The sordid financialization of America's healthcare system

“If you are in a Medicare Advantage plan, your doctor might be in it this year, but come January the 1st or sometime next year, they might not be in your network.” *- Wendell Potter*

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!** Why have previous U.S. administrations chosen to privatize Medicare and how has that complicated health care for patients? How do mega insurance companies benefit as a result? To find out, we spoke to **Wendell Potter**, a former health insurance industry executive turned whistleblower, the New York Times bestselling author of Deadly Spin and the president of the Center for Health and Democracy. He’s also the author of the Substack newsletter HEALTH CARE un-covered which chronicles out-of-control profiteering in U.S. health care, its impact on everyday Americans, and potential policy solutions.

Welcome back to **Code WACK!** Wendell. It’s great to see you again.

Potter: Brenda, It's great to be back. Thanks for inviting me.

Q: Thank you for being here. So we've long heard about the dangers of privatization of Medicare, the public health insurance program for the elderly and

severely disabled and Medicaid public health insurance program for low income people. Despite the dangers, privatization of these public insurance programs is increasing. We also know Donald Trump will likely increase privatization once he becomes president. How will this affect the most vulnerable Americans, our seniors, and the poor?

Potter: It will affect them adversely, unfortunately, the further privatization, and I think you're right, we can probably expect further privatization during the next Trump administration. It's important to keep in mind though, that this has been happening during Democratic administrations as well. So we've got to acknowledge that and know that a lot of the folks considered to be our friends and allies have been essentially enriching big insurance companies over the years by supporting the Medicare Advantage program and the privatization of the Medicaid program.

We, in years past, have seen that even many members of the Congressional Progressive Caucus signed on to a letter that was written by insurance companies lobbyists that extol the [alleged] virtues of Medicare Advantage. And one of the reasons just because there just simply was not an effective pushback from advocates. And so the industry pretty much had Washington as they wanted it.

That's so unfortunate.

I have myself been writing about Medicare Advantage, at least since 2012, but it took at least a decade before a lot of other people started paying attention. By that time, we saw that the Medicare program had been increasingly privatized to the point that now more than half of Medicare eligible beneficiaries are enrolled in Medicare Advantage. And again, this occurred during Republican and Democratic administrations, and when Republicans and Democrats at different times controlled Congress, we took our eye off the ball, sadly in many cases, and allowed this to happen and I think that we are where we are, so we've got to be vigilant.

The Medicaid program is similar, although largely at the state level. Most states around the country at the behest of private insurers largely turn the administration of their Medicaid programs over to private insurance companies years ago. And so the big insurance companies now, as a consequence, get far more money from our public programs, from us taxpayers than they do from their commercial private insurance plans.

Q: For those who don't know, can you explain to us why privatization is potentially so harmful to patients?

Potter: It's because of the dominance of a few big insurance companies that are Wall Street firms, or at least their stock is traded in the New York Stock Exchange. The big players in Medicare Advantage nationally are United Health, Aetna, which is owned by CVS, and Humana, which is also a big for-profit company. Collectively, those three companies every year grab about 80% to 90% of the new enrollees into Medicare, into Medicare Advantage. They do this because they've got the money to spend on advertising that is misleading, and they have turned the Medicare program into their big cash cow. It's disadvantageous to seniors and people with disabilities because their advertising is very misleading. You never hear anything in their TV commercials or in their mailing materials about the shortcomings of Medicare Advantage. I refer to it often as Medicare Disadvantage. You never hear that people in those plans [are] often subjected to prior authorization, which means that there is someone at the insurance company that will decide whether or not you get coverage for something your doctor says you need.

Every year, people who are enrolled in Medicare Advantage plans are denied coverage for lifesaving care, medically necessary care.

How infuriating.

Potter: And the fact is, too, that they have limited networks of doctors and hospitals, and increasingly doctors and hospitals are dropping out of Medicare Advantage networks because they have learned, these providers have learned that these big insurance companies in order to enrich their shareholders, are short changing them. In other words, they're delaying and not paying as they should, doctors and hospitals. So a lot of them are dropping out of these networks. People need to know that your doctor, if you are in a Medicare Advantage plan, your doctor might be in it this year, but come January the 1st or sometime next year, they might not be in your network. And people need to know that if you go out of network to get your care, that you will be facing very high out-of-pocket costs.

Right, many people don’t even realize that.

