

Primary Care Cures

Episode 69: James Dunavant

Ron:

You know, most problems in healthcare are fixed already. Primary care has already cured on the fringes reversing burnout, physician shortages, bad business models, forced buy-outs, factory medicine, high deductible insurance that squeezes the docs and it's totally inaccessible to most of the employees. The big squeeze is always on for docs. It's the acceleration of cost and the deceleration of reimbursements. I want you to meet those on this show that are making a difference with us. Ron Barshop, of Beacon Clinics, that's me.

Ron:

It was Christmas time a year ago, 2018, when I got a call from my producer, Jeremy Corr, and he said, what you're doing on LinkedIn needs to be a podcast. And I have, in the past year, interviewed 52 different people who have solved the crime that's being committed where fake healthcare is broken. Healthcare has broken not only for the patient, it's broken for the provider, the doctors. It's also broken for the employers and that golden triangle, is fixed, I have found, with a few of the guests that I've interviewed. In fact, I've had four direct primary care doctors, who have served on this show to give me the answer to exactly who is Dr. Evil in this whole episode. Because I used to think that Dr. Evil might be one of the bigs, maybe a big insurance company. Maybe it was a big pharma. Maybe Dr. Evil was the big PBMs or the big brokers, or maybe it was big medical devices, but I learned that it's actually none of those.

Ron:

The actual crime that's being committed in healthcare today is created by me, the employer, the employer who has been asleep at the wheel, not paying for direct primary care, for example, for my employees. And then to my surprise, I also discovered that I actually was in a direct primary care relationship with my employees, paying for every bit of this myself. So for the past two years, all of my employees have zero copays, zero deductibles, zero premium. And so I don't feel like such a criminal now, I feel like a hero because they are getting to see a doctor when they want, as they want, 24/7. They can do it by telephone. They can go in person. It's a wonderful thing. And I no longer feel like I'm Dr. Evil anymore. I feel like I'm actually solving the crime and the hero of this case and beautifully, an organization was created many years ago by one of our guests, Keith Smith, Dr. Keith Smith of Surgery Center of Oklahoma, created the Free Market Medical Association.

Ron:

And our guest today, who he was going to also show us part of the solution that's freeing up America from our criminal behavior as employers is James Donovan. James, welcome to the show.

James:

Thanks for having me.

Ron:

James, you are right at the heart of the transparency movement. Do you get some kind of a feeling that things are shifting in America towards free market economy medicine, as opposed to this crazy mixed up world that we've been living in for the past, really since Medicare was passed in 1965?

James:

Absolutely. I think we have a lot to be excited about and a lot to be optimistic about. This is a movement that has really been growing at a grassroots level for the last several years. I think, as you mentioned, Dr. Smith and Jay Kempton started the Free Market Medical Association in 2014. And, of course, there've been a lot of people around the country that have been operating this way for that much time and even before. But I think we're really seeing an awakening now, especially in the wake of Obamacare. One thing that we like to say is that, one of the big problems that we've had in healthcare for a long time is we don't have enough people who have sticker shock because someone else is paying the bill.

James:

So with Obamacare, a really sort of a blessing in disguise possibly because people's deductibles and copays have increased so more and more people are getting that sticker shock from a patient perspective. But of course, the employers like yourself are seeing that sticker shock because they're noticing or have noticed for years, their premiums increasing, that healthcare benefits not getting any better. So more people at the executive level of companies are really starting to take a look at alternative solutions. And that's really risen to the surface with President Trump's executive order last year, last June, which really was the result of a lot of the things that have been happening in this movement thanks to Dr. Smith and many FMMA members for the last several years.

Ron:

You know, it's not just small employers like me that are waking up. Walmart has shaved a billion dollars last year off a \$4 billion healthcare spend by an intense focus on primary care among other things. We have Kaiser Permanente CEO who was in the news of a week or two ago because they shaved a billion dollars off of their costs for their members by an intense focus on primary care. We have the CEO of United Health Group, which is Optum, which is the largest primary care group in America. They're running up on close to 50,000 docs now in this country. And he said that if you spend five cents upfront on primary care, you save 95 cents downstream on other care that's obfuscated and obviated.

