

## Transcript: Part Two | What's Broken in American Healthcare—and How to Fix It

### Welcome And The Big Question

**Jeff Haffner** 0:00

Welcome to TCN Talks, an anatomy of leadership. We continue our conversation in Part Two, What's Broken in American Healthcare and how to fix it. With Dr. Don Berwick. And now here's Chris Comeaux.

**Chris Comeaux** 0:20

As we go to this next segment because I really want to talk to you about Medicare Advantage. You've been one of the most prominent critics of certain behaviors within Medicare Advantage. What specifically worries you about the current trajectory of MA plans?

### The Original Promise Of Medicare Advantage

**Dr. Don Berwick** 0:32

Well, can I go back to history a little bit? Because in order to understand the answer, we have to understand where Medicare Advantage came from. And by the way, what its potential was, and I would say what its potential even could be. So it came out of the HMO movement of the 1960s and even 50s, where we had organizations formed that combined the uh insurance and delivery aspects, Kaiser Permanente, the most famous of them. And over the 1950s, 60s, 70s, the best of these places really did a good job. I mean, they they were more like the integrated care systems that I that I mentioned before. I worked in one. I worked in something called the Harvard Community Health Plan. So I was a pediatrician on salary there. If I did more, I didn't make more money. If I did less, I didn't make more money. I just I just tried to meet people's needs. And we were being paid for the care of a population. So say here's 5,000 employees, please take care of them. Here's a check. Do your best. My job there was measurement of quality, by the way, that I was pediatrician, but also vice president for quality of care measurement. And these a few of these places really began to show what we were after: better care, better health, and lower cost. The triple A. We didn't have that vocabulary. So that led uh Congress and CMS at the time, HICFA, the Health Care Finance Administration, was called to say, hmm, Medicare beneficiaries are out there in the Wild West. They're, they're, they're, we, you know, we just pay fee for service for whatever they get. Maybe we should give them a chance to benefit from this more managed care. Managed care got a bad name over

time, but this was good managed care. This was like coordination. So the surgeon was talking to the internist, and every people do it, the way automated records came out of there. So we were all sharing the same information. So that led to a law which set up a second kind of Medicare. You could be in traditional Medicare, where the federal government paid individual doctors and hospitals and so on, or you could enter this special kind of Medicare where Medicare would contract with an integrated uh financing system and say, all right, Don Berwick, Medicare beneficiary signed up with you. You got, we'll pay you this amount of money per year, and you take care of him. And we're gonna watch, see how he does and how satisfied he is. The goal was better care and lower cost, and it made some sense. I always work in an HMO, as I said, the Harvard Community Health Plan, a good time, and I never would have worked any place else. It was wonderful to get to do that. Well,

## **When Insurers Turned It Into Profit**

**Dr. Don Berwick** 3:28

then it all went sour. The insurance company said, Hey, wait a minute, you mean you'll pay us money to take care of people? I want a piece of that. Because, A, then I can keep charging you, the government, more to take care of people. And if I withhold care, if I find a way to keep that money instead of spending it on care, I can bank it or or invest it. And that began the the insurance company side of Medicare Advantage. It wasn't called Medicare Advantage at the time. That name came forward in the in the in the first part of this century.

## **Risk Coding And The Upcoding Incentive**

**Dr. Don Berwick** 4:08

Um and the insurance companies got really good at ways to raise their income by take by sp by agreeing to take care of Don Berwick. And the big the main way they did that is with risk coding, because you see, Medicare, like Medicare didn't want insurance companies to go find only the healthy people. They wanted to take care of sicker people, too. So they said, well, look, we'll give you more money to take care of Don Berwick if he's got diabetes or if he has had a heart attack or something. And that risk coding meant that an insurer that enrolled me got more money if I had more illnesses. And that was, and that's not a small amount. That was like, you know, it could double or triple the amount you got paid for the care of the patient. And they got really good at that risk-coding game and other games. They began gaming quality scores, they began gaming where they were marketing. And over time, the Medicare Advantage industry, which was supposed to have

better care and lower cost, ended up costing more, a ton more, than traditional Medicare. Medicare beneficiaries got to choose. They could choose traditional Medicare or this new Medicare Advantage, not so new anymore. And over time, more and more people said, hey, I want that Medicare Advantage thing. Why? That was because the Medicare Advantage plans were using some of the extra money that got paid to market to me through marketing, but also maybe lowering the entry cost, like having zero premium for a while. Downstream, they would try to withhold the care, they'd use prior authorization or do something to keep me from getting the care. But up front, they could make it look awfully good. And especially people with lower income, if they could see an option cheaper than traditional Medicare, they don't have a lot of options. They have to take that option. And Medicare Advantage grew and grew and grew. Now it's over 50% of the Medicare beneficiaries are in Medicare Advantage. They chose that. Meanwhile, the amount of money that the plans have been able to accumulate and through risk coding and these other games has been phenomenal. Congress uh has uh somebody called uh set up a commission, the Medicare Payment Advisory Commission, which is a nonpartisan objective reporter on Medicare, and they reported last year that compared to traditional Medicare, Medicare Advantage for the same patient was getting paid \$80 billion a year more than traditional Medicare.

