



Chronic Illness

The impact of illness in a chronically ill health care system, and what can be done about it

Nathan Wilkes

- Employment
 - Over a decade spent in the Data Networking and Information Security industry
 - Sprint's Internet and Private Network backbones
 - Qwest's initial Internet backbone
 - Helped build new managed network and security services company from the ground up
- Family
 - Wife, Sonji, married since 1995
 - Three children
 - Nora (5)
 - Thomas (3)
 - Natalie (1)



Thomas's Chronic Illness

- Thomas diagnosed at birth with **Severe Hemophilia A**
- A blood disorder that makes clotting impossible due to lack of "Factor VIII"
- Affects about 20,000 males in US
- Major risks from internal bleeding
 - Blood loss
 - Brain damage
 - Joint damage (arthritis)
 - Nerve damage
 - Extreme pain
 - Long-term disability
 - Death
- Manageable with routine factor replacement therapy

Thomas in the Hospital – 2004



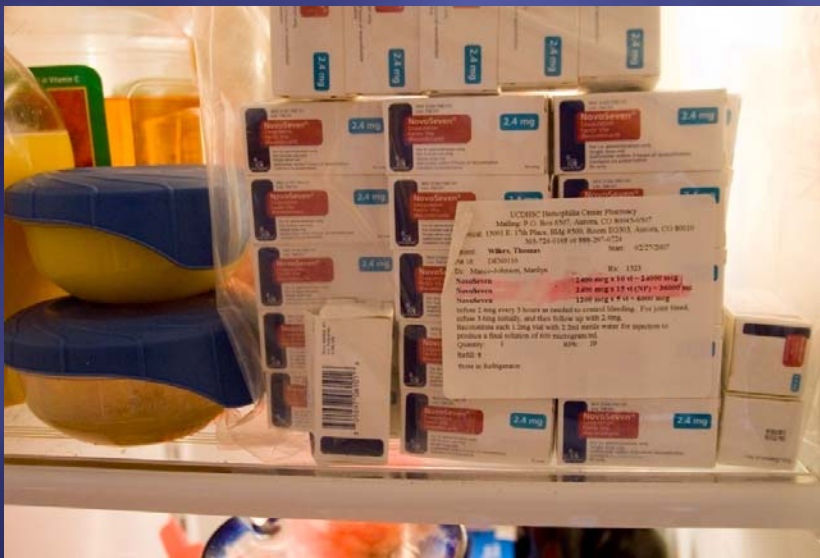
Intravenous Factor Replacement



The cost of a chronic illness

- Thomas born in August of 2003
- Regular therapy began in 2004
- Developed an inhibitor to Factor VIII in 2004
- Began immune tolerance to fight the inhibitor
- Medical claims
 - 2004: about \$500,000
 - 2005: about \$750,000
 - 2006: about \$750,000
- Typical hemophilia medical costs (without inhibitor) are about \$200,000/year
- “Chronic disease is now the principal cause of disability and use of health services and consumes 78% of health expenditures.” *JAMA*, Sept. 1, 2004

My \$100,000 Refrigerator



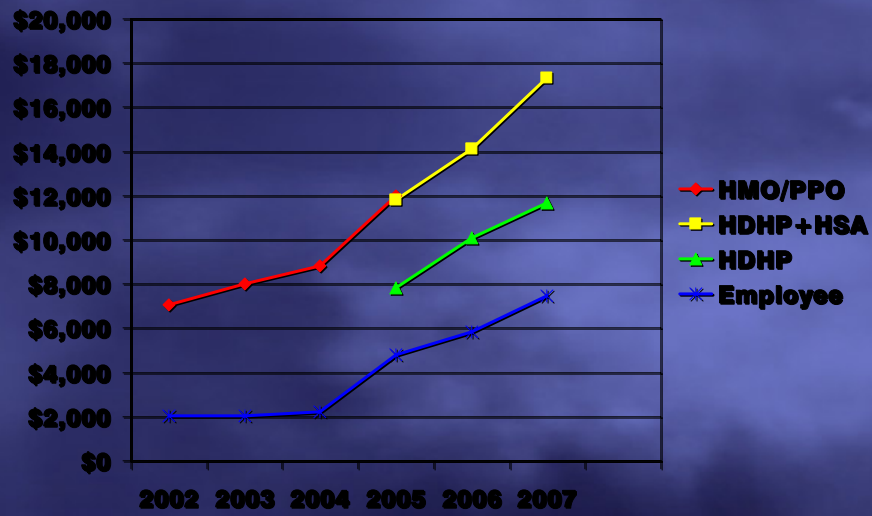
How Chronic Illness is Contagious

- Skyrocketing Premiums
- Reduction in Benefits
- Increases in Deductibles and Annual Maximum
- Increases in Copays
- Cost-shifting to Employees

