

Bitter Pill: Why Medical Bills Are Killing Us

-Steven Brill, *TIME*



“Where’s all the money going? I have spent the past seven months trying to find out” (2).

Follow the money.



“When we debate health care policy, we seem to jump right to the issue of who should pay the bills, blowing past what should be the first question: *Why exactly are the bills so high?*”



Routine Care, Unforgettable Bills

- “For \$469 a month, or 20% of their income, [Stephanie and Sean got] a policy that covered just \$2,000 per day of any hospital costs.”
- MD Anderson Cancer Center in Houston, TX said, “We don’t take that kind of discount insurance” (1).

- “...just to be examined for six days so a treatment plan could be devised would [cost] \$48,900, due in advance.”
- “The total cost, in advance, for Sean to get his treatment plan and initial doses of chemotherapy was \$83,900.”
- His bill included, “1 ACETAMINOPHE TABS 325 MG...[for] \$1.50, but it was for a generic version of a Tylenol pill. You can buy 100 of them on Amazon for \$1.49 even without the hospital’s purchasing power”(1).

- Other charges included, “\$283 for a ‘CHEST, PA AND LAT 71020.’ That’s a simple X-ray, for which MD Anderson is routinely paid \$20.44 when it treats a patient on Medicare, the government health care program for the elderly.”
- “In all, the charges for blood and other lab tests done on Recchi amounted to more than \$15,000. Had Recchi been old enough for Medicare, MD Anderson would have been paid a few hundred dollars for all those tests. By law, Medicare’s payments approximate a hospital’s cost of providing a service, including overhead, equipment and salaries” (2).

- “Recchi was charged \$13,702 for ‘1 RITUXIMAB INJ 660 MG.’ That’s an injection of a cancer wonder drug. The average price paid by all hospitals for this dose is about \$4,000, but MD Anderson probably gets a volume discount that would make its cost \$3,000 to \$3,500. That means the cancer center’s paid-in-advance markup on Recchi’s lifesaving shot would be about 400%.”

- “There seems to be no process, no rationale, behind the core document [the chargemaster] that is the basis for hundreds of billions of dollars in health care bills” (4).
- “[The chargemaster’s prices] were set in cement a long time ago and just keep going up almost automatically” (5).
- “That so few consumers seem to be aware of the chargemaster demonstrates how well the health care industry has steered the debate from why bills are so high to who should pay them” (6).

- “MD Anderson’s clinical billing and collection practices are similar to those of other major hospitals and academic medical centers.”
- “[MD Anderson had] a profit margin of 26% on revenue of \$2.05 billion, an astounding result for such a service-intensive enterprise.”
- “Ronald DePinho’s [the President of MD Anderson]...total compensation was \$1,845,000” (2).

- “DePinho’s salary is nearly two and a half times the \$750,000 paid to Francisco Cigarroa, the chancellor of the entire U of Texas system, of which MD Anderson is a part.”
- “...whether it’s Texas, Stanford, Duke or Yale -- [the president of the hospital] is invariably paid much more than the person in charge of the university.”

- “...of Houston’s top 10 employers, five are hospitals” (2).
- “...of New York’s 18 largest private employers, eight are hospitals and four are banks”
- “...18 of the 20 occupations that will grow the fastest in the U.S. by 2020 are related to health care” (3).

- “We spent almost as much [cleaning up Hurricane Sandy -- 60 billion -- as we spent] last week on health care.”
- “We spend more on artificial knees and hips than what Hollywood collects at the box office. We spend two to three times than much on medical devices like canes and wheelchairs, in part because a heavily lobbied Congress forces Medicare to pay 25% to 75% more for this equipment than it would cost at Walmart” (3).

- “In the U.S., people spend almost 20% of the gross domestic product on health care, compared with about half that in most developed countries. Yet in every measurable way, the results of our health care system produces are no better and often worse than the outcomes [of other nations].”
- Taken as a whole, these powerful institutions and the bills they churn out dominate the nation’s economy and put demands on taxpayers to a degree unequaled anywhere else on earth.
- “The health-care-industrial complex spends more than three times what the military-industrial complex spends” (3).

- “We’re likely to spend \$2.8 trillion this year on health care.”
- “That \$2.8 trillion is likely to be \$750 billion, or 27% more than we would spend if we spent the same per capita as other developed countries.”
- “Of the total \$2.8 trillion, \$800 billion will be paid by the federal government through Medicare and Medicaid.”

Medicare

- “...reimburses hospitals and clinics an average of four times as much as Germany does for CT scans” (6).
- A hospital CEO says, “We use the CT scan because it’s a great defense. For example of anyone has fallen or done anything around their head -- hell, if they even say the word head -- we do it to be safe. We can’t be sued for doing too much” (7).

Nonprofit v. For-Profit

- “...the 2,900 nonprofit hospitals across the country, which are exempt from income taxes, actually end up averaging higher operating profit margins than the 1,000 for-profit hospitals after the for-profits’ income tax obligations are deducted.
- “In health care, being nonprofit produces more profit” (8).

- “Under I.R.S. rules, nonprofits are not prohibited from taking in more money than they spend. They just can’t distribute the overage to shareholders -- because they don’t have any shareholders.”
- “...the hospitals improve and expand facilities (despite the fact that the U.S. has more hospital beds than it can fill), buy more equipment, hire more people, offer more services, buy rival hospitals and then raise executive salaries...”

- “...60% of the personal bankruptcy filings each year are related to medical bills.”
- “Ambulance revenues were more than \$12 billion last year, or about 10% higher than Hollywood’s box-office take.”
- “Physicians routinely receive substantial compensation from medical-device companies through stock options, royalty agreements, consulting agreements, research grants and fellowships.”

Can anything be done?

- See page 24.
- See page 27.
- See page 28.
- See page 29, 30, and 31.