Whistleblower tells of America's hidden nightmare for its sick poor

When an insurance firm boss saw a field hospital for the poor in Virginia, he knew he had to speak out. Here, he tells Paul Harris of his fears for Obama's bid to bring about radical change.

Paul Harris
The Observer, Sunday 26 July 2009

Patients without health insurance get dental care at a free clinic in Wise, Virginia, held every July for the past three years. More than 25,000 were treated in a weekend.

Photograph: John Moore/Getty Images

Wendell Potter can remember exactly when he took the first steps on his journey to becoming a whistleblower and turning against one of the most powerful industries in America.

It was July 2007 and Potter, a senior executive at giant US healthcare firm Cigna, was visiting relatives in the poverty-ridden mountain districts of northeast Tennessee. He saw an advert in a local paper for a touring free medical clinic at a fairground just across the state border in Wise County, Virginia.

Potter, who had worked at Cigna for 15 years, decided to check it out. What he saw appalled him. Hundreds of desperate people, most without any medical insurance, descended on the clinic from out of the hills. People queued in long lines to have the most basic medical procedures carried out free of charge. Some had driven more than...
200 miles from Georgia. Many were treated in the open air. Potter took pictures of patients lying on trolleys on rain-soaked pavements.

For Potter it was a dreadful realisation that healthcare in America had failed millions of poor, sick people and that he, and the industry he worked for, did not care about the human cost of their relentless search for profits. "It was over-powering. It was just more than I could possibly have imagined could be happening in America," he told the Observer

Potter resigned shortly afterwards. Last month he testified in Congress, becoming one of the few industry executives to admit that what its critics say is true: healthcare insurance firms push up costs, buy politicians and refuse to pay out when many patients actually get sick. In chilling words he told a Senate committee: "I worked as a senior executive at health insurance companies and I saw how they confuse their customers and dump the sick: all so they can satisfy their Wall Street investors."

Potter's claims are at the centre of the biggest political crisis of Barack Obama's young presidency. Obama, faced with 47 million Americans without health insurance, has put reforming the system at the top of his agenda. If he succeeds, he will have pushed through one of the greatest changes to domestic policy of any president. If he fails, his presidency could be broken before it is even a year old. Last week, in a sign of how high the stakes are, he addressed the nation in a live TV news conference. It is the sort of event usually reserved for a moment of deep national crisis, such as a terrorist attack. But Obama wanted to talk about healthcare. "This is about every family, every business and every taxpayer who continues to shoulder the burden of a problem that Washington has failed to solve for decades," he told the nation.

Obama's plans are now mired and the opponents of reform are winning. The Republican attack machine has cranked into gear, labelling reform as "socialist" and warning ordinary Americans that government bureaucrats, not doctors, will choose their medicines. The bill's opponents say the huge cost can only be paid by massive tax increases on ordinary Americans and that others will have their current healthcare plans taken away. Many centrist Democratic congressmen, wary of their conservative voters, are wavering. The legislation has failed to meet Obama's August deadline and is now delayed until after the summer recess. Many fear that this loss of momentum could kill it altogether.

To Potter that is no surprise. He has seen all this before. In his long years with Cigna he rose to be the company's top PR executive. He had an eagle-eye view of the industry's tactics of scuppering political efforts to get it to reform. "This is a very wealthy industry and they use PR very effectively. They manipulate public opinion and the news media and they have built up these relationships with all these politicians through campaign contributions," Potter said.

Potter was witness to the campaign against Michael Moore's healthcare documentary Sicko. The industry slammed the film as one-sided and politically motivated. Secret
documents leaked from the American Health Insurance Plans, the industry's lobby group, detailed the plan to paint Moore as a fringe radical. Potter now says the film "hit the nail on the head". "The Michael Moore movie that I saw was full of truth," he admits.

Potter was also working for Cigna when it became embroiled in the case of Nataline Sarkisyan, whose family went public after Cigna refused to pay for a liver transplant that it considered "experimental" and therefore not covered by their policy. Cigna reversed this decision only hours before the Californian teenager died. "I wish I could have done more in that case," Potter said.

