



PRESCRIPTIONS FOR HEALTH REFORM:

A PODCAST FROM THE BLUE CROSS BLUE SHIELD OF MASSACHUSETTS FOUNDATION

Transcript of podcast interview with David Goldhill, author of “How American Health Care Killed My Father,” published in *The Atlantic*, September 2009

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Q. Your professional background is not in health care, so why don't you start by recapping for us how the death of your father led to your serious interest in health care reform?

A. What happened with my father, and obviously, a tremendous tragedy for me and for my family. My father had walked into the hospital with pneumonia, was not a young man, he was 82, but in reasonably good health and acquired a series of infections in the hospital, sepsis, within 36 hours got very, very sick, and after five weeks, much of which was in the intensive care unit, he died.

So many of us have been through personal tragedies, it's an extraordinary loss, and there's a lot of very confused emotions, but I think what got me interested in the broader issues of health care is that within a couple weeks of my father's death, I read an article in the *New Yorker* by Dr. Gawande about preventable hospital infections, and how an estimated 100,000 Americans every year die. His article was really about the efforts of another doctor to have a series of sterility protocols adopted that had shown very large success in reducing, in some cases close to eliminating, the prevalence of this type of death.

As someone who had just lost a parent to this, I was angered by it, but as a businessman, I was kind of shocked, because my little exposure to the health care system, like most of us, as a patient and a relative of patients—my father was a physician and my sister's a physician—as a businessman, that was an incredible statistic to me because so much of our time in business is spent trying to get customers to like what we do, want our products and use us again, not to mention not sue us for mistakes, in any business. This is a country that's had large scandals

1

over E Coli at a fast-food restaurant, an amusement park ride that wasn't inspected recently, etc., etc., and here was 100,000 deaths. The number was just extraordinary to me. I really asked myself a question, how is it possible that an industry which by the way complains all the time about the unfairness of the tort system and the cost of malpractice and liability insurance, how is it possible that there are 100,000 preventable deaths?

What that did for me is it opened up really a line of inquiry. I suppose like most people I'd seen things in the health care profession that were just mystifying to me, just little things all over the place that again, as a business person, someone who's run a variety of different businesses but none in health care, just didn't feel in place with the contemporary economy. As I began to think about not just what happened to my father, but the broader issues, and of course, you can't miss the debate over the funding of health care, I began to see some patterns, and that's really how I began my research and why I wrote my article.

Q. What were some of those patterns you discovered? Why has it been so hard to maintain that quality and control costs?

A. I should start by saying that obviously some things are very different about health care than general industries, although having worked in a lot of different industries, I can tell you that almost any industry says that, but we naturally believe, because life and death issues are frequently involved, that health care is different. But I think the biggest overarching issue is: Is health care so different from the rest of the economy because it's inherently different, or because we've chosen to treat it differently? It matters because if health care lacks the type of quality and financial discipline that we see in other industries, because it has to, there's only so much you can do about it. But if it lacks those disciplines because we've taken those out of the system, then there may be ways we can reintroduce them and achieve a lot of organic benefits and reduction in the harm that's done by the system now that would not only be organic to the system, but would have all the dynamism and potential for innovation and self correction that we see in a lot of the market.

Obviously, anyone who's read my article knows that's the direction I'm coming from. I don't want to sound like I'm absolute on anything. This is not an ideological issue. It really more is a question for me of: We have a system that for some reason is delivering care to what seems like a shrinking population of ever-greater cost, year after year, irrespective of what's happening in the rest of the economy for almost 50 years now. And during those 50 years, the economy has grown enormously. The cost of delivering almost every other good and service

2



has declined. People are naturally healthier, despite obesity, and are living longer, and have, frankly, less risky lives. Technology has replaced some of the most labor-intensive functions in health care, as it has throughout other industries, and yet we have seen not only none of the benefit we see in other industries, we've see the opposite, we've seen ever-increasing cost and what feels like ever-shrinking accountability, at least when you talk about it on the level of the patient and the physician.

