Top Doctors 2008: My Daughter's $29,000 Appendectomy
Tom McGrath

When the bills and insurance forms for my five-year-old's surgery started rolling in, I was the one who needed a doctor. So I set out on a quest to understand them — and learned just how screwed up our health-care system really is

IT BEGAN THE way these things often begin.

"Sarah threw up in the car!" my daughter Hannah announced brightly one evening as she and her sister got home from the performing-arts class they were taking. Hannah is in third grade and three years older than her kindergarten-age sister, but the mythic status of the Kid Who Pukes In An Inappropriate Place transcends time, space and age gap. I know this not only because of my daughters, but because it has been 35 years since I was in third grade, and I can still conjure up both the names of the kids who heaved in our grade-school hallway *and* what it smelled like. (Hope you're feeling better, Linda U.)

My wife Kate and I figured that our usually spirited five-year-old was suffering from a run-of-the-mill stomach bug, so over the course of the next day and a half, Kate did what she does so well: gave Sarah lots of TLC, read to her, played with her, watched Barbie DVDs with her. By Saturday morning, Sarah was feeling better — or at least I thought she *should* be feeling better, which is why, in a decision that will undoubtedly be part of my father-of-the-year nomination, I announced that Sarah should walk with me to an event at Hannah's school, a short distance from our house.

"But my tummy hurts," Sarah whimpered, still in the prone position she had taken up on our living room couch.

"Sarah," I began, dropping into my deep "I am your father therefore I am very wise therefore you would do well to heed me" voice, "you probably just have a little gas. Taking a walk will actually make your tummy feel better."

Within a couple of blocks, it was clear that Sarah's "gas" wasn't going anywhere. "It *hurts*," she wailed, doubling over in front of a neighbor's house. So I finally relented and told her that if she insisted on acting like a *little girl* about this, fine, we didn't have to go to Hannah's school.

Then, naturally, I made her walk home.

As the hours passed, Sarah didn't get better; she got worse. By five o'clock, my wife was on the phone with our pediatrician. Standing in the kitchen, I listened as she described Sarah's circumstances — she left out the kindergarten version of the Bataan Death March I'd led my daughter on — and nodded before hanging up.

"He says we have to go to the hospital — *now*," Kate said. "It's probably her appendix."

I'll spare you any more suspense. At 3 a.m. the next morning, nine hours after we'd arrived at the emergency room at Children's Hospital of Philadelphia, after various exams, X-rays, ultrasounds and IVs, a very cool surgeon named Peter Mattei made three tiny incisions in my daughter's belly and slid out her minute, misbehaving appendix. Over the next couple of days, with the help of my wife, who never left

her side, and a team of wonderful doctors and nurses, Sarah recovered the way most surgical patients recover: a good hour here, a bad one there, a burst of energy here, a three-hour coma-like nap there. On Tuesday afternoon, three days after we'd rushed her to the hospital, Sarah came home — lacking one appendix, but having gained two Webkinz stuffed animals, which made her older sister jealous enough that she was clearly trying to figure out how *she* could land in the hospital.

On one level, I — and, I think, my wife — look at Sarah's appendectomy as something of a miracle. In the broadest possible terms, something went haywire in the belly of our little girl, and over the course of several days, dozens — and I mean dozens — of highly trained, highly capable people worked together to fix it. They did such a remarkable job that within a week of coming home, Sarah was once again climbing the apple tree in our backyard, and showing off her three tiny scars to anyone who wanted to look.

But on another level — and maybe I say this because as Sarah's dad, and a nonmedical professional, I felt this was the only part of the process that was my responsibility, that it was my job to be on top of — my daughter's appendectomy opened my eyes to the nightmare that is our nation's health-care system. Because when the bills and insurance statements started rolling in — a snow squall of papers featuring incomprehensible phrases like "patient encounter summary" and "allowed amount" and "core network" and "out-of-pocket cost" — I struggled to understand any of it. And this wasn't a case where coverage was being denied, or the doctor had left his BlackBerry inside my daughter's belly. No, this was a case where everything went *right*.

Which is why I set out to understand it — not just Sarah's bill, but why what I was being asked to pay for her care, what the insurer was paying, what we were paying *for* — was so hard to figure out. I discovered two things: first, that much of the cost of our health care is determined behind smoked glass, where patients are never invited to look. And second, that in trying to make sense of a single simple case where everything went right, you can learn a lot about what's wrong with health care in America.

