

# Primary Care Cures

## Episode #22: Cole Johnson

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 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 costs, and the deceleration of reimbursements. I want you to meet those on this show that are making a difference with us. Ron Barshop, CEO of Beacon Clinics, that's me.

Forty percent of the births in America are to single moms, who are raising, along with a single dads, about 20 million American children. Medicaid pays for 49% of all births in America. The average single mom's wage is only \$10 an hour, the average, so some make less, and some make more. The average single dad's wage is only \$14 an hour, which is half of the married couple's average wage. Seventy percent of workers earn less than \$15 an hour. What does all this mean? Why am I throwing all these statistics at you? Well, 2019 turns out to be a pivotal year. It's the first year that over half of employees don't have the scratch to afford their company deductible. They're simply out of liquidity and can't access the \$1,350 that the average deductible is today. Traditional healthcare is out of reach for most Americans. Accessing care when it's needed, is their biggest worry by far in any Gallup Poll we've ever seen.

Deciding between food and meds, inability to afford kid's vaccines, which has now led to the measles outbreak we're hearing about, skipping needed care altogether. This is not the American dream, this is not what we signed up for. So who is Dr. Evil? Well, wait for it, it's me and you, it's employers. We're not intending to be evil, but it's by oversight. The power to fix this as 100% in employer's hands, because we're at the top of the food chain in a \$3.9 trillion healthcare economy.

We can change and drive change much faster and wiser than the DC politicians, or the politicians in your state capital, because we are the market which drives change, more so than laws benefiting special interests or regulations. Most states have just a few big insurance monopolies offering 80-90% of the coverage for the population in that state.

Most metros have just a few big hospital systems dominating referral patterns into more expensive care. There's only three big middle players known as PBMs, Pharmacy Benefit Managers, that serve as middlemen in drug handling and they're much larger than the big pharma companies.

It's not these bigs that are against you and me, or for me and you. They're no Dr. Evil there either, but that's where the money starts is with us. The secret to flattening the care curve is to squeeze folks out that are in the middle, and all these bigs aren't really in the equation with what I use and what our guest today uses. Today, you're going to learn how to use that yourself.

We employ mostly these single mothers that I introduced in the front of the show. I've described above, basically my company Beacon Clinics. Single mothers represent pretty much all of my team, so I have to do better than the high deductible, unreachable healthcare plans that is the norm.

My current plan is with a company called Redirect Health, and Sedera is my catastrophic plan. There's no PBMs or big middles, there's no brokers, there's no expensive hospital systems referred into, there's no copay, there's no deductible in my plan, no wait times to see a doc. Any primary care doc or chiropractors is basically in-network. It has no such thing as in- and out-of-network, in other words, no surprise bills. And we have 24/7 telehealth.

My favorite little secret service, and we're going to have a future guest talk about this, is concierge services to find free pharmacy assistance programs for my employees that make less than 15 an hour. So yes, there are hundreds of corporate nonprofit church-based pharmacy assistance programs, that basically pay for all drugs for employees that make less than \$15 an hour.

I was an early adopter in Redirect in Texas, and my guest today did the exact same thing in Arizona a few years before me, for a different set of reasons and with remarkable results similar to what I'm describing.

Meet Cole Johnson. He's the head of the helm of Paul Johnson Drywall, better known as PJD. It's a rare three generation run company and it's a leading drywall contractor in the region of Arizona and Nevada. PJD has grown to rely on a network of nearly 2,000 employees and crew members who work on projects throughout Arizona, including Flagstaff, Cottonwood, Prescott, Tucson, Yuma, and across metropolitan Phoenix, and now in Las Vegas.

Cole, welcome to the show.

Cole Johnson: Thank you, sir. Thanks for having me on.

Ron Barshop: Well, we both have this in common, a love of Redirect Health. You took a chance way before I did with this new model taking care of your team. What prompted you to make this change?

Cole Johnson: Well, as you alluded to, Paul Johnson Drywall is a 52 year old family run business, that's really focused on delivering exceptional customer service. To do that, we have to meet our construction deadlines and in our labor-constraining market, that's extremely difficult at this point in time.

We've been very successful in becoming the contractor of choice for the most prominent, publicly-owned single family residential builders. As we select general contractors [inaudible 00:05:46]. And a critical piece of that involves the hiring and the retaining a great team of administrative staff for planning and scheduling, but even more importantly, having the best construction crew in the business. That is why we are leading this industry and providing what we believe are among the best wages and benefits within the industry. We were at some level initially prompted by the passage of the ACA, but contemporaneous with this was at a time when we were actively looking at ways that we could offer better benefits to our people.