Ron:

And we now know that for every dollar that you spend on primary care up front, you're going to save \$13 downstream. So it's not just Ron Barshop and Beacon Clinics that's waking up to this. It seems like the big employers are starting to wake up to the value of direct contracting and reference based pricing. And can you talk a little bit about some of the services your members

offer that help these large employers and small to take the curtain and the veil away from the transaction?

James:

Yeah, of course our members are made up of buyers and sellers. Really what we focus on is bringing together buyers and sellers of healthcare eliminating as many of the middlemen as possible. That doesn't mean that there isn't some valuable role that a middleman might play in the transaction as long as they're adding value to the transaction. And they're not just benefiting off of the lack of transparency. So we have sellers of medical care, a lot of surgeons, surgery centers, DPC practices, as well as on the buyer side, we have a growing number of self-insured, self-funded employer, employers and employer groups. A very large captive employer in Texas, which represents hundreds of thousands of lives all over the country as they have members of their association and they're saving hundreds of millions of dollars, as well as the good independent third party administrators out there and good consultant brokers that are actually working on behalf of medium and large and small, all kinds, all size employers to create value and help direct those patients to the low cost high value providers out there.

James:

So a lot of our members like Dr. Smith are one way, you mentioned direct contracting, that's really big. Some third party administrators are implementing the reference based pricing. That's at least a step in the right direction. Also, bundled pricing, that's something that Dr. Smith and others kind of pioneered where they created a bundled price for medical services that include anesthesiologists, the device, the facility fee, all of that in one transparent price. Well, that's being extended now to other areas.

James:

We have a new, relatively new member of the Free Market Medical Association called Accarent Health. And they are working with major hospitals to create a bundled cash price for transplants and very major medical services. So what we're seeing, what we're showing is that this can be scaled up and it's not just the very predictable procedures that could be bought and sold this way.

Ron:

So Surgery Center of Oklahoma, you can go on their website and you can find virtually any part of the human body, and here, bundle price means, here's what it's going to cost for the anesthesiologist, here is you don't have hospital facility fees, but here's all of the fees in one place and there will be no surprises. And when I asked Dr. Smith, what about complications? He said, if I'm doing my job, there aren't any complications. So I should take that risk. And again, that's just so refreshing to hear that, but do you have any numbers or sense of statistics of how the tide is turning in terms of number of employers and number of patients or number of lives that are involved in this new movement? I don't even know, does the movement, have a name? Transparency wouldn't be a fair name because you're doing so much more than transparency.

James:

Yeah, well, we just kind of call it the Free Market Medical Movement. I don't have any real numbers on the ... because so many, it's hard to quantify because a lot of different players are

now offering some level of transparency. We have members of the Free Market Medical Association and people, and even some groups that are affiliated with us that may not necessarily be open members of the Free Market Medical Association, but they're very close allies with us because Dr. Smith's work has created a ripple effect and they see that they have to compete with his prices.

James:

So, we have heart hospitals that are offering transparent cash pricing, but they might not be in a position to post those prices online because they still have, they do maintain insurance contracts that they might not be able to do that, but they are very closely affiliated with us and we recommend people to them because they are willing to give a transparent cash price.

Ron:

So maybe one indicator would be is your membership is growing. Do you have any sense of when you started as executive director, what's your membership look like and what it looks like now, is that going to help us any?

James:

Well, yeah, that fluctuates. A lot of people, especially like direct primary care physicians, they will come to our conference, but they also are affiliated with other organizations. There are some other really good organizations out there, like the Docs for Patients Foundation and others that are really focused on specifically on the direct primary care movement. So, they might just have a loose affiliation with us and do most of their work through one of the groups that's focused directly on direct primary care. But I mean, obviously there are, I think, well over a thousand direct primary care practices out there now. We have between about 300 or so members of the FMMA, and we're generally adding about 10 a month at least since I started in April. We have several adding each month.