Any Philadelphian who's been inside Children's Hospital will tell you it's an institution at once breathtaking and heartbreaking. On the breathtaking side, the only thing I can compare it to is Disney World, which — no matter where you stand on it philosophically — is without question the cleanest, friendliest, most competently run operation in the entire history of humankind. CHOP, I can say confidently, runs a close second.

As for the heartbreak? Well, it strikes you the minute you walk through CHOP's sparkling glass facade and start striding its sunny, brightly painted corridors. There are kids here who will spend years as patients in this place, and some of them will never go home. If there's a deeper level of hell than being the parent of a gravely ill child, I can't fathom what it might be.

Deirdra Young oversees billing and payment for all those patients. She's a soft-spoken middle-aged woman, and she works, not in CHOP's main building on 34th Street, but in space CHOP rents in the Wanamaker Building near City Hall, in an office adjacent to a sea of cubicles so large it's almost comical. I went to see Deirdra one day with a sheaf of papers under my arm and a simple plea: Help me, Deirdra, feel less like a dunce.

The first paperwork related to Sarah's surgery arrived a couple of weeks after she came home. Since the health coverage I get as a staffer at this magazine is what's known as a high-deductible/health savings account plan — that is, I'm responsible for the first $4,000 of annual costs, which I pay out of a health

savings account to which I make monthly contributions — I braced myself, expecting to see a vast total cost of which, hopefully, I'd only have to pay a petite proportion. I saw neither. The paper, from my insurance company, United Healthcare, read:

Radiology Services $71.00
Network Discount $14.20
Amount Allowed $56.80

I was baffled at first, but then secretly gleeful, the way you feel when you're speeding and you pass a cop but for some reason he doesn't pull out and come after you. Could it be this was it — the only bill I was going to get? That somehow everything Sarah had gone through — the ultrasound, the surgery, the IVs, the three nights in the hospital — had slipped through the billing cracks? She was small. It was possible.

Over the next few weeks, unfortunately, I started seeing and hearing the lights and sirens that haunt a wanted man. Every day when I came home from work, a new bill or statement from my insurance company was waiting for me — most of them either indecipherable or contradictory. There was a bill for "anesthesia services" of $1,326, yet the amount due was only $1,060, though neither I nor my insurance company had paid anything so far. There was a bill for "radiology services" that seemed to indicate the $209 charge was covered by insurance, but another identical one that indicated it wasn't. My favorite showed up in December: It listed a charge for room and board of $3,100, then another for "IH miscellaneous services" of — drumroll, please — *$19,742.16*. I wondered whether my five-year-old daughter had been force-fed Kobe beef throughout her hospital stay, or maybe had been ordering up porn on pay-per-view.
Now, sitting with Deirdra Young, I dove into my stacks of paper and asked her to explain it all to me. I started with that bill for CHOP's radiology services of $71 that had been adjusted down to $56. Deirdra looked at it, then patiently explained what I now know to be the First Rule of the American Health-Care System: Insurance companies don't pay retail.

"Your insurance plan has some kind of contractual agreement with us, where we're going to adjust your charges by a certain amount," she explained. So United Healthcare gets its own set of prices — prices that don't have much to do with what's on the bill? An X-ray isn't $71, it's only $56? "Right. We have contracts with different payers. And the contract may say — I'm trying to make this as simple as possible — that for this procedure, we're going to give you a 10 percent or 20 percent discount. It varies by contract."

This little bit of information — which maybe you knew but I didn't — helped clear up the confusion on a number of Sarah's bills. Her anesthesia bill was $1,326, but thanks to the discount, we only owed $1,060. The surgery bill was $3,235, but the discount knocked it down to $2,059. The more bills Deirdra and I went over, the more I started to feel proud of my insurance company: *Look at you, United Healthcare, all gettin' me a deal and shit.*

I moved on to some of the statements I'd gotten from United that didn't seem to match up to any bills from CHOP. It was then that Deirdra taught me the Second Rule of the American Health-Care System: There are a ton of bills and charges that we, as consumers, never see. For instance, Sarah's Kobe beef bill — the $19,000 in miscellaneous services? Turns out I'd never gotten an actual bill from CHOP for that because United Healthcare was picking up the tab.