## The \$80 Billion Overpayment Gap

**Chris Comeaux** 6:46

What was that as a percentage? What do we like overall 112% compared to the baseline?

**Dr. Don Berwick** 6:52

Yeah, some 10 or 12% more. I mean, it was they were supposed to be five or six percent cheaper with better care. Instead, they're they're 10 or more percent more, 17% depending on the plan. And when you looked at the details, and and I've written a lot about this, they just upcode everybody. Uh, you know, uh 50% of the patients uh in one large uh Medicare Advantage plan were coded as having peripheral vascular disease, which Kaching, you know, added nearly \$3,000 a year to payment for them. So uh this game's been going wild. And you've watched the stock of the Medicare Advantage plans go up and up and up. Until recently, Congress and the has not had the guts to push back on it. Now, uh beginning in the Biden administration, uh, I think partly because there's so much money at stake, they began to put on some constraints. And uh, for example, they they took codes that were being misused and said, no, you can't use those codes anymore. Uh we're just you you you've lost faith. We've lost faith in that. And that

new coding system has saved some money, and it's also knocked the socks off the stocks. Of United Healthcare, for example, uh stock fell, I think, nearly 50%.

**Chris Comeaux** 8:12

It was great a little bit greater than 50% of that's worst point last year, I believe.

**Dr. Don Berwick** 8:17

And that's because that some of these games have been pushed back on. But the boy, believe me, this isn't over. The the amount of money being made in this Medicare Advantage gaming world is just phenomenal. And uh it's not going to be easy to bring under control.

**Chris Comeaux** 8:34

I didn't think I was gonna ask you this, and it is a bit of a conjecture question, but I think I've I've read statistics that as high as 55% of overall Medicare enrollment today. Um, but the the data is a little bit of a lagging indicator. I am finding more baby boomers that have now educated, like I don't want Medicare advantage. Do you think that maybe that it's reached its peak point and we might actually see the enrollment percentage go down? There's some people when I said national conferences like, what's it, you know, if you look at the trend line, so it's going to become 70, 80, 90 percent. And I, I don't know, I just see more baby boomers that are going. I'm not sure I want Medicare advantage.

## **Will Enrollment Peak And Politics Bite?**

**Dr. Don Berwick** 9:14

Um I uh there is some more of that. There's more education going on, people are understanding more uh and choosing not to. Uh, remember people of lower income have a lot of time with uh trouble with that choice because the upfront free, say free premiums, that's pretty attractive. It pulls people in. They don't realize later on they're going to be bitten if they really get sick. So it's you know, it's a horse race. Um, Congress has shown increasing uh willingness to look at this and it's been bipartisan. This is one area of policy where both Republicans and Democrats are raising their eyebrows and saying, do we really want this to go on? \$80 billion is a lot of money. I mean, that's if you can get that back into other uses. For example, making traditional Medicare better, uh, which is one of the possibilities, uh there's some good logic there. So I don't know, Chris. Uh I certainly think uh hopefully the the plans have strung out their their uh you know this long enough and that they'll be they'll be pushed back. But remember, we're the country with Citizens United Um and the uh in the Supreme Court ruling that says the uh uh private interests can can donate to political campaigns, and the amount of money that's flowing from the

health plans, which are getting super rich at this, uh to candidates on both sides of the aisle uh is enormous. And it's you know, if you want to keep your job in the Senate or the House, you may not want to ignore your donors. So we'll it we we we will see.

**Chris Comeaux** 10:49

Yeah, it's it's such a it's such a perverse thing. And you know, we've got the I didn't tell I was gonna ask you this either, but we've got kind of a bridge out sign 2033, I believe, although I recently heard maybe it's now 2028 that Medicare is gonna go bankrupt. And so do you think that that might bring all of this to a bit of a head? And it maybe a follow up question. I think it was T.R. Reid's book that said that about 15 to 8% of healthcare expenditures are due to this crazy bureaucracy of like, you know, the health insurance plans, et cetera, just all the shoots and ladders you got to go through just to get paid in healthcare. Um T.R. Reid told this great story. He's on this board and they were at this great ribbon cutting. And he goes, What kind of healthcare are we doing in that building? And the health administrator said, What are you talking about? That's the building and collections building that we're we're doing this big ribbon cutting for. And he used that as a good example of like, that's kind of what's wrong with healthcare.