James:

So now, like I said, it fluctuates, but we're definitely growing. We have surgery centers in several states around the country. I know of at least six or seven surgery centers, similar to the Surgery Center of Oklahoma, that we are sort of part of the referral, referring people to, and we have a lot of free market imaging groups that are out there, especially in Texas and Oklahoma, but they're growing all over the country. We have free market ER hospital. There's a group of those around Texas and Oklahoma and Arizona, I know for sure, and they're probably growing some other places, but they are also creating a transparent pricing for ER services.

James:

Those are some things that traditionally people have said, well, the free market can't work with emergency care, but they're out there demonstrating that it is possible to sort of come up with at least a template for what different levels of ER care can look like and what that cost should be. We also have a proton therapy doing cancer treatment here in Oklahoma that is offering cash pricing and primarily serving self insured employers out there. So all across the spectrum this is really growing.

Ron:

So the self-insured really have groupings. They have buying groups that they get together with. Some of them are very large. Some of them are very small, but there's literally hundreds of buying groups. How do you make the interface to make sure that your customers, let's call it, your members are interfacing with the self-insured employers and that they're even aware of this ecosystem that is existing and growing. And it's not just Texas and Oklahoma. I know Green Imaging was one of our guests. And Preston Dickerson, Dr. Dickerson has got centers really all across the country. And instead of paying the hospital facility fee, you're going to be paying sometimes one third or one fourth for CT scans and MRIs and x-rays.

Ron:

That's going to follow through for virtually any kind of surgery, as you said. That's going to follow through for any kind of medications. There are pharmacy benefit managers that are transparent, so they can pass on their wholesale pricing to the self-insured. And so now you're getting pills for a penny instead of a dollar. Basically my question is, are you facilitating the self-insured employers with your ecosystems so that there's an easy [inaudible 00:15:40] and that they know your ecosystem even exists?

James:

Well, that's a good question. We are primarily in the business of bringing people together in the form of education, but our website does list our members and we've created a site within our site or a separate site called Shop Health. So fmma.org or fmma.shophealth.org. Or you can just Google shophealth.org. And what we're doing there is we are taking, our members can upload their pricing. So we have one place where all of our members can post their prices. So you don't have to just go to the Surgery Center of Oklahoma's website or to the Texas Medical Management in a website or Texas Free Market Surgery. They are another big one. You can go to shophealth.org and you can see all of those services in one place. So we've done that.

James:

We also have vendor or facilitator partners that are members of the Free Market Medical Association, and we have a number of those and they're growing all the time. So I think entrepreneurship in this space is really growing. And that's one of the things I'm most excited about. And it's going to be one of the focuses of our conference coming up in April is how true entrepreneurship can really revolutionize healthcare.

James:

And we've gotten away from entrepreneurship in a lot of ways because of the crony system. The way it's set up has really discouraged entrepreneurship a lot in healthcare. So one of those vendors is a vendor that I know specifically about is called Coral. And they create a software for employers, it's really to manage their claims data. And so we're working on connecting our Shop Health site with that. So that's a software tool that self-funded employers can use that we can then sort of piggyback on that to have them see where the good guys are across the country. And of course, as we get more independent TPAs on board, those guys use our membership to really promote and help facilitate more direct contracts between their employers and the free market providers out there.

Ron:

So I talked to Dr. Smith about what is your conference like? And you're having one in March coming up. And it's a very reasonable, under \$600, and for members have quite a bit less. He said your conferences are about the happiest conferences in medicine he's ever been to because there's so much optimism and hope. Would you agree with that?

James:

Yeah, I've been to two of them. I went to one, I guess, about two or three years ago before I even worked with Dr. Smith. And I guess I can't speak as a medical person because I haven't been to a lot of medical conferences, but there was a lot of comradery. It's a lot of people excited to learn from others, like other like minded people around the country. And it's actually going to be in April, April the 30th through May the second in the Dallas area is when the conference will be.

Ron:

Right, easy to get to for anybody flying in. He made the greatest quote that I've had on my show in the past year, along with Dutch Rojas of Sano Surgery. I want to tell you what Keith said, I'll paraphrase what he said, but I said, "Do you do much lobbying with the Free Market Medical Association?" And he said, "Well, a lot of people confuse what politicians are doing in this ecosystem," he said, "Why would we go to the driver of the getaway car to solve the heist?"

