The deadly calculation of our for-profit healthcare system

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911. What's your emergency?

America's healthcare system is broken and people are dying.

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!** How did a single mom in Kentucky, in the 1970s, become a physician, then a health insurance medical reviewer and eventually a whistleblower? To find out, we recently interviewed **Dr. Linda Peeno**, a physician and ethicist who has spent nearly four decades working to protect patients from harm and death by corporate healthcare systems. Dr. Peeno was played by

actress Laura Dern in the 2002 docudrama “Damaged Care,” and she was also featured in Michael Moore’s 2007 documentary “Sicko.” She has assisted in more than 150 legal cases to expose for-profit systems that have corrupted medicine and health care.

Welcome to Code WACK! Dr. Peeno!

Peeno: Glad to be here.

Q: Thank you. We're excited to have you. Tell us a bit about yourself. Who are you and how did you become interested in the field of medicine?

Peeno: I didn't choose medicine. Medicine chose me. I'm kind of nerdy bookwormy and I wanted to get my doctorate in philosophy and teach and do obscure papers that nobody would ever read, but I had a baby unexpectedly, so I suddenly had to make a living and so I thought, ‘oh, I'll apply to nursing school’ and got turned down because I had a baby and they said I couldn't do it with a baby and a single mother. So it was my daughter's pediatrician who said, ‘well, you just go to medical school’ and I thought that was impossible. But he and another colleague of his kind of took me under their wing and they practically did everything. They found out what I needed to take and what I needed to do and kept me encouraged and it turned out to be exactly where I needed to be but I grew up in a small town where I didn't know women did anything other than teach. That was the most professional thing that, you know, any woman would do that I knew.

Q: What an interesting story. So the two people that took you under their wing, were they both male doctors?

Peeno: Yeah, they were male doctors. I mean, it happened because I was in my pediatrician's office for a regular checkup (for) my daughter and he said, ‘well, you know, your daughter's fine. He said, but you look horrible. What's wrong?’ And I had just gotten a letter from the head of the nursing school, pulled it out and I broke into tears and he said, ‘well that's just outrageous’ and he went across the hall and got one of his friends and he said, you know, ‘we're gonna see that this girl gets in medical school.’ It was providential really.

Q: So what year was this?

Peeno: I started in (19)74, so it was in (19)72. My daughter was three years old when I started medical school.

Q: Oh wow, amazing. And so was this in Louisville or where was this?

Peeno: Yeah, the only place I could have even considered was Louisville 'cause my parents helped me with my daughter. I was a single mother and that was, there were only like eight women in the class to begin with. But to be a mother and a doctor, you know, that has informed almost everything the foundation of my love for medicine because, you know, I came into it I think with a higher level of maturity than I would've been as an ordinary 22-year-old on the traditional pre-med track.

Q: Yeah. Wow. And did you ever have a clinical practice?

Peeno: I did when I married my husband then. He was an OBGYN and so I didn't actually have a private clinical practice, but my background was in infectious diseases. That was my dream. If I couldn't be a philosophy nerd in some university, I was just gonna go stay in infectious disease. But we adopted one of my daughter's friends and we got custody of my stepson. So I suddenly was overwhelmed. So I took a year off to kind of get the family settled and that's when (the) Humana job I started doing that. And then the rest ... changed the course of my professional life.

Q: Yeah, so tell us how you started working for Humana, a for-profit health insurance company. What did you do there and what was that experience like?

Peeno: Well, the first part-time job that I had during this interval was one of the hospitals that I trained at, I knew all the doctors. It was right when the DRG system, what was called Diagnostic Related Grouping, was a new way of Medicare paying for hospitals for patients. So instead of like, you go in with pneumonia and you, the hospital can bill for everything that was done. Instead you bill for the diagnosis so it wouldn't make any difference whether the patient stayed two days or 200 days. You know, pretty much you've got that fixed amount.

Well that shifted the management of patients, Medicare patients, to the hospitals. So my first part-time job was to work with Norton, Norton Health System. And I would work with the doctors to get the patients out of the hospital. And I love that. I mean, Norton was a very patient-based philosophy, the physicians were all great, and we all had this focus of doing what was best for the patient. Well one of the surgeons there turned out to have stock at Humana, said, oh, Humana's looking, you know, 'this company in Louisville was looking for doctors to kind of help doctors do the same thing except in the insurance industry.' So that's how I started working there and I thought, you know, I would be doing the same thing, that it would be patient-centered first, doctor participation and involvement and it was radically different.

Q: Got it. So how was it different at Humana. What you were doing that was different and what was your title?