## **Administrative Waste And The Single Payer Argument**

**Dr. Don Berwick** 11:46

Well, there's been good research measuring that, looking at the amount, the cost of administering this very complicated financing system in the United States compared to other countries. And we're off the charts. T.R. Reid was exactly right. Estimates are that the bureaucracies of payment, not Medicare, Medicare spends something between one and three percent of premium on administration. It's pretty simple. Um but if you look at the commercial side, we're looking at, yes, you're right, 15, 18, 20, 21, 22 percent of the total bill, total bill of a now approaching five trillion dollars uh is administrative, is that building you just described where the administrative uh functions exist. And it's it's just wheel spinning. It's it's taking my money and throwing it into a garbage pit. Um it is one of the things Congress is looking at, and the data are pretty clear. Now, of course, people say, oh no, no, no, I don't want socialized medicine, I don't want, you know, you know, if you can't get people say you can't get a hip operation in England, which has basically a national health insurance system. A, that's not true. You know, if you actually look at the data, there are some of the waits are longer in some of the countries that have national insurance, but that's not true across the board. And try to get a dermatologist or uh endocrinologist in this country, see how long you're gonna wait, because of the this incredible mess. Um and uh so uh the proposals to simplify uh administration are pushed back on with this rhetoric, but it would be according to the research, as just as you said,

Chris, it's the largest single pot of money that that is waste. It it's the it's the most efficient, most effective way America wastes money on health care is with complex administration. If we went to a single insurance system or a national health insurance system, all of that money, all of it, almost all of it, comes back to use to take care of people in hospice care and uh and make sure people get preventive medicine. So I, I don't know uh how long we're gonna uh uh agree to to to this kind of uh of waste. There are enormous amounts of wealth being concentrated, and that wealth turns into political political pressure in in uh in a country that so far allows you to basically buy votes, buy votes in Congress.

**Chris Comeaux** 14:16

Coming from you, that that that feels uh very profound and also very a little disheartening. Um, but do do you think that um you know my concern would be the bridge is out, 2033, let's say it's 2032, whatever the number is.

**Dr. Don Berwick** 14:30

Yeah.

**Chris Comeaux** 14:31

Yeah.

**Dr. Don Berwick** 14:31

Do you do I don't know. I mean, we we we've been kicking Congress has been kicking that can down the road. Each time that we see, you know, we're seven years from the American Medicare Trust Fund going bankrupt, somebody plays a game and it's told us it's going to extend another few years. Uh the Affordable Care Act did uh honestly extend the life of the trust fund because it it it did have some mechanisms in it that brought costs down. And and one of the important ones by covering more people, the Affordable Care Act covered 22 or so million more people. Uh the um the the money was there to pay the hospitals to take care of those people and they didn't get sicker. So so there's some some ways that we can use coverage to to save money. I don't I think the we've seen too much evidence that that games can be played with the way the trust fund is is managed and assessed to be for me to put a lot of hope on that. On the other hand, patients are really angry now, they're paying more and more out of pocket because the one of the places the costs are being shifted are to co-payments percent of premiums.

## **Employers As The Sleeping Giant**

**Dr. Don Berwick** 15:38

The other thing, the kind of sleeping giant here for me, and I'm not a political uh expert, but it is employers. Remember, even though we have Medicare and Medicaid and the VA, the Veterans Administration Health System and the Military System which all together, all of those cover maybe half of the Americans, about half of us still get our insurance through employers, which means you know, you work for a company and the company says part of the benefit of working here is we'll pay 75% or 80% of your healthcare premium, and you pay 20%, and that's a benefit of work. That's an employer-sponsored system. I'm sure T.R. Reid commented on that. Not common. I mean, we I don't know quite the history of how we got there, but that means that when General Motors or uh or uh you know uh any American company is watching its healthcare bills go up, they're paying a lot of that. And that's taking uh money away from their competitive pricing on a global marketplace, taking money away from workers that they could pay more uh so people could go to movies more or whatever they want to do. Um we have seen a real anomaly here, which is for four decades of concern about rising health care costs, the employers have stayed relatively quiet. They've not kind of in any sense risen up and said to anybody, the insurers, the healthcare deliverers, Congress, time out, enough is enough. We cannot preserve American competitiveness when we're paying twice as much for healthcare as in any other country on earth, and we're not getting the benefit in terms of the well health longevity of our workers. And I that's the dog that just hasn't barked here, or whatever the metaphor is. I don't understand that. I don't get it coming, though.