Q. You write that our collective search for the villains who have made this happen has distracted us from addressing some of the fundamental causes. So what do you see as the fundamental causes of this system?

A. Well, look, it's a lot more politically sexy to say it's the government's fault or it's the pharmaceutical companies or insurers or hospitals or doctors or whatever you want to. But I think unfortunately the reality is this is a systemic problem. I think the biggest issue is that we have chosen to create this illusion among our population that there's somebody else paying for health care and that anything that is health care will have someone else paying for it. Of course, at the level of health care spending, I think we're looking at two-and-a-half trillion dollars next year, that's literally impossible. There is no one else. We're all paying massive amounts for health care. It's coming out of one of our pockets, being put back in another one of our pockets when we use treatment. In so in doing so, in creating layer upon layer of distortion and lack of transparency and lack of relationship between the patient and provider, I think we've introduced into the system a lot of disincentives.

The classic one, of course, is the massive reliance on fee-for-service pricing. I think fee-for-service is an almost essential part of an insurance-based funding system, and yet we have an enormous amount of evidence that fee-for-service is wasteful, discourages those professions that are really about maintaining wellness and maintaining health, as opposed to performing treatments. That's one of the major ones, but obviously in terms of raw economic impact, it is a major one.

The other thing we've done is we've taken some of our most aware consumers out of the equation in something that's very important. I look back on the experience with my father in disbelief at how fundamentally passive my family was. And I think you see this culturally throughout health care. The reality is we as individuals make all our major health care decisions. There's no way to avoid that. And yet we lack the type of information, we lack the type of relationship with providers, that we have in any other service we acquire and hire. Obviously, it's an emotional time, but that doesn't change the reality that we are fundamentally responsible for making these

3

decisions, and yet this is an industry that almost totally lacks publishable data on results, is completely non-transparent when it comes to pricing, and rarely has the type of relationship with patients that almost all other consumer-facing industries have. Now, again, people say that's inherent in health care. I disagree. I think that's how we've built health care, and I think we're suffering the consequences not just in pricing, but also in quality and service.

Q. I want to ask about the solution you propose in your article, but first let me ask why won't the solution that looks likely to come out of Congress at this point solve those problems?

A. Well, there is no solution coming out of Congress. What Congress is doing is they are merely extending the current system, which is insurance based, administratively complex, involves ever-growing role for government in subsidizing, both through direct payments and through distorting market mechanisms.

For any type of treatment, we now basically have five different prices. We have a private insurance price, a Medicare price, a Medicaid price, a price for people without insurance who have money and a price for people without insurance who don't have money. That is absurd. There's no reason for that system except government's effort to disguise subsidies, but it creates massive distortion and allocation of resources, not to mention massive distortion in the role of profit in the system.

I'm a businessman, and the pursuit of profit is what I do for a living, but the social purpose of profit is to make sure that resources are allocated to what they're most needed. That's the purpose of profit and of course what we have in health care is we have an endless set of protected industries, often massively subsidized through government payments, that earn very large profits without at all changing allocation of capital resources. It's really private enterprise without competition. And I think arguably that may be the worst of both worlds.

Q. Would you recap the solution that you propose in your article?

A. I start with a couple of very big points that I think are often missing from this debate. Number one is that health care isn't health, and health insurance isn't health care. Increasingly what we've done is we have carved off an ever-larger section of our economy that can only be used for health insurance. The problem with doing that, of course, is it doesn't get us necessarily to the ultimate goal, which is health. So we massively overemphasize treatment over health, and we massively overemphasize insurance over any other form of financing.

One of the arguments I make is that I think there's an enormous amount of data out, whether it's the Dartmouth study or the wonderful book by Shannon Brownlee called *Overtreated*, that there's no such thing as this lump of health care that we have to have. That in fact how we finance it, how we incent it, very much alters how much care is prescribed.

