



Transcript of podcast  
interview with Jonathan Cohn,  
*Sick: The Untold Story of  
America's Health Care Crisis —  
And the People Who Pay the Price*

**Q: Your book is subtitled, "*The Untold Story of America's Health Care Crisis and the People Who Pay the Price.*" Who is paying the highest price under our current system?**

**A:** Well, everybody pays the price at some point in the form of higher premiums, higher healthcare expenses. We all pay for the inefficiency of our system. We pay for treatments that turn out not always to be the right treatments. My book, though, is very much about the most unlucky people, the people who get hammered with both the severe medical crisis and the inability to pay for it in one way or another, either because their insurance doesn't cover what they need or they don't have insurance, and how that impacts their lives. So, the book is really about those people, although the subtext is that it's not everybody who will experience that, but it could be anybody. That vulnerability in our society to catastrophic medical bills isn't limited to a small subgroup of people. It's not just the poor, it's not just the really sick. It could be you.

**Q: You discuss the history of medical insurance going back to the early 20th century, but focusing on more recent history, why have neither President Clinton nor President Bush been able to enact healthcare reforms?**

**A:** There are a lot of reasons, and there's nothing that people who follow politics like to do more than conduct autopsies over why we haven't gotten healthcare reform yet. I tend to think there's an error when people say "Well, it was this, or it was that. Well, you know, it's the power of the drug companies. No, no, no, it's the overreach of the activists." I think you can make a plausible case for many of those explanations.

If I had to talk about one, there's one I usually come back to discussing. I do think it's a lack of popular will. The problem is not so much that people don't want to have a universal healthcare system. I think they do. I think most people, if you take a poll, will say, "Gee, no one should have to go without insurance, everybody should be able to pay their medical bills." On the other hand, this is not something they feel personally, necessarily. I don't think so far we've gotten to the point where people have an overwhelming sense that this is a change we must have, that it's something that matters to them. When the debate starts, inevitably, and it gets into details, people start to get a little skittish, and they lose enthusiasm, and by the time you're done, you're not able to fix the whole system.

Now, that's at least how I look at the past years, recent attempts particularly during the '90s, when President Clinton tried to enact reform. For the record, I don't think President Bush really tried to enact anything like that. I don't think that was on his agenda. I do think that we're going to see another attempt now under President Obama, and I think the prospects are significantly greater this time around than they were last time around.

**Q: *Managed care was at one point seen by many as the solution to rising costs and improved quality of service. Why did it fail to take off?***

**A:** In a sense it did take off. Today, most private health insurance is in some form of managed care. More often than not, it's in what I would call a loose form of managed care. You have a network of doctors, and a network of hospitals. If you go outside it, you'll have to pay more. How much more will depend on where you go and when, and under what medical circumstances.

I think that it did fail in a way, it failed to live up to its early promise in most parts of the country, and that's because people forget what it was designed to do. The original managed care plans, or the ancestors of what we now call managed care, popped up in the late 1920s and the early 1930s. They were rural medical cooperatives, and later group medical cooperatives on the west coast. And the idea was to get a bunch of people who provide medical treatment, doctors and nurses, together, and to have them provide comprehensive, coordinated care to a group of people for a fixed sum over the course of the year. The idea was that you in that setting, medical care was more efficient, you didn't have incentives, say, to treat more, you simply tried to treat well. Often the patients themselves had some kind of advisory or governing role in the way the group practices ran themselves. They were non-profit, typically. They were really there for the health of the patients, and not just to treat disease, but to keep patients healthy.

Over the years, these models grew, and you still see them today in some parts of the country, thriving. The example I always point to is Group Health Cooperative of Puget Sound in Seattle, it's one of best examples of this. The Kaiser Permanente system out in California has changed a lot, but it's got some resemblance to that old system as well. I think scholars who study healthcare systems will tell you that these highly-organized group practices really do a terrific job of promoting efficient, quality, and not-that-expensive healthcare for people. The idea was to give this to everybody.

