

Primary Care Cures

Episode # 12: Dave Chase

- Ron Barshop: Most problems in healthcare are fixed already. Primary care has already cured on the fringes, reversing burnout, physician shortages, bad business models, forced buyouts, factory medicine, high deductible insurance that squeezes the docs and is totally inaccessible to most of the employees. The big squeeze is always on for docs. It's the acceleration of costs and the deceleration of reimbursements. I want you to meet those on this show that are making a difference with your host, Ron Barshop, CEO of Beacon Clinics. That's me.
- Ron Barshop: Who is the black hat? Who's the villain in this drama called healthcare? Is it big pharma? Is it the big hospital systems? Are quarterly report pressures the reason why the system is broken? Is it shareholders versus all the rest of us? Well, absolutely not, they... Anything loses touch with the ultimate user, but they are playing a game, a game that certainly they're designing and having a huge influence on with lobbying money, and they have beaucoup money to influence the future any way the direction they choose.
- Ron Barshop: Almost half a billion in lobbyist dough is paid out annually. 18% of all the lobbyists in D.C. are healthcare lobbyists. Them's the rules. It's all legal. If you had a rule book that gave you unprecedented EBITDA, which is how the game is currently measured in the past 10 years, you'd want to keep that under your hat. You'd want to keep that game exactly like it is. Even though every employee in our country are baffled when employer's smilingly enrolled them in a policy, that they simply can't access. 70% don't have the scratch to make the copays and the deductibles, and the average credit card debt today is about \$7,000.
- Ron Barshop: Medical bankruptcy is two thirds of all the bankruptcies, so bigger than all the other categories combined. 70% of those medical bankruptcies had insurance. They miss work. They feel like they're going to lose their jobs and homes if they get sick, and [inaudible 00:02:10] most are in deep fear of even taking time off that they've earned. Warren Buffett calls healthcare is the tapeworm of our economy. Bill Gates says that it's destroying our schools in our state budgets. Dave Chase, our guest today, makes a lovely and elegant case, if you go to his TED talk, how healthcare is single-handedly stealing the American dream, destroying our middle class, forcing mediocrity on our schools, bankrupting our governments, local, county, state, federal, that our deficits spending is largely due to health care.
- Ron Barshop: In his newest book, we learn it is directly responsible for the opioid crisis. Who is the real villain? The answer shocked me when I learned from Dave Chase that it's me. It's the employer's. Dave, welcome to the show. I want to tell you all about Dave. He worked at Microsoft, built a billion dollar division under the Microsoft banner and healthcare, did it again, built a company that he sold to WebMD north

of \$20 million, and then lost in the course of all this 10 close friends, which motivated you to do and create what Dave?

Dave Chase: It created the Health Rosetta, which is basically a blueprint that is based on proven nonpartisan fixes to healthcare. What I found was just as the Egyptian hieroglyphics were indecipherable once upon a time and the Rosetta stone help decode that, the people would crack the code and basically fix health care. I just abstracted that out and found the common threads and gave it a name, and I'm kind of Johnny Appleseed on spreading the word. Unfortunately, most people aren't aware that healthcare has already been fixed, just not nearly enough. Of course, we say on our website healthcare is fixed. We're just replicating the fixes.

Dave Chase: It's a true and aspirational statement at the same time. Fortunately, there are ways that many organizations throughout the country, rural, urban, large, small, private, public are spending 20% to 50% less with superior health outcomes. It's absolutely possible, and we're getting after it and getting a great response.

Ron Barshop: When I heard your talk, I was staying at a Rosen hotel in Florida. In your talk, you described Rosen is really one of the best models because what they're doing besides beating the pants off their competition because of reduced healthcare costs with proactive measures that I'd like you to talk about, but they're investing in the community around them. Crime has dropped in the neighborhood. The kids are now getting sponsored to college by Mr. Rosen. He went out by the swimming pool while I was listening to the end of your talk, and I wanted to go give the guy a hug, a little Jewish man with his little Jewish wife. It was so adorable, but he's really gave you a wake up call that it can be done, can it?

