WILLIS REPORT for February 27, 2013 - Part 1

Gerri Willis, John StosselAssociated Press

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GERRI WILLIS, FBN HOST: Hello, everyone. I'm Gerri Willis.

Tonight on "The Willis Report."

(BEGIN VIDEOTAPE)

WILLIS (voice-over): Government intrusion reaching even deeper. ObamaCare is forcing your employer to watch what you eat.

Also, local government run amok. A city hires a new manager who can't even manage his own money. He's gone broke twice.

And helping our heroes - how military wives are making a difference.

"The Willis Report" is on the case.

(END VIDEOTAPE)

(MUSIC PLAYING)

WILLIS: All that and more coming up later in the show.

But first tonight to our top story. More and more companies tracking their employees' every move - what they eat, where they shop, even how much weight they're putting on. This all in an effort to cut health care costs and insurance costs thanks to - you guessed it - ObamaCare.

Listen up because you could be next.

Joining me now, Dr. Deborah Peel. She's the founder of Patient Private Rights Foundation which advocates for medical data confidentiality.

Boy, we don't have enough of that right now. Dr. Peel. You know, I was shocked to learn that some companies are buying not medical data - they're buying financial data of the employees that they cover to find out whether they're buying plus size clothing or they're going to bars and spending all their money on vodka and gin. This seems to me a real invasion of privacy.

DR. DEBORAH PEEL, PATIENT PRIVACY RIGHTS FOUNDER: Yes. It's a massive invasion of privacy. But Gerri, this is not caused by ObamaCare. This is caused by companies wanting to try to control spiraling out of control health costs. Its not caused by ObamaCare but technology is really the problem here.

WILLIS: All right. Well, let's get to the - let's get to the privacy because I think that's a critical issue for so many folks out there. Now, I understand that some of these companies are doing - they're just tracking people's - their health care, they're giving them bands to measure how much exercise they're getting in and that kind of thing. People are voluntarily doing that. That I get. But when you're sneaking around behind my back and figuring out how I'm spending my money, that I have an issue with.

PEEL: You're right. And I think all Americans have an issue with this hidden collection of really sensitive personal information. And the truth is in this country, the only kind of information we have longstanding rights to control and expect to control is health information. But none of the technology systems have been built to put us in control of who can see and use it. That's what we work to try to restore, to try to get congress and the president to put us back in control of this information so it can't be collected secretly and sold like this to discriminate against us.

WILLIS: Right. Well, just a point of fact here - 35 percent of Fortune 500 companies admit to using medical records for hiring and promotions. The beat goes on. Doctor Peel, thanks for coming on tonight.

PEEL: Yes. You're welcome.

WILLIS: It's a fascinating issue and I'm sure we'll continue to follow it.

PEEL: Thank you, Gerri.

WILLIS: Now, we want to know what you think. Here's our question tonight: "Is ObamaCare forcing employers to invade your privacy?" Log-on to GerriWillis.com, vote on the right-hand side of the screen. I'll share the results at the end of tonight's show.

Meanwhile, my next guest, 26,000 word article - an opus on the topic of how high health care costs are mounting. It's getting lots of attention and it happens to be the cover of Time magazine this week. His in-depth report sheds light on why our medical bills are killing us literally.

Joining me now, Time contributor Steven Brill.

Thanks for coming on the show tonight.

STEVEN BRILL, "TIME" CONTRIBUTOR: Hey, how are you.

WILLIS: I read the article. I was just blown away by so much research into it. And in it, you say we're really focusing on the wrong thing. We've been focusing on who pays for health care, not how much the bill is.

BRILL: Right. Exactly. With all the debate over ObamaCare, no matter which side you were on, it was all about whether the private sector should be involved in insurance, whether the government should be mandating insurance, but it didn't focus on the core issue which is why does all this stuff cost so much - why do we have this crisis?

WILLIS: Unbelievable.

BRILL: And what I did was, I took some sample bills and just followed the money to see who's making all the money and how.

WILLIS: Well, it was fascinating to see that uncovered. The thing you wrote that I thought sort of summed up what you were saying is that the health care market is not a market at all. It's a crapshoot. Everyone fares differently based on circumstances they can neither control nor protect. So I thought it was fascinating that you would have a Medicare patient, you would have somebody with no insurance, you have somebody with insurance, and the bills were all dramatically different.

BRILL: Totally different and ironically, and this may shock some of your audience, the most efficient buyer and administrator of health care insurance is Medicare.

WILLIS: Well, the costs are certainly the lowest.

BRILL: The costs are the lowest. They also - they process the claims most efficiently. I should add they do that by contracting out to guess who - the private sector.