What unfortunately happened was in order to thrive, you needed an organized market. You need to actually cover everybody. Also you need to create a system where basically everybody has the same incentive to enroll in that kind of plan. What's unfortunately happened in the modern insurance market is we have a commercial marketplace where insurers fight with each other to minimize their risk, to not insure very sick people. In effect, what that does is it penalizes insurers, including the forward-thinking group practices who don't practice that attitude, because they end up getting saddled with more patients with serious medical conditions, and of course these are the people who run up higher costs. Their costs go up and they have to charge higher premiums, and eventually they can no longer compete in the marketplace.

**Q: *Can I ask your opinion on the Massachusetts reforms, the mandate that everyone be covered by medical insurance?***

**A:** The first thing I always tell people about Massachusetts, let's remember we're still in the very early stages of this experiment, so anyone who tells you definitively it has worked, it has not worked, they're lying to you because we can't know for sure.

I tend to take a pretty optimistic view, though, of what has happened there. The rate of people without health insurance has dropped dramatically. I think that is because of the system you have in place there. We need to wait a little longer and get a little more information about how good the insurance people have is. That's always a worry. When we talk about covering everybody, making sure everyone has health insurance, well, that's a shorthand that actually means three things. It means making sure everybody has health insurance, making sure that it's at a level they can afford, and that it provides the protection they need. I'm not yet certain that's the case in Massachusetts, not because I have any reason to doubt that, just because I haven't seen enough of the evidence yet.

The one caution I always give people is you need to be a little careful in looking at Massachusetts and drawing lessons for the rest of the country. Massachusetts was in a somewhat unique situation. It had a long commitment to providing money to cover people without health insurance, to making its Medicaid programs relatively generous. It also had a unique situation where it had money available to it from the federal government that it stood to lose if it didn't substantially expand its insurance coverage.

Doing this across the country, I have written, and I believe, that something in the same universe of the Massachusetts plan, let's say, with some important bells and whistles attached to it, could work for the whole country. But it's going to require a greater investment of money than Massachusetts had to come up with, I suspect. But I do think, overall, I often hear people say, well, Massachusetts really hasn't worked at all. I look at the numbers of the uninsured, and it looks pretty good to me so far. You can argue, well, it will never cover everybody. Maybe not everybody, but they've made a substantial dent in the number without insurance. The trendline looks pretty good right now. So I'm cautiously optimistic, I guess would be my word on Massachusetts.

**Q: You believe that a government-run system is the best way to ensure universal coverage, yet you also describe two families who found some serious limitations with Medicare and Medicaid. What makes you think we can solve those problems and also trust that the government won't let a universal system fall into some of the same traps?**

**A:** I think it's important to remember that the story with Medicare and Medicaid are very, very different, and there's an important lesson to be drawn from it. The problem with Medicaid is the classic problem with what we call means-tested programs. Medicaid is a program for poor people, people who don't have enough money. There's a saying in policy circles, programs for poor people stay poor. There's not a lot of political constituency for funding Medicaid at high levels.

Meanwhile, because we don't have universal coverage, there's a constantly increasing demand for more and more people to get onto Medicaid. Inevitably every state in the country does the same thing. They're trying to stretch the dollars into Medicaid as far as they can, and to cover as many people as they can, and what do they do with that? Well, they end up not paying doctors enough, they end up not paying hospitals enough, or they end up cutting people once they've cut the reimbursements down to the bone. The end result is that Medicaid just isn't capable of fulfilling its mission.

I want to be clear about something, which is that Medicaid has been an extraordinarily successful program. You look at the world before Medicaid and the world after Medicaid, every study has shown poor people are much better off in terms of health, in terms of money, because Medicaid exists. It just doesn't go far enough is the problem. It doesn't have enough money to deal with the demand for it.