Once you look at that and you recognize that you're not looking at, "We need this much care, how do we fund it?" but rather "How we fund it affects how much care we will use," and how care interchanges with other things that affect health. Once you start from that, you step back and say, all right, there's a variety of types of care involved in health care, from the frankly purely elective to the absolute urgent this second. And it's a very, very broad spectrum. The idea of financing this very broad range of goods and services with a single mechanism is not just theoretically a problem, but it practically creates distortions.

One of the things that got my article a lot of attention is I asked myself: A 23-year-old joining my company today, working here for his or her whole career, having a family, retiring at 65, living until 80, if you added up all of the amount of money, paid on behalf of that person and that person's household when they had a family, their share of insurance, employer's share, out-of-pocket, Medicare tax, employer's Medicare tax, Medicare premiums down the road, and you assumed that these things grew by only three percent, which is something that unfortunately hasn't happened in over 50 years, but let's be optimistic, that entry-level employee, starting at a \$35,000-a-year salary, would have \$1.7 million paid into the system on his or her behalf and while they had dependents, on the family's behalf. That's an extraordinary amount of money. That is for an entry-level employee. That's the system we have today.

My point is, let's move a lot of those resources back to the individual. A key component of what I'm proposing, though, is I do believe there needs to be catastrophic health insurance, true catastrophic, that is universal, cradle to grave, for all Americans. And I think there needs to be an absolute safety net rather than these series of very leaky, ever-stretched, ever-imperfect safety nets that our current system provides. That to me would be a bare minimum of any system. But the rest of it needs to be funded in a more balanced way so that wonderful disciplinary role that consumers have, again, not just financial, but also in terms of the service and quality, organically reenters the system.



Q. This sort of a consumer-driven system has been championed by Regina Herzlinger of Harvard Business School and others as you note in the article. I think your solution stands out in the very high deductible that you recommend, I think you say \$50,000, the use of credit, and the mandate that everyone have a health savings account. But, details aside, the consumer-driven system has come to be seen as a more Republican solution, although you state that you are a Democrat. So I'm wondering if you feel that you are crossing the aisle to adopt a Republican solution, or if the solution itself is more non-partisan than it's been given credit for.

A. I'm not personally that interested in politics. Partisan politics have reached the point of the silly. We are spending our entire energy, as far as I can tell, arguing about a public option that is not even in fact an option to make insurance markets competitive when they're not even competitive. So the side show of politics is fairly uninteresting to me. I don't know whether it's a Republican idea or a Democratic idea, I'm really only concerned with what can work.

Let me talk about the \$50,000 deductible. What I said, and it's very important, is that it will take a full generation to get there. You can't tell people on Medicare today, "Hey, guess what? You should have had a health savings account. We're eliminating Medicare." That's not an option. We're now in our, almost our 45th year, or approaching our 45th year of Medicare/Medicaid, and really the triumph of the insurer-based system. It's going to take a long time to wean ourselves off that, but we need to do it. The \$50,000 sounds very high, but in fact, if you think about what I'm saying—let's take the poorest of the poor. We're spending \$360 billion on Medicaid this year. We're spending another \$200 billion subsidizing Medicare. If we took that collective \$560 billion that we're already spending, we could buy a catastrophic insurance policy, and give a \$3,000 annual HSA contribution for 100 million people.

Now, that \$50,000 deductible, which sounds really high, even for the poorest of the poor there, and we're talking about I think it takes 25 years to get this system in, represents roughly 15 years of HSA contributions. When you think about it that way, you realize that it in fact is tied to all the resources we have. It is inconceivable to people that they could hit that high a deductible. You know, it's a basic principle—if we do the math and find 30,000's a better number, that's fine. The point is the principle that insurance is used to fund what insurance can only fund efficiently, which is unpredictable, rare, and major.

Q. Do you see any role for the government in the solution that you propose?

A. In fact, the funny thing is I actually see in many ways an expanded government role, but a more coherent one. For me, what the government would do is number one, it would provide that universal pool for catastrophic insurance. Number two, it would mandate HSAs. Those are mandatory. The important difference in HSAs, of course, is when you get to be a senior citizen, you can decide to spend it on something other than your care, if you want. You don't have to make the sort of use-it-or-lose-it decision that Medicare requires when it takes resources from you over your whole life and only gives it back to you if you're willing to have treatments.

