



The Real Cost of Health Insurance Nobody Talks About (Episode 316)

“Insurance companies and our politicians in many cases play this game of misdirection. They want us to look here at premiums and not notice that they're picking our pockets ... because they're making us pay more and more every year for care that we need.” 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!** Healthcare premiums aren't the only costs going up — patients are also getting hit with higher out of pocket costs, like deductibles, often under the radar. How is this hidden cost crisis affecting families — and what can be done about it? We spoke with New York Times bestselling author and leading healthcare reform advocate **Wendell Potter**. A former health insurance executive turned industry whistleblower, Wendell is now board president of the **Center for Health and Democracy** and editor-in-chief of **Healthcare Un-covered**, which investigates healthcare corporations and insurance conglomerates.

Welcome back to Code WACK, Wendell!

Potter: Good to be back. Thank you, Brenda.

Q: You recently wrote a Healthcare Un-covered post entitled 'The Other Healthcare Cliff. Americans are About to Fall off.' You say the real crisis is something most people aren't talking about. Why do you think skyrocketing out of pocket costs are flying under the radar compared to premium hikes?

Potter: Most of us just look at premiums, and that includes policy makers and politicians broadly, as if that is the only thing that is important for us to look at. But increasingly, people are paying their premiums and paying more and more every year. If they get it through the workplace, their employers are having to pay more of their share of premiums as well, but they're also pushing more out of pocket obligations to us.

And in fact, under the Affordable Care Act, there is a cap on how much we have to pay out of pocket, but it's extraordinarily high – around \$21,000 for a family. There aren't many families in this country who can afford to shell out \$21,000 and they have insurance and that's why we have more than a hundred million of us who are carrying medical debt – and the vast majority of those people have health insurance and sadly, we all get sick at some point or another, or we get in an accident and we find out when it's too late that we have to pay a lot of money out of our own pockets before our insurance company will pay a dime.

Q: That's a great point, Wendell. And I think a lot of times we don't think about the possibility of getting sick or getting hospitalized. We don't really even know how much things are gonna cost until we get the bill.

Potter: That's right. That's what makes health care and healthcare costs so different from anything else. And it depends on the kind of health insurance you have if you have health insurance. Most of us go through the year, year in and year out, relatively healthy. We don't need to test the limits of our health insurance policies, and we think that the coverage is gonna be there for us when we need it. But unfortunately, millions of us every year do have to test the limits of our health insurance and find out when it's too late that our health insurance is just

completely inadequate. That is a crisis and it's why a couple years ago I founded this organization called Lower Out of Pockets Now, and it is focused exclusively on that to try to raise the awareness of this burden that few people talk about.

Oh, that's wonderful.

Potter: Yeah, and we have over a hundred, organizations that are part of this coalition, and we meet with members of Congress – I do – and members of the coalition do to educate members of Congress on this. You see what happened when the Affordable Care Act was passed, it did a lot of good things, including setting a limit on out-of-pockets. Before that, there were no limits. Insurance companies could charge pretty much, or obligate you to pay enormous amounts of money. Even more than that, what we were talking about, \$10,000 a person, \$20,000 for a family in many cases. There was far more than that. I came across policies before the ACA was passed, in which families had to pay \$50,000 out of pocket before their coverage would kick in. People don't understand that insurance companies don't want to pay our claims. And by settling us with more and more out-of-pocket costs, that enables them to avoid paying for a lot of the health care that we need.

Q: And you also described this moment in your substack post as a kind of double whammy for families, skyrocketing health insurance premiums and out-of-pocket costs? What does that actually look like in real life for patients, especially people with chronic or serious illnesses?

Potter: Yeah, and sadly, people with chronic conditions or illnesses are the ones who are most adversely affected by this because in many cases, they have to rely on expensive medications or get dialysis or have to go to the doctor more frequently than the rest of us do. Or face hospitalizations more frequently than the rest of us do because of preexisting conditions or just chronic conditions. That can also include people who are diagnosed with cancer. You know, we don't expect to get a cancer diagnosis, but it happens to so many people every year. People have heart attacks, they have heart disease that develops. So it's not that we're talking about preexisting conditions all the time. We're talking about conditions that develop in the course of one's life, and particularly as you get older. So the way our

health insurance plans are structured, we are at greater risk and more at a disadvantage the older we get.

This year, premiums went up across the board. So that's the double whammy. Not only are we having to pay more in premiums, regardless of where we get our coverage, we're having to pay generally more out of pocket than we have. This has been going on for a number of years now, and it's one of the reasons why I left the industry. I was expected to be a cheerleader for these high deductible plans back in the early 2000s. And I left partly because I knew these plans were gonna be great for insurance companies, but they were not gonna be good for the rest of us, particularly for people who have low to modest incomes, and people who sadly get sick and get seriously sick throughout a given year.

Q: Wendell, how much of the increases that we're seeing in out-of-pocket costs would you say are justified because of rising healthcare costs?

Potter: I don't think any out of pocket costs are justified. In fact, I meet with a lot of members of Congress and say, 'why do we have high deductible plans to start with?' It was an invention of the insurance industry to avoid paying claims invented by them and their consultants. And it's worked brilliantly for them. These companies have made enormous profits in 2024. The seven largest insurance companies made over \$70 billion in profits and one way they're able to make that kind of money is by not paying claims and saddling us with a lot of out-of-pocket obligations.