Such sentiments are rare in an industry that has given America a healthcare system that can be cripplingly expensive for patients, but that does not produce a healthier population. The industry is often accused of wriggling out of claims. Firms comb medical records for any technicality that will allow them to refuse to pay. In one recently publicised example, a retired nurse from Texas discovered she had breast cancer. Yet her policy was cancelled because her insurers found she had previously had treatment for acne, which the dermatologist had mistakenly noted as pre-cancerous. They decreed she had misinformed them about her medical history and her double mastectomy was cancelled just three days before the operation.

Last month three healthcare executives were grilled about such "rescinding" tactics by a congressional subcommittee. When asked if they would abandon them except in cases of deliberately proven fraud, each executive replied simply: "No."

To Potter that attitude has a sad logic. The healthcare industry generates enormous profits and its top executives have a lavish corporate lifestyle that he once shared. Treating patients for their expensive conditions is bad for business as it reduces the bottom line. Kicking out patients who pursue claims makes perfect economic sense. "It is a system that is rigged against the policyholder," Potter said. The congressional probe found that just three firms had rescinded more than 20,000 policyholders between 2003 and 2007, saving hundreds of millions. "That's a lot of money that will now go towards their profits," Potter said.

A lot of that money also goes into contributions to politicians of both parties - $372m in the past nine years - and in lobbying groups to run TV ads slamming Obama's plans. Many of these ads deploy naked scare tactics. One report said that the industry was spending $1.4m a day on its campaign. In the face of that, it is perhaps no wonder that the Senate has delayed its vote, dealing a massive blow to Obama. "I have seen how the opponents of healthcare reform go to work... they are trying to delay action. They know that if they keep the process going for months, and turn it into a big mess, then the political impetus behind it will lessen," Potter said.

Potter, who now works at the Centre for Media and Democracy in Wisconsin, says the industry is afraid of Obama's reforms and that is why it is fighting so hard. It wants to deal him the same blow as it did Bill Clinton when it scuppered his attempt at reform in the 1990s. Potter admits that he is worried the industry might win again. "I have seen..."
their tactics work. I have been a part of it," he said. He knows he has no chance of ever working again for a major firm. "I am a whistleblower and corporate America does not tend to like that," he said. But there is one thing Potter is not sorry about: leaving the healthcare industry and speaking out. "I have absolutely no regrets. I am doing the right thing," he said.

Comprehensive healthcare reform in the US has been an ambition of many presidents since the early part of the 20th century. None has succeeded in creating a system that gives all Americans the right to coverage. Barack Obama, below, is desperate to avoid the same fate.

Finding a cure

What is the current system?
It is a complex mish-mash of systems. Millions of Americans have their own private healthcare plans, either individually or through their employer. About 47 million Americans have none. However, systems do exist to cover the very poor and the old. The system is fiendishly complex and full of loopholes, so even those with coverage can have it withdrawn.

How bad is it?
US hospitals are the best in the world if you can afford them. Many cannot, and an accident or sudden illness can often bankrupt someone.

How does it compare with other countries?
It depends how you measure things. The US spends about 16% of GNP on healthcare, far more than France and Germany, which spend 11 to 12%. Yet those countries provide universal care.

What is the biggest problem?
Critics say the biggest issue is the profit motive that drives US healthcare. This ensures that costs are always rising as the incentive is there to provide expensive treatment. It also gives health insurers the incentive to refuse treatment to claimants, by seeking to withdraw their cover.

What is Obama's solution?
Obama has asked Congress to draw up a government option, allowing all Americans to get some sort of cover. The sheer size of the state plan should theoretically allow it to drive down costs by economies of scale.

What's happening now?
Obama has put his reputation on the line to persuade wavering Democrats and moderate Republicans to vote on legislation by August. The Senate has said this will not happen. That's a major blow, as it puts off the debate until September and could see the political momentum stall.