Dave Chase: Absolutely. I mean, who would've thought that getting smart about your health benefits would result in crime plummeting and high school graduation rates increasing despite having a workforce that's got very significant health challenges. I mean, for example, 56% of their pregnancies are categorized high risk. You mentioned the opioid crisis earlier. Despite having physically demanding jobs because they have proper primary care in place, guess what? They have opioid prescriptions there at one six, the level of a typical employer, pretty much putting them at the level of countries that don't have a significant opioid problem.

Dave Chase: The steps were quite simple, but sometimes, don't want to here the solutions and certainly the people who are profiting from the dysfunction don't, but they show how it absolutely can be done. He didn't know anything about health care 20 years ago, but rolled up his sleeve, put on his problem solving hat like he does in every other area of his business, and got it done and has been doing it for decades.

Ron Barshop: What a divine providence that I was staying in his hotel. It seems too good to be true that Health Rosetta is a game changer, but I want to tell you it is a game changer. If I am an employer here in Houston, Texas, and my broker comes to me with the same old, same old with, "Here, it's another 6% bump. It's not our fault. It's those damn insurance companies pointing fingers everywhere but at

himself." Then a Health Rosetta guy comes in and makes a counterproposal, and it's 35% less. This is real, isn't it? This is not some fairy tale.

Dave Chase: No, I mean, we've got hundreds of examples. I mean, I get it. I get new ones every day. I was talking to a guy in Idaho today, told me how about a bunch of them in eastern Idaho, which is a very rural part of Idaho. Last week, I heard one. It was a company called Pacific Steel in Montana. They took their healthcare spending from eight million to last year, they closed out at 3.4 million. It wasn't by making benefits worse. It was by making them better. It was a great little side point to that story was a forklift driver who'd worked for them for 30 years. This is in employee stock ownership company.

Dave Chase: This forklift driver, I think, topped out at making 45,000 a year. He walked out with a \$1.8 million ESOP payout. That wasn't entirely healthcare, but certainly, healthcare was a big part of that store cause they weren't squandering money anymore on things that didn't help people feel better or maintain their health. It's been done all over. Just, you're not hearing about it enough. That's why I'd want to be Johnny Appleseed on spreading this message basically.

Ron Barshop: The disruption you're creating really at a high level, and I do want to dig into the meat and potatoes of this because it seems too good to be true for a first time listener, but it's not. It's real. I have reduced my costs 65%. I use a company that you know well, Redirect Health, and I've layered on a catastrophic plan on top of that. My ethnic premiums were 700 and now I'm paying less than half that. They have basically no copay, no deductible, free 24/7 access to a doctor, Christmas Day, everyday of the year, two languages. My employees are using telehealth. The 70% of the time, you don't have to go to a doctor and you can handle it over the phone.

Ron Barshop: They're calling in their kid's pink eye, because they've seen it 10 times before, and they don't need to miss a half a day of work to go to a doctor visit. I'm living it too right now, but at a high level, it seems to me like Health Rosetta is just placing the typical middleman broker, the traditional benefits advisor who is producing the same old, same old by basically scaring the pants out of it. They almost defensively have to come to Health Rosetta, don't they?

Dave Chase: Well, I mean, that's one way of looking at it, but what I found is most people in the industry went into it for all the right reasons. They want to do the right thing. I mean, I include myself in that. At one time, I was part of the problem generating as big a bills as possible out of hospitals. When you show them another way and you awaken them as to what's going on, the great benefits consultants, boy, these folks are worth their weight in gold. If somebody chooses to not be awakened, sure, they're going to be replaced by their competitor, and so we're saying, "Oh, just go to www.healthrosetta.org, and do this all online."

Dave Chase: We still believe deeply in the value of a great benefits consultant, because they can have that intimate understanding of the business, their priorities, the local market conditions, and then we can give them some tools to make their job a little easier. That's really the way we look at it.

