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Where's the Outrage?

After five years of dealing with the Affordable Care Act, I think it's safe to say we're all Obamacare fatigued. So rather than spend time writing another article about the ACA that no one's going to read, I'd like to shift gears from reforming the health insurance system, to paying for the cost of health care. Of course, finding a way to get more people insured is great in theory, but since health insurance is only as affordable (and sustainable) as the underlying cost of the health care it finances, it's not hard to see that the Obamacare effort is only half a solution to a much bigger and unbridled problem.

If you haven't read Steven Brill's TIME magazine article called *Bitter Pill: Why Medical Bills Are Killing Us* (February 20, 2013), I highly recommend you take the time to read it. Mr. Brill explores the out-of-control medical costs in the United States, and examines how obscene health care costs can wreck lives and financially devastate families. Unfortunately, the article stops short of providing a legitimate reason for this unsustainable trend, and it leaves open the question of whether there is even a solution to this multifaceted problem.

I could never write an article as informative and interesting as Mr. Brill's professionally written piece, but I do have some real life examples of what I consider insanely expensive medical costs that I'd like to share with you. Federal and state laws prohibit me from providing individually identifiable information about the claimants, so I've sanitized them accordingly. That said, I assure you these are actual claims submitted to WMI over the past three years, and I can attest to their veracity.

In an effort to keep this article manageable, I've limited my article to four basic illustrations of the most abusive and offensive billing practices I've seen. These absurd bills used to be the anomaly; but now, unfortunately, they are becoming the norm. I've thrown in a gratuitous but interesting anecdote at the end that illustrates what I consider to be billing abuse at its finest. Although that particular claim is amusing, it wasn't very expensive. Nonetheless, it still shocks me that a provider could find a way to justify billing for that service.

Air Ambulance:

One of the areas with the most outrageous billing practices is air ambulance charges. No one doubts the importance of this critical service, but air ambulance costs are out-of-control. These transport services come in two forms: rotary-wing helicopters for transportation between hospitals and from trauma scenes, and fixed-wing airplanes for long-distance transports. Rotary-wing air ambulance bills generally cost about \$120 per mile, with a \$10,000-\$15,000 base fee just to start the engine. Fixed-wing air ambulance bills generally cost about \$80 per mile, with an \$8,000-\$10,000 base fee. In 2012, WMI received a bill from an Idaho air ambulance company for a 74-mile inter-hospital helicopter flight for \$26,766. That pencils out to a whopping \$361.70 per mile!

Not to be outdone by its rotary-wing cousin, in January 2014, WMI received a bill for a 247-mile fixed-wing air ambulance flight in Montana for \$52,825 (\$213.87/mile)! At that rate, a flight from Los Angeles to New York would cost a staggering \$596,697! During a recent flight I took from Salt Lake City to Missoula on a Delta Airlines 50-passenger regional jet, I calculated that I could have purchased every round-trip seat on the plane for less than what was billed for that one fixed-wing air ambulance transport.

Implantable Hardware Markups:

WMI has seen huge markups on implantable hardware and related devices. Implantable hardware, which is billed separately and in addition to the normal hospital and doctor charges, includes artificial joints, pins, screws, plates and rods. Over the past ten years, providers have begun to mark these items up so much that they oftentimes exceed the price of the hospitalization itself. At WMI, we routinely see implantable hardware charges in the 400-500% of invoice range; however, the most abusive claim I've ever seen was from a hospital in Nevada. In that case, the provider purchased an artificial hip and related screws from the manufacturer for \$5,780, but billed the patient (and ultimately WMI) \$54,952 for those items. That's an astonishing markup of 950%, and it's in addition to the hospital and physician charges!

Prescription Drug Costs:

Year after year, prescription drug inflation far outpaces the consumer price index. This year has been no exception, with brand drugs rising at 5.4% (as reported by Express Scripts), compared to the CPI rate of 1.7% (according to the U.S. Bureau of Labor Statistics). Despite the fact that prescription drug costs already account for about 10% of medical premiums, these costs continue to drive premiums even higher.

We all have our own personal horror stories of particularly expensive prescription drugs, but few can compare to the 2014 hepatitis C drug *Sovadli*. This new drug, which is manufactured by Gilead Sciences, is promoted as a cure for the disease, but it comes with a hefty price tag ... \$84,000 for a typical 12-week course of treatment! According to the U.S. Centers for Disease Control and Prevention, more than 3 million people with the disease are living in the U.S., so it's not hard to see how the costs for this one drug could quickly rise to astronomical levels. More repugnant to American sensibilities is the fact that Gilead recently announced it would be introducing the drug in India for about 1% of the cost in the U.S. That's \$10 a pill in India, compared to \$1,000 a pill in the U.S.!

Second place in the skyrocketing prescription drug category goes to Questcor Pharmaceuticals' *H.P. Acthar Gel*, a drug that was originally approved by the U.S. Food and Drug Administration in 1952. In 2007, this was granted orphan drug status by the FDA for the treatment of infantile spasms. Overnight (literally, overnight); the cost of this drug went from \$2,063 a vial to \$29,068 for the exact same vial, and the cost of a course of treatment increased fifteen-fold to more than \$80,000!

Expensive Medical Claims in General:

I can provide countless examples of mind-boggling and ridiculously expensive medical claims, but in the interest of time, here are a select few that should provide a sense of the general abuse American consumers and their insurance companies encounter every day: (1) a neurosurgeon in Phoenix, Arizona charged \$156,000 for three days of services. (That's more than three times the annual median household income in the U.S.!) To add insult to injury, his assistant surgeon charged an additional \$70,000 for two days of service!; (2) a surgery center in Las Vegas, Nevada charged \$185,572 for an 88-minute surgery to remove 20 fatty tumors!; and (3) a WMI

insured who went to Dallas, Texas for back surgery was charged \$277,350 for a six-day hospital stay and related expenses and professional fees. That's \$46,225 per day!

Extraction of Teeth from a Dead Person:

A few years ago, one of WMI's insureds passed away. As it turns out, he died with a fair amount of gold in his teeth, so his family decided to have nine of the teeth extracted so they could harvest the gold. I'm not passing judgment on the family's decision (well, maybe just a little bit), but I can't help but question how a dentist could think it was appropriate or ethical to bill an insurance company nearly \$1,000 for the extraction of teeth from a dead person.

Final Thoughts:

Maybe I'm being naïve in my assessment of the health care industry or what medical costs should be, but I can't seem to justify, or even wrap my mind around, the ever-increasing costs that Americans are being charged every day. I'm sure there are plenty of people in this country who can afford to pay those sky-high costs, but I find it appalling. What's equally disconcerting is the fact that to date, all effort in Washington DC has been aimed at getting people insured and eliminating insurance company profit. With the exception of government-run programs like Medicare and Medicaid, virtually nothing has been done to control rampant medical and prescription drug costs.

Most people don't realize that insurance companies are simply the middleman between policyholders and providers. We collect premium so we can aggregate risk and protect the unfortunate individuals with health issues from financial ruin. Although we often have contractual discounts with certain providers, those discounts normally average about 15%-20%, nowhere near enough to absorb the markup we're seeing in the cost for today's health care. I would submit that unless and until the federal government tackles the political hot potato of unfettered medical costs, health insurance reform is akin to the little Dutch boy trying to plug the leaking dike with nothing more than his finger. It may work for a while, but ultimately, there has to be a universal solution or everything will catastrophically fail.

As Always ...

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