Peeno: Well, I was what was called a medical reviewer and what we did was Humana had set up the system where, first of all, they're based in Louisville. They were started here in Louisville. It was two lawyers that were running a couple of nursing homes or a few nursing homes and they got this genius idea of let's buy hospitals and let's create an insurance company and let's require our insurees to go to our hospital. We'd make money at both ends. Well, they implemented a system where you couldn't admit a patient as a doctor unless you got approval from the insurance company. So every admission had to come through and be reviewed by the medical reviewers.

So if a doctor wanted to put someone in the night before surgery or do a particular surgery, whatever, they had to come through our group of medical reviewers. It was similar to what I was doing at the hospital in that I was supposedly working with physicians to figure out the best, you know, way for the patients, at least that's what I thought. But it turned out very quickly, 'look your job,' they said, you know, 'every claim we paid is a loss to the company. So everything you approve is a loss. So you've got to deny as much as possible.' That's when I began to realize this is very different than what I was doing at the hospital.

Q: So to clarify, you're reviewing what patients' doctors think they need for their care? The patients' own doctors have decided this is what they needed and you're doing a review by the insurance company, so you can basically overrule or override the patient's own doctor's judgment?

Peeno: Oh, and we were expected to, you know, and it's a system that was flawed from the very beginning 'cause here I was a new physician reviewing requests from neurosurgeons and cardiovascular surgeons and endocrinologists, I mean specialties that I had no experience with, but I was the final authority. They told me 'we need you here to use your medical degree to give validation to our economic decisions.' The year that I was there, I didn't get to participate 'cause I left before, but they implemented a bonus system (for) the doctor at the end of the year who had the highest denial rate and they monitor our rates, you know, every month, you know what is our denial rate. And that still happens. When I work in legal cases now, I still see, you know, depositions from medical directors. They are under the same sorts of pressures.

Q: So how did you feel about that – that your charge was to basically deny people health care?

Peeno: It was a slow process of understanding because this was at the very beginning, nobody understood what was happening in health care. And so it was a slow process of sort of trying to understand 'cause I went into the job wanting to do the best thing possible for patients and then I started getting, you know, the little critiques by my supervisor. For example, he'd come in and he'd review every one of my approvals – my denials automatically were okay because they were denials – so then I'd have to justify why this particular person needed an emergency hysterectomy, or why this little baby needed tubes in their ears. Or a person needed admission to an ICU so that was my first clue, you know, once I was told.

And then I guess the showdown was when I got a piece of paper with a request for a heart transplant. The patient is in the hospital, the heart is there in the little cooler box, and we're supposed to be reviewing this for medical necessity? Well, nobody does a medically unnecessary heart transplant. So I thought, 'well this is the easiest approval I've ever done.' So I did this approval and then all hell broke

loose. You know, all these people started running, you know, 'oh my God, you can't do that. This person's in an out network hospital, we don't have a contract. We're gonna have to pay full charges and we gotta find a way to deny this.' And anyway, I was told that heart transplants were part of his exclusions in his contract. Well I never saw his contract, but you know, 'it was a contractual decision, an administrative decision.' So I had to deny it. And then everybody was jubilant. You know, we saved $500,000. That was the beginning. It all started kind of clicking because then I looked around at this entire floor of nurses and computers and doctors and then coupled with this piece of sculpture I saw on the rotunda and I thought, 'how many things do we have to deny to make enough money to support the system?' So it was a denial system. Profits were used to buy things like sculptures.

Q: Wow, and it's very expensive sculptures, I imagine.

Peeno: Well, I was told at the time that it happened that I denied the heart transplant, they were just putting in this particular sculpture. One of the nurses' husbands worked in accounting and so she told me that he had seen the invoice and he thought it was $500,000, which conveniently was exactly what we saved with the heart transplant. So that was, that was the jolt, the electrical jolt. It was after the movie "Damaged Care" was made that I found out that it was actually $3.8 million is what that piece of sculpture costs. That's eight transplants worth.

Wow.

Peeno: That's only one piece of sculpture that was bought by this company that was making money hands over fist at the expense of patients.

Q: And so tell us what happened then to the gentleman that was denied the heart transplant?

Peeno: Well, he didn't get the heart transplant and he was already, you know, at the end point of heart failure. Of course, I didn't know at that particular moment, you know, what happened to him. But then later when I started doing some investigation, well actually it took a Wall Street Journal writer to find out for me. But it turns out that it took several months for him to die, which was hell. I mean,

that's cardiac hell. You know, he was at the end point, end point of, you know, congestive heart failure. He's just been denied his opportunity for a heart. He matched, I mean, I can't even imagine not just the physical pain and suffering, but the psychological and spiritual and emotional toll it took on him and his family. He was relatively young too. He had myocarditis, which is an inflammation where something attacks the actual muscle cells of the heart that make them work.