Major Changes at My Employer

- 2004
 - 10% Increase in Premiums
- 2005
 - Choice of 36% increase in premium or move to HDHP/HAS
 - HDHP represented 34% increase in cost, shifted to employee
 - HDHP \$4,000 deductible/max out-of-pocket
- 2006
 - 19% increase in premium (100% overall since 2002)
 - Out-of-pocket maximum increased to \$8,000
 - Lifetime Cap introduced – \$1 Million
- 2007
 - 11% increase in premium (146% overall since 2002)
 - Annual deductible increased to \$6,000
 - Annual out-of-pocket maximum increased to \$10,000

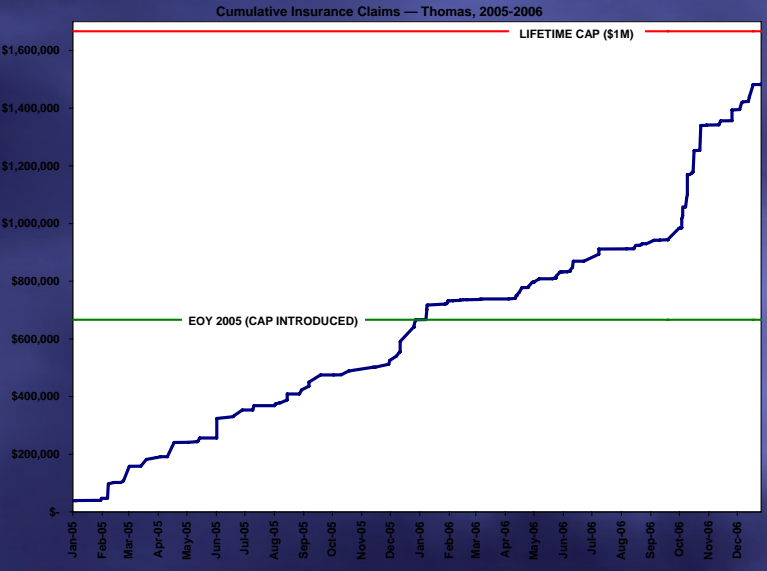
Rising Health Care Costs



No Choices

- Before Thomas, my employer shopped around to keep premium increases modest
- After Thomas, my employer couldn't shop around anymore
- No insurance companies would offer us plans due to prior claims
- Existing insurer (United Healthcare) was obligated to continue insuring us (Guarantee Renewability)
- They were NOT obligated to keep premiums affordable
- This was the only plan available to ANY employee
- For the last 18 months, I felt like I had a target on my back

Thomas's Claims 2005-2006



So What's The Problem?

- NEARLY 50 MILLION UNINSURED
- OVER 50 MILLION UNDERINSURED
- \$\$\$ wasted on administration and corporate profits
- About 30% of all health care dollars wasted
- Focus on \$\$\$ (reducing costs, maximizing profits), rather than quality of care
- Unregulated, uncontrolled drug pricing
- **(LACK OF) ACCESS, AFFORDABILITY, AND QUALITY**

History of our “American” System

- An “accident of history”
- FDR decided not to pursue universal health care in 1932
- WWII wartime wage freeze in 1942
- Employers use benefits (like health insurance) to compete for workers; rapid increase in employer-sponsored health care
- Health care benefits were relatively cheap due to simple treatments and drugs
- Employee benefit plans rapidly increase in the 1940's and 1950's
- Strong unions bargained for better benefit packages, including tax-free, employer-sponsored health insurance
- **“If we had to do it over again, no policy analyst would recommend this model.”** – *Uwe Reinhardt, Professor of Economics and Public Affairs, Princeton University*

Universal Coverage Exists Today!