This made me feel pretty good, but out of curiosity, I asked Deirdra just exactly what those $19,000 in charges were *for*. She called up Sarah's account on her computer. "All of this," she said, turning the screen so I could see it. The charges were now broken down by 12 different "revenue codes." For instance:

Pharmacy — General $1,978.97
Emergency Room — General $554

And while to me these charges seemed monolithic, Deirdra further explained that there was an itemized breakdown for each one. A moment later, her screen filled with line after line of charges that looked like the federal budget. I asked her if she could print it all out for me. She raised her eyebrows. "You're not going to understand what these abbreviations are. You're fine with that?"

"I'm fine with that," I said. She handed over a printout, and I realized she was right. Most of the line items — 95 in all — were gibberish. Thiopental, $53.25. Endo Stapl*, $547.19. Finally I saw one I thought I could understand: Hot Pack, $36.

For the first time in the entire process, I realized, I was seeing Sarah's actual bill. This was the full accounting of everything that had been done to my sweet little daughter.

What was truly fascinating, though, was that this list of charges was more or less useless. Of the $19,000 in miscellaneous charges, my insurance company had paid only $4,954. "It's the contract," Deirdra explained. In fact, while the total charges for Sarah's stay were $28,738, United and I only paid about $12,000 ($9,136 from United, $3,233 from me). Sixty percent of the charges vanished into thin air.

Figuring out just what an insurance company pays for and what it doesn't isn't cheap. Physicians for a National Health Program, a group pushing for national health insurance, says paperwork and bureaucracy account for nearly a third of every dollar we spend on health care — and that streamlining the system could save nearly $400 billion per year.

At CHOP, more than 60 people work for Deirdra Young in her department. She has them divided into different groups, each one working with a different insurer, since each insurer has its own peculiar codes and ways of doing things. "In this business, you have to have a good relationship with the payers," Deirdra said. "We meet with them every four to six weeks, and we have spreadsheets, and we look at what are the denials, is your system set up right, did something change."

I asked: Does she ever wonder if there's a better way to do all this? She laughed. "Some days I do say that — when I look at some of the issues we have. Can't we just keep it simple? But I don't think we're there yet. It would be good if we had one system, one payer. I just don't think we're there."
I AM, IT seems, not the only Philadelphian or American flummoxed by the complexity of the health-care system. In fact, as medicine grows more sophisticated and complicated, we're quickly approaching a crisis point in what experts call "health literacy" — our ability to comprehend everything from the instructions our doctors give us to our insurance claim forms. "It relates not just to understanding the medical terms, but to the consumers' need to understand the system of health care and their responsibilities to pay for health care," Madeline Bell, CHOP's chief operating officer, told me one day on the phone. "So what you're experiencing is that it's a complex system, and you don't have a high level of health literacy — because it's not something that most people have. Even me. I feel I'm educated about it, but when I'm a consumer, I really have to take my time and understand all the

components of it."

I called Madeline a couple of days after talking with Deirdra. I wanted to ask her two things: First, how did CHOP go about calculating what I'd started thinking of as the "sticker price"? Second, how did CHOP and United Healthcare figure out how much CHOP should actually get paid?

The sticker-price portion, it turns out, isn't particularly difficult to grasp. Madeline explained that CHOP looks at "acquisition costs" — that is, what it has to pay for things like drugs, supplies, workforce — then adds in data regarding what's typically charged for a service — in short, the going market rate. That seemed logical enough. What I found curious, though, was this: United Healthcare wasn't the only one who got a break on the cost. No one ever pays full price.

"That's not how it works," Madeline said, with a little bit of a laugh. "It sounds strange, I know. But it's typical that hospitals have charges, then they'll negotiate a contractual agreement with insurance companies. You won't get a situation where the insurance company will pay the charges. That's just how this system works."

Now, I'll admit to being a little bit of a wiseass here, but I couldn't help wondering — and apparently I, uh, did this out loud — just why the hell a hospital would establish a price that no one on the planet was actually going to pay.

"Well, it helps us understand what our gross revenue is," Madeline responded politely. "It's just a system that's been set across the board for health care. There are some systems" — she stopped, and it was clear that this was much more complicated than I was ever going to be able to understand. She explained, for instance, that sometimes what insurers paid was a percentage of the retail price, although sometimes it wasn't. … "I think it's just a long-standing system. I know it doesn't make sense to the general consumer."

