

Some Businesses Shouldn't Be Businesses

What health insurance, prisons, and schools have in common

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Published in Bouncin' and Behavin' Blogs



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This week's internet contretemps concerns the assassination of Brian Thompson, the CEO of United Healthcare. The killer, who, as I write this, has not yet been apprehended, [wrote](#) the words "delay," "deny," and perhaps "depose" on the bullets that he used to kill Thompson. It was an apparent reference to the strategy that health insurance companies like United Healthcare use to minimize the claims they pay and therefore maximize their profits. This was a murder meant to send a message.

The circumstances of the killing were striking — the killer laid in wait outside a meeting site in a busy part of Manhattan, shot Thompson, and then disappeared without much of a trace into the city. What happened next on social media was equally extraordinary: [thousands of people](#) took evident delight in the murder of a fellow human being. Some people made jokes like "thoughts and prayers are out of network,"

a few apparently [lusted](#) after security photos of the killer, and many [shared](#) painful personal stories of medical bankruptcies, denied treatments, or exhausting battles with insurance company bureaucracies.

The message, in some corners of the internet, at least, was that Thompson deserved to be killed, or at least that we shouldn't be too surprised when something like this happens to people who get paid very well to boost profits by denying sick people the health care they need.

I don't think that murdering Thompson was morally justifiable, nor do I think Thompson was necessarily a terrible person. My father worked in health insurance for a while (in marketing and sales), and I certainly never saw him or his co-workers as evil people who deserved to die. They were just, well, people, who took jobs that they thought would feed their families.

But, at the same time, I understand some of the sentiment on the internet which, though laced with the glib, sociopathic cynicism that often characterizes online pile-ons, does have a useful question underneath it: *why is it wrong for this guy to shoot someone but perfectly OK for this company to effectively kill people to maximize its profits?*

We should not take away from this incident that it's OK to murder individuals who are involved in a terrible system. The lesson we should learn is that some businesses should not be businesses.

The fundamental issue behind the controversy over Thompson's murder is that a health insurance company probably can't operate ethically.

These companies and the people who work for them are consistently exposed to perverse incentives. On the one hand, they are profit-driven corporations. Their stockholders demand that they maximize revenue and minimize costs, just as any company would. The problem is that United Healthcare's revenue consists of people's insurance premiums and its expenditures are the payments it makes for its customers' health care. Even if the people who work there are good-hearted individuals, the nature of their enterprise constantly pushes them to charge people as much as they can for insurance while paying out as little as possible for care.

These incentives have made the American health care system the [most expensive in the world](#) — we pay a third more than people in Switzerland, the next most expensive country, and about double the costs of the average wealthy country. And, worst of all, we don't get anything for all that extra money — American health outcomes are among the worst in the rich world.

Health insurance companies save the most money by denying coverage of expensive interventions that could make the difference between life and death. Though the companies work hard to keep their denial rates secret, they seem to deny somewhere between [a fifth and a third](#) of all claims. Industry whistleblowers like [Wendell Potter](#) have accused some companies of reflexively denying many expensive claims, even if they should be covered under the policy agreement because customers are unlikely to appeal the decisions.

The real issue here isn't whether Brian Thompson was a monster who deserved to get shot. It's whether something as important as health insurance — where the people who administer your policy literally get to decide whether you can afford to live to die — should be a business under pressure to maximize profits. The internet outburst after his death shows that Americans think that an industry like this can't behave ethically, and I tend to agree. The moral incentives and the business incentives just don't align.

Health insurance isn't the only business in America that shouldn't be a business. Education should be sheltered from the profit motive, as well. Just as the life-and-death stakes of health care make it an awkward fit for the incentives of the business world, the minds and futures of children are too important to be left to corporations.

As Chris Lehmann [writes](#), the incentives in for-profit K-12 education are just as perverse as those in health care. For-profit schools are under pressure to increase the gap between revenue and expenditure. Since revenue (in per-pupil tax payments) is pretty stable, schools find themselves having to slash spending on kids. They do this by cutting corners on teacher pay and student materials. There's a great temptation to hire underqualified teachers or pay staff much less than they're worth, while outsourcing more and more of the teaching to technology. Any money saved is not spent on making students' educational experiences better; instead, it's skimmed off the top and returned to investors.