Medicare is a different story. Politically, Medicare has actually been very successful. In a lot of ways it is a successful program. It is the most popular insurance program in America today if you go with satisfaction of its, the polls I've seen on satisfaction of its beneficiaries. It remains a program that covers the bulk of what people need, particularly now that we've added prescription drug coverage. Of course, when I wrote my book at the time we didn't yet have prescription drug coverage and that was just coming on line. That was a big failure. We still don't have catastrophic insurance.

The reason we don't have these things, though, is that because once Medicare passed and was implanted into law, the political winds shifted, and we decided as a country we didn't want to expand it, to let it grow and to continue to meet the demands of the people as their needs grew, as it became apparent we needed prescription drug coverage, we were in a very conservative moment in American politics and nobody wanted to put up the money, and no one wanted to expand the government to take care of that. It happened finally a couple of years ago, largely because the demand became so overwhelming that even with a Republican president, even with a Republican Congress and a lot of conservatives running the country, the demand to add prescription drug coverage became overwhelming. And while the program we got wasn't designed the way I would have designed it, and it wasn't—I don't think it was implemented particularly well in the early stages. Today you do have a fair amount of satisfaction with that program, and I think we're on the way to at least solving the problem that people don't have drug coverage anymore.

Does Medicare have problems? It does have problems. A lot of those are problems it shares with private insurance, and they derive from the fact that we don't have one single healthcare system, and so it keeps getting more and more expensive. But within that context, within the context of a system that doesn't work, Medicare is I think probably as good as it gets.

**Q: The opposite in many people's minds of a government-run, universal coverage system would be a consumer-driven system of high-deductible insurance and individual health savings accounts. Does that offer a viable solution?**

**A:** You know, I really don't think it does. To be quite honest, high-deductible insurance works great when you're healthy. You don't have a lot of medical bills. It's very cheap, right? Because you know you're just paying the bare minimum and you're not in effect paying for medical services you don't use. But of course you understand the whole purpose of insurance. The purpose of health insurance is to protect the sick, is to take money from people who are healthy and use that in part to subsidize people who are sick. The logic is very simple. Any one of us could have an accident. Any one of us could get cancer. Any one of us could have the gene that predisposes us towards high blood pressure or diabetes. We all share this risk, and so we're all paying for this protection. But if we walk around saying those of us who are healthy, we don't really need to pay into the insurance pool, because after all, we're healthy, well then there won't be enough money to pay for the people who are really sick. If you go to a system of high-deductible

insurance, eventually you drain away that extra money and you're basically putting the onus of paying for medical bills onto the sick.

Now some people would say that's the way it should be, after all, some people are responsible for their own illnesses. Obviously, that is true to some extent. Some people make lifestyle choices that predispose them to make them more sick, etc., but in the end game, most people would agree the catastrophic illnesses are often things we can't control at all. The price of having a system that protects us all from that is we have to pay into the system. In the same way, we pay for the fire department. Most of us will never have a fire in our house that could destroy our house, but a few of us will. Now, do we all take our chances and say, well, if you're that person, then the fire department will come to your house and ask you for your credit card, and if you can't pay for it, that's tough luck on you? Well, no, we all pay our taxes and we part of our taxes goes to pay for the fire protection that all of us enjoy so that we have that piece of mind. It's really no different with health insurance.

***Q: Whose proposed solutions for universal coverage do you like, and you think are worth serious consideration?***

**A:** I always say if I were king for the day, if I were starting from scratch, I'm a big fan of what are called single-payer health insurance systems, where the government is the primary insurer, and there could be a role for private insurance as either supplemental coverage or an opt-out coverage. You see these systems like the one, say, they have in France, I often talk about as an ideal of how a system could work like that. It looks actually a lot like the Medicare system in the United States, only instead of just serving the elderly, it serves everybody.

Of course, I'm not king for a day, and we're not starting from scratch, so I tend to be a proponent of plans that would get everybody health coverage and would start to reform the healthcare system in ways to make it more efficient, to push it toward higher quality, but would at least at the outset preserve existing insurance structures for people who like it. So the key here is to say to people who have, say, good insurance from their employers, most of them, well, you'll probably get to keep that, at least in the short term, but to give everybody else the option of frankly opting into a similar kind of plan, something that provides good, solid, reliable benefits at a reasonable cost.