Ron Barshop: Are the giants, let's call it say Higginbotham or some of the giants, are there brokers that are inside these giants that are using the Health Rosetta model?

Dave Chase: Yeah. I mean, people are getting certified as individuals, and so we have folks inside of some of the bigger organizations. I think, either their management isn't noticing or they're like, "Oh, you know, things are going to evolve." Just like they do in every other area of the economy, let them be the pioneers and see how it works. These people aren't taking a vow of poverty to do this. They're just aligning their interest with the interest of the employees and employers they're working for versus unfortunately the way much of the industry has been set up is they're pitching themselves as buyer's agents and then paid like seller's agents.

Dave Chase: It's almost like if you were in a lawsuit and the other side was paying for your attorney, that would be pretty ludicrous, but that's the way the industry had been set up, and so these folks are saying, "No, I actually want to work for the employer, and we'll get paid a fair wage or fee for that." Then they just make it happen.

Ron Barshop: Well, let's dig into the Health Rosetta model a little bit here. I see a list. The first on the list would be explain what transparent pharmacy benefits means.

Dave Chase: Sadly, given there's a lot of money being spent in pharma, there's more shenanigans there than maybe in just about anywhere in the industry and things like rebates and spread pricing. It's an enormous shell game. Transparent pharmacy benefits is like what it sounds. You should pay and know what you're paying and what you're paying for it, and not have definitions change on you mid contract and all of that. If it's a great medication that has high value, it should get paid appropriately. There's some just really goofy things out there where two over-the-counter medications that might cost you combine \$13 are put into one pill, and they're charging \$2,000.

Dave Chase: I think, most people would say, "You know what, taking two pills versus one is we're saving a couple thousand dollars," and so it's just getting those types of things in place and just removing the games basically from the process.

Ron Barshop: I'm looking at the words transparent open networks. That sounds wonderful. What does that mean?

Dave Chase: Basically, it looks like a successor to the PPO networks, that probably we're a good idea at one time, but now when you rent a PPO network, which is typically what you do as an employer, you pay for the privilege of wildly over paying versus a transparent open network says as you'd say, "Anybody can participate if they have a fair price, and, you know, we'll just make it straight forward." Rather than paying three or 10 or 50 times, you know what Medicare pays?" It will probably be more like 120% of Medicare or 150% of Medicare depending on what it is. If both parties believe it's a fair trade, then they make that happen.

Dave Chase: It's like the way the rest of the world operates. I don't need to have a preferred provider organization to go to a restaurant or get my car fixed. This is just the way it's done increasingly with the smart benefits purchasers.

Ron Barshop: Dave, what does independent active plan administration look like?

Dave Chase: What it means is there are third party administrators, so most of the workforce are actually in companies that pay their own claims. They may have a third party typically who pays for that. Sometimes that's traditional carriers paying for that, but what you find with the Spark benefits purchasers is they have independent third party administrators, and they very actively watch what's being paid. Unfortunately, a lot of the typical carrier power because they're spending your money, they happily will pay far, far more than they should for something.

Dave Chase: Whereas when it's actively and independently managed, they might have a threshold or 5,000 or \$20,000, where they'll look at those claims. Now, I can tell you from having worked inside of hospital billing departments, I don't know if a hospital bill over 10,000 has ever gone out without an error, and so we see situations where literally there's \$200,000 billionaires that were going to get paid, again, because it wasn't your money. I mean, it wasn't the carrier's money. It was your money, and so just watching those, you catch those before they actually go out the door.

Dave Chase: Unfortunately, there's a lot of games to overpay and then reprice and then get a cut of that pricing. It's just one of these goofy things that has been accepted for some reason that's going away increasingly.

Ron Barshop: Dave, if you were a king for a day, what three changes would you make to make healthcare work again in America without all the waste and all the fraud and all the abuse and all the games?