For-profit higher education is similarly compromised. These schools are [incentivized](#) to admit students who are more likely to fail out, encourage them to take on unsustainable student loans, make unrealistic promises about job placement and other outcomes, and skimp on the actual education that students receive.

We should also be aware that, especially in higher education, nonprofit status is merely a fig leaf for many private institutions. Yes, private colleges are, according to the IRS, nonprofit organizations, but a lot of them are just as exposed to the perverse incentives of money in education as the for-profit schools. Many colleges are [relying](#) more and more on underpaid adjunct professors while jacking up tuition and padding their endowments. As Caroline Fredrickson [writes](#),

That colleges and universities have turned more and more of their frontline employees into part-time contractors suggests how far they have drifted from what they say they are all about (teaching students) to what they are increasingly all about (conducting research, running sports franchises, or, among for-profits, delivering shareholder value).

It may make financial sense to pay a winning [football coach](#) \$5 million dollars per year while cutting departments and underpaying faculty, but it doesn't make educational or ethical sense. Educational institutions should not be for-profit businesses.

You may have noticed a strange news item recently: the stocks of private prison companies like [CoreCivic and GEO Group](#) jumped significantly after Donald Trump was re-elected to the presidency. Companies like these administer many of the prisons in the country and are especially dominant in the immigrant detention business: [over 90%](#) of the federally detained immigrants end up in for-profit facilities.

Because Donald Trump has promised to round up and deport millions of migrants in addition to cracking down on crime, these companies stand to make a pretty penny. On an earnings call after the elections, the GEO Group's chairman [said](#), "The GEO Group was built for this unique moment in our . . . country's history and the opportunities that it will bring." He promised that his company was ready to "scale up from the present 182,500 participants [in one federal immigrant detention program] to several hundreds of thousands or even millions of participants." By "participants," of course, he means prisoners.

Prisons are supposed to be focused on rehabilitating criminals and returning them to society. In some ways, they should be working to put themselves out of business — the most successful criminal justice system is one that needs to incarcerate very few people. But for-profit prison companies are, by their nature, not [incentivized](#) to rehabilitate prisoners. They make more money when as many people as possible end up imprisoned for as long as possible. Their lobbyists — funded by billions of dollars in profits — are incentivized to push the government to invest more deeply in policies of mass incarceration.

For-profit prisons cheat the people who find themselves incarcerated there. They “[partner](#)” with phone companies that charge \$1 per minute for prisoners’ phone calls and financial services companies that return inmates’ confiscated funds to them on high-fee debit cards. The prisoners, of course, have no choice in the matter.

Meanwhile, the companies have an incentive to save money by spending as little as possible on the health and welfare of the prisoners. One judge [described](#) a GEO Group prison as “a cesspool of unconstitutional and inhuman acts and conditions.”

In our capitalist system, all businesses are exposed to competing incentives. Car companies could save money by making their cars a little less reliable or charging a little more than is fair. Food companies surely feel pressure to cut corners on quality or freshness to boost their profits. Clothing companies would, no doubt, like to charge you more for shoddily-made products.

So what’s the difference between these companies and for-profit health insurance, schools, and prisons? First, there are the stakes. If you purchase a cheaply-made shirt and it disintegrates in the wash, that’s frustrating but not the end of the world. If your health insurance company decides that it’s unwilling to pay for your cancer treatment, it may very literally be the end of your life. The stakes are too high when it comes to essentials like health and education.

Second, there’s the matter of choice. We have agency in most of our consumer decisions. If an auto company gets a reputation for making unreliable cars, you can choose not to buy from them. But, at least in the case of health insurance and prisons, people don’t have a choice. Most of us don’t get to choose our health insurance company — our employers do that for us, often with an eye on cost — and prisoners

obviously don't get a say in who incarcerates them. There's not enough competition in these marketplaces for consumers to get the benefits of capitalism.

I would imagine that nobody goes to work at a health insurance company dreaming of denying life-saving care to cancer patients so that shareholders can make a fraction more. But the incentives of the American economy put them in that situation regardless. It seems to me that the only way to solve this problem is to make sure these businesses aren't business anymore. Some things are too important to leave to the marketplace.

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