It was also really important to me as the owner to provide a robust health care benefits and as such, I refuse to adopt the Mech plans that were typically being implemented and provided in response to the ACA and to address the ACA, we wanted to provide a real benefit to our employees. Redirect positioned us to offer real understandable healthcare services for all of our employees. And to do so it included making all of our employees, including all of our craft workers full-time W-2 employees and offering the same benefits company-wide. And I could go into some of those other benefits if you'd like. And so we've really put a package together that we're obviously, the healthcare benefit was a linchpin to it. We wanted to create an entire strategy that allowed us to be able to hire and retain the talent that we needed to really to benefit from this recovery that we're having and the beautiful economy that we're having in at least in the western United States as respect to home builders and construction.

Ron Barshop: So let's talk about it almost like we are building a house and we talk about your plan. The foundation we'll call Redirect Health, which you call the linchpin. So Redirect Health is the foundation of your benefits plan, what are the layers on top of that look like? I only have one layer called catastrophic by Sedera. What do you have on top of your foundation?

Cole Johnson: Yeah, so on top of our Redirect Healthcare plan, or in addition to our Redirect Healthcare plan, we implemented paid time off for all of our

employees, which accrues starting on that very first day of employment. It was very important to me that their healthcare, their Redirect Healthcare and all of the supplemental benefits that went to that also started on their first day of employment. I didn't want wait periods, I didn't want sign-ups only in certain times of the year. So any employee for Paul Johnson Drywall gets their healthcare benefits and their paid time off on the first day of employment.

We also offer benefits as respect to home buying assistance, career and professional advancement training, educational program reimbursement, that's very widely adopted. In addition to that, and this was I guess to historically, but part of our success is simply paying top wages in the industry. We typically exceed the prevailing wage in every category and we provide feedback to our employees, we allow all of our employees to participate in our bonus participation and our bonus plan. But our health care and the associated costs with that and the associated benefits from having that healthcare in place really provide us an unparalleled profitability that allows us to continue these benefits and just really generates a very productive cycle for everyone that works here.

Ron Barshop: You don't have levels of employee, what I would call an exempt employee and non-exempt. Everybody is on the same platform, is that true?

Cole Johnson: That's true and that's true on their very first day of employment. So there aren't any type of management carve-outs, there aren't any traditional wait periods, there's not any kind of a tiered implementation. So any of our employees would receive the full benefits their very first day of employment.

Ron Barshop: So essentially, I mean this is maybe a bit of an overstatement, but essentially Cole you have the same benefits as the gentleman you just hired today to start with you.

Cole Johnson: You know, obviously I'm the president and the owner of a very large trade contractor, one of the largest trade contractors in the United States. But my health care is identical and part of what our employees really appreciate about our healthcare benefit is , not only to educate them and share with them and help them to understand their costs and their needs, but also the concierge service where craft workers get the benefit of a Teladoc, they get the benefit of having their appointment scheduled for them, coordinated for them. They get the benefit of their prescriptions being analyzed and provided for and where that's not a new model per se, that's definitely something that prior to this was limited to just the wealthiest people in the nation and it's something that we were able Redirect to bring all the way to our company and all the way through our craft workers.

Ron Barshop: Yes, Redirect has democratized concierge services. So yes, it used to be something that you had to pay to play and now you just join the plan and you're in the concierge and blue ribbon service that everybody else is in. Let me get you to describe when you go to the doctor, what is your experience and I want to see if it's the same for me in Texas, it's got to be.

Cole Johnson: Well to start with, the Teladoc service that we have, I was an early adopter to that. I like it, that works very well for me personally. But we also have for employees that are more resistant to that, our slower adopters, that one of the really nice benefits of Redirect is in almost every situation they are able to accommodate a same day visit. That's part of one of the items that they pride themselves on are getting an employee or any individual and any member to be able to receive the health care benefit that they need very timely. And again, in almost every situation, same day versus a traditional health care plan that's got doctors that are in-network or needing approval to go out-of-network and multi many week wait time, oftentimes just to get an appointment and then the redundancy of referrals. It's just a much cleaner system. It's much more direct and it allows Redirect to provide the healthcare benefit to our employees that they need timely.