Dave Chase: I mean, I guess one maybe a cheat on the answer is we have a blueprint that lays that out and rebuild things brick by brick. The other big theme, and you can go to our site, it lays that out in my books. The other big theme is relocalizing healthcare. You find like a community I'm in. There's no health plan or hospital even that is owned by any local organization. Doing some rough calculations, I've found that over 50% of the dollars spent on healthcare in our community get extracted out of the community, and so like shop local comes back to healthcare, where we think of shop local with food and retail, but what's more local than an interaction between a patient and a doctor, a nurse.

Dave Chase: There are some things that we're working on, and as primary care gets rebuilt and these transparent open networks, that's all very possible. All of these middlemen who are not only not adding value, they're extracting value. You just remove the stuff that's not really healthcare and then just keep the stuff that's is healthcare in it.

Ron Barshop: Dave, the news today is that not only was Berkshire, J.P. Morgan and Amazon banding together to reinvent healthcare, it appears that 60 companies their size and larger, including Apple and GE and Walmart, are all banding together to form an employer's counsel to basically have the buying power to change the good way the game is being played. What do you make of that? Who's going to be the winners and the losers in that game?

Dave Chase: Well, I mean, I applaud them for doing that. At the same time when the Amazon, Berkshire, J.P. Morgan thing came out, I wrote a couple pieces, 11 reasons why it could change health care, but then the 10 mistakes to avoid. If you look at the history of these coalitions, the results are frankly abysmal, and so there are some mistakes they should avoid. There's this belief that you have to be giant to have a negotiating clout. A lot of ways that's not true. There's a longer explanation on that, but what we see is the smaller and mid market organizations are actually proactively doing that.

Dave Chase: In fairness to the big organizations, besides being really complex and political, they're in many different locations. It's really almost the hardest problem to solve. If you look at disruptive innovation, it almost always happens from the bottom and then moves up. That's what we're seeing is sure, there are some big employers who are doing some smart stuff, but most of the action is the Rosens of the world, their 50 to 5,000 employees versus 50,000 to 500,000.

Ron Barshop: What are you most excited about with the future of healthcare? What is changing the game besides Rosetta? I make basically this show all about... I say the same thing you do to healthcare is fixed is just fix on the fringes, and it's going to work its way to the center. Just like Federal Express forever changed the post office, just like charter schools will forever change the school system, a big bureaucracy like healthcare is going to get changed from the outside in. What are you most excited about when you think of how that's actually happening on the ground?

Dave Chase: Well, there's two levels of it. There is the in terms of the healthcare specific part of it. The part I'm most excited is rebuilding the devastated primary care system. We've essentially devastated that over the last 20 to 30 years, and it's really sad. I mean, these are people who are caring for us in our most vulnerable moments, and they've been turned into glorified billing clerks, and so you see, and I'm sure you're quite familiar with this, how people get out of that. That's foundational.

Dave Chase: There's no well functioning healthcare system in the entire world, not built on the top of proper primary care, but then the part that I get most excited about it, and we talked about it a little bit with Rosen, is what I call the Health Rosetta dividend, where there's more than enough money slashing around in the healthcare system to actually facilitate health. We know that the so called healthcare system only drives 10% or 20% outcomes. It's all of the other things, education, safe neighborhoods, clean air, clean water, all of these types of things that actually promote health.

Dave Chase: What Rosen did is as one example, but there's many others where you take money previously squandered and then you can put it into kids' education, schools, addressing senior aloneness, mental health, walkability, better food. I mean, there's all kinds of things that actually have a profound impact on health and wellbeing. If we just stop stealing from health and wellbeing, and it going to non-value add bureaucracy, literally, it would change our country overnight.

Ron Barshop: In your book, you talk about the average millennial is going to spend 50% of their total lifetime income on healthcare and wellness. Can you explain that a little bit? That seems almost unreal. I mean, are they stocking up for the

apocalypse for Kleenexes? What exactly are they buying for 50% of their income?

Dave Chase: It's crazy. I have this iceberg metaphor on that. There's this stuff above the surface that they see, like their copays and some of that. Much of it's below the surface, so it's in the totality, whether it's paying for Medicare or Medicaid, the lost wages, et cetera. Believe it or not, that 50% is actually the optimistic view in terms of the current trajectory where healthcare inflation only grows at half the rate of regular inflation versus what's happening. It usually exceeds the regular inflation rate.