**Chris Comeaux** 17:35

Actually, so we started last year, and I think it is a uh a culmination of a lot of forces or a confluence of a lot of different things. I or heard, I love this guy. He's uh called Healthcare A to Z. It's kind of a mini podcast. It's like 10 minutes. He's got he gets on a whiteboard and he's got great data. But last year he predicted the average increases are at 35%. Right now, he's predicting this year the like 56%. That's huge for an employer. And so I think that coming to a head right now. I mean, you've seen some interesting things, right? Dr. Gawande with who is it, Berkshire Hathaway, Chase. There's been some interesting high-profile things that weren't successful. And the vision behind that was we've got to do something about this employer sponsored, have a more innovative model. And so I think that in the next two and three years is gonna become to a bit of a head. Then you've got the theoretically bridge out. And so I may be wrong, but I feel like I, and maybe I'm just being hopeful that there's a lot of things confluencing here and we finally got to fix this thing.

**Dr. Don Berwick** 18:34

I hope you're right, Chris. And you're right, the confluence is there. I mentioned the the uh effort I'm starting with colleagues on uh power to patients because they're they need voice. But I think you're you're you're right in concept. If you say who would benefit from

a healthcare system that is closer to the European average cost and closer to the European average outcomes, their costs are less than our 50% of ours, and their outcomes are better. We're like 40th in the world in infant mortality. Our health status is nowhere near the top of the world. People think we got the best health care in the world. Uh-uh. We haven't got the best health in the world. Of course, if you have you need cancer chemotherapy or an organ transplant, yes, you're you're you're as good in the United States as you are in any other Western democracies. But overall health status, we're like, we like lag European countries in health and longevity by four or five years, sometimes more than that. Uh I was just uh in part of Denmark where the life expectancy is, I think, seven years longer than in the U.S. at half the cost in healthcare. So who would benefit from going there? Certainly workers and families and people that are paying their bills every day and are now angry about it. Certainly employers, because remember they're picking up sometimes three-quarters of the tab here. They would be better off. Uh, communities would be better places to live, and we would have less burden and more ability to invest in in other things we care about than healthcare in our communities. I mean, almost everybody's better off. Almost everybody. So where's the votes here? I mean, if we ever got together and said, time out, new plan, and really made it happen, um, we could.

**Chris Comeaux** 20:30

I want to give you some encouragement because the baby boomers have transformed so many parts of our society and economy as they've aged. And the last frontier for most baby boomers, right, is the health, is health and health care. So you guys don't go quietly in the night. I love that you're putting this kind of pack together in the time that you're doing. Maybe that's the one final piece that might final bring this thing up to a head.

## **Hospice And Palliative Care As A Model**

**Chris Comeaux** 20:52

Well, let me kind of land the plane with a couple of questions or in our space of hospice empowered care. Many healthcare leaders describe they look at hospice empowered care as one of the few areas that does improve quality, but also lowering utilization. Do you see that serious illness central to solving some of these broad challenges? Like, or is this also our time for people to understand that hospice empowered care is part of the solution? Especially, I think the statistic is 85% of the futile care, which costs our country somewhere like 100 to 150 billion dollars, is futile care care. That's just one more test of this, one more line of chemo, whatever. And that's where it is beautiful. Hospice and powdered care will bend that cost curve. Do you see it similarly?

**Dr. Don Berwick** 21:38

I do, I do. A couple of cautionary notes. First, we should do it even if that weren't true. Uh I think advances in hospice and palliative care have been among the most dramatic and inspiring, I'll call it technical advances or care advances in my lifetime in healthcare. I it's it's a field that has grown, and you really if you if you study it, you Will come to tears of admiration. It's a great story. A little bit threatened now by the financialization that you've talked about, Chris, but at its heart, what an advance to understand that dying is it's it's part of life and it can be it can be a meaningful part of life, and we can develop organizations to help that come true. So I, I would never want to get cornered into saying we need to support hospice and palliative care because it'll save money. But it will. It always does annoy me a bit when I hear uh you know people blame the healthcare costs on patients who want all this, they want to be immortal. I don't think so. I think if you deal with people as reasonable people, they're reasonable people. And and they know they they they they read this books, they know what's going on, and they want to be cared for and accompanied. What's wrong with that? Uh and I I do think it's it's a route to some of the remedies that that we we want.