This is especially true in a lot of places where people enroll in Medicare advantage HMOs in South Florida, I'm very much aware of, and I'm sure it's in California and elsewhere as well too, a lot of the provider networks are just limited to one county or sometimes contiguous counties, but you might not be able to get coverage

across the state line, or if you travel out of the state on vacation or go to another place, a warm climate in the winter, you may not have anyone in your network. People don't know this. They never hear about this in any of the advertisements. And Congress has let these companies get away with it year after year, including Democratic administrations and Congresses.

Q: Got it. So what about the industry? How is increasing privatization affecting the health insurance industry and how does it affect their profits?

Potter: For example, they're getting more and more of their profits from these programs. We as taxpayers are making it possible for their shareholders to get extraordinarily rich. Even if you're not eligible for Medicare or Medicaid, you are financing these companies because we pay our taxes and our taxes are used in these public programs. I think we tend to think of Medicaid in particular as a program that's administered by the government or people who have low incomes. But the reality is if they're actually administered by private insurance companies in almost every state. There are a few exceptions, but we as taxpayers are funding these programs and a lot of our money is going into these insurance companies. They're making record profits and the money that we send to them, or that the government is going into the pockets of their top executives and their shareholders.

Q: And they're earning those profits with our money at the expense of patients, doing all these things to make care less accessible.

Potter: That's right. When we look at Medicare Advantage it's administered by the government agency, the Center for Medicare and Medicaid Services. And over the years, the government has tried to put things in place to make sure that these companies don't just go after healthy seniors and they don't drop people when they get sick. The government developed a complicated means of reimbursing these companies by paying them more to care for people with preexisting conditions, with chronic conditions, and these companies figured out that they could rig that system by claiming that the people who are enrolled in their plans are sicker than they really are.

In many cases, they'll send a nurse out to a person's home to do a health risk assessment or something like that. Based on that meeting, the nurse will claim that the person they've been talking to has chronic conditions, that many cases that the person has never heard about and doesn't even have. But the company will claim that this particular person has this condition and they'll get more money from the federal government. And this has been going on for years and years. It's

been estimated that the government for this one means alone is overpaying these companies up to $140 billion a year.

Q: That's astonishing. Do you think increasing privatization is having an impact on healthcare industry mergers and acquisitions?

Potter: The reason that there are three big companies involved in the Medicare Advantage program is because they've gobbled up competitors over the years. UnitedHealth Group in particular is a product of numerous acquisitions over the years, so smaller competitors. So these acquisitions have contributed to these companies being massive in size. UnitedHealth Group is now the fifth largest company in America based on revenue on the Fortune 500 list of companies. CVS is right behind them at number six. And again, CVS owns Aetna and Aetna's one of the big players in Medicare Advantage. Humana is not too far down the list. So those three companies control this program more than any other. While there are regional players like Kaiser Permanente and Blue Shield of California and other Blue Cross plans that participate in the Medicare Advantage program, the reality is that just those three, United Healthcare, Humana, and Aetna control, they get most of the money from taxpayers.

Good point!

Potter: And the other thing that we need to understand is that these companies have changed their acquisition strategy over the years. Initially, they were buying smaller competitors several years ago, they shifted [to] a strategy to get more and more into healthcare delivery. They now own physician practices and clinics. They have pharmacy benefit managers, and so they're able to funnel the people who are enrolled in their health plans, to the doctors, the physician practices that they own, to the clinics that they own and operate, and to get their medications through their own PBMs. So they're making money that way as well. So it has certainly been to their advantage – they being these big insurance companies to get deeper and deeper into healthcare delivery because they're able to do exactly what I describe, and that's another way that they're able to rather even more of our dollars.

Right. They're controlling the market vertically and horizontally at the same time.

Potter: That's correct.

Q: So last year in 2024, the Federal Trade Commission, the Department of Justice and the Department of Health and Human Services announced a cross agency inquiry on greed. In the healthcare industry specifically, they mentioned private equity roll ups, strip and flip tactics, and other financial plays that can enrich

executives but leave the American public worse off. Can you talk about how these financial plays work?

Potter: When you're talking about private equity, in many cases, the private equity firm will buy controlling interest in a physician practice, for example, and they will expect to have a return on their investment. And sometimes they will cut expenses or they will create circumstances in which the physician practice is not able to be an ongoing concern. In many cases, they'll fold their doors or they'll try to sell them. We saw the consequences of this in Massachusetts and other states as well when a provider organization called Stewart, which is based in Massachusetts but had facilities elsewhere, had to close a lot of their hospitals as these private equity firms wanted to...they were cashing out. The hospitals couldn't raise funds any other way, so they had to shut their doors. That happens.

