be concerned about because hospital spending is increasing in cost faster than pharmaceutical drugs are increasing. We're at 6%. And this is what economists and I'm concerned about. I have a background in economics. The hospital cost curve is rising faster than GDP. The growth in the economy is growing, and that's why economists consider the healthcare system unsustainable.

Now, Maryland is the only state that really has gotten hospital costs under control through negotiation and regulation. And in Maryland, as a result of their innovations, hospital cost growth is less than the GDP growth of Maryland's economy. This is essential. We can do this and maybe we can sell a program to the American voters, a universal healthcare program, a single-payer healthcare program, which ultimately should be our objective.

Hmm. Right. Great. Thank you. The film also shares the story of Suzanne Thomas from Pennsylvania, who was diagnosed with cancer and had to give up her dream home for a 600-square-foot apartment to pay her medical bills. She didn't wanna leave her kids with medical debt.

"I just couldn't afford to keep my insurance and keep my house. It was either stay alive or get rid of the house."

How common are these kinds of stories and why should we all be concerned?

Potter: Well, this is Wendell, and unfortunately, they're extraordinarily common. Every day, more and more people are losing their homes, having to declare bankruptcy and otherwise go deep into debt, even with insurance. She had insurance, and still she was on the hook for so much money that she had to sell her house to pay medical bills. This is because of, again, insurance companies requiring people to pay so much out of their own pockets and it's especially punitive for people who have cancer. It is just morally wrong what is happening in this country to people like Suzanne and others. And it's one of the reasons why I

launched a coalition of organizations to push back against these high-deductible health plans like Suzanne was in and another young man who's in the movie who had declared bankruptcy – and hospital care is a big part of the problem.

If you have a health plan that requires you to pay thousands of dollars out of your own pocket and you have to go to the hospital for care, you're going to have to somehow come up with thousands of dollars. If you don't, you may have to file for bankruptcy and that affects not only you, but if you get a family, your family and generations to come. So it's, it's just morally wrong. We've got to get a handle on both hospital costs, all costs of healthcare delivery, and make sure that this trend to push more and more people into high deductible plans is reversed.

Right. The film explains that two years after a cancer diagnosis, 42% of patients have depleted their life savings, and the average personal loss from cancer is \$92,000. That's insane.

Master: It is.

Q: Richard, what do you want to add to that?

Master: Well, this is something that really motivated us from the very beginning. 10 years ago we thought, 'Hey, we've got a wonderful plan here.' We had sort of a Cadillac plan, we with a lot of bells and whistles, but it did have deductibles and copays, and the employees were responsible for paying for a family plan in the low 20% of premiums and I think the Kaiser Family Foundation has reports that the average premium share for small and medium-sized companies, and we're a medium sized company, is about a third of the premium is paid for – for a family plan by the employee himself/herself. So that's really serious. So then we ... asked our employees what their experiences were, and we met an employee who'd been with us for 20 years and didn't realize this was going on. You know, her husband got very sick. Ultimately he was a candidate for a kidney transplant, and he was having lots of therapies and drugs and et cetera, et cetera.

And she had out-of-pocket expenses with our great plan that were egregious. And she went on camera and said, 'I don't know how we can do this. What was the American dream all about for us? We're about to lose (everything).' And then she thought about it and said, you know, 'if anything happens to me, if I get ill, we're just going to have to throw in the towel. We're gonna go bankrupt and everything we've worked for for years is going to go down the drain.'

So what we did at MCS is we said, 'this can't happen here. We're not that kind of employer' and we self-insured the out-of-pocket expenses, get away from the insurance company because the percentage that the insurance company would charge us to run a secondary insurance policy for self-insured... you know, it just got to be that this was a smart thing for us to do to self-insure. And so we introduced a policy that no family would have to pay more than a thousand dollars a year. No individual would have to pay more than \$500 a year for health care and it relieved the problem. Of course, it affected our competitiveness, but it was the right thing to do.

That's amazing.

Master: These stories are just all over the place. We're just scratching the surface. 60% of the million personal bankruptcies in the United States are healthcare related. We can't continue to do this.

Thank you Richard Master and Wendell Potter. To find out where you can watch the film American Hospitals, go to fixithehealthcare.com/events.

Join us next time when we continue our discussion with Wendell and Richard about the film American Hospitals and possible solutions to skyrocketing health costs.

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.

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