**Chris Comeaux** 23:34

I love that you said that. You know, again, I've been blessed to grow up in this for 30 years now, but I do believe it's one of the most brilliant models of healthcare devised. It looks at a human being, body, mind, spirit, socio-emotional component, which is why there's a team of professionals. You develop a care plan, you find out what matters most to the patient and the family. It's not just the patient, it's also the family. And then that care plan is a dynamic evolving as you keep asking that question. And then this team is always focused on delivering that care plan. Paradoxically, yes, the patient dies, but we get incredible satisfaction scores. And I think it comes back to that model.

**Dr. Don Berwick** 24:12

Yeah, and Chris, notice that we had uh audio, we play back the audio of what you just said, but now don't imagine a patient approaching the end of life. Imagine uh an elder who has uh rheumatoid arthritis, or imagine a kid who's got severe asthma, or uh, or just a grown-up who's worried or depressed. Everything you just said about what we want to bring to their to to the care of a hospice patient applies to them too. I think hospice is a it's not just a wonderful model for care approaching the end of life. It's a wonderful model for care.

**Chris Comeaux** 24:47

I could not agree more. Quite often I'll quote, I'm a bit of a history geek, and I love your you're you're part of a philosophical society. You may have bumped into this. Arnold Poinbe studied every civilization in the history of man, and he said the number one

indicator whether that civilization continues is what they do for the old and infirm that don't do for themselves. So I kind of say hospice might actually be the thing that brings our country together at a time we can't seem to have political discourse. And guess what? Both sides think the other side's trying to end civilization. If we come around and do something good with hospice palliative care, it may bode well for the rest of where we go as a civilization. And I've always believed what you just said. The model is really, it's its actually great principles of how you even would lead a team, no matter what your product is, to produce, bring us back full circle. Quintuple Aim, you know, any great business should be working on better quality, better service, lower cost, and a great work environment for their employees. I don't know if that sparks anything in your mind. I saw you smiling.

## The Moral Test And Speaking Up

**Dr. Don Berwick** 25:46

Absolutely. Well, you're bringing back when I when I came to work at CMS, uh, and uh at my my one of my offices was in the Health and Human Services Building, the Hubert Humphrey building. And uh, as I'm sure you know, Chris, when uh the building was dedicated, Hubert Humphrey spoke, and his words are now chiseled on the in the lobby of the building, and and they said that the moral test of a nation is in how it cares for people at the dawn of life, the children, people at the twilight of life, the aged, and people in the shadows of life, the sick, the needy, and the handicapped. And uh I saw those words every day, and I think it used right.

**Chris Comeaux** 26:28

Well, what final thoughts? I want to let you land the plane. If you're you are speaking directly to lots of hospice and palliative care leaders, what advice would you have to them as you peer into the future?

**Dr. Don Berwick** 26:38

Gratitude first, uh Chris, to you and your many, many colleagues out there. You're in a wonderful part of our healthcare system, and it deserves all the respect and all the support we could ever bring to it as citizens. I, I guess I think uh the message I would give to you is what I'm giving to everyone now, which is this is not a time for silence. We have uh a political atmosphere in the country which is um hurting people, and those of us who show up at work every day to help, if we don't exercise our voices now, if we don't speak to to and with our communities and say, no, no, no. There's a difference between right and wrong, and right is healing, right is care, right is compassion, right is is uh generosity to those who are currently less fortunate than we are, because someday we may well be

unfortunate too. We need to say that out loud. And it's at the time when it's scariest to say it that it's most important to say it. So speak up, speak up. That would be the message I want to give to you or to your community.

**Chris Comeaux** 27:40

Well, well, anything we can I hope you don't go silently into the night. This might be the funnest part of the funnest part of your career, and anything that we can do to help or amplify your work, you let me know in the future.

**Dr. Don Berwick** 27:52

Very kind of you, Chris, and uh I will be back with you for sure.

## **Brain Bookmark And Subscribe**

**Chris Comeaux** 27:56

Well, to our listeners, we want to thank you. The end of each episode, we always share a quote, a visual. The idea is to create a brain bookmark, a thought prodder about our podcast subject. This one's gonna be fun. The idea is to further your learning and growth and thereby your leadership. We're hoping it sticks like a brain tattoo. Be sure to subscribe to our channel. We don't want you to miss an episode. This would be a really fun one to pay for to all of your leadership team, your board of directors, some of your friends throughout the hospice and pality care field. You know, it's easy for us to rail against the world and be frustrated by things. Let's be the change that we wish to see in the world. So thanks for listening to TCNTalk's Anatomy of Leadership. And here's our Brain Bookmark to close today's show.

**Jeff Haffner** 28:34

"The pursuit of profit is not the answer to meaning in life or excellence in health care." "It's at a time when it's scariest to speak up that it's most important to speak up." by Dr. Don Berwick.

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