Wow.

Potter: What we're talking about here broadly is often referred to as the financialization of health care. And it's unique to the US healthcare system. We've largely turned our healthcare system over to profit seeking, profit making entities, and many of them giant corporations like United[Health] and Aetna and Cigna and Humana. They're listed on the New York Stock Exchange. Their number one mission is to enhance shareholder value. And so when you've got that as your top mission and shareholders as your top stakeholder, then you being, if you're an executive of one of these companies, you've got to do whatever it takes to satisfy Wall Street's profit expectations. So that means that you've gotta do things that often are not in the best interest of the people enrolled in your health plans.

That's why we're seeing an increased use of prior authorization in the Medicare Advantage program and in the Medicaid program, and private plans as well. It's why they're saddling people with out-of-pocket expenses that are higher every single year. Even if you have health insurance, you are going to be on the hook increasingly for money out of your own pockets before your coverage will kick in. This is all happening because of the constant need to enrich these shareholders, and these shareholders want these companies to spend less and less paying claims. It's happening in the Medicare and Medicaid programs as well.

Q: I see. So the FTC inquiry focused on increasing transparency and competition in the healthcare industry is the answer yet others have argued that healthcare is not a typical commodity where consumers can easily compare prices and shop around. That's because medical needs are complicated. Patients have limited time and information, limited access to the pool of physicians and so forth. You think

increasing transparency and competition is the answer, and has it helped when it comes to things like Medicare Advantage?

Potter: Transparency I don't think is harmful, but I think it's foolish for people to think that transparency of prices or anything else is going to make a big difference. The reality is that if you are sick, you are not likely to go shopping if you even know how to do that. For a low cost healthcare provider, we tend to think that if someone is charging a low price, it's probably someone who's not offering good quality care. So just because there's transparency, we may see a low price provider, but unless we also have knowledge and some believable data about how good they are in terms of providing care, the transparency has to not only be transparent with prices, but also the quality of care. But where do you get that information? How are you going to get that to people and how are you gonna get people at a time when they're not feeling good and they don't know how to access this?

Yes, I totally agree.

Potter: I don't think it causes necessarily any harm, except that it could have the unintended consequence of having people if they do shop for a healthcare provider, they may opt to go with a high priced healthcare provider thinking that provider might be a competition. I don't think there's any evidence necessarily either that having competition, certainly among health plans or healthcare providers has reaped a lot of benefits as well, too.

We spend in this country more than twice as much [on health care] on a per capita basis as any other developed country. We have competition in both health insurance and healthcare delivery more than any other country, but we spend twice as much on average. So something is not quite working Right. <Laugh>, when you're looking at competition, and that's related to another point that I was making. Competition doesn't necessarily work the same way in healthcare as it does in other sectors of the economy.

It can actually drive cost up. When you have a lot of hospitals in a region, you may have a surplus of beds and you will have hospitals that each of them investing a lot of money in the latest bells and whistles they have to charge more money... They're competing with each other. But that competition is actually in many cases driving up the cost of healthcare. Transparency and competition doesn't work in healthcare like it does in other sectors of the economy. People especially, I think Americans tend to think those are buzz terms, but people don't understand healthcare economics and, and understand how it is different.

Q: Uh-huh. what do you see Wendell as the answer to combating privatization in health care?

Potter: Policymakers need to be educated. They need to <laugh>, listen to what we're saying, <laugh>. They need to hear more about the problems of competition and transparency as they've only been hearing one side of the story. I don't think that we've done an adequate job of educating policy makers at either the state or federal level in an adequate way to help them fully grasp what's going on. We can't expect that they have seen the data and understand the issues as well as we do. So we've gotta be vigilant.

And while it is well and good to advocate for a single-payer healthcare system or Medicare for All that, you've gotta play offense as well as defense. And I think this is gonna be particularly true in the coming two to four years during the Trump administration and Congress is gonna be controlled by the Republican party as well. We've got to figure out how we can communicate and stop even more privatization from occurring. So that's defense. You've gotta do that. So there's a lot that we've got to do on a lot of different fronts, but we've gotta play offense as well as defense.

Thank you Wendell Potter.

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.

And don't forget to subscribe to Code WACK! wherever you find your podcasts. You can also find us on ProgressiveVoices.com and on Nurse Talk Media.

Code WACK!'s powered by HEAL California, uplifting the voices of those fighting for healthcare reform around the country. I'm Brenda Gazzar.