Actually, it made perfect sense: The price is what it is because that's what the price always was — well, except when it isn't.

I moved on to my other big question: If sticker price is irrelevant, then how do hospitals and insurance companies figure out how much the insurers — and, by extension, all of us — actually pay? The answer turns out to be one that any mass-market merchandiser would understand: Typically, the more customers an insurance company has, the better the deal it gets from a health-care provider like CHOP. "For those insurance companies where we do a high volume of service, there will be more of a volume discount," Madeline explained.

That our health-care system operates on the same economic model as Sam's Club — with a family pack of appendectomies costing less per item than one solo appendectomy — was not particularly comforting. Indeed, it struck me as exactly the opposite of the way things should be. Doesn't giving price breaks encourage people to use the health-care system more? Madeline told me that in some areas of the country, hospitals are experimenting with variations on the current model. One is what's called "outcome-based payment" — where a hospital gets paid a better rate if everything goes the way it's supposed to, with no infections, say, or a patient gets out of the hospital after a set number of days. The other burgeoning trend is insurance companies not paying for what the industry ominously calls "never events" — that is, the hospital doesn't get paid if the patient dies when he or she wasn't supposed to.

Honestly, I have no idea what to think about that.

I liked Madeline Bell, and I could tell she is genuinely sympathetic to how complicated all of this is to the average patient. She explained, for example, that CHOP was as open as possible with families when it came to helping them get a grasp on costs. “We give families the information they need to understand their bill,” she said. “The problem is, many times it creates more confusion.” After looking at Sarah’s 95 line items, I could understand that. That said, Madeline told me there are cases where delving into every one of the charges in detail is crucial: “There are some health plans out there that have lifetime maximums. And if you have a child who’s chronically ill, it’s important that you understand what your insurance company is paying for in your child’s care.”

Given the difficulty I was having understanding one simple, successful appendectomy, I can’t imagine what it must be like for those families whose stays at CHOP are measured in months, not days, and whose bills climb into the hundreds of thousands of dollars and beyond.

And what happens if you have no insurance at all? Families that can afford to pay cash get a 20 percent discount. If you can’t afford to pay anything, CHOP offers a variety of options, including a charity-care program. While a portion of every bill goes toward subsidizing those cases, Madeline said there was no way for her to say what the exact percentage was. (Philanthropy also helps cover the cost of charity care.)

“This is how things have evolved over time,” Madeline said of the system in general. “Nothing will drastically change unless we have a different person in office and blow up the entire system of health care and have universal health care. Then, things will change.”

In the meantime, CHOP is playing by the current rules. A few minutes after I got off the phone with Madeline, a woman from CHOP’s public relations department called me and — in a move that says everything you need to know about what a business health care is — told me there was some concern Madeline might have said too much about how CHOP figures out its rates with insurance companies. Please don’t print how much the hospital gets paid for specific services, she implored. It could hurt CHOP in its negotiations with other insurance companies.

GIVEN THE AMOUNT of health care Americans consume — in 2007, we spent $2.3 trillion on it — I’ve come to realize that Sarah’s successful surgery wasn’t the only miracle that happened last fall. The simple fact that her bills were processed — and processed without any denials or complications, other than the fact that I thought my head was going to explode — was astonishing.

“We handle 300 million claims per year,” said Daryl Richard, a vice president at United Healthcare, when I called for some insurance-industry perspective on both Sarah’s bills and the entire Gordian knot of a system.

One of the ways United avoids being overwhelmed by that kind of volume is by removing human beings from the process as much as it can. The charges Sarah rang up at CHOP, for example, were sent electronically to United Healthcare, where a computer determined whether the charges seemed valid

and signed off on how much to pay. Daryl told me that 82 percent of the company's claims are "auto-adjudicated" — meaning no person has to get involved. It's simply one computer talking to another.

Given that, I asked how United knew that all of Sarah's charges — all 95 line items, $29,000 worth — were legitimate. I had no reason to suspect they weren't, and frankly, I wasn't going to fight CHOP even if something was fishy, but I wondered how much of a leap of faith United is willing to take.

"One of the roles we play, for the employers and consumers we serve," he explained, "is to make sure we administer your benefits correctly — so that you're not overcharged, or undercharged, and that your plan is covering what should be covered.