Dave Chase: If even if it just goes at the regular inflation rate, two thirds of their lifetime earnings will go to the healthcare systems or effectively indentured servants to it. These figures are very well sourced in a book. I referenced it, but there's a book called Catastrophic Care. The silver lining in that is I don't believe that's going to happen. I believe there will be riots in the street before it happens, particularly since millennials are the largest generation in history. They're the largest generation chunk of the workforce. In five years, they're 75% of the workforce. They're the ones who drove changed behaviors in terms of smart phone adoption, better food, social media, you name it.

Dave Chase: The oldest millennials are leaving the invincible stage of their life where they're starting to pay attention to healthcare. Almost at every turn, healthcare is designed in exactly the opposite way that millennials want and desire. That I think is the great underestimated force that's upon us. That's where things really changed, and it just would be horrible to leave that legacy for them.

Ron Barshop: Right now, we have serious presidential candidates talking about socialism openly. My theory after getting a dose of Dave Chase over the last eight months since I first heard you and met you is that socialism is a natural outcropping of a failed capitalist system that has failed largely because of healthcare, I think, you would argue. Does that make sense?

Dave Chase: Well, you can understand why people are really frustrated. Gosh, how could it be that we spend twice what just about every other country spends? We have pretty much the bottom of the developed world in terms of outcomes, and we've simultaneously made life miserable for nurses and doctors. That's quite an achievement if you think about it. You could understand why people would be frustrated and believe that there's another solution. Unfortunately, the three big problems in our healthcare system, pricing, failure over treatment, and administrative bloat, they're just pretty much as bad in our medicare.

Dave Chase: They're better in some areas and worse in others. Over treatment's worse. Pricing failure is a little better. We have to fix it across the board no matter what kind of system we have. We're fiercely nonpartisan in what we do, but we're very cognizant and very articulate, we try to be at least, on how both the employer and the Medicare and Medicaid for that matter have really failed. I just don't buy that other countries are 2.6 times smarter than us, yet we pay 2.6 times more for most services than other countries. It makes no sense.

Dave Chase: Well, I mean, going back to your earlier point on the amount of lobbying dollars, we have a system that's very driven by lobbying dollars basically in campaigns and all of that. As I often say, there's very few true conservatives. There are very few true progressives. 80% of the electeds are preservatives. They're just paid to preserve the status quo. I believe and I think history would suggest that any great societal problem that we've had has gotten solved bottom-up, grassroots, and then eventually ripples through the country, and the national folks will jump to the front of the parade on that, but it's on us.

Dave Chase: We all contributed to this whether we knew it or not, and the calvary is not coming from D.C. to fix it. I wish it would, but I think we've got 50 years of evidence otherwise with both parties fully in control, so we have to be sober about that and realize whether it's energy independence or civil rights. These things get solved bottom-up and then ripple around.

Ron Barshop: Dave Chase, you're officially a thought leader now. What thought leadership books are you recommending people read too that influenced you?

Dave Chase: Inside our category, probably the one I recommend the most, I mentioned one earlier, Catastrophic Care, which is great, but probably the one I recommend the most is by Dr. Marty Makary called Unaccountable. He's got another book coming out in the fall. He does great work in that area. Then, I will then go further a field. One of the books I read recently is called The first conspiracy. It's about the most people don't know about the plot to assassinate George Washington. It's a pretty amazing story, well-documented. In a lot of ways, I look at the folks driving the change are the patriots in this, and then there's the status quo loyalists.

Dave Chase: If you look at the strategies that the British had to try to thwart the patriots, there are some real parallels with the status quo protectors here. A lot of times, you can learn lessons from history and from outside your category. That's one recently that I got that I really enjoyed.

Ron Barshop: Is there any type of a conference or a ground zero where the Transparency Movement and the Health Rosetta Movement and all of the movements that are driving change can all get together and high five each other?