But the third role of government, I think what I see is crucially different than its current role. Right now, government serves as sort of the massive confusing agent of health care, encouraging, as I mentioned before, various levels of pricing for the same service, endless hidden subsidies, rules that have the effect of preventing real competition. These insurance markets, for example, that the government is going to make more competitive with a public option are still going to be state by state, which of course makes absolutely no sense if you want to achieve competition in the insurance world.

I would transform that role from essentially government as the desperate, patcher-up of the current system, to government as the driver of a system that has a greater role for consumers. To me, it's appalling you can get better information on restaurants, schools, spas, dry cleaners, any service you can imagine, than on hospitals. The government's role needs to be to require absolute transparency in results, prices, and to be a collector of the type of medical data that will help consumers learn more about what they have and what their options are than the extraordinary disaggregated system we have today.

The reality is, one of the things that I think has really hampered us in health care is that here it is from a technological and knowledge perspective, arguably the most innovative and dynamic industry we have, and we're endlessly trying to solve yesterday's problems. We don't know what are going to be the most important elements of health care a generation from now. We don't know how they'll be delivered, we don't know what their cost will be, although clearly if we continue an insurance system, the typical disciplines on costs and prices won't be there.

What's important is that we build a system flexible enough to continue to be innovative and dynamic while at the same time, having the necessary financial discipline so that it's affordable. If you really want to look at what we've done in

health care for the last 50 years, is we have made it absolutely unaffordable to anybody who doesn't have insurance. Well, that's absurd. I can make as good a case that if you knew what was going to happen in health care over the next 30 or 40 years, 40 years ago, you would have designed a system that would have made it very hard for prices to stay up, much less rise as much as they have. We've got to do that going forward.

Q. Looking forward then, what are the first steps we would need to take to move towards your vision, especially given where we are with the new reforms coming out of Congress?

A. What is coming out of Congress reflects a political reality that 55 percent of America is happy with what they have. I think one of the enormous opportunities that this administration has missed was an opportunity to show people that if you're happy with what you have, it's just because you don't know what it costs. Very, very few of our employees here have a sense of how much health insurance costs the company.

Why does that matter to them? Because it affects potential wage growth, and it affects the number of entry-level jobs that can be created. I think most employees would be surprised to discover, you're earning \$50,000 a year, and your company is spending \$13,000 on your insurance, that's a 20% potential wage increase that went into health insurance. I think once you discover that, you're less happy with what you have, particularly when you know that a continued inflation in health prices of four, five percent above overall inflation means that coverage is going to get thinner, more expensive, higher deductibles, etc.

So, unfortunately, we are not at a point politically where we can look at fundamental reform, because of that 55 percent happiness. My guess is, though, with the changes that the administration and Congress are likely to make, health care will continue to get more expensive. While more people may well be insured, the value of that insurance will continue to decline. At that point, people might be willing to consider that the real problem with our system is not the uninsured, it's the insured. It's the extraordinary waste, inefficiency, of having so much insurance drive prices and unfortunately drive down quality.

8

Q. So you're saying you think it will be consumer dissatisfaction that will ultimately drive us in the direction that you're hoping we go?

A. I think so. I think there's very large interest groups in health care as you would expect for any industry that's approaching 20 percent of our economy, that have interest in the status quo. The only way to change the status quo, the only way that a politician is going to fight a group of interest groups that spent \$150 million in campaign contributions last year, is to have public support. Right now, I think the public still views government as a guarantor of their ability to afford health care.

My single favorite statistic in this debate, which nobody ever talks about, is that for the average senior citizen today, the percentage of their income spent out of pocket on health care exceeds that of the average senior citizen pre-Medicare. The whole point of Medicare was to create this sense of financial security among seniors, and yet seniors fight for ever-expanding Medicare, and certainly at the very least protection of Medicare. Almost no senior citizen I've ever spoken to can imagine that a senior in 1964, on average, and obviously, for somebody who had extreme spending, this would not be true, but on average, for the bulk of seniors it is, spent less, had this as less of a financial burden.