James:

Yeah, well, he and I are on the exact same page in that. You were very deferential and sort of putting the blame on yourself as the bad guy in this. And I think we all need to kind of take that perspective to some extent and realize that if we're not actively part of the solution, then we're probably part of the problem. And there are a lot of people out there that would like to make a change, but they're caught up in a system that really gives them bad incentives, whether it's a broker that's getting paid a ridiculous amount of money from an insurance carrier to not really help the employer contain their healthcare expense, or if it's a doctor that or someone right out of medical school that has all these medical student loans that they have to pay off from medical school and they are offered this great paying salary from a big hospital that's getting subsidized by the government.

James:

I mean, there are a lot of good people that are sort of stuck in the bad system, but we have to remind ourselves that the system was made this way. And it's primarily Uncle Sam, the federal government going back to Medicare and before basically, maybe we'll intention, but then there's all these unintended consequences from all their interventions that have taken place that cause one problem after another that then they try to fix, which then causes three or four more problems. So we've gotten in this mess over many years and it's really, it's a tangled mess that it may not be, it's definitely not going to be corrected or fixed from Washington, DC and our perspective. So what we're doing is really being kind of an alternative solution outside of the current system.

Ron:

Yes. Well, I spoke this morning with a naturopath acupuncturist. He is reversing diabetes on all of the patients that are with employers that are paying the bills by \$5,800 per diabetic. I've talked to the largest DPC in the country, which is Clint Flanagan in Colorado. He's reducing the spend of employers by 29%. If the average spend is \$15,000 per employee, that's \$5,000 also. I've talked to Dutch Rojas who is telling us that 40 to 80% is not uncommon. And they now not only getting a lower cost surgery, but you're going to the doctors who provide most of those surgeries and so the outcomes are substantially better. So there's this myth that high price equals better quality in America when you're buying anything else. But in healthcare, what these folks are proving is that the self-insured employers now have a Plan B and I'm just giving a few examples.

Ron:

There's literally hundreds out there that are coming to your conference. And then I also spoke with a broker who's with a national firm and who he left. And I said, "How many different commissions do you get on a typical employer plan with somebody that has a thousand employees or more?" And he said, there's 17 sources of income that he gets, which is verified by Dave Chase of Health Rosetta. Will you talk just a minute about Health Rosetta and the good guy brokers that are out there that are actually looking out transparently for their customer as opposed to themselves?

James:

Yeah, we see those as great allies and lot of them are members of FMMA. As you mentioned, Dave Chase, David Contorno, we had speak at our conference last year. He's really kind of one of the leading voices around the country for this new model of a broker or consultant advisor they might prefer to be called than a broker, because traditionally the broker has worked primarily, as you mentioned, with all those incentives and bonus structure to really work for the insurance carrier and not for the employer.

James:

And so the Health Rosetta folks are turning that around and they are really figuring out a way to create their incentive, to be based around their cost containment strategies. So they go to an employer usually and create a plan and have the employer pay them a per employee per month fee for their services with some bonus structure based on how much money they're able to save. And they can kind of show them based on other clients that they've worked with that, as you mentioned, if you utilize a DPC and do a good job with primary care, you're going to reduce your expense. If you find, there are two or three good pharmacy benefit managers out there and even like some entrepreneurial companies that are really trying to be watchdogs over for the employer, on the employer's behalf on some of these pharmacy benefit managers.

James:

So I think a lot of these consultants are able to direct the employee or advise the employee in such a way that they know that they might be able to save 40% in the first year or two just on prescription drugs. So that's a big savings having a growing number of Free Market Medical Association members around the country that they can direct employ employers to saves the employer a lot of money, especially when the cost difference is so great that most employers are willing to fly their employees to Oklahoma City or to Austin, Texas, or one of the other free-

market surgery centers around the country. And one procedure might save them a \$100,000. So there's just a huge incentive for good brokers and consultants to point those employers in the right direction.