Dave Chase: There are. There are a few. One that is happening that's great is the Hint Summit. They power a lot of the direct primary care and the direct care space. We actually piggy backed off of their events. It's the day before, and they're really at the apex of this movement and realizing, "Gosh, you know, we don't pull out our Geico or State Farm card when we go get our car oil change or whatever. Why would you force that through some insurance bureaucracy? That's a great one.

Dave Chase: There are some folks in the Free Market Medical Association that are really pushing that side of things. Here, there's some other good ones, but I liked the Hint Summit a lot. They've done a nice job with it.

Ron Barshop: I talked with the executive director of the Free Market Association, and they're pushing for a bill that is going to force hospital transparency and pricing

visibility. The problem is they're not sure how they're going to get it out of committee, and they got a Republican sponsor. They're looking for a democratic sponsor, but their history is I believe it was Indiana that had a 100% vote of the legislature. Both sides of the aisle voted for the Transparency Bill, and governor Kasich vetoed it. That might be Ohio, not Indiana, but, again, the lobby knows exactly where to spend the money so that these things never see the light of day.

Dave Chase: It is unfortunate. I think, it's unconscionable that so much taxpayer money goes to these and many of them are tax exempt entities. It would be unthinkable to put whether it's state employees or your employees or anybody into an airplane where that airline suppressed their safety culture and safety data. That just wouldn't be possible, yet, it's 47 times more dangerous to be admitted to a hospital than to jump out of a plane with a parachute. That's from preventable medical mistakes, and so we need to expect a lot more.

Dave Chase: We're spending so much money, and they're getting huge tax breaks. I don't know why we wouldn't expect that like we expected in every other area.

Ron Barshop: I wouldn't even call it a tax break. If you're not paying property taxes, income taxes, personal property taxes, if there's a hospital tax to add to that revenue, if there's a four times to 10 times pricing advantage for that hospital, if there's a ability to spend lobbying dollars to make sure you're always protected with the most successful and richest lobby of all time, and if you're teaching hospital, all of the \$60,000 residents' salaries are paid for by the federal government, even though they're billing the amount of 2.4 million a year. On the average, that's a pretty good return on investment. Zero costs for 2.4 million.

Ron Barshop: What I don't understand is why we don't like hospitals, but we love our local hospital. They must have the best galas. They must have the best integrity boards and directors that are impeccable citizens in our community. I mean, it's almost like not in my backyard do I have a problem, but boy, do hospitals have a problem?

Dave Chase: It's pretty interesting. There's increasingly an awakening, and some hospitals are stepping up and doing something different. I mean, the Idaho example I gave you earlier, there were actually some good examples from some community hospitals doing the right thing. Unfortunately, too many of these tax exempt hospitals have lost their way, and so that's a real unfortunate thing. I think that as they've overplayed their hand, there will be a reckoning for that, and that's starting to come.

Ron Barshop: If you could fly a banner overhead across all of America, what would it say to people in a sentence?

Dave Chase: Probably say healthcare is fixed. Join us to fix it in your community. They'll probably be very confused, but it's absolutely doable.

Ron Barshop: All right. Healthcare is fixed.com. Let's get that. Hey Dave, how can people reach out to you and find you if they want to learn more?

Dave Chase: Pretty straightforward, on organization is healthrosetta.org. Then I'm at Chase Dave on most social media things. You can find me on Twitter, LinkedIn and so on, and Google me. I'm not The Sopranos' producer, but I think I'd beat him on most of the Google searches, so I think you're okay.

Ron Barshop: There you go. Thanks Dave for your time. It's been a great interview.

Dave Chase: Likewise. Thank you for the opportunity.

Ron Barshop: You bet.

Ron Barshop: Thank you for listening. You want to shake things up? There's two things you can do for us. One, go to primarycarecures.com for show notes and links to our guests. Number two, help us spotlight what's working in primary care by listening on iTunes or wherever you get your podcasts and subscribing, and leave us a review. It helps our megaphone more than you'd know. Until next episode.