- It is called the Emergency Room
- Federal law guarantees access to anyone as long as there is room
- Most expensive place to get treated
- Acute care only, no knowledge of patient history or reason to provide maintenance/preventive care

Typical ER Story

- Thomas dealing with a bleed in his arm
- Experiencing significant pain requiring narcotics
- We have to go to the ER for pain management
- Hemophilia = 1st Priority through Triage
- Hemophilia + Immuno-suppressed = NO WAIT !!!
- No...
- ...wait...
- 90 MINUTES IN CROWDED ER WAITING ROOM
- Who is in the ER? All uninsured people seeking basic primary care
- Wife is even solicited for lunch money by two young girls who haven't eaten in two days

Thomas in the Hospital



Today's "Solutions" Can't Work

- Tax Credits
 - Create more administrative complexity
 - Do not target those most in need
 - We don't need health insurance company protection!
- HDHP – High Deductible Health Plans
 - "Consumer Driven" care – forces more to pay out-of-pocket
 - Good for Wall Street, credit card companies, and bankruptcy attorneys
- Individual Mandates
 - Do not address cost reduction
 - Simply funnel more \$\$\$ to insurers
- Expansion of government programs
 - Good for insurers, can drive out more 'bad risk'
 - Overly complicated

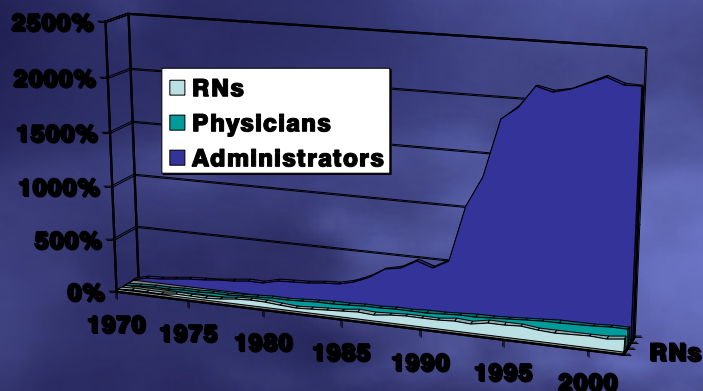
“Free Market Economics”

- Free Market Economics don't work for reducing Health Care costs
- Try to find out who can provide the cheapest office visit
- Ask your doctor or hospital for a “menu” of available services
 - Make sure the menu has prices
 - Make sure the menu has success rates
- Need a liver transplant? Try Ebay.
- Having a heart attack? Save money and call area hospitals first for cost information.
- Use Craigslist or classified ad to find cheaper prescription source

Two Simple Steps to Higher Profits!!!

- 1) Increase Revenues
 - (Insurers) Increase Premiums
 - (Pharma) Increase Drug Cost
 - (Providers) Mark up costs on everything
- 2) Decrease Expenses – Insurers
 - Deny claims
 - Deny claims again
 - Reduce allowable reimbursements
 - Eliminate or reduce benefits
 - Increase copays and deductibles
 - Pre-existing condition clauses
 - Annual and lifetime caps
 - WEED OUT THE SICK (let the government have them)

Do we really need more complexity?



Insurance: Protection From Loss?