And we saw a lot of that after covid. That was one of the side effects of covid was myocarditis. And so anybody can get it. I mean, young, old, you know, it can happen to anybody. He didn't bring this on himself. This wasn't what he was expecting, you know, his life to be like. And you would expect at those moments that you wouldn't have a whole system designed and organized to keep you from getting a life saving treatment.

Wow.

Peeno: Because it was expensive.

Q: So this case of the gentleman that needed the heart transplant and didn't get it and ultimately died, the denial of that coverage, is that related to the type of health insurance the patient had?

Peeno: No, not necessarily because it, you know, at that time when I was at Humana that, you know, they were doing traditional commercial insurance, but they were beginning to implement what I call Managed Care tactics or practices. And insurance companies have always used, I mean, you know, with car insurance and homeowners insurance, you know, you have to go to the exclusions and you suddenly find out that the very thing you need is buried in 40 pages of exclusions. So insurance companies have always done that. It's just that these practices that were started and refined began to be refined in the '80s, started manipulating things like putting in exclusions for things that you would expect to be covered, like dialysis or, you know, some types of basic transplants. And so the managed care component comes when the insurance company uses its ways of manipulating those things in order to get out of paying claims. So what happens is the insurance companies will look for every possible way, loophole to avoid paying for this claim. So they'll use an exclusion or you'll have an exclusion, but

behind that exclusion, the insurance company will have a policy which you don't ever see. And they'll say, 'well, according to our policy,' 'yeah, on the surface it looks like we've covered this, but on our policy, we're more special specific and we don't cover this for you and then they'll manipulate it in some sort of way.'

Q: Wow. So was this gentleman on a Managed Care plan?

Peeno: No, he had just regular insurance and see this is the thing that too is that, you know, you don't get on a transplant list, you know, overnight. So he had myocarditis, he didn't sufficiently recover, his heart continued to deteriorate, and then he was put on the list, he was put through the transplant workup. All of this was approved. So you would think as a patient, you would have had the transplant. Who would ever imagine you'd get to the end and not get the transplant? And you know, since then I've been involved in several cases where the transplant was a covered benefit, but then behind the scenes, the insurance company was doing all kinds of things to make sure that the patient didn't get the transplant. Like dragging their feet knowing that they were gonna die without it or putting them through all these stages of appeals, you know, all these various things knowing full well they were not going to pay for a transplant, but they were gonna make it as difficult as possible to get and hope that you die before you get it.

Q: Wow, that's terrible. It sounds like there's always been an issue, but with managed care it's gotten worse because they're able to use it as another excuse to deny care?

Peeno: Again, you know, as long as you understand and think of Managed Care as all of the methods and systems and practices that are used to avoid paying claims. I know Managed Care has a regulatory and specific definition. Like a Managed Care organization is a specific entity. When we're talking about Managed Care practices, it's all those things that an insurance company does to limit, deny, substitute, delay, anything they can do in order to not pay a claim. You know, I include under that managed care umbrella, how they interpret benefits, the obstacles they put in for appeals, prior authorization, pre-certification of certain things, all the medical policies and procedures that they create that are behind the scenes. The use of AI and algorithms to determine, you know, what can be

done. Anything that influences what a physician can and cannot do, or what a patient can and cannot get kind of falls under that umbrella and they have taken every little aspect and refined it in some way so that with the ultimate objective to avoid paying claims, to avoid paying as much as possible, especially expensive things.

Q: You testified before Congress for the first time in 1996. What else inspired you to become a whistleblower and testify against the health insurance industry?

Peeno: I said this was a slow educational experience, you know, for everybody. 'cause nobody knew. I had come out of an era of medicine too where I saw the excesses of medicine, you know, as a student and resident where I saw doctors admit patients and they didn't need to be admitted. And, you know, surgeries done that were probably not necessary, which was one reason why I was glad to take the job at Norton, at the hospital. So when I realized I could not work at Humana under that kind of philosophy, I was asked to go to a nonprofit HMO that was competing with Humana and it was owned by three hospitals and one of them was the Norton system I'd worked at and it was, most of the physicians that were affiliated with it were physicians I knew and had worked with.

And so I thought, ‘ah, here is a way we can do it right’ and I genuinely believed that we could create a system that would be beneficial for patients and it was nonprofit. And then I found out that it didn't make any difference. You know, nonprofits had to use the same tactics in order to compete against the for-profits. You know, it took me about a year or so and, and really it was my husband, I was married to an OBGYN at the time, and he said, ‘Linda, nobody understands what's happening.’ And he said, ‘you've got to figure this out and you've got to start educating everybody,’ and that's when I finally quit the nonprofit HMO.

Thank you Dr. Linda Peeno. Next time, we’ll learn about the next chapter in Dr. Peeno's life, how she came to challenge the very ethics of managed health care, and what she thinks can be done about it.

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