

# Primary Care Cures

## Episode #1– Dave Berg Part 1

Ron Barshop: Most problems in healthcare are fixed already. Primary care is already cured on the fringes. Reversing burnout, physician shortages, bad business models, forced buyouts, factory medicine, high deductible insurance that doesn't pay docs and is totally inaccessible to most of the employees. The big squeeze of always accelerated costs and decelerated reimbursements. Meet those making a difference with the host, Ron Barshop, CEO of Beacon Clinics. Welcome to Primary Care Cures.

Ron Barshop: Welcome to the show, Primary Care Cures. Healthcare is a hot mess, and I'm in the trenches meeting smart people every day, every week, that I wished I could share with the world. What happens to me on Christmas day, Jeremy Corr pops up into my life. He hosts right now a podcast called Fixing Healthcare with Dr. Robbie Pearl as his cohost, and in high school we'd call them very seriously legit. This is a great podcast you should tune into as well. He says, "Hey Ron, it's nice to meet you. You need a show. You have a lot to say on LinkedIn, but you need a bigger platform, so I'll produce the show for you."

Ron Barshop: Now, I've been posting every day on LinkedIn about healthcare, and issues and solves that I'm seeing in healthcare for the last six months, and this guy's now going to make it into a podcast souped and that so I don't have to do anything? Yes, and hell yes. So, I do this for 10 listeners, the right listeners, no schlemiels but I do it for the right 10 listeners. At the end of the show, you're going to see how to help this show grow. Okay, so there's so many issues bringing the house down right now. I know so many feature guests with fire hoses, you're going to be in for a treat today if you want answers to some big questions concerning our primary care ecosystem. Bring the marshmallows, bring the graham crackers, the burner's about to start.

Ron Barshop: Today, first of all, we're going to be talking about just the general healthcare state of affairs and what is wrong with healthcare, with what we call health insurance. We're going to define it very carefully, we're going to talk about why currently 70% of employees don't have access to healthcare because they don't have the savings, and they have these gigantic deductibles they can't meet. We all know that healthcare is inaccessible for some people, I'll bet you didn't know it for 70% of your employees, or 70% of employees out there. Let's talk about that. I'm going to introduce today, Dave Berg. Dave is not only CEO and co founder of

Arrowhead Healthcare in Phoenix, Arizona, which has currently about 400 patients a day. So, in Houston, that would be called a mega clinic.

Ron Barshop: They've got multiple clinics, but he also needed healthcare for his employees who were not getting what they needed, because they also had inaccessible healthcare. He started a company that was initially for his own employees, called Redirect Health. Redirect Health then became spread out to a friendly offer he made to some of his friends, and they loved it so much he turned it into a business. Redirect Health has been around since 2014?

Dave Berg: 2013, we started Redirect Health, but it took us a year to figure out the model and make our first sale.

Ron Barshop: Okay.

Dave Berg: The market told us what they wanted and we wouldn't have figured it out without the market telling us.

Ron Barshop: Let me just explain my experience as a user of Redirect, but I really don't want to talk about redirect as much as discoveries you've made on both sides of the fence. You're not only an employer who has employees that need healthcare, you offer healthcare to patients and you have a serious volume coming through your clinics, and you now offer product to give them access as well as thousands of other members at 50 states. As a user, here is my experience. Number one, my turnover has dropped. Number two, my hiring has increased, my pools have increased. Number three, my absenteeism has gone down, and here's why. Because I can now offer free healthcare for all my employees. All my employees have free healthcare, which I'm fairly certain everybody listening to this podcast who isn't a customer doesn't have right now.

Ron Barshop: I pay \$105 a month for my employees to have 24/7 access of concierge care to a physician, to get their meds. They don't have to miss a day of work, they can now take care of it through telehealth. But they also can go see any doctor on the planet virtually, that they need to for primary care and for chiropractic visits. Let's just talk for a second from 10,000 feet. What are the big problems right now in not just primary care, but in healthcare generally that you're here to solve?

Dave Berg: Let me go back a little bit to the problem that I had in my business that caused me to create Redirect Health, because I believe the problem that I had was the same problem that everybody has today. I think the problem's even worse today than it was when I solved this problem for myself back in 2008 for the first time. The healthcare system was so complex that I couldn't understand it, my people couldn't understand it, and that

complexity allowed a lot of hidden costs. I don't just mean hidden costs in money, but hidden costs in time. People didn't know how much time things would take, how much time they had to take off work, what then would lead to extra costs. They just didn't understand ... there was a lack of transparency.

Dave Berg:

That was the main problem. Complexity was borrowing a lot of hidden costs of time and money. None of my employees could afford the deductibles or the copays, or the part that I didn't subsidize with the insurance. Even though I set out to solve the insurance problem and figure out how to buy better insurance, because that's what everyone was asking me, "We need better insurance, we need better insurance, we need better insurance." I'm sure every employer hears that from the employees, or when they're hiring somebody, they asked, "What are the benefits?" Which basically means, "What insurance do you offer?" I could never answer that question satisfactory, I could never buy something that I could afford but my employees can also afford to use it, especially people who are making \$14, \$15, \$16, \$20 an hour, or less sometimes. But sure, the people that made more than that could afford it.