Ron:

Well, I do have one final stumper question for you, but this show is called Primary Care Cures, James Donovan, and the primary care not only can cure healthcare when it's cured itself, but we are featuring folks like you who are actually curing primary care itself by simplifying the transaction between the doctor patient exam down to just those two folks. And very few of those 16 other satellites payment clerks that are surrounding each doctor patient exam with direct primary care. And would you agree with that, that a cured primary care, healthier primary care, a simpler primary care actually solves a lot of problems downstream for self-insured employers and for patients?

James:

No doubt. I firmly agree with that. I've seen that in practice with our direct primary care members. We have a really good one here in Oklahoma City that has multiple locations now. They've contracted with several major employers. So they're figuring out how to scale direct primary care to some larger employers, which I think is very beneficial. I've seen the group, you didn't mention them, but Bev Cap that I kind of alluded to earlier, that's the captive in Texas that Jason Dixon is part of. You might be interested in interviewing him, but they've supposedly save their employer members about a hundred million dollars over the last five or six years. And one of the big ways that they've done that is they have implemented like a disease management plan where they have brought primary care doctors to the work site. So just bringing that connection to ... between the primary care physician and their employees and giving their employees time off pay, basically paying a lot of their employees to go see a primary care doctor.

James:

So these employers are already seeing that if you get primary care right, you're exactly right. You're going to solve a lot of the problems that the key to saving a lot of money is to reduce hospitalizations. That's very important. And you do that by solving the primary care issue.

Ron:

Yeah. And I think you've actually touched on exactly what's going to solve this for employers is if you can nail it, which is direct primary care or this FCAP model, then you scale it. Then you solve the problem for the employers. And that's where direct primary care is going this year. Clint Flanagan will open a hundred clinics with the business he has on the books this year because he signed up states like Nebraska and Colorado into his model. And so all of the other direct primary care clinics combined may add a hundred, he alone will add a hundred because he's nailed it and scaled it.

Ron:

So, I'm going to ask you this final stumper question, because I promised you just a limited time of yours and I know you've got a lot to do to fix health care. If you could fly a banner over America with one single message for all American employers, what would that message say?

James:

Wow, that is a stumper question. Well, the first thing that comes to mind is a fmma.org or shophealth.org. But the idea is to really educate employers that you can be in control of your healthcare, that people think health care is like gravity or inflation, it's just going to go up every year. The cost is going to go up. We've been brainwashed into thinking that that's the case, but in every other sector, most sectors of the economy, prices fall over time. The more competition comes into play, more innovation occurs, more entrepreneurs get involved in the process and prices fall. So I guess my message to them would be to realize they're in the healthcare business, whether they like it or not, and to take the cost of healthcare seriously and look for alternatives.

Ron:

I'm violating my own rule by asking you one more question, but I think a lot of these brokers that are afraid of losing their wherewithal to put their kids through the finest college and the finest private academies, it's not the CFOs that are fault here. They're filled with fear, uncertainty, and doubt with questions like this. You can try that new model, but what about Rosemary over there on the corner, the controller who's been with you for 25 years, she's dedicated her life to you. She's on about probably 15, 16 medications. What happens to her in the wild when she leaves the nest of the safe brands that we all know and trust? We don't know what's going to happen to her, do we? And they can't tell you either.

Ron:

So they're brilliant at sowing fear, uncertainty, and doubt, and really scaring the CFO into making no decision just for another year, aren't they?

James:

Yeah, I totally agree. We're fighting an uphill battle in terms of the marketing, I mean, most major hospitals systems and the big insurance carriers, they spend so much money on marketing to sort of instill that brand. That if it's a name I recognize then it must be high quality and that's not the case.

Ron:

Yeah. Well, James, thank you. We've got a lot more to talk about. This is just show number one of many shows and Keith Smith is such a colorful character. I think you're catching some of his wonderful disease of colorful language just by osmosis. And we love having you guys on, and we now have guest opportunities with your names you've named for another 10 shows. And we really, I look forward to your next time on the show. Thank you for your time.

James:

Ah, thanks so much. Appreciate the work you're doing.

Ron:

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Until next episode.