

We spend 12 million hours a week talking to our health insurance

An Arm and a Leg

Season 6, Episode 5

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Psst: These transcripts aren't perfect. There's some machine-transcription, and some human error. We're doing our best! Thanks for understanding.

Hey there-- please forgive me for subjecting you to this.

Blue Cross Bot: thank you for calling the state health benefits program and school employee health benefits program

Dan: Sound familiar?

Blue Cross Bot: administered by horizon blue cross blue shield of New Jersey

Dan: And ugh, again, I am so sorry to subject you to it.

Blue Cross Bot: Your call will be monitored or recorded for quality assurance purposes.

Dan: But have you ever wondered, How much of my life am I going to spend on this call?

Blue Cross Bot: If you are a member you can visit [www dot horizon, blue.com/s H B P](http://www.dot.horizon.blue.com/s_H_B_P).

Dan: I mean, they're not even giving me a number to press so I can sit on hold

Blue Cross Bot: Also referenced on the back of your ID card.

Dan: Just to sit on hold, I've gotta listen to this.

Blue Cross Bot: Please listen carefully as our options have changed.

Dan: Well, I've got an answer for you. You may not like it. I don't like it. But a professor at Stanford measured it.

Blue Cross Bot: If you are calling regarding open enrollment, please press seven.

Dan: As a nation, we spend 12 million hours a week on the phone with our health insurance.

Blue Cross Bot: If horizon blue cross blue shield is your primary insurance coverage, press one.

Dan: And this is just one of the ways we get frustrated by health insurance. We've got a big battle to fight. And the professor who did that research will remind us: We've got a LOT to learn about what, and who, we're fighting.

This is An Arm and a Leg, a show about why health care costs so freaking much, and what we can maybe do about it. I'm Dan Weissmann. I'm a reporter, and I like a challenge, so my job on this show is to take one of the most enraging, terrifying depressing parts of American life-- boy, howdy-- and bring you a show that's entertaining, empowering, and useful.

And for the next few episodes, we're gonna be talking about health insurance. Over the last year and some, I've met some people who have decades of experience fighting it and studying it. They've taught me: A lot of the time, we have rights, we maybe have options, that we really know nothing about.

But in order to get to that, we have to learn more about what we're up against. Which is weirder than we knew. So strap in.

Let's start with that professor and those 12 million hours.

Jeffrey Pfeffer: I'm Jeffrey Pfeffer. I teach at Stanford business school, or I've been a full professor actually for 42 years.

Dan: And he says counting those hours amounted to just taking advantage of a lucky break: An offer to collaborate from the polling company Gallup.

Jeffrey Pfeffer: I have like a title, which I don't think means anything which is senior research scientist or something

Dan: Which is lucky, because: besides asking people who they'd vote for, Gallup does these enormous surveys every year about how people live. How's their health? How's work going? How do they spend their time? So Jeffrey had a suggestion.

Jeffrey Pfeffer: You know, we should have a question that asks how much time people are spending both inside and outside of work with their health insurer.

Dan: And the Gallup folks were like, sounds great.

So they asked: How much time did you spend talking with health insurance last week? Of course, lots of people said, "zero," and counted themselves lucky. But lots of people said some , and on AVERAGE, those people spent about half an hour.

Jeffrey's a business school professor, and he'd asked about how much of that was work time-- more than half-- and did some math to figure this was so many tens of billions of dollars in wages.

And that's not actually the worst part. Because Jeffrey also had the Gallup folks tie answers to this question to OTHER questions they ask folks about work, to measure things like burnout, and how likely you are to miss work.

Jeffrey Pfeffer: And we found that if you spent more time with your health insurer, you miss more days, you were less engaged, you were more stressed, more burned out, and this is by the way, controlling for your health status.

Dan: Because, yeah. Gallup asks people about their health too. Also, ugh.

As a business-school guy, Jeffrey did the math on how much all this burnout costs people's employers, and it was BIG multiples of the wages

All super-familiar. And of course Jeffrey Pfeffer has his own health-insurance nightmare stories. After he got back surgery a bunch of years ago, he ended up keeping a file folder labeled "Blue Shield Troubles."

In the last year, his wife has needed physical therapy. She goes to the same place, every time, gets the same service.

Jeffrey Pfeffer: And every time Blue Shield processes one of their claims, they pay a different percentage and a different amount. And I, and if you ask them why they have no explanation,

Dan: And here's where things get LESS familiar. Because here are the next words out of Jeffrey Pfeffer's mouth.