WILLIS: Let's talk about the chargemaster. I had never heard this described before.

So in your article, you talk at length about hospitals had this book they got to - I guess - which has a list of the prices. But as you can see, they often charge patients up to ten times the cost of an item. What's going on?

BRILL: Well, we think of our local hospital as this wonderful - you know - charitable non-profit institution when in fact, they make tons of profit. They just have official tax-exempt status as non-profit institutions and the chargemaster is the engine of that profit. It's a list of six or seven or 5,000 items everything from - you know - the aspiring that they give you in the little paper cup that you have the water in that you use to take the aspirin to a - you know - a $13,000 dose of a cancer drug and everything in between and the chargemaster are their list prices.

WILLIS: Well, let me give you an example from your own story. One Tylenol tablet priced out of a $1.50 versus $1.49 for 100 of them if you go to your local drugstore.

BRILL: Exactly.

WILLIS: That's crazy.

BRILL: That adds up. You know, and plus, the hospital - you know - doesn't pay what you would pay at your local drugstore. They have more buying power. But there are things like you know, a $77 box of gauze pads or a $1,200, you know, x-ray that Medicare - you know - might pay $60 for. And all that stuff adds up.

WILLIS: You pay more - if you're not in Medicare, you pay more than Medicare pays for anything.

BRILL: And if you have insurance, your insurance company pays a lot more than Medicare and then an irony of ironies, if you don't have insurance, you pay more than your insurance company pays and much more than Medicare. So the people least able to pay are the ones who are charged the most.

WILLIS: None of them makes any sense but as a result, the U.S. spends more on health care than these ten countries combined - Japan, Germany, France, China, the U.K., Italy, Canada, Brazil, Spain and Australia.

BRILL: We spend more than everybody. We spend 50 percent more on the same prescription drug as any of those countries - you know - have to spend. And it's because we sort of live in a fantasy that medical care can be a competitive open free-market when it's not a free-

WILLIS: You're saying it's not, right now.

BRILL: Well, if you go out - you know - after the show tonight to buy a pair of shoes and you walk into a shoe store, you can decide that the shoes are too expensive. And better yet, you can go to another shoe store. (INAUDIBLE) and end up in the emergency room.

WILLIS: But with your back on a gurney, that's not the time to figure out what the

price tag is.

BRILL: Exactly.

WILLIS: You have no choice.

BRILL: Yes, you're there.

WILLIS: All right. You know, this story almost didn't get to print because it was commissioned by another magazine entirely. What happened?

BRILL: Well, it was always going to get to print. I had made a decision that it was going to be published in the New Republic and when they told me they were going to bunt it for an interview with President Obama, I just shifted it to one of the other magazines that wanted it.

WILLIS: Solutions. What do you think is the most important solution out there to this problem which is unbelievable?

BRILL: We have to acknowledge again that it's not the same as you buying a pair of shoes, that it is a market-

WILLIS: Should it be more like that? The Republicans say it should be more like a marketplace.

BRILL: Well, if you could pull it off, it would be great. But the fact is, again, you don't have the knowledge, you don't have the freedom. You know, your doctor says, "You need to go---"

WILLIS: And the consumer doesn't have the price tags.

BRILL: Right. And in every other developed country in the world, whether they're conservative countries or liberal countries, they have price controls or some mechanism whereby, you know, the government is controlling the prices or allowing people to buy their insurance - you know - via the government.

WILLIS: Well, I'm not in favor of that but the system we have right now which you so incredibly depict in such detail is a mess.

Steven Brill, thanks for coming on today.

BRILL: Thanks for having me.

WILLIS: We really appreciate your time.

BRILL: Good to be here.

WILLIS: A lot more still to come in the hour including a nearly bankrupt California city making a shocking hire.

And speaking of California, it's a good news/bad news situation as the golden state has more wind and solar energy but it just doesn't have any power. A look at California's growing electricity crisis coming up next.

(COMMERCIAL BREAK)

WILLIS: Well, this just in. Jack Lew has just been confirmed as the new Treasury secretary. The senate voting to confirm Lew just a few moments ago. The President's pick was criticized by many Republicans over his relationship with Wall Street, particularly the bonuses he received from Citigroup, and his involvement in setting up the sequester as the White House's chief of staff.

Once again, Jack Lew has been confirmed as the new Treasury secretary. The vote 71-26.

Well, on to other topics.

President Obama's green dream looks more like a nightmare in the golden state. Having pushed to get a third of electricity from renewable resources like wind power, California is facing an electricity shortage. Well, it turns out the energy produced by wind and solar isn't reliable because it fluctuates with the weather and it could result in rolling blackouts all across the state.