Dave Berg:

It was never a good value, but it could work for them. I had to create something that worked better. What I discovered was that even though they were asking for insurance, what I really thought they were asking for was just for healthcare. And because we're in the healthcare business, we do healthcare delivery, I knew where the waste was, I knew where the accessible pricing was, so I just created a system where my employees could get healthcare and pay the right price. Meaning that an MRI should cost \$300, it should not cost \$3,000. An antibiotic should cost \$4, \$10, it shouldn't cost \$40, or \$400, or \$1,000. By doing that over, and over, and over again and getting the right prices, helping people get the right care, the right price, and let them guide it through the system, we were able to pay for things very efficiently and at the right price.

Dave Berg:

That lowered my cost, but something I discovered along the way is that people didn't even really want healthcare. I thought that was the problem, they wanted insurance first, and then I thought the problem was they wanted healthcare, they wanted access to healthcare. A big epiphany, and there have been many, many, Ron, was that what they really want is they want the confidence today that they're prepared for tomorrow. That's really what they want. That was not expensive to give them the confidence today that they'd be prepared tomorrow, that their little girl broke her arm tomorrow, we'd take care of it. They wouldn't have to miss excessive amounts of work, and miss paychecks that were then getting in the way of them making rent. That was the problem we set out to solve, was that people did not feel prepared for tomorrow, which meant also that they had

this chronic low-level cortisol burn of being burdened with wondering what happens.

Dave Berg: I mean, if most people ask their employees right now, "Hey, if you needed \$2,000 to repair your car tomorrow, what would you do?" Most of your employees will go, "I have no idea what I'd do." Now, imagine if they were thinking about that all the time, and they probably are thinking about that all the time.

Ron Barshop: The bankruptcy numbers in America for personal side are just shocking, 65% of bankruptcies are all medical bankruptcies. Every one of those employees that has a \$2,000 issue, has somebody in their world and their universe that they know that has a crushing debt from a hospital bill that they had no idea was going to be so high. I mean, you could burn \$8,000 to \$10,000 at a hospital very quickly, doesn't take but a few hours.

Dave Berg: Today, the only health insurance that people can afford are the high deductible policies, which now are \$6,000, \$5,000, even \$7,500, and then they double that if you have a family. I mean, nobody's got \$10,000 in savings after tax, that's not even before tax. It just doesn't exist, the arithmetic just doesn't work. By the way, it didn't work in 2007 when I created this, it just now 10 times more doesn't work today. So, insurance is not the answer.

Ron Barshop: It's not even insurance anymore when it's not covering anything. If I can't get into the club, into the tree house, why are we calling it insurance? We should call it shareholder insurance, is what it actually is. It's protecting the companies that are insuring and basically putting people that can't afford it out of employment, out of business.

Dave Berg: Yeah. You mentioned that the number one cause of bankruptcy is medical costs, and you're 100% right. It has been for a while now in America. But the stat that always surprises people is that the majority of that, I think it's up to over 70% of the people that go bankrupt because of medical costs, they have insurance.

Ron Barshop: Unbelievable.

Dave Berg: They're not going bankrupt because of catastrophic cost, they're going bankrupt because they can't afford the deductible. One of the reasons they can't afford the deductible, just one reason, is because the negotiate rates with insurance companies are almost always now higher than the normal rate. The only situation I think of where the wholesale rate is much greater than the retail rate. Meaning that insurance companies negotiate with hospital systems \$1,200, \$1,500 MRIs all the time, when those same MRIs are only \$300 across the street without using their insurance. Same with

medications, \$20 copay for a medication that only costs \$4. Again, why would that even be possible? Doesn't even make sense. Except what I said initially, that the problem that I sought out to solve was the complexity, which allowed hidden costs.

Dave Berg:

If you un-hide those costs, you make it transparent and you make it simple. So, [crosstalk 00:11:17] you don't pay too much for your medication, you don't pay too much for your MRIs, for your babies, your gallbladders, your cancer care. The cost now gets significantly less, sometimes half, a-third, a-quarter of the cost. I've seen it much less in that even.

Ron Barshop:

I went to a well visit for my doctor in Houston, and they selected somebody a mile away. I didn't actually have a doctor, mine were all in San Antonio. I went into his office, I went right back to see him, no paperwork to fill out because you had already done that over the telephone with me. There was no pre-auth, there was no checking my insurance because I don't need insurance. What y'all did that day that I didn't learn until yesterday now that I'm hanging out with you, is that you sent him a Visa number and he had a one-time credit card use for about an \$86 or \$87 fee, and he got paid right after he saw me. So, he didn't need coding, billing, he didn't need pre-auth, he didn't need to deal with all that. He just got a check that was what would be his everyday low price.

Dave Berg:

So, think about what we did there, Ron. We tackled the same problems of complexity that allows hidden costs. The system's so complex with the insurance model, that your doctor is concerned he won't get paid. There's a hidden cost of that complexity that is, "I might not get paid," or, "I might not follow the rules," or, "I don't know when I'm going to get paid," or, "I don't know how to track if I got paid," and then, "I might get short paid." So, all we did is we created simplicity and we said, "Look, we're going to schedule an appointment, we're going to pay you right now." And then we're-

Ron Barshop:

From his perspective, I'm no longer part of his payer mix, I'm a cash-pay patient as far as he's concerned because he got cash the same day. It's just beautiful from his perspective. Now, the second thing that happened to me is when I went to chiropractor to get my back fixed, the same exact thing happened and it was actually and it was actually at the same location. I went to go see first a physical therapist, and then a chiropractor. I had zero wait, I had zero paperwork to fill out, I walked straight back to the guy. He takes care of me, he says, "You come back as many times as you need to come back." Again, what I didn't know is that day, he had been essentially wired money through this Visa system.