Q. If there was one thing you could advise Congress and the president right now, however, what would it be?

A. For me, the first rule has got to be "Do no harm." I've asked several people in the administration to answer a fairly simple question that nobody seems to have done the actual work on, which is, at the end of the day, what people like about this bill is 29 million people, give or take, depending on where it winds out, are going to be insured who weren't insured before. And I've asked the question how many of those people will be better off for being insured?

The first answer is usually "What are you talking about?" When you think about it, you think, all right, most of the uninsured are uninsured temporarily, so to the extent the bill further drives up health care costs, in exchange for that protection of insurance, they're going to be paying higher costs for the rest of their lives.

A lot of the uninsured are also unemployed. There's no question that adding additional mandate and expense to companies reduces their ability to create jobs or their willingness to create jobs, and when you compare those two factors to the number of people who will get additional treatment they need who were not getting it while they were uninsured, which is not all the uninsured, what do the

9

10

numbers look like?

Nobody's done it. It tells you a lot about how fundamentally religious the health care debate is. It's really about this very long narrative of "People are excluded from the system. How do we get them in?" as opposed to "Is the system a positive or negative one on average and at the extremes, and if not, how can we fix it or create a system that's more organically likely to produce better results?"

The reality is, for two-and-a-half trillion dollars in spending, we're not getting particularly great results. Everybody's got a story of a health care disaster that felt like it came out of negligence or disorganization. We haven't talked about the almost pathetic use of information technology in this most technologically advanced industry, what it's about, what it means. But the fact is, we're getting a bad deal for our two-and-a-half trillion, and the question's got to be asked, "If we spend another 100, 150 billion a year," and that's at optimistic estimates that have never been right in the past, "are we going to get better or worse?" And the idea that it will automatically be better because it's more, is one I don't think the facts necessarily support.

Frankly, what I would hope to see, which is not going to happen, is the politician sort of step back and say, "Where are we trying to get to? What would really work? What have we learned?"

Q. Last question, then. I don't want in any way to imply that health care is a game, but because you are CEO of the Game Show Network, I imagine you know a little about probabilities and predicting outcomes. So do you think we'll get there eventually?

A. It depends what "there" is. I don't want to handicap politics, but I think there's Stein's Law about unsustainable trends ending. When you look at the numbers I looked at, our way of funding health care is unsustainable. We're not really going to take 40 percent of some \$35,000 a year employee's income over a lifetime to fund his and his family's health care. That's not going to happen. That's where the numbers are. Medicare clearly cannot consume an ever-growing percent of our nation's resources without some break. So something has to end. There will be some fundamental reform. Whether it will be in the direction I'm proposing, which is a more balanced, what I would call sort of normal, industrial solution, which is a variety of ways of financing it, with subsidy for those things that involve clear social needs for those who frankly are too poor to pay for the care that we want every American to have, or whether it will be something more in

1 1



the direction of single payer or a greater government role, with explicit rationing, I couldn't tell you, but one thing I think anybody who looks at any of the numbers and trends here knows, is this cannot continue.

My greatest criticism of whatever bill comes out of Congress is anything we are looking at is patches on the system, is what I call arguing over how many stories we add to a building when we know that the foundation of that building is collapsing.

That's where we are now. What replaces it, I can't tell you. I've tried to obviously add a somewhat different perspective to the debate, just coming at it from an outsider's perspective. There are a lot of people who have done a lot of great work in this area, who would disagree, some who would agree, but I think most importantly, we have something that simply cannot continue. We may be extending it this year, and we may be adding to it this year, but it's simply not working, not just in terms of the money, although the money is clearly unsustainable, but also in terms of our not getting bang for the buck. We're not getting the quality of care and the service to patients and consumers we should be getting for 20 percent of our GDP.