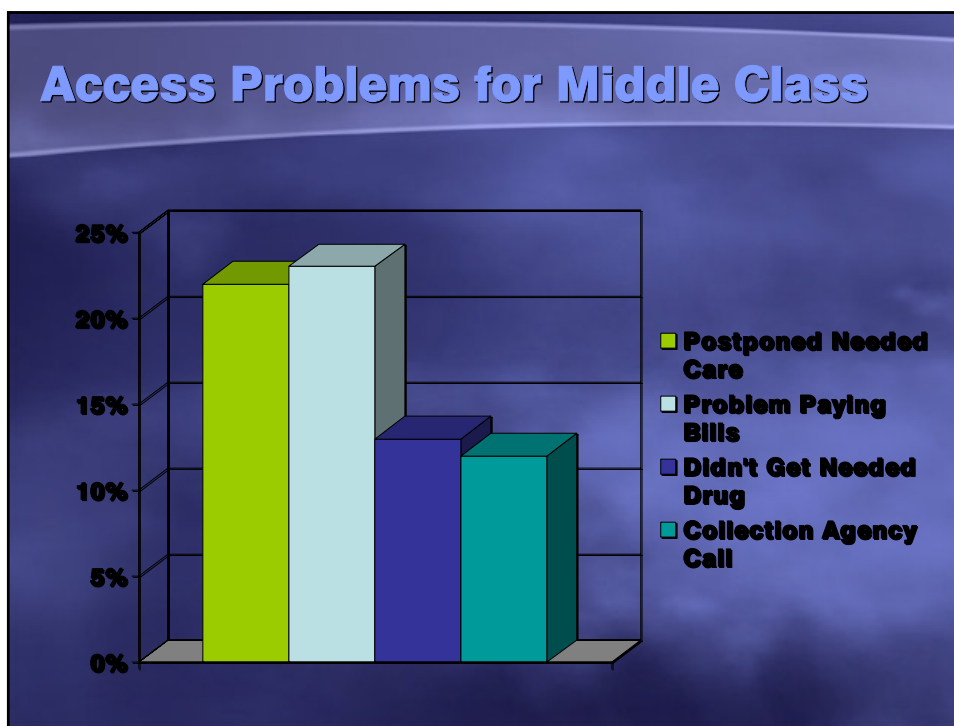
- Dictionary defines insurance as “protection from loss”
- Insurance Characteristics that Cause Medical Debt
 - Premiums, deductibles and other cost sharing
 - Caps on coverage
 - Uncovered services
- Insurance Processes that Cause Medical Debt
 - Confusing policy provisions
 - Out-of-network fees
 - Procedural problems
 - Insurance disputes and errors
 - Complex provider billing and collections systems that compounded problems resulting from complex insurance processes

UNDERinsurance

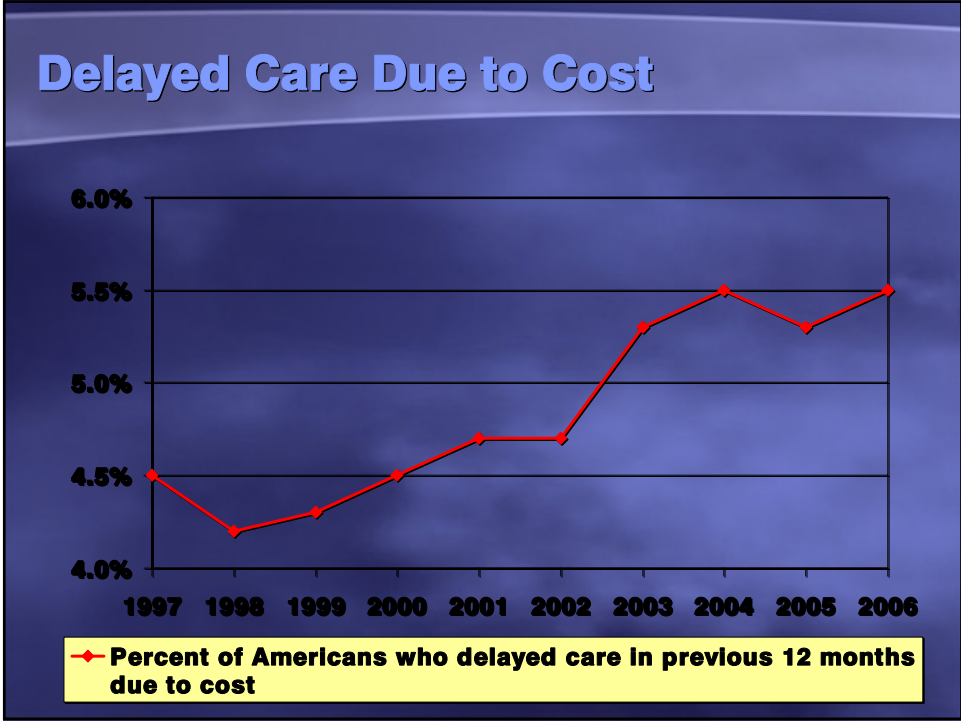
- What is underinsurance?
- Receive employer-sponsored health care, but with gaps in coverage or high employee cost that can result in financial hardship
- High deductibles
- High out-of-pocket maximum
- Increasing copays
- Annual capitation
- Lifetime maximum
- Benefits not covered (mental health, for example)
- Pre-existing condition clauses
- ALL LEAD TO FINANCIAL DISTRESS
- 1 IN 6 AMERICANS is UNDERINSURED
- 1 IN 3 AMERICANS is UNDERINSURED or UNINSURED