Ron Barshop: One reason he wanted me to come back is because he was getting cash-pay on the spot, which is probably 10 or 20% of his customers, or his patients. That was, again, Redirect Health let me not have to go potentially to surgery, not potentially have to go to opioids, not to go to medications. I just got everything fixed and haven't had a problem since then.

Dave Berg: Yeah. What you're describing, Ron, is an ideal situation. I wish I could tell you every situation was ideal. The truth is, there's a lot of friction in the system. More times than not, the changing in getting better, doctor's offices don't know how to handle this kind of simplicity or transparency. Sometimes the simplicity and transparency creates a distrust, which is really a testimony to our whole industry when you say to somebody, a doctor's receptionist, "Hey, can I just pay you right now?" And here she says, "No. Can't do that, we don't do that." We get that all the time. Actually, that's a more common occurrence now, though less common than it has been if we start to develop relationships with the doctors that our members use. But we just are not ... we don't want to be beholden to the whole network thinking, where there's a contract ahead of time for all the doctors.

Dave Berg: We'd much rather just talk to them, schedule for you, find out the self-pay rate, make sure they get paid, give them the confidence, and just get all the middle men out of the system. Because that is the friction, when you've got insurance companies, and you've got third-party administrators, and you've got pharmacy benefit managers, and all the middle men are in the middle that happen to all be publicly traded companies who have reduced rate to their shareholders. That friction, though it's most people's expense of time and money, it also becomes the revenue for others. So, we just remove the need for those middle men by getting rid of the friction.

Ron Barshop: My first chiropractor y'all sent me to, because I was I think your first customer in Texas.

Dave Berg: You were.

Ron Barshop: So, 20-30 months ago, whenever I started with y'all, it seems like forever, but I went to go see a chiro. The front desk said, "We don't take cash payment. No, we take insurance only." I said, "Well, this is insurance. They're going to send you a Visa card" ... I didn't know to explain it that way ... "They're going to send you cash the second I leave here, you're going to get money into your account from this." They said, "We don't work that way. We don't work with cash patients, only insurance." I said, "Redirect Health is insurance. They called you ahead of time and worked this out. Can I talk to the doctor here?" "He doesn't need to see you, we know what we can handle and what we can't handle." The front desk blocks you more than any doctor would ever block you.

Dave Berg: Definitely. Even the words you're using right now, we are not insurance. Redirect Health is not insurance, so people don't even know how to talk about it anymore. We've been so socialized to think that health insurance is healthcare. I thought that too when I settled to solve this problem for myself in 2007, I thought I just needed better insurance. I didn't. I didn't even need better healthcare like I thought. What I needed is confidence that I'm prepared for tomorrow if something happens. People don't know how to think about things that way. They know how to think about their cars, and their TVs, and their shoes, and their groceries that way, but to think about healthcare that way, they don't know how to think about it.

Dave Berg: We were just going to pay the doctor directly, and they did not know that was possible, and many doctors don't. The doctors do, that's an incorrect statement.

Ron Barshop: David, I have an interesting experience, again, as an earlier doctor. I think Texas is your second largest state, but when I started, we were working through the kinks because this is such a new concept. I went to walk out the door after my second visit to my doctor, my primary care doctor, and the lady says, "Hey, \$40 copay." I went, "Excuse me, I'm on a cash-pay basis. You've already been paid." She says, "You don't understand, we have a copay. You've got to pay us now. You've already paid the doctor, now you got to pay us." I said, "I have no idea what you're talking about but I'll pay the \$40," then I called Redirect and they took care of it on their end. But again, there's just little kinks that have to be worked out as y'all expand this model.

Dave Berg: Can I add on that?

Ron Barshop: Yeah.

Dave Berg: The Wall Street Journal, less than a year ago, reported on a study that said that 80% of all medical bills are wrong. 80%, Wall Street Journal. I saw this and I went to re-look it up, and I saw another article in The Wall Street Journal, that said it was 30% were wrong. I thought, "That's weird, I just read it was 80%." Well, then I noticed that the 30% was in 2011, I believe, or '12. The one in 2018 said 80%. The point here is that the system is so complex, the problem is complexity that creates a hidden-ness of cost. Think of friction, think of money, think of time. There's a hidden-ness there. It is impossible for doctors now, to get all their bills right, to get all the ... even when she said, "It's \$40," she was making it up. But she's confused, there's complexity. She's trying not to get in trouble, she's just taking wild guesses at what she needs to say. That is the problem that we are solving.

Dave Berg: That's a problem we have solved, and we're getting better, and better, and better at just one piece of friction, one element of the friction after another.

Ron Barshop: Okay. So, again, I'm only pointing out the problems because they're not problems now two years later, but in the very beginning, [crosstalk 00:18:48] other doctor-

Dave Berg: Oh, yes. We are dealing with people, we're dealing with infrastructure. We hit that problem every single day. I'll wager we hit that problem every hour. There's the thing that's different, we anticipate that problem, and we know the place to run when we hit the problem, so we can fix it. The correct statement would not be that we don't have that problem anymore. The correct statement would be we anticipate the problem, so much better now than we did a month ago, a year ago, so that we can also run the anecdote, the fix to it, before our members even become frustrated by it, before they even know that it existed. Our goal is not to stop the problem, our goal is to stop you as our member, from even noticing that a problem happened, and us getting in front of it by paying in advance is one way to do that.