Joining me now, Michael Sandoval, investigative reporter for the Heritage Foundation.

Michael, thanks for joining us tonight.

This is crazy.

MICHAEL SANDOVAL, HERITAGE INVESTIGATIVE REPORTER: Pleasure to be on.

WILLIS: It just - it amazes me that all of this effort in developing these alternative resources and we didn't know before we started that they're not reliable?

SANDOVAL: Well, it's clear based on the evidence in California and other states that wind and solar are too intermittent to be reliable. In fact, in - if you look at a state like Texas which has a very large installed wind capacity, they like to tout earlier this month that they reached a very large percentage - 28 percent. The very next day, that actually went down to below three percent. So you can just see in the course of one day, the intermittency issue and the fluctuation - it really jeopardizes the grid.

WILLIS: Let's describe that because I don't really think we're getting to it which is that you know, wind relies on-you've got to have wind blowing all the time, right?

SANDOVAL: Absolutely. Absolutely you have to have the wind or you know, you don't have any energy production and Texas itself, the reporting out of that state

actually pegged two years ago just 8.7 percent of its installed capacity is dependable in the peak season when people are flipping on their air-conditioning and wanting to use the available resources to cool themselves off and it's not available. Less than 10 percent was considered dependable by Texas and yes.

WILLIS: Ouch. That's amazing. And then we have solar - that's not reliable either. Let me tell you, if you can't rely on solar in California or Texas or Nevada, you can't rely on solar because that's where they get a ton of sun.

SANDOVAL: They absolutely do get a lot of sun but, you know, sun is - it obviously correlates with actual availability of the sunshine but you also have things like storms that could interrupt that. And so, you know, plugging those two things into the grid without a way to you know, make it reliable really jeopardizes the grid and it causes blackouts, which I'm sure millions of Californians are very familiar with and not in a good way.

WILLIS: Why can't we just - why can't we just burn coal or nat. gas with the old electricity plants and go from there? I have no idea. I've also got to ask you though about Abound Solar because there's a fascinating story out. We talked about how these solar panel makers produce hazardous waste. But now, this company Abound Solar which is an absolute flop, it's going to have to bury the old panel. So now, we're going to have a hazardous waste site from a company that was supposed to be the answer to the green dream that the Obama administration has put forward.

SANDOVAL: Well, absolutely. The technology that Abound uses used cadmium which is a carcinogen. And so they have thousands of palates of unused, unsold and possibly defective solar panels left at their warehouses and at their production facilities and if these are not disposed of properly, they have a contamination issue. So they are being forced by the state of Colorado to either sell or dispose of these and that would entail in the state of Colorado treating them and then putting them in cement and burying them in the eastern plains of Colorado.

WILLIS: The cost is $2.2 million. Yes, more of your taxpayer dollars I assume to bury these. Are we going to pick up the tab for this?

SANDOVAL: Well, a part of the bankruptcy bill is that they - the Colorado state is not going to fine them yet. They would like to resolve this but, you know, $70 million of a $400 million loan was drawn down by the company before they went bankrupt. So I'm sure that taxpayers are at least picking up part of this tab.

WILLIS: That's so depressing.

Michael, thanks for coming on and explaining these things to us. We really appreciate it.

SANDOVAL: Absolutely. Thank you.

WILLIS: Well, a little later in this show, the real numbers behind the sequester. There. I said it. And why it's all a scare tactic by the White House.

And one California city is in such bad financial shape even its new money manager has filed for bankruptcy not once but twice. Details next.

(COMMERCIAL BREAK)

WILLIS: Would you hire somebody who filed personal bankruptcy twice to be in charge of your finances? Coming up next, a bankrupt California city did this.

(COMMERCIAL BREAK)

MALE ANNOUNCER: From our Fox Business studios in New York, here again is Gerri Willis.

WILLIS: You've got to hear this story.

The city manager for a bankrupt San Bernardino, California might have too much experience dealing with bankruptcy. The city's new-hire Allen Parker has declared personal bankruptcy twice. The latest, just two years ago.

Here to weigh in, Stephen Moore, editorial board member of the "Wall Street Journal".

Steve, like - it sounds like somebody made this story up. So the guy files personal bankruptcy not once but twice. He and his wife have to take classes on how to manage their personal money. And then now, he's running a bankrupt city in California. I mean, does this make any sense to you?