Consequences of Medical Debt

- Access to care
- Financial consequences
- Employment consequences
- Access to credit
- Psychological consequences

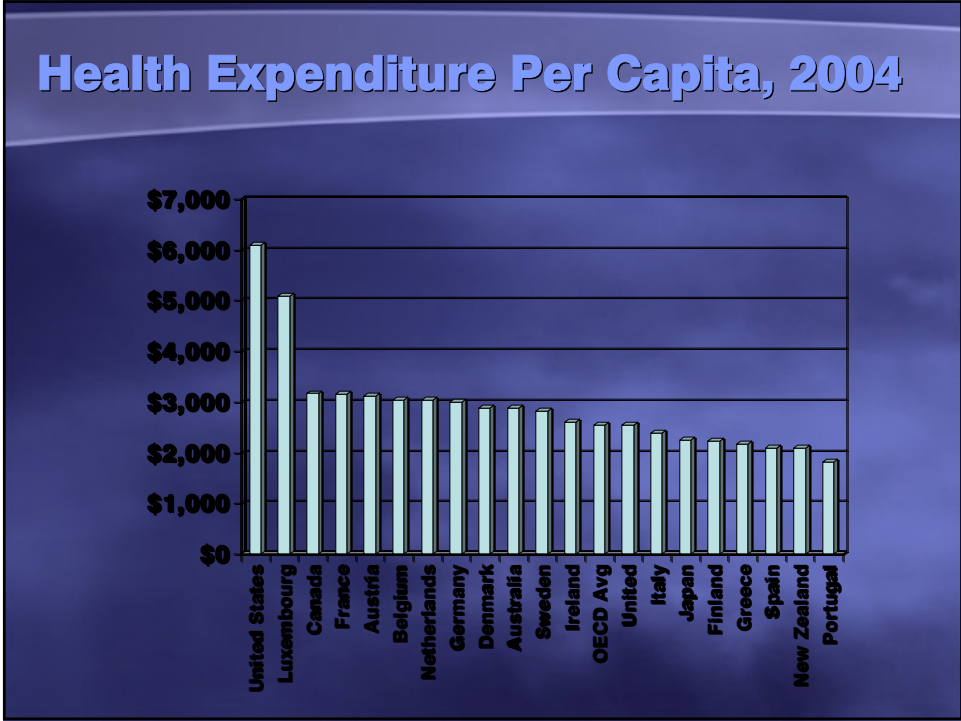


- ### Delayed Care
- Higher prices and cost shifting lead to delayed care
 - Can lead to more expensive illness
 - Can result in late detection of catastrophic diseases
 - Can result in **death**



USA is #1 !!!!

- in Per-Capita Health Care Spending!!!!



U S A is #37 !!!

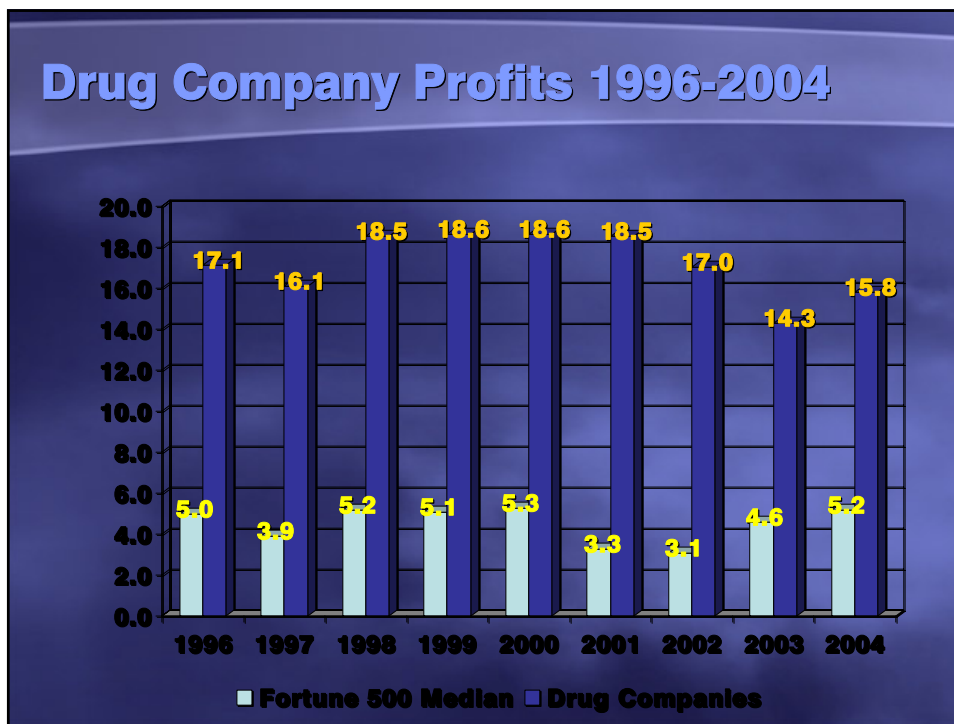
- in Overall Health Outcomes!!!
- (WHO World Health Report on Health Systems)