Jeffrey Pfeffer: so, and, and the problem is not blue shield. So let's be clear

Dan: OK, then who's the problem?

Jeffrey Pfeffer: the problem is Stanford.. Stanford should fire Blue shield..

Dan: This is Jeffrey Pfeffer, business-school professor. It's also Jeffrey Pfeffer who has sat on a particular Stanford committee, off and on, for thirty years.

Jeffrey Pfeffer: It's called? the Stanford committee for faculty and staff human resources, but it is essentially a committee that only the basically deals with health insurance.

Dan: So here's one thing he knows-- about the health insurance that most of us get from work. About the job Stanford and other employers are hiring companies like Blue Shield to do.

Here's what they're NOT doing. They're not providing insurance

Jeffrey Pfeffer: most large and many midsize employers now are self-insured.

Dan: Self-insured. This turns out to be a thing we need to understand. Because if you get your insurance from work, it's probably a *self-insured* plan: Like two-thirds of people who get their health insurance from work, it's "self-insured."

People who work for bigger companies-- like with a thousand people or more? 92 percent are in self-insured plans.

And if you're in a self-insured plan-- well, it won't be obvious. You'll have an insurance card that says Cigna or United or Aetna or whatever. But you're operating in a different universe. Which we should get to know.

I mean, if you're gonna sit on hold to talk with somebody for your part of that 12 million hours, you wanna know what their job is.

So what the heck is self-insurance? We're gonna leave Jeffrey Pfeffer here, to talk with one of my favorite health-insurance nerds.

Karen Pollitz: I'm Karen Pollitz. I'm a senior fellow at Kaiser family foundation in Washington, DC.

Dan: And you know, a lot about health insurance.

Karen Pollitz: I know. Not everything. There's no one knows everything, but I know a lot.

Dan: And just with the usual disclaimers: Kaiser Family Foundation is the parent group for our partners at Kaiser Health News-- and neither is connected to the health care giant Kaiser Permanente.

Karen is one of their big health-insurance nerds, and she's here to help me make sure I get this part right.

So, INSURANCE-insurance, you or your employer pay premiums to Blue Shield, or Aetna or whoever. And if you ever get sick and need medical care, Blue Cross or Aetna or whoever would be paying for it with their own money. You're paying them to ... take on the risk.

SELF-insurance, not so much.

Karen Pollitz: Right, it, they insurance company, isn't taking any risk here. They know exactly what they're going to get paid. They know exactly what they're going to be required to do. But it doesn't really matter if, somebody has an extra heart lung transplant that's not on the insurance company that all comes out of the employers

Dan: [Now, Karen mentions: Your employer does buy insurance-insurance from SOMEBODY-- it's called stop-loss insurance-- in case there's a lot of heart-lung transplants or you know, a global pandemic that puts a lot of people in the hospital for a long time.]

But that's a backstop. Blue Cross or Aetna or whoever's name is on your insurance care, that's not their main job. Your employer is paying them a fee to act as what's called a Third Party Administrator. That's the role. I asked Karen, what are they getting paid to do?

Karen Pollitz: So they're actually conducting the technical business of insurance, kind of several major things. One is they have built a provider network

Dan: So that's, they've negotiated deals with, and which includes prices

Karen Pollitz: yup,

Dan: With doctors and hospitals and whoever else. And they're like, this is the package. And here's what in network means.

Karen Pollitz: Yes. And then number two, they actually process the claims,

So when you submit a claim .

The health insurer make sure that all the codes are correct

Dan: And applies the math: This policy pays this much for this kind of thing [or maybe doesn't pay at all]. And then, whatever the policy is supposed to pay for, they make sure the EMPLOYER pays it. And they take their fee as a Third Party Administrator. Jeffrey Pfeffer pegs that fee at 20 percent, and he's like, THIS IS SUCH A RIPOFF.

Jeffrey Pfeffer: You are paying some organization 20% to move money from one pocket to another. VISA doesn't charge 20%, you know, MasterCard doesn't charge 20%, even American express doesn't charge 20%. The idea that you're paying 20% to move money from one pocket to the other is just incredible. I mean, this is basically just the money transfer system

Dan: Karen Pollitz isn't so sure that's the right analogy. She thinks processing claims-- with all the billing codes and the due diligence-- is more complicated than ringing up your coffee at Dunkin Donuts.