Ron Barshop: I've had 15 good interactions, this is only the third one, that was again, an earlier doctor [inaudible 00:19:38] in the back binary problems. I go to Lab Corp to get my labs, as I'm getting there, I have to fill out the forms all over again that I know they already have because I've talked to y'all. They already have everything they need from me, but okay, I'll fill out the forms, no big deal. As I'm leaving, they want to charge me and I have to have that same conversation I've already had twice and they go, "Okay, you're right. We've done some research and I see we have been paid." But I could tell you, I have 40 employees and none of them have had the problems I've had, other than small glitches. They go see their doctor right away, or they call a doctor 24/7, Spanish and English, they have full access to not have to miss work, because they can get something prescribed over the phone.

Ron Barshop: Texas recently updated its telemedicine laws, so we now have that ability we didn't when we first started with you. So, our legislature's a little more enlightened. But the good news is that, again, recruitment is up because I can offer free healthcare. My turnover is low because they can't get this pretty much anywhere else in the State of Texas right now, and my retention and absenteeism, everything is going the right direction for me. I don't know any other ads when I go onto these platforms you advertise on, that advertise free healthcare. 100%, [inaudible 00:20:57] healthcare. So, zero copay, zero deductible. Let's talk about from your perspective, how the system could save money. We have a 3.5 trillion dollar system, that you've told me before, is not one-third waste and fraud, but it's probably



closer to two-thirds of waste, because of all the inefficiencies and all the middle men, and all the shareholder issues, and all the transparency issues.

Ron Barshop: So, if you were king for a day, and you could bless the healthcare system and remake it ... again, you have a unique perspective as being a provider, you have white coats, you have patients, you have a three-way intersection and a view into the system, and the problem. How would you today, not in Arizona, but across the whole Nation, fix healthcare and cure the problems, and admit to it?

Dave Berg: It's really obvious to me what we need to do. It's also obvious to me that the people who would have to do it can't get elected if they do this.

Ron Barshop: So, let me jump in here and say that the lobby for, we'll call it big pharma, big hospital, let's just call it big healthcare, is about a \$470 million dollar spend in Washington, D.C. and probably across the states. The spend for AARP is \$14 million, the spend for the gun lobby NRA is about \$4 million. If you put the two most popular, most famous lobby groups together, they're not even one-twentieth of the healthcare lobby.

Dave Berg: That's huge. The problem is complexity that allows hidden cost, and also for the purpose of returning shareholder value to publicly traded companies. That is as simple as I can state what the problem is. The answer has to be an antidote to that. Any politician tries to tackle that is dead in the water. We even saw that when Jeff Bezos, and Warren Buffett, and Jamie Dimon of Chase, when they came out and said, "We don't know what we're going to do fix healthcare, and it's going to be ... but we do know it's going to be based on simplicity, transparency, and we're going to get in the way of the profit in some of these big companies." They didn't even say what they were going to do, they just stated the principles and the strategy. They stated the problem, and the stock market went down 5% the next day. All three of them backed away. Now they're still doing stuff, but they don't talk publicly about it because it's terrible for the stock market.

Ron Barshop: Yeah. Buffett said that the healthcare system is the tapeworm of our archenemy. Let me ask you a question, your partner's name is Paul Johnson, right?

Dave Berg: Yeah.

Ron Barshop: He's formerly known as Mayor Paul Johnson.

Dave Berg: Yeah, former mayor of Phoenix.

Ron Barshop: He was the mayor of Phoenix. If Paul Johnson were running today, which he's not, so I'm not going to ... but if he was running for mayor and he ran

on a platform of fixing healthcare with what you're about to teach us, could be get elected in Phoenix, Arizona?

Dave Berg: I don't believe so.

Ron Barshop: There's large providers here, there's large hospital systems here, Big Pharma of course is everywhere. They would do everything in their power to elect the other guy, no matter who it was, as long as he wasn't antithetical to the current system.

Dave Berg: Yeah. I don't believe that any politician at any level in Arizona can get elected without the support of the major hospital system in Phoenix, in Arizona.

Ron Barshop: Okay. Also Big Pharma, so that includes county, city, that's state, and then we go to federal.

Dave Berg: It's not so much getting the support, but it's not having your opponent's support in a disproportionate way. It's a big business. You just mentioned 3.4 trillion dollars. If you believe that the problem with healthcare is complexity, that allows hidden cost of time and money for the benefit of increasing share prices for publicly traded companies. Whether it's insurance companies or publicly traded hospitals, and the middle men, the pharmacy benefit managers, the lobbyist, they're shareholders in those whole thing, they're just not publicly traded. If you believe that's the problem, I believe it's two steps to fix the healthcare system. Now again, you don't get elected because that's a lot of money that these two steps will not be ... the money will not support these two steps.

Dave Berg: The first one is the government has to put price controls in. No American citizen should be subjected to cost that could be 100 times what the fair rate is and have nothing they can do about it. It's not a fair market. Think about a fair market. If I was to sell you an apple, Ron, and you want to buy an apple for 10 cents, and I double the price, you don't have to buy the apple. If I half the price, you can go buy two if you want for your 10 cents. If I lower it enough, you can go buy a bushel of apples. I lower it even more, you can go buy an orchard and give them away. Right? That's a free market. But if you had an appendix that is about to burst and I raise my price, are you going to not get it done? If you're having a baby, your wife's having a baby and I lower the price, are you going to not have two babies? It just doesn't make sense, this whole free market thing. It's not even close to making sense.