World Health Report, Overall Performance

- 1 France
- 2 Italy
- 3 San Marino
- 4 Andorra
- 5 Malta
- 6 Singapore
- 7 Spain
- 8 Oman
- 9 Austria
- 10 Japan
- 31 Finland
- 32 Australia
- 33 Chile
- 34 Denmark
- 35 Dominica
- 36 Costa Rica
- **37 USA**
- 38 Slovenia
- 39 Cuba
- 40 Brunei

Pharmaceutical Profits & Taxes

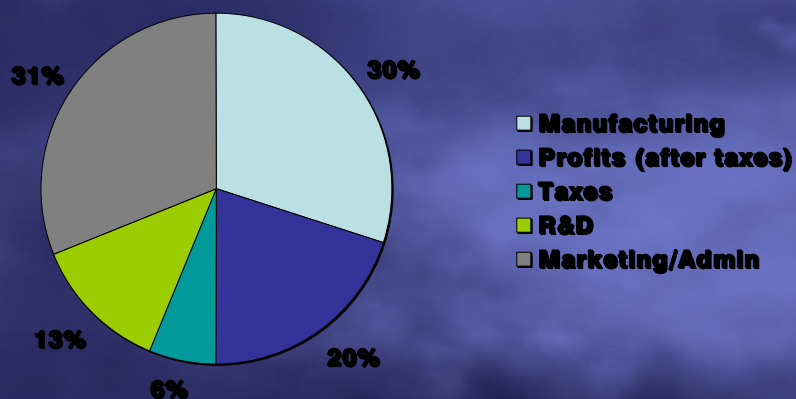
- Average Return on Revenues across all industries is about 5%
- Average for Pharmaceutical Companies is 15-20%
- Going the wrong way with current reforms!
 - Medicare Part D – removed ability for government to negotiate lower prices
 - Current “fix” prevents government from ‘de-listing’ drugs, making negotiations ineffective



Drug Pricing – Protecting Patents

- Patent laws abused to further profits
- Formulation Changes
 - (solid to liquid, extended release, etc.)
- Drug Isomers
 - Example: Prilosec & Nexium
- Drug Metabolites
 - Example: Claritin & Clarinex
- Drug companies spending hundreds of millions of dollars in marketing and advertising to push these new drugs that provide no additional benefit

Drug Companies' Cost Structure



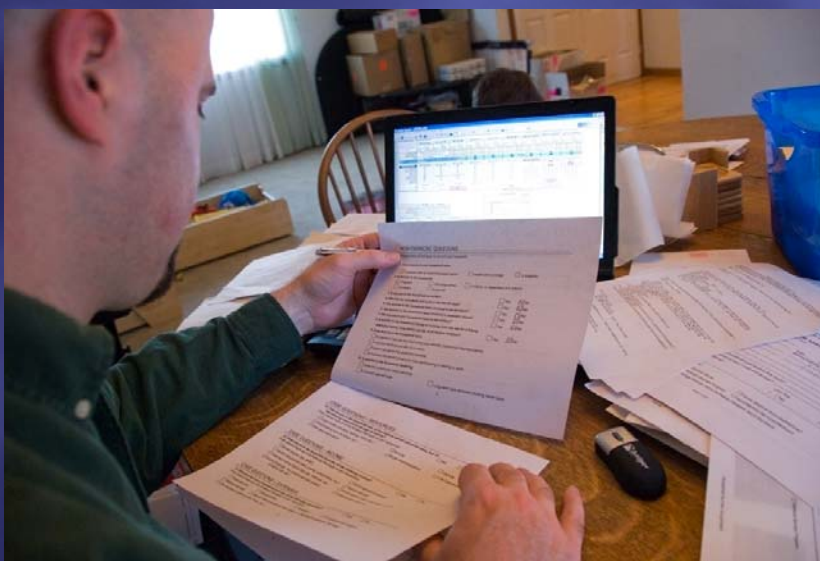
Where Am I Now?