Karen Pollitz: I mean, there's a reason we hire insurance companies to do this stuff. This is not stuff you and I could just do, Right, Or take a, you know, community college class and figure it out. This is, this is complicated. even Medicare, right? Doesn't process, its own claims. They hire an insurance company to do that.

Dan: OK. And some of that complexity-- maybe a LOT of it-- is why we spend 12 million hours a week on the phone with these folks, whether they're doing actual INSURANCE-insurance or acting as Third Party Administrators.

And the complexity that produces those 12 million hours? It can hide a VARIETY of sins. Which can include sins against the employerspaying those Third Party Administrator fees-- even when those employersare big and powerful. That's right after this.

This episode of An Arm and a Leg is produced in partnership with Kaiser Health News-- that's a non-profit newsroom that covers health care in America. Kaiser Health News is NOT affiliated with the health-care giant Kaiser Permanente. We'll have a little more information on Kaiser Health News at the end of this episode.

Just recently, a reporter at another podcast opened my eyes to some wild shenanigans that insurance companies get up to, when they're in this role of a Third Party Administrator.

Leslie Walker: I'm Leslie Walker. I'm a senior producer on the podcast. Trade-offs.

Dan: Trade-offs is a little like us-- they look at the economics of health care. A little different from us-- we tend to look from the bottom-up, and they've got more of a top-down perspective.

Leslie's recent story for them was pretty juicy.

It starts with a 71-year old retiree in North Carolina, Sandy Peters. She'd been getting chiropractic care for years at the same place, doing the same thing, and paying the same co-pay: Six bucks. Then, suddenly one day, her co-pay is 14 bucks.

Sandy: I figured somebody had made an honest mistake.

Dan: She does some checking, she writes a letter, she gets no real answer. And she notices something. Her insurance-- which comes from the company her husband worked for, the Mars candy company, the Milky Way people-- they're paying more too. Thirty bucks more. Every time. For the same service.

And this worries her.

Sandy: I thought that we could lose our healthcare with Mars, uh, which that's costly. How many companies today give their retirees healthcare benefits. And Mars does.

Dan: And she GOES AFTER this. Writes a dozen letters, does all kinds of research.

Sandy: yeah, I'm kind of like a dog with a bone. Tenacious. I think the term,

Dan: She goes on like this for a year. And ends up finding a lawyer who she thinks will be interested in what she's found. By this time, it's a binder three inches thick.

Leslie Walker: **It's a color-coded binder with all the letters she's written, all the things she's learned from her provider about like billing codes And why certain codes are appearing on bills. All the letters she got back from the state of North Carolina from her employer**

Dan: that lawyer is VERY interested. He brings a class-action lawsuit against the insurance company-- that is, the third-party administrator: Aetna.

Filing that case allows him to demand documents from Aetna. And what he finds is WILD.

It starts with a bit that's very nerdy. Mars is paying Aetna to manage its health benefits. And Aetna subcontracted with another company-- Optum-- to manage part of those benefits: Chiropractic.

That's the nerdy part. Here's the wild part. Aetna's paying Optum a fee, but it wants to HIDE that fee from Mars, the company paying the bills.

Leslie Walker: **And what they agree on is to find a, basically a fake medical billing code, what they call a dummy code to add to every bill to kind of hide these fees as if they are a medical expense.**

Dan: And THAT'S why Sandy Peters is paying an extra eight bucks a pop-- and Mars an extra thirty bucks a pop. They're getting billed for this dummy code. It's a total conspiracy. The lawyer, Brian Hufford gets emails from employees at the two companies, spelling it all out.

Brian Hufford: **They were right up front by saying, boy, if somebody knows about this, we could get into trouble. Whether it's the employer or the regulators. So we better keep it hidden.**

Dan: And if 71-year-old Sandy Peters hadn't been SO tenacious, they would've totally gotten away with it.

The case isn't fully resolved yet, but a federal appeals court last summer that Aetna had "unjustly enriched" itself. Aetna didn't comment to Tradeoffs, Optum told them it had "delivered aggregate savings." OK.

Nobody knows whether this is a wild outlier or whether this kind of stuff goes on all the time. But what that lawyer told Leslie Walker is: Nobody's looking.

He's been doing cases like this for 20 years and never once has an employer come to him and said, "We think we're getting screwed by our Third Party Administrator. Would you take a look?"