Ron Barshop: Hospital variances from state-to-state, city-to-city can vary as much as 1,000% for the exact same procedure.

Dave Berg: I've seen blood tests that I can buy for \$4 dollars, where people are subjected to a \$400 bill.

Ron Barshop: Everyone hears the story, the aspirin that they charge \$450 for in the hospital.

Dave Berg: Okay. Let me just give you an example of that too. So, if you sprain your ankle and you get an x-ray, the cost of that x-ray is \$27-\$30. If you go into the emergency room and you get that x-ray, they can charge you anything they want. They can charge you \$1,000, they can charge you \$10,000. They tend to charge about \$800, but they could charge whatever they wanted. It's a \$30 x-ray. You have no control over it. Now, here's where Medicare, the government says, "No, here are the Medicare rates. This is the rate the government's going to pay." Hospitals and doctors take it all day long. If you have insurance, insurance will usually negotiate somewhere around Medicare rates as well. But if you don't have insurance, any hospital, any drug company, can then charge you anything they want because they have a lobby. So, they charge anything they want.

Dave Berg: Let me give you the two-most first. Number one, you've got to have price controls. There is no way you can ... if the government doesn't say that as an American, you have the privilege of living here, of knowing you're never going to spend more than this on this service. Anything above that is going to be illegal. Now, I don't even care if they make it three times Medicare, put a limit on it so it can't be 1,000 times Medicare. So they can't force you to buy something you don't ... it's the wasteful system that you don't want to buy into. I don't even care if it's 5 times Medicare, I don't care if it's 10 times, just don't let it be infinite times. Put a limit on it, number one.

Dave Berg: Number two, when the costs get over a certain amount, I don't know if that's \$20,000 or \$50,000, or \$100,000, that's immaterial. Some amount, let the government step in, let Medicare step in and say, "This is ours now." What will happen is that the accountability for the system will be incredibly more. Think of it as a form of Medicare for all, which is such a ... nobody knows what that means, there's 1,000 different definitions in Medicare for all. This is the day bird redirect tele-version of Medicare for all, is give us a stop loss for every American where we know that if the cost gets above a certain amount, the government oversight is there to protect us.

Ron Barshop: You're going to lose 30 years of savings overnight.

Dave Berg: Right. I don't care if that's \$50,000, if I was king, I would go, "Yeah, let's allow everyone to have three times what the Medicare rate is, and at \$50,000, the government jumps in." Well, now you don't have risk, which

means the insurance industry doesn't have as much to sell, because they sell risk protection.

Ron Barshop:

Your knowledge begs the question, why doesn't Redirect Health publish all the everyday low prices we're talking about, with x-ray, with MRI, with an aspirin? Why doesn't Redirect say, "Here's our experience, we're in 50 states. X-rays in Tennessee are this, x-rays in Texas are this, x-rays in Arizona are this"? Why wouldn't you publish that so if I was a consumer, I could go to that website and when my hospital says, "Well, it's going to be \$8,000 for that," I can say, "No, no, no, no, no, it's \$1,200"? Birth doesn't cost \$2,500, birth costs \$15-

Dave Berg:

Yeah. That's an easy answer. I used to do that with my own employees. Ron, I buy into this healthcare consumerism deal. So, I spend a lot of time, a lot of effort, I create training programs for my own employees, for my friends' employees. It was about teaching them how to be great healthcare consumers, how to get the price, how to find the price themselves, and despite the tricks are out there, hide them. I would teach people. What I learned is it got more difficult, and more difficult, and more difficult to do it. I had this epiphany, actually it was Dan Sullivan, a strategic thinking coach that helped me with this one. He said, "Maybe's the problem's not" ... I was thinking, "How can I educate my people more efficiently?" That was the problem I want to solve. Dan Sullivan, he says it all the time, "The problem is never what you think it is, it's what you're thinking about the problem." So, I started to think, "What if I thought about that problem differently?"

Dave Berg:

Instead of thinking about, "How do I educate my people more efficiently, what if I thought about this? What if I remove the need for education? What if it just happened?" Okay, how would that ... Well, one answer is I could just do it for them, educate a team and then do it for my people. I started thinking about it, I started just doing some mental arithmetic. I go, "If I'm spending \$10 to educate, I'll bet you I can just do it for them for a dollar or two." But that's what I decided to do. Now, it's even more than that. It would cost me \$20 relatively to educate people on how to do it, because the tricks change. It's a dynamic system. It's not linear, it goes back and forth, it changes all the time. There is no way the public has the ability to navigate the complexity and the lack of transparency in the system right now. There are so many tricks. Yeah, the MRI only costs this much, Ron. But how do you know how many I'm going to order when you get there? How do you know? You don't.

Dave Berg:

So, you might not even need it, Ron. You might need an x-ray for \$27, but you can get the MRI, and yeah okay, you can get it for \$300 which is the fair rate. But what if they order five MRIs? Now you're at \$1,500. Right? There's so many tricks.

Ron Barshop: Dave, knowing you as well as I do, I love that you started your company with the question, "If one of my members had a father, or a mother, a husband, or a wife who was a doctor, what would they do to take care of them?" Because you are married to a doctor, you're a chiropractor yourself. What would Janice do if one of your children had an issue? You know exactly what she'd do, and you said, "I want to take that role in their lives. So, you're not a consumer just as much as you are a mother that's a doctor, you're going to take care of every member as if they are family."