- Thomas has exceeded the lifetime cap and is no longer covered by private insurance
- The rest of the family remains insured
- There is about \$250,000 in unpaid claims
- Thomas is rolling onto state's High Risk Pool (\$1M cap)
- The clock is ticking...

My Only Options

- -1) Give up. Why bother anymore?
- 0) Forget insurance; just live in the ER and don't pay the \$1M/year
- 1) Quit. Go work for a much larger employer and try to "hide"
- 2) Have my wife quit raising our children and work for a large company
- 3) Try to get a Waiver for Medicaid for Thomas
- 4) Get a divorce. Have unemployed wife get Medicaid
- 5) Pay premium for state's High Risk Pool insurance
- 6) Create my own business and qualify for small-group coverage
- 7) Change US health care policy and pass single payer!

Medicaid Complexity

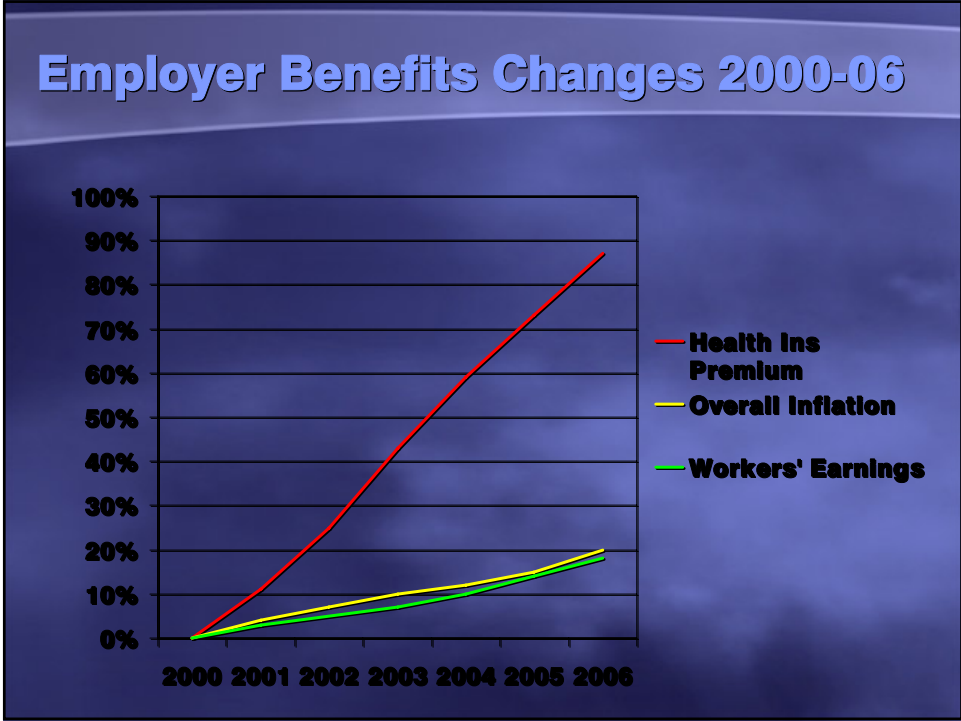


Bankruptcy

- Nearly 50% of all personal bankruptcies are due to medical bills
- 75% of those bankruptcies are filed by people who had insurance at the time they got sick
- The US is the only industrialized nation where an illness can cause a person to lose everything they own and go into major debt
- Recent changes to personal bankruptcy laws make it harder for these people to even file for medical bankruptcy

Why not just one giant risk pool?