Brian Hufford: **The employers basically sort of feel like, look, we've got to provide health insurance. We've hired this administrator. It's way too complicated for us to figure. So we're just**

going to pay that money and worry about other stuff that we can control and they just don't pay attention.

Dan: But Tradeoffs reporter Leslie Walker found an employer who WAS paying attention-- close attention. And who got pretty pissed off, shocked, at what she found.

Kristen Deacon was in charge of health benefits for the state of New Jersey. Long story short, there was a budget crunch, and she was supposed to cut a few hundred million bucks from her budget. No big.

She looks at the bills from her Third Party Administrator and finds a big one: Recovery services.

This is where the insurance plan has overpaid. Like say a hospital accidentally double-bills for a knee replacement. Here's Christin:

Christin Deacon: Let's say it was a \$50,000 knee replacement, but we get billed a hundred because they accidentally duplicated,

Dan: The insurance company figures it out, takes back 50 thousand. Except then they charge Christine for 6 thousand in "recovery services." That's their cut. 12 percent. It's in their contract.

Which seems like a big cut for, you know, correcting their own mistake.

Christin Deacon: So yeah. What the F right.

for me. It was one of the first moments when I recognized how screwed self-funded employers. Were and are, and will continue to be until they really take agency .

Dan: There's more: Christin Deacon got the state legislature's OK to hire a totally different company to do "recovery services" ... and then the insurance company gave THAT company a ton of pushback, made it hard for them to do their job.

I mean, we've arrived at the part of the episode where I say, "I'm not here to bum you out." And I'm not!

But we do need to take a moment here-- with thanks to Leslie Walker and the folks at Tradeoffs-- to take in what we've learned: There's a LOT of evidence that even when insurance companies are actually working for big organizations: Mars Candy, Stanford University, the State of New Jersey-- when they're just guns for hire, taking a fee.

Those giant organizations do not exercise a lot of oversight, and -- as Christin Deacon's experience in New Jersey indicates-- don't even always have a lot of leverage.

That completely sucks.

And there's this whole other thing, in some ways it's the part we've been leading up to now. When you're in a "self-funded plan," you're actually in a whole different legal situation from if you've got INSURANCE-insurance.

One big thing: Your state insurance commission? They cannot help you AT ALL. They've got no jurisdiction. Self-funded plans are governed by federal law. The regulator is the U.S. Department of Labor. Holy cow.

Which sucks, but it's important to know.

Because, if you're in the position of fighting your insurance, you want to know ALL the bad news.

Which is why I've been enjoying talking with Laurie Todd, who calls herself the Insurance Warrior. She's fought -- and won-- more than 200 insurance appeals, lots of them life-or-death. Most of them what she calls "hopeless cases."

You may remember [our pal Marshall Allen, back in June, said](#) "Buy her book." So I did. And we talked.

Laurie Todd: the first thing that I say to people when I'm working with them, as I say, no appeal was ever meant to lead to an approval.

This is not a good faith process.

Dan: Yeah, talk about leading with the bad news. The good news is, she knows how to win. She was her own first client, after she got diagnosed with a rare cancer in 2005. There was an effective treatment, but her insurance didn't want to pay for it.

Laurie Todd: And if I hadn't been a quick study and had a short learning curve, I would have been dead by 2006. So that makes me relentless. And it makes me determined to understand every single, uh, shenanigan that they have for us.

Dan: Next time on An Arm and a Leg, we'll start to hear *how* she fights back, and wins. And the stuff we've been talking about this time? About how, often, the insurance company is just taking a fee from your employer? Learning how that works, was the key to one of her first big victories. We're gonna hear all about it.

So, I'll catch you in two weeks with that.

Till then, take care of yourself.

This episode of An Arm and a Leg was produced by me, Dan Weissmann, with help from Emily Pisacreta, and edited by Marian Wang. Daisy Rosario is our consulting managing producer. Adam Raymonda is our audio wizard. Our music is by Dave Winer and Blue Dot Sessions.

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Permanente, the big healthcare outfit. They share an ancestor. This guy, Henry J Kaiser. He had his hands in a lot of different stuff.

Smelted aluminum. Owned some early TV stations. Created one of the first big tourist resorts in Hawaii. When he died, more than 50 years ago, he left half his money to the foundation that later created Kaiser health news. You can learn more about him and Kaiser health news at [arm and a leg show dot com slash Kaiser](http://armandalegshow.com/Kaiser).

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