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The Medical-Industrial Complex

The American health-care system is in need of reform. Does it deserve to be condemned? Laura Landro reviews “An American Sickness” by Elisabeth Rosenthal.

By [Laura Landro](#) [Follow](#)

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In American health care, profit is the primary motivation, the industry outfoxes every attempt to rein in costs, and consumers are the victims of predatory practices. That’s the bottom line for Elisabeth Rosenthal, whose “An American Sickness” is a harsh indictment of an enterprise she dubs the “medical-industrial complex.”

She parcels out blame to virtually every sector for putting financial gain over patient needs, from the pharmaceutical companies that maneuver to protect their lucrative patents to nonprofit hospitals that skimp on the charity care they are required to provide for tax-exempt status but shower CEOs with corporate-style perks and salaries. Insurance-company policies, she says, push prices up rather than contain them. Device makers, lab

companies and specialists pile on more charges and unnecessary procedures until the system is staggering under the weight of its inefficiency.

Other journalists have turned their sights on the failings in U.S. health care, including Steven Brill in “America’s Bitter Pill” (2015) and Frank Lalli in “Your Best Health Care Now” (2016), but Dr. Rosenthal brings an inside perspective to the task. Before launching her career as a journalist—first at the New York Times and now at Kaiser Health News, a project funded by the Kaiser Family Foundation—she earned a medical degree, trained in internal medicine and worked as an emergency-room doctor.

It’s somewhat surprising, then, that she has so little good to say about anyone in medicine or how little attention she gives to the advances in science and technology that have improved patient care and saved lives. While she highlights a handful of players who have fought to bring down costs or resisted what she sees as usurious practices, her theme is not the good but the bad and the ugly, and she never strays far from condemnation. The points she makes are valuable, but her broader case might have been more persuasive with more balance and a greater willingness to acknowledge the many trade-offs that any health-care arrangement will require, even the single-payer alternative she seems to favor.

“An American Sickness” lands amid a battle by the current administration to scrap the Affordable Care Act. Though Dr. Rosenthal sees the intent of that law as noble, she takes the view that it didn’t solve the problems of affordability and access or do anything to curb spending and address other troubles that beset the system. She believes that, for more than a quarter-century, medicine has become a dysfunctional market that operates by its own self-serving rules. Among them: More treatment is always better; providers default to the most expensive option; more competitors drive prices up, not down; and there is no such thing as a fixed price.

Such claims capture some of the oddities and ordeals of American health care, but the incentives and disincentives of the current set-up can be complicated, the effects varied and the trouble traceable to more than greed. For example, overtreatment is consumer-driven as well as profit-driven; patients may demand more care than is necessary and fail to comply with doctors’ orders, leading to worse outcomes and more treatment. Concern that patients will file a malpractice suit leads doctors to practice defensive medicine and order more tests and treatments. Costs are shifted from the uninsured to the insured, with

a matrix of cross-subsidies thwarting any attempt at a uniform price. Because the cost of developing drugs is so high, the drugs might not exist if pharmaceutical companies could not recoup their investment by way of patents. Dr. Rosenthal quotes a professor of health law saying that “people had a lot of faith in the American medical profession—that they would act differently than other businesses—but they were wrong.” But health care operates like a business only part of the time.

“An American Sickness” cites the evolution of health insurance, a postwar construct meant to protect patients and keep the charitable groups that ran hospitals afloat, as the source of the “original sin” that catalyzed this for-profit juggernaut. While to some extent insurers do better if they negotiate better rates for care, Dr. Rosenthal says, their main goal is to carve out their piece of the pie. Hospitals, she says, adapted to the financial incentives of the insurance companies by charging the highest prices they could come up with, which led doctors to order more tests and treatments and led device- and drug-makers to come up with ever more sophisticated and expensive products. While many advancements in medicine have clearly offered benefits to patients, Dr. Rosenthal sees it all as a money chase: “No one was protecting the patients,” she writes.

She shows the problems of byzantine medical-payment structures and vividly describes the army of coders and consultants who work around rules aimed at containing costs. When Medicare announced that there would be one payment for the first 90 minutes of chemotherapy, with a second payment for any part of each hour thereafter, it started receiving lots of bills for infusions lasting 91 minutes.

But much of the time it seems as if Dr. Rosenthal sees no justification for anyone to get paid or turn a profit, which of course would sink any business. She cites anesthesia as an example of price escalation, since anesthesiologists get paid for supervising less-educated nurse anesthetists while the doctors are “sitting in the lounge monitoring their portfolios.” In the next breath she notes that, as the 2014 death of Joan Rivers illustrates, when things go wrong in the operating room they can go very wrong, very fast. You want an anesthesiologist supervising, and she presents no evidence that in most cases they are not doing so.

She is also critical of the trend toward private rooms in hospitals, seeing it as costly, with little medical justification. But more hospitals are going to all private rooms, and studies

suggest that they may lower the risk of virulent hospital infections. Anyone who has had to share a room with another sick patient knows the value of privacy and quiet in the healing process.

Dr. Rosenthal endorses a number of solutions that have been put forth by health economists, including turning to models in other countries that have some form of nationalized health care. While she acknowledges that it's hard to imagine the U.S. moving that way any time soon, she sees Medicare as a single-payer system that, by gradually dropping its age of entry, could be a path to more coverage. Many of Medicare's initiatives, she argues, could serve as models for the private sector, such as bundled payments, which pay a single price for an entire episode of care—like a knee replacement—allowing hospitals to do well when they stay within budget but forcing them to eat overruns.

She also cites the success of Kaiser Permanente (officially separate from the Kaiser Family Foundation), the California-based managed-care organization where doctors are salaried and thus have no incentive to overtreat and where electronic records are used to coordinate care. She praises the health care offered by the Department of Veterans Affairs too, despite its problems, for its transparency and its attention to standards, such as those governing when patients should get a particular test.

For patients, her advice is to use reliable online resources to shop for the best and most reasonably priced insurance and treatment. Some strategies may be too complex for many patients, such as those for buying drugs from other countries. But asking why a doctor is ordering a test or whether a treatment is really required is everyone's prerogative. As Dr. Rosenthal writes: "We all need to be more 'difficult' patients."

It isn't necessary to accept all of Dr. Rosenthal's criticisms—or to agree with her assessment that profit is the main driver behind everything in American health care—to concede that reform is needed. Nor is it necessary to unequivocally condemn a system that has done so much for so many, whatever its flaws.

—Ms. Landro, a former *Journal* health columnist, is the author of *Survivor: Taking Control of Your Fight Against Cancer*.

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