Dave Berg: Yeah. Insurance is really expensive, there's so many hidden costs and it is so complex. Healthcare is complicated, but not as complex and healthcare is not that expensive. The insurance complexity we add to it, the drug company, the hospital, the public companies, that complexity's very expensive, the healthcare is not. But something is even more valuable and less expensive than that, and that is the confidence of preparedness for tomorrow. I've seen over and over again, how efficiently my family has moved through the healthcare system, even come here from Canada in 1995 and not knowing the American medical system, or the healthcare system. I just saw that when my son was little, he had asthma, he never ran out of asthma inhalers. They always showed up. We never went to an emergency room, even though he might have an asthma attack. Right? We always were able to navigate the system.

Dave Berg: I saw our nextdoor neighbors be able to navigate the system much better, because my wife who has a medical degree ... a mother with a medical degree is very powerful. Matter of fact, moms around the world have always been the number one caregivers, healthcare givers even. Right? A bandaid, a hug when you hurt yourself and you're little. That is a form of healthcare. Now, give mom a medical degree and remove the complexity of all the CPT coding, and ICD-10 coding, and the HIPAA, and the meaningful use, and the PICA [inaudible 00:34:06], this ABC, and this XYZ. You remove that complexity, a mom with a medical degree? Things just happens. It's just-

Ron Barshop: One of the ways that you're saving-

Dave Berg: [crosstalk 00:34:17]

Ron Barshop: Absolutely. An asthma emergency, an asthma attack in Houston, Texas will run anywhere from \$11,000 to \$25,000 for an emergency room visit. The more of my-

Dave Berg: Under the insurance model.

Ron Barshop: Under the insurance model. What you do for your patients who have asthma, the albuterol's in their backpack, the albuterol's at the school, the

albuterol is in the glove compartment of mom's car, the kid's car. You've got stuff spread all over the house because it's cheaper to have 10 albuterols that are never going to run out than it is to have an asthma emergency.

Dave Berg:

Yeah. A little more complicated than that, but that's the concept. But think about the normal ... let's imagine that you made \$10.50 an hour and you work in a car wash and you have a child with asthma. You're probably going to spend \$80 on an asthma inhaler from a local pharmacy, and you're going to get one a-quarter. So, that's \$320 a year. Remember, you make \$10.50 an hour. You're going to be very frugal with the use of it, because you don't want to run out, but you're probably always going to be at the risk of not having the second dose when you need it, of running out at the end of the inhaler. That one time a year that you do run out, you better go to the emergency room because children die from asthma attacks every single day. It's a travesty when it happens because it's so preventable, but you already [inaudible 00:35:46] you're going to have those types of challenges, and who knows what the costs are.

Dave Berg:

I don't know if they go up to \$25,000 but they definitely get to \$3,000-\$4,000 dollars when that happens, and you go to the emergency room. So, think of that. Let's just say it's \$4,000 or \$5,000 is the cost per year of an emergency room visit, plus the \$320 for four \$80 inhalers. You make \$10.50 an hour, you can't afford that, so you got to run from the bill, you're going to hope they let you go, or if you've got any assets, you're going to go bankrupt. Only people with assets go bankrupt, right? Let's go with our strategy, what would the mom with a medical degree do? What did my wife do with our son? Well, we made more than \$10.50 an hour but we still did this. Number one, we're not going to the emergency room, ever, because ... but doesn't mean we won't if we had to, but we're never going to have to. That's the main thing, we want to get rid of that risk, we want to get rid of that cost. We just don't want to go. But we're also not going to pay \$80 for an asthma inhaler, even though we can afford it because we know better.

Dave Berg:

What we're going to do, is we're going to do mail order to Canada, and the exchange rate's really good, so we know we can get five asthma inhalers for that same \$80, delivered to our house. Then we're going to make sure the babysitter has one, and the glove compartment has one, every purse my wife has, has one. Teacher, daycare, everybody, right, just like you mentioned. But beyond that, we're going to make sure that everybody knows how to use them. We're going to make sure that mom is confident, in this case, my wife, is confident that everybody knows how to use them, because we're not going to the emergency room. We're not going to need to go to the emergency room.

Dave Berg: Imagine now, go back to the person that makes only \$10.50 an hour, they're not going to need an \$80 asthma inhaler every quarter, they're going to need five groups of \$80 spent twice a year. Right away, their \$320 goes down to \$160. That's a big deal if you make \$10.50 an hour. You're going to have the cost of the inhalers, and you're going to have many more around you, and you're not going to go to the emergency room.

Ron Barshop: So, I'm going to call this a blueprint, or a plan, for each patient that has diabetes, that has asthma, maybe even that has skin cancer and other conditions that are prevalent.

Dave Berg: We've got many algorithms and strategies just like this that we've accumulated, and built, and tweaked over the last 10, 11, 12 years. But I'm telling you, every single mom with a medical degree in this country, already knows how to do this. What we've done is we've packaged it with process, and teams, and technology, and data collection, and prediction, and even a little bit of artificial intelligence right now, which is where I'm really excited. At this point, as you know, we've been talking about it all yesterday about what we're going to do to anticipate problems before they happen. Then put a solution in place so the problem never happens in the first place, and cost just disappear and nobody really knows why that the cost was going to happen and nobody even can measure how much cost didn't happen.