Typically, the ideal way would be to set up some kind of, like you have in Massachusetts, some kind of purchasing cooperative, and let people choose from among plans. I think it's very important to include among those plans one public insurance option, something called a mini-Medicare plan, or Medicare E for "Everybody," whatever you want to call it, on the idea that it provides good competition, you give people a choice. You could have the public plan or the private plan, and it's also a guarantee that the private insurance plans play by the rules and don't try to game the system and play a lot of the games they have, historically.

That framework—and I would like, as in Massachusetts, to require everybody to get health insurance—you look at that framework, it looks pretty similar to what you're going to see I think the Democrats pushing on Capitol Hill, it's very similar to what you're hearing coming out of Senator Ted Kennedy's office, Senator Max Baucus' office, he's the chairman of the Finance Committee, it's very similar to what President Obama has proposed, although he, as you may know, has been more cool about this idea of an individual mandate, but otherwise, the structure is basically the same. I think you will see something similar coming out of the U.S. House of Representatives, from the offices of Henry Waxman and Pete Stark. I think, if they're able to do healthcare reform this year, that's what it will look like, and if they can do that, I will be very pleased.

***Q: What do you think the biggest challenges will be for the administration, and also what do you think are some of the most important lessons for them to keep in mind from past attempts?***

**A:** The policy challenge will be about two things, I think. Number one, money. It's always about money. It's expensive. In the long run, if we make the healthcare system more efficient, if we can make it cost less than it otherwise would and that money can pay for the costs of expanding coverage to everybody, but that's the long run. That may be long run as in beyond 10 years from now, outside of the window that we use for budgeting in Washington. So this may cost money for a while. Where is that money going to come from? Are we going to tax people, are we going to change the tax treatment of health insurance, are we going to run higher deficits? This is a big question. I think it's very much up in the air right now.

The other challenge is what the plan looks like. Like I said, I think there's a lot of agreement about the fundamentals. There are some key flashpoints. One of them is this public insurance plan I talked about. A lot of groups don't like it, a lot of conservative groups don't like it. They think it's a Trojan horse to get single-payer health system and

to kind of sneak it in to healthcare reform. I think that will be a big fight. Those are the two big challenges in terms of the policy issues.

The political challenge here is generating enough support to overcome the resistance that inevitably crops up. When you do the autopsy over 1994, what went wrong? I always think one of the biggest failings that's underappreciated, it's not so much that there was this huge push against reform, it's that there wasn't a huge push for it, to meet that resistance. I think that people who are pushing healthcare reform this year are very aware of that. You see a lot of activity around organizing on behalf of healthcare reform, right? Now you have unions, you have advocacy groups, putting a ton of money into organizing people, getting people interested in healthcare reform, getting them to have meetings, rallies, write their congressman, vote on the issue, and I think you're going to see them build momentum for reform. I think the ultimate question whether this succeeds or fails really comes down to, at the end of the day, does that power, does that popular support for healthcare reform combined with the leadership in Washington, is that enough to overcome the resistance that always pops up and will very surely pop up this time?

***Q: Last question, then. What do you think the chances are of us seeing significant reform in the next four years? Would you consider yourself an optimist or a pessimist?***

**A:** Oh, it really depends what time of day you ask me. I go back and forth. The one thing I can say definitively is I think the chances are better this year than they have been ever, and most likely—I mean ever. You probably have to go all the way back to 1932 when our insurance system was first coming into being and Roosevelt was in the White House and thought about adding health insurance to Social Security. Maybe that was the most. That was probably our best chance to do it. We didn't take that chance. Roosevelt was actually worried about the politics of it back then. At no time since then have the odds for passage been as good as they are now. Does that make it more likely, less likely? Ask me in a year.