- Small groups get burned more easily when one person is ill
- The larger the group, the easier it is to manage risk
- The larger the group, the more efficiently cost is distributed
- So why not just one single risk pool of all Americans?
 - **Too simple.** It would put too many people out of unnecessary jobs, thereby saving too much money.
 - **Not friendly to the health insurance industry.** No need for thousands of companies and plans to waste health care dollars on.
 - **Politicians.** Who do you think makes the biggest campaign contributions today? Single-payer/single risk pool would put them out of business, also wasting less of our health care dollars.
- Remember the Golden Rule...
 - **“Whoever has the gold makes the rules.”**



- ### What Americans Want
- Guaranteed access
 - Free choice of doctor
 - High quality
 - Affordability
 - Trust and respect

What Americans Get

- 1/3 of Americans are uninsured or underinsured
- Denies care to millions with illnesses
- Premature death rate higher than other wealthy countries
- Cost double Canada's, Germany's, or Sweden's and rising faster
- Executives and investors making billions
- Destruction of the doctor/patient relationship
- Hospitals with empty beds (except in the ER)
- Enough well trained professionals but rural areas inadequately served

A Nation Kept Clueless

- NO TRANSPARENCY in Health Care
- UNNECESSARY COMPLEXITY in policy
- DISINFORMATION PROPAGANDA MACHINE

Health Care Myths

- 1) The uninsured and underinsured get the care they need
- 2) Everyone has access to care through the emergency room
- 3) The U.S. does not ration health care
- 4) The free market is the best way to resolve our health system problems
- 5) Private solutions are always better than public solutions
- 6) Incremental changes can solve our health system problems
- 7) The U.S. has the best health system in the world
- 8) Americans can't afford universal coverage
- 9) National health insurance should not be given attention because it is politically unfeasible

Chronic Illness Challenges

- 40% of US population has a chronic disease
- Estimated 50% by 2020; 25% with multiple chronic diseases
- 7 of 10 deaths caused by chronic disease
- Medical costs for people with chronic disease = more than 75% of health care spending
- Less than 10% of state health budgets directed at prevention and controlling chronic disease

Reducing Cost of Chronic Illness

- Improve Quality
- Improve Efficiency
- Comprehensive Disease Management
- Reduce Overdependence on Acute Care Hospitals
- Improved Education
- Focus on Prevention
- **ALL OF THIS IS POSSIBLE AND EXPECTED WITH SINGLE-PAYER!**

Disease Management



My Advantage, Your Risk

- Foresight
- There are two kinds of people:
 - Those that are sick and use health care resources...
 - ...and those that will get sick
 - I **know** that at \$1M/year, my son cannot survive without insurance
- I have been forced to explore every avenue available
- **YOU** have no idea when or if serious illness will strike you or your family
- Most of you do not fully understand your current insurance benefits and limitations
- Most people that become seriously ill only find out about plan shortcomings after it is too late

What You Need to Do!

- First of all, review your own benefits
- Find out how much your plan really costs
- Educate yourselves on the issues
- Contact your state and federal legislators
- Urge them to support comprehensive single-payer reform
- Get your US Representative to cosponsor H.R. 676!
- Write an Op-Ed or Letter to the Editor
- Don't give up!
- With your help, a solution is right around the corner!

Going to the State Capitol



Top 10 Reasons for Single-Payer

- 1) Everybody in, nobody out
- 2) Portability
- 3) Uniform benefits
- 4) Prevention
- 5) Choice of physician
- 6) Ending insurance industry interference with care
- 7) Reducing administrative waste
- 8) Cost savings
- 9) Common sense budgeting
- 10) Public oversight

For More Information & Research

- HealthCare-NOW
 - www.healthcare-now.org
- Physicians for a National Health Program
 - www.pnhp.org
- “Quote of the Day” Daily Health Policy Update
 - http://www.pnhp.org/news/quote_of_the_day.php
 - <http://two.pairlist.net/mailman/listinfo/quote-of-the-day>
- Book: *Health Care Meltdown*, Robert H. LeBow, M.D.
 - Updated version should be coming out in a couple of months
- Kaiser Family Foundation
 - www.kff.org
- FamiliesUSA
 - www.familiesusa.org

Final Thoughts

- Those with chronic illness are not protected
- Those without chronic illness are neither safe nor insulated
- All Americans should be concerned and involved
- **ACT NOW! IT IS TIME FOR REVOLUTIONARY CHANGE!**

Thank you!