Ron Barshop: So, everyone of you that are on Amazon and right now, over two-thirds of Americans are on Amazon, know that Amazon knows your buying patterns, they might even know your porn patterns. They know so much about you, it's ridiculous. You'd be scared how much Facebook, Amazon, Google, they know about you. They know everything. What Dave was talking about is that, if somebody calls to his 24/7 hotline and wants to talk to either an MA, or a doctor, or a nurse, there's now artificial intelligence that can detect stress patterns in their voice. What will that stress pattern teach you on your side of the telephone? What do y'all do? What's the action you would take if you see that these seven people with these seven problems have the stress pattern? What does that teach you about how to anticipate problems before they even happen?

Dave Berg: Okay. Let me take you back just one step before that, and then the answer will be self-apparent. And any particular day, we call them today's one-percenters but it's not, it's like today's .1%, one-tenth of a percent of our whole membership today, this day, right now, is going to have a greater healthcare need combined than the entire 99.9% of our membership. Today, that tenth of a percent has a greater healthcare need combined, than the whole rest of the membership. They also have the potential to spend more money, this one-tenth of 1%, has a greater potential, is going to

spend more money under the traditional system than the rest of the membership. So, we know that. We know where to laser focus our attention on those people. We'll put our attention on those people, and then that will be two hours of work with a team of 10, helping them talk to the specialist, talking to family members, making sure they're getting the care they need, and then make sure their wallet's protected.

Ron Barshop:

With all due respect to Blue Cross, and to Cigna, and Humana, nobody's going to give them that with the traditional health insurance.

Dave Berg:

Yeah. Well, the system needs cost, because that's what caused the risk and the system sells risk protection. If I get rid of risk, there's nothing to sell, there's less to sell, and they're publicly traded, so they have to reduce their shareholders to increase revenue profits by any legal means. That means the more risk there is, the better. You asked about data collection, that's one piece of data. The fear, if you will, the conversation. So, the most important thing we can do to protect the wallet is to understand that one-tenth of a percent in realtime, so that we can get in front of it and get that person protected. We couldn't possibly apply these resources to all of our membership at the same time. It just would be impossible. But we can, if we know where that tenth of a percent is, we can give everything we have.

Dave Berg:

We can give them a mom with a medical degree, with a team of 200 people, with the technology, and the process around that one person. So, being able to listen to their voices and have the computer technology tell us that somebody is afraid, or they're concerned, or they're wondering, or they're in pain, or they're stressed, or they're mad. Those are signs that we need to move on something fast. The one piece of data that nobody's talking about in healthcare, that I believe is the most important, is the data, if you want to create meaningful access to healthcare for people who are in a complex situation, or in a complex system that's hiding cost from them. If you believe in the problem the way I believe in it, the number one piece of data that matters, that drives our effectiveness the most, is the quickness that we understand that somebody has a problem, somebody is wondering something, somebody's confused. They're feeling isolated, they're feeling powerless. If we can understand that now, it saves a ton of money.

Dave Berg:

If I can give you one example? If you sprain your ankle and we're 10 minutes too late, you're going to walk into the emergency room, you're going to get an \$800 x-ray, you're going to get a \$400 orthopedic consult, maybe a consult to the physical therapist, maybe the neurologist comes in, emergency room fee, maybe even get a couple MRIs for your ankle. You're probably leaving there with a \$3,000 to \$10,000 bill for that sprained ankle.



Ron Barshop: Easy.

Dave Berg: "And by the way, Ron, there's nothing wrong with it, you just sprained it, just put some ice on it." Right? That's what happens if we're 10 minutes too late. This is how important the timeliness of that information that you're wondering, you're confused, and you're alone, you need some help. Because if you call us like our members do, or they go on our app, 24/7 English and Spanish, with technology ... gosh, we're so close to mainlining any language and translation ... we now can say, "We can assess the urgency of what's going on." You can even snap a picture of it and we can see there's no bone sticking out, and we can assess it's most likely a sprained ankle. We can even tell you, "Hey, yeah. Let's go to the urgent care, let's get an x-ray." That might cost you \$70, definitely not \$800, definitely not all the other stuff added to it in the hospital.

Dave Berg: Or we can say, "Hey, Ron. Looks like just a simple sprain. Go home right now, put ice on it, compress it, raise it. If it gets worse at the end of the night, you just call us right back." Right? And we've got all the records. "But let's get an x-ray in the morning," because we can help you with the urgency of the care, and that's \$27.01 at the freestanding facility. Now we take the x-ray, we go, "Oh, good. Nothing's broken, we don't need an orthopedic consult, we don't need a physical therapy consult, we don't need anything." And you got a \$27.01 fee versus maybe \$5,000-\$10,000. You think about the driver of that difference, it was, how fast did you have access to somebody who could help you? How fast did you have access to a mom with a medical degree who could help guide you? Huge dollars.

Dave Berg: Now, those dollars that you just freed up, thousands of dollars you just freed up, those are the same dollars now, that if you didn't free them up, they were taken out of the system that were going to stop you in the first place of getting the care you needed, and everybody else in your employment, all your coworkers, from getting the meaningful access to healthcare they wanted too.

Ron Barshop: So, this is Ron Barshop with Primary Care Cures, we're talking to Dave Berg who is not only CEO and co founder of Arrowhead Healthcare Centers, but he's also CEO and co founder with Redirect health. Dave and I are talking about wasteful spending in the 3.4 trillion dollar ecosystem called healthcare. Dave, let's talk a minute about my son's experience in Mississippi. He's now a physician, and one of his summer internships was doing a population health study in the fattest county, in the fattest state, in the fattest country in the world, which is in deep south of Mississippi. He was in the Delta. While he did get to go hear B.B. King play live, he also dealt with this problem.