Q: *The story of Doug and Shadeen Butcher is striking out-of-pocket costs, potentially jumping from \$3,000 to \$10,000. How common are situations like this?*

Potter: It's not unusual at all. It is increasingly prevalent in US health care in that people who have insurance, again, people pay less attention to what their out-of-pocket requirements are gonna be than they do at premiums. Insurance companies and our politicians in many cases play this game of misdirection. They want us to look here at premiums and not notice that they're picking our pockets while we're looking at premiums. They're picking our pockets by taking more money out of our pockets because they're making us pay more and more every year for care that we need. And the people who are most disadvantaged are the most vulnerable in our society. They are the people who don't have a lot of money,

but people who have preexisting conditions or get sick. It's just a backhand way of making people who are least able to pay, pay more.

The Affordable Care Act was supposedly addressing this, and it did do some significant good prior to the Affordable Care Act. Insurance companies often refuse to sell you a policy at all if you had a preexisting condition. About 30% of applicants in the individual market were denied before the Affordable Care Act on average because someone had had some pre-existing condition and they had a broad definition of that. People who had acne were often refused coverage because it was deemed a pre-existing condition, believe it or not. So the Affordable Care Act said insurance companies can't do that, nor can they charge people more on the front end for coverage. But they get you on the back end by making you pay more out of pocket. If you're healthy, if you're lucky, you can go year in and year out and pay very little out of pocket, but when you get sick, that's when it's gonna come back to bite you.

Yeah. And that's why we need health insurance for when we get sick, not for when we're healthy.

Potter: Exactly. We have the worst system of health coverage on the planet. We force people to make a gamble – to gamble with their health and their finances every single year. And because of this inordinate focus on premiums, people think, ‘well, you know, premiums go up.’ What they don't recognize is that, as premiums go up, the value of their coverage goes down every year. It's something that's called “benefit buydown” in the insurance industry. I don't know that there's ever been a year in my memory in which health insurance premiums went down. It's always going up. But what people don't really recognize or pay attention to or even know that's happening to them is that insurance companies are devaluing their policies, or our policies. They're making it, as I said, more difficult for us to get care when we need it by the greater use of prior authorization by increasing out-of-pocket requirements before our coverage kicks in. And also by limiting our access to certain doctors and hospitals. And this year in particular, the Big Insurance companies are saying they're gonna further narrow their provider networks. That means they're gonna kick out a lot of doctors and hospitals from their provider networks. And make it more difficult for us to see, in many cases, the providers that

we've seen in the past or that we would prefer to see. All of these together, these barriers work in the favor of health insurance companies helping them to meet Wall Street's profit expectations.

Q: Okay, so you point out that many people are switching in the post. You point out that many people are switching from silver to bronze plans to keep monthly premiums down even though it's a financial gamble. Are consumers really being given a choice here or are they being cornered into riskier coverage?

Potter: They're being kind of seduced into riskier coverage when you sign up or shop, if you will, for coverage on the ACA marketplaces – in California, it's called Covered California, and other states have different names for it. If you get your coverage through there, that's where you have to pay attention to, whether it's Gold, Silver, or Bronze. And you'll see that the premiums for a Bronze plan, they're less than they are for a Silver plan. So people think, 'well, I'll just go for the Bronze here because the premiums are less' without realizing, or even, even if they do realize that their out of pockets are greater, they'll just take this gamble that, 'okay, I'll go another year in good health and I won't be hit by high out of pocket costs.'

But the sad thing is that when people leave a Silver plan and go to a Bronze plan, they're leaving money on the table in many cases because the government still does subsidize premiums for most people who enroll in a Silver plan. What is being debated and what's making the news are so-called enhanced subsidies that were put in place during the pandemic and during the Biden administration to make the subsidies available to more people. So what is going away is those subsidies that have been able to help more people [whose] incomes might be a bit greater than what most enrollees have been in the past. 'cause keep in mind, a lot of people lost their jobs during the pandemic and to be able to get any insurance, they had to buy it on their own.

So the enhanced subsidies were put in place to make it affordable. And to a certain extent for people who had lost their jobs or didn't have an employer as an option to provide their health insurance coverage. Those enhanced subsidies are what went away at the end of 2025. And I would say Congress is not likely to extend them. The House has just passed legislation in early January to extend them. A number of Republicans joined Democrats, enough Republicans did, for that bill to pass in the

house. But I doubt that the Senate will follow suit. I strongly doubt that there will be 60 votes in the Senate for those subsidies to be extended. A lot of people who have been getting financial help from the government to buy their coverage will lose it.

It's a sad situation. I think the ACA did good, but it was built on shaky foundations and the faulty premise that we need to have health insurance companies in the mix. Why don't we just make the Medicare program available to more people – let people buy into the Medicare program or a lot of people, as you know, support having Medicare for All that in my view, would save us a lot of money. We're not there yet, but I'm hopeful that we can begin to get there, in which, at least the Medicare program can be opened up to more people down the road.

Thank you Wendell Potter of The Center for Health and Democracy and Lower Out of Pockets Now. Stay tuned for next time when we continue our discussion with Wendell about skyrocketing out of pocket costs and what we can do about it.

Do you love Code WACK!? Keep us on the air with a tax-deductible donation at heal-ca.org/donate.

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.