"And I think you highlight such an important issue, because — and I'm quite impressed with how much you dug into this — because I wish there were more consumers who were taking the time to understand their benefits and claims. Health care is going to continue to be a fairly complex system. But part of the way we can simplify it is if our consumers become more educated about how these processes and systems work."

This "empowering the consumer" is something United is really big on. Daryl told me, for example, that the company's website has a calculator that tells you how much a particular service or procedure should cost in your particular area of the country. He also said that starting this year, the company has come up with new claims statements designed to be much simpler for patients and their families to understand.

The notion that for our health-care system to work properly, we all need to be savvier consumers seemed to me exactly right … and exactly wrong. Yes, half of what's whacked with our system is its mind-numbing complexity and lack of transparency, which not only add billions in costs but make it impossible for anyone to behave like a rational consumer. How can you know whether a drug is overpriced when it's so hard to find out the price in the first place?

And yet I certainly don't feel confident that smarter health-care choices would necessarily mean lower premiums. Last year, for instance, even as it bemoaned the rising costs it was paying on behalf of its members, United Healthcare's parent company made a profit of $4.1 billion.

Which leads to what may be the other fundamental flaw of our health-care system: the fact that we treat it as a capitalistic enterprise at all. Would it have made any difference if I had known the final cost of Sarah's appendectomy ahead of time? I suspect I speak on behalf of most of the parents who pass through CHOP's breathtaking, heartbreaking halls when I say: There is no amount of money I wouldn't pay to see my kid get better. If you had told me on the night of Sarah's surgery that I had to empty out my 401(k) to pay for it, I would have done it. Sell my house? Yup. Borrow thousands from friends and family? In a heartbeat. Buy a gun and knock over a liquor store? If that's what it took. Some things are more powerful than business, more powerful than money, more powerful, frankly, than right and wrong. And that may be precisely what makes our health-care crisis insolvable: We are trying to put a price on something that is, by its nature, priceless.

ONE RECENT FRIDAY afternoon, I sat down with Peter Mattei, the surgeon who took out Sarah's

appendix. Peter is a 43-year-old Harvard Med School grad whose jet-black hair and dark eyes make him look like a central casting version of Surgeon. I caught him on his lunch break, after a morning in which he'd done five surgeries.

He seemed embarrassed to admit he knew little about the billing and payment part of his profession. He explained, for example, that he's a salaried employee of his surgical group, so whatever United Healthcare and I paid for Sarah's surgery certainly hadn't gone directly into his pocket.

We talked for a few minutes about his life as a pediatric surgeon — he does about 500 procedures a year, ranging from simple mole removal to treating kids with cancer — and then about the complexity of the system that brought us together one night last October. We agreed that there must be a better way to do this — though neither of us knew what that might be.

There was a time, long ago, when a surgeon like Peter Mattei would have operated on Sarah, then sent me a bill for what his services cost. I would have sent back a check, or worked out a way to pay what I could over time. It was a previous generation's way of resolving the contradiction between what is, on the one hand, a business and, on the other, a basic human need. People seem capable of doing that; complex bureaucracies, not so much.

I'd brought with me my folder of the paperwork on Sarah's case, and I started showing it to Peter. He noticed the itemized listing of charges — her real bill — and asked if he could take a look at it. He seemed fascinated by the list, finally zeroing in on some of the charges directly related to what had gone on in his operating room.

"Wow, an endostapler costs $550?" he said, referring to the device he'd used to close Sarah's wounds, that had left such tiny little scars. Then the man who'd saved my kid, a guy I could never repay no matter how much I paid him, shook his head in disbelief. "That's amazing."

Emergency appendectomy in England for $6001
Posted by Timothy | Jun. 24, 2009 at 7:17 PM
COMMENT:
My friend's wife had emergency abdominal surgery while visiting London in September, 2007. (Appendix burst!) She has dual citizenship with Australia. Had she been living there or in the U.K. before the operation, it wouldn't have cost them anything. That's under the reciprocal relationship between Australia and the U.K. But she had been living in the U.S. So: two weeks in hospital, surgery, emergency room, massive antibiotics, a drain in the abdomen, and the fact that they saved her life, cost US $6,100. Yes, six-thousand-and-one dollars. And she and he were treated very well. Ah, the advantages of civilized societies.