STEPHEN MOORE, WSJ EDITORIAL BOARD MEMBER: You know, Gerri, for the first time ever on your show, I'm speechless. I mean, really, this is such a shocking story. And you know, why can't you bring in somebody who knows how to run a business, who knows how to turnaround things, to turnaround a - and by the way, there are five or six counties in California that are on the verge of bankruptcy like San Bernardino so this is not a unique story. But you've got to bring in somebody who can take on the unions, who knows how to turnaround things and cut costs and certainly this person from his resume doesn't fit that bill.

WILLIS: Well, there's one person who's going to get helped here and it's Allen Parker because he's going to be making $221,000. So maybe he'll-

MOORE: Yes, that's amazing itself.

WILLIS: --be out of bankruptcy by the end of this. We just don't know.

MOORE: You know, that's amazing! $222,000 to - you know - for a bankrupt city to paying that kind of salary? I mean, I don't get that. That's - by the way, that's more than federal employees are making. That's a lot of money.

WILLIS: More than federal employees. And I just can't help myself. Here's a San

Bernardino city attorney named Jim Penman defending the city for their decision to hire this fellow. He says, "Bankruptcy isn't something we don't take lightly because we're in it." Like that's such an (INAUDIBLE).

MOORE: I guess, you know, you can only understand bankruptcy if you've actually been in bankruptcy yourself. But - like, I mean, this is a - this is sort of like (INAUDIBLE) hiring Bonnie and Clyde to do your - you know, defend your bank against robbers.

WILLIS: I agree. I think it's crazy. It's getting coverage but nobody really seems to care. I also want to take you to Detroit which is having problems of its own. They are talking about a managed bankruptcy now and you think this could actually be a good - and of course they have $14 billion of debt. You think this could be a good thing.

MOORE: Yes. For a lot of cities, Gerri, bankruptcy is actually - the cities that are on the brink and can't pay their bills - and by the way, the ones like Detroit and like San Bernardino that have - the reason they're running in a negative cash flow is because so much of their expenditures, as you know, Gerri, is the - is the huge liabilities from their pensions and their health care plans. Well, the only way you can get out from under those legally - I mean, you have to declare bankruptcy--

WILLIS: Is bankruptcy.

MOORE: --and basically, you know, wipe slate - wipe the slate clean and start over again. So I think that's exactly the strategy in Detroit.

WILLIS: Well, I think it's key. I think that's key because in so many cases, so many cities and towns and counties all across the country, that is the one thing that's holding folks back. Another question to you on Detroit though, the Michigan governor is considering an emergency manager to run (INAUDIBLE) over at city council is really what we're talking about because those are the people who can't seem to stop spending. Will they accept that?

MOORE: You know, remember New York had to do that once. Remember? When New York was under receivership so it may not be a bad idea. Look, I interviewed a couple - about 18 months ago to two years ago - Dave Bing, the mayor of Detroit. He was doing everything he can. I'm actually very impressed with him as a mayor. The problem they face in Detroit is how do you manage the incredible cost. I mean, you're talking about over half of the expenditure cost of cities is just the personnel costs and then you've got - on top of that - the enormous amounts of money. Dave Bing was saying, "Look, I'm paying for decisions that were made 10 or 15 or 20 years ago." For the - you know, I mean, that makes it almost impossible to manage.

WILLIS: And there's no economic base there anymore really. I mean, there's just nothing left of the city is a problem to fund all of that spending.

MOORE: Yes, it could come back. It could come back. I mean, you know, he had a plan to do it. The problem is, Gerri, when one-third of your budget is paying for

people who are in retirement, who are not providing city services, not teachers, not policemen, not fire fighters, same thing in California. When I was out in California and asking these counties why are they going bankrupt, they said, "You don't understand our problem. We're a fire - we're hiring three - paying for three police services right now. Two that are retired and one that's working." Well--.

WILLIS: I think that is such a good way to put it though. That's exactly what's going on here. You know, I just don't know how we get past that. We have to change the rules in midstream. I know nobody likes that but that's-

MOORE: Maybe bankruptcy - maybe bankruptcy is the only way to do it. Cities do have the capacity to do that. And by the way, if you - if you threaten bankruptcy, you know what the unions will become much more amenable to making deals so that - because there's the bankrupt - the unions are very fearful of the bankruptcy option.

WILLIS: Well, they're fearful and the folks paying their salaries typically don't make as much money as they do. That's the other issue.

Steve, I've got to go.

MOORE: That's right.

WILLIS: Thanks for coming on. It's always so good to have you on.

MOORE: Hey, I - (INAUDIBLE) thing, Gerri. Gerri, I lived in a house that had solar paneling. I took a lot of cold showers in the morning. I've got to tell you.

WILLIS: It just - it doesn't work.

MOORE: It sure doesn't.

WILLIS: It doesn't work. All right, Steve, thank you.