Ron Barshop: it turns out that in that county, 2% to 3% of the population is spending 60% of the federal dollars. The super sick patient you were just talking about, that one-tenth of one percent is costing the system a hugely disproportionate amount of problems. You have told me that the way you view your membership population is this. A third of your population is healthy, young, and free, and easy. Their message to you is, "Leave me alone, don't bother me."

Dave Berg: No, no. You're mixing the populations up, Ron.

Ron Barshop: Okay.

Dave Berg: So, about 65% of our population, which is working people, they're going to spend about 5% of the money. They're not saying, "Leave me alone." They're saying, "Don't waste my time." Which is significantly different. What they're saying is, "When I need you, when I have a baby, please make it easy for me, and efficient. Don't make me miss work and the stuff I want to do. When I break my leg or I sprain my ankle, make it easy for me and don't rip me off. Don't waste my time or money." That's what they're saying, easily 65% of them, but it's only about 5% of the money. You now do have a group, I'm going to make it up, about a-quarter of the people in a working population where maybe they're overweight, they're getting a little older, they smoke, they drink, they're sedentary, they're stressed out, they don't sleep enough. Now, that group is still only going to spend 5% of the money.

Dave Berg: I've just shared with you 90% now are going to spend 10%, about conceptually. But that group is saying, "Leave me alone. I don't need you to tell me to stop smoking. I don't need you to tell me to exercise more. I don't need you to tell me to reduce stress. I don't need you to tell me to stop-

Ron Barshop: "I'll call you if I need you."

Dave Berg: Right. They're busy with life, and life is busy, and they're not sick yet. They're just not healthy, but they're not sick. They're not feeling it. There's another bucket that's about 10% of the workforce, or their dependents, who are sick. They've got asthma, they got an illness, they got a thyroid problem, they got headaches, they've got diabetes. Those folks are going to spend the bulk of the money. The important thing is to make sure that, that 10% gets the care they need, because that's where the savings is. Free up that capital, free up that money, free up that time, and apply those resources, that money, that time you free up by taking care of that 10% first, the sick people first. Those people are saying, "Please help me." They are running towards us, "Please help me, please help me."

Dave Berg: It's the people who are overweight, and they smoke, and they drink, they're not sick yet, they're just not healthy. They don't want us to help them because they're busy. Once they have diabetes, or their child has asthma, or diabetes, now they want help. They're going to spend a lot of money. That's where the opportunity is to free up money that we can then apply to the other people. What that could look like is for that 65% or so that are super healthy, invest that money in removing friction. The 25% that are saying, "Just leave me alone, but be available when I need you," yeah, invest that money in creating plans for them that are ready when they need them.

Ron Barshop: Smoke cessation, weight loss, et cetera.

Dave Berg: Right. But not in the delivery of those things, but in the plans, so that it's ready for them when they're ready to take it.

Ron Barshop: So, if my son's in the Mississippi Delta and he has a Redirect Health mentality, he's going to wrap his care around that 2% that's costing all that money and be interventional, be proactive ahead of time before they get so expensive.

Dave Berg: Right.

Ron Barshop: They're not going to go to the ER as much, they're not going to even go to urgent care as much, they're going to have what they need at their house, and 24/7 access to care.

Dave Berg: Yep. You just got to free up those resources. So, your question was if he has a Redirect Health thinking/mindset, he's going to go, "The opportunity to free up resources that I'm going to need for the other people," the other 97% of people in your example, "is sitting right there. Is right there for the taking. I'm going to free it up, keep these people healthy, get them healthier, get their sickness taken care of, do what I need to do to free up strategically the most amount of money. Now I'm going to take the money I free up, the resources, the time, the money, the people, whatever it is, the resource, that was being eaten up by this 3%, I'm going to take some of it because it's not needed anymore, and I'm going to apply it in a different format to the other people. Because the other people don't need the care in the same way, the resource in the same way."

Dave Berg: My way of thinking from a business owner's perspective is, "I'm going to apply those resources" ... it might be different for a different population. "I'm going to apply those freed up resources in removing friction for my worker bees, for the people who I'm counting on, my hard workers that are healthy. I'm going to free up friction so they can stay at work, not have to miss work when they get a cold and they need a cough medicine refill. No,

I'm not going to create friction and cost for you so you have to take time off work and go wait in the doctor's office. I'm going to spend that money that I freed up, and it only exists with my sick people, that's the only place to free up money, and I'm going to give it to my healthy people in the form of friction removal." That's how I think about it.

Dave Berg:

Again, I would always go back to the problem and I don't ... this solution that I'm talking about right now, I believe I can come up with a solution, I've thought about this enough that I believe I can come up with a solution for any healthcare problem, system problem. But I also believe that my system solution is just for my problem. There are elements of it that work for any problem that it can be taken, but the system that I've created at Redirect Health is specifically for the problem that small business owners are having, who have a workforce and make under \$20 an hour, who do not have meaningful access to healthcare today, because the system's so complex, it allows hidden costs.

Ron Barshop:

We're going to close out this episode. Thank you, Dave Berg, CEO of Redirect Health, for your time. In our next segment, Dave is going to be addressing, "How do we cure the ails of primary care?" The ails of primary care have a lot in common with the ails of healthcare in general, but primary care doctors have an awful model. The awful model is imminently curable, and I want to hear Dave's ideas and solutions for fixing primary care as the gateway to this ecosystem.

Ron Barshop:

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