MOORE: See you soon. Take care.

WILLIS: Well, we're going to tell you more about the California nightmare tomorrow. Our very own Adam Shapiro will be reporting from the state on the tax flight happening there, all day on Fox Business.

And don't miss my interview tomorrow with Charlie LeDuff. He's a journalist and author of "Detroit: An American Autopsy" on what can be done for the motor city, if anything.

And coming up, the fight over what Apple should do with its hoards of cash. It has hoards of cash. It doesn't know what to do with it. We'll tell them.

And next, we're just over 24 hours away from the so-called sequester but if history is our guide, it won't be that bad. I'll break it down.

(COMMERCIAL BREAK)

WILLIS: I'm telling you, you cannot turn on the TV without hearing news of the sequester. I know I hate the word, too. It is just cuts to spending levels planned by the federal government. Conservatives and liberals alike are unhappy, but I think that is good news for taxpayers. Here is what we're looking at after March 1st if Congress and the president don't agree on something else. Who am I kidding? They never agree on anything. OK, here is what is going to happen. Number one, federal spending will not - not, I say be reduced. Despite what you hear, there will be cuts to planned increases in spending, but the federal budget is going to grow. Take a look at this graphic using CBO estimated spending levels over the next few years. Federal spending drifting ever higher even with the sequester, and federal government will spend 15 billion more than it did last year.

So, the question really is, whose ox is getting gored. And the answer is clear, defense spending will take the biggest hit. Although, even their spending will be nearly 14 percent higher than in 2007. Look, departments to promote the president's priority programs like the Energy Department that is working to shut down coal production and slow oil drilling is getting a big funding boost. DoA's funding is up more than 43 percent in the last decade alone. Look, the powers that be, I telling you, we are in uncharted territory. And the terrors of budget cutting are, well, terrible, but is not true. In today's "New York Times," not exactly a bastion of conservative thinking, the paper reported that between 1969 and 1974 the government dropped spending by 24 percent. A quarter. As the Vietnam war was winding down, 24 percent.

And Phil Gramm, former Texas senator wrote in today's "Wall Street Journal" back to 1985, a Democratic house and the Republican Senate and White House agreed on the sequester of across-the-board spending cuts that amounted to nearly four and a half percent on non-defense spending and five percent on defense spending. Look, today what we are talking about is the spending slowdown of less than two and a half percent. Not even close to 1985 or the early 70's. Look, we are going to survive. It is going to be OK. It is not the end of Western civilization. The only thing that might not survive is the reputation of some of this hysterical politicos. With more on this, Republican Congressman Jason Chaffetz of Utah. Congressman, welcome back to the show. It's always good to see you here. Do you think that people have lost their minds on this whole story? I mean the coverage of it has been unbelievable. So disconnected from the real numbers.

REP. JASON CHAFFETZ (R), UTAH: Well, the president has been running around the country campaigning that the sky is falling. You have Homeland Security taking an unprecedented move in releasing people that were incarcerated for being here illegally. You have Ray LaHood, the transportation secretary saying that, you know, that we're going to have these long lines at the TSA.

WILLIS: Likely it's been on already.

CHAFFETZ: And it's actually the administration scaring people. Yeah, exactly.

WILLIS: Like we don't already. Listen, I want you to respond to something Arne Duncan said on CBS. He was apparently telling people that teachers are going to be losing their jobs. That they would be -- they would be out of jobs by September and employment, it was because of sequester. And then when he was pushed on this later he said, you know, I don't really know. What does that tell you?

CHAFFETZ: The administration has been invoking a number of scare tactics that simply aren't true because, as you pointed out, if you look at the net spending by our federal government, it is essentially the same as last year. In fact, it's going to go up just a little bit. Because it has this rapid rise in mandatory spending for the entitlement programs. Yes, there are cuts to discretionary spending. The brunt of that is in the defense sector. I voted against the sequestration. And I guess it's a terrible way to do it, but the idea that we are actually cutting some spending around here, you would think that the earth is falling apart. No.

(LAUGHTER)

CHAFFETZ: No, we have to do this.

WILLIS: I know. I have never seen such a crazy reaction, and I am laughing, but it's not really funny at the end of the day, because I think you're absolutely right. This would not be the preferred methodology any of us would want to see. But look, at the end of the day if we can't cut the budget now, will we ever make cuts?

CHAFFETZ: Well, and that's the problem. Remember, since Barack Obama took office until now the president has added nearly 130,000 new additional federal workers to the federal payroll. So you go and you looked at, oh, my gosh. We're going to have to cut this back. Look at the rapid growth that happened over the 40 months before this. That is what gets lost in all of this.

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