Ron Barshop: Now let me tell you the phone call I get if I'm a provider. If I'm a PCP or a chiropractor, I've gotten a call from the Redirect concierge and they've said, hey, do you want a cash pay instead of the insurance? We're going to send you a visa card number with your rate on it today. So when we've seen and the reason I ask the question of your experience is, when I actually go to the doctor and my forms are all filled out, I don't fill out any paperwork, as I've done it with the medical assistant on the Redirect 800 line, number one, number two, it's already prepaid, so I walk straight in to see the doc as you said. I don't have any wait period. I'm not sitting in a chair with everybody else who's hacking and coughing around me, I'm going right back.

And so I feel like a VIP customer and I'm seeing the doctor of my choice because every doctor in America would rather take cash than have to bill it out, pay 5%, wait for collections for two weeks at best, and really more like two months. So from a provider standpoint, Redirect is giving me a flatter relationship without an insurance company in the middle. That's what works on my end as a provider.

Cole Johnson: And we certainly recognize and appreciate all of those. I will also tell you that some of the benefits that I appreciate as well as our employees appreciate are really the education component that comes from having, whether it's the concierge service or whether one of the redirect doctors and is on the phone providing education to us, but also not only the

education to us, which I think is so critically important, but to the doctors that they're doing the referrals to.

Oftentimes when you get to a doctor, if there's any type of prior condition, pre-existing condition, any history that that doctor needs to know about Redirect has already brought them up to speed on that. And that's so valuable because especially if healthcare is not what your industry and not something that you're educated in, it's oftentimes very difficult and confusing to share with your doctor whether it's the medications that you're already taking, et cetera. When that's already been provided as part of that consul and as part of that concierge service, it makes the appointments much more productive.

Ron Barshop: So let's talk for a minute about the actual benefits you're reaping in Paul Johnson Drywall. My absenteeism is down, my presenteeism is down because they're not worried about having to go to a Medicaid office and wait for four hours for a seven minute script. They're not worried about their kid with pink eye who's getting out of school and they've got to go pick them up at 3:30, but I'm also seeing other benefits as well. Tell us about the benefits PJD is seeing from using this model.

Cole Johnson: Sure. So if we go back to 2017 and we've been using Redirect for longer than that, but if we go back to 2017, we were successful in hiring over a thousand new W-2 craft workers in Arizona. Last year in 2018 we were able to hire over 760 W-2 craft workers into Arizona. We were able to do that in a very, very labor-constrained market. So just more generally our hiring success, having this benefits package of which helps us to be able to take care of our customers and to address the growth that's available in our industry. But not just hiring and hiring is a key component, but it's also significantly reduced any turnover because these benefits that once the employees have them, they recognize them and appreciate them, and whether that's the employee or the employee's family, it really gets to the same place where the employee that it makes Paul Johnson Drywall a destination place to work.

And I think it digs even a little deeper than that because we're recognizing an enhanced profitability which we really attribute towards being able to hire a higher quality, more compliant, more attentive worker that really does appreciate the benefit that's being provided to them. As such, our Workmans Comp costs have went down dramatically. Our absenteeism has went down dramatically and we've actually just concluded over 3 million hours, just over 3 million hours without a missed day of work from an injury.

And we certainly recognize and appreciate that Workmans Comp is oftentimes used as a health care vehicle because maybe an employee

doesn't have alternate coverage. So really their resource is to be their Workmans Comp and by having Redirect for all of our employees, our Workman's Comp carriers certainly recognize and appreciate that the claims are down significantly and that people are able to at work, because of the concierge service, they're able to get the appointments that they need, they're not missing work awaiting employment or having to miss work to go to one. If there's an appointment time set, it oftentimes is able to be scheduled around their work hours or at a time that's conducive within their work hours.

Ron Barshop: Listen, if I have a Workers Comp claim, I've injured my back setting up drywall, typically in a Workers Comp environment, traditional environment, you're going to have them watching videos all day while their back is just getting worse and there's really not a proper evaluation of what's going on. However, with Redirect they're able to see a chiropractor same day and have it looked at and actually identify what the issues are and rehab it very, very quickly and usually in like three or four visits as opposed to sitting out for six months and collecting money and feeling worthless. Nobody likes to sit and watch Oprah Winfrey all day long.

Cole Johnson: Well and along with that, with our Redirect plan, we have, as all the members do, unlimited primary care doctor visits and unlimited chiropractic visits, with 24 access to the medical professionals. And what that really works nicely because in a Workmans Comp-type situation, they maybe are authorized to do a primary visit with the directed care provider and then they have to get either a referral or approval for follow-up visits. Oftentimes that creates a needless delay instead of really being able to immediately deliver the healthcare service that the employee and the employer both want and need.

Ron Barshop: Well, I'm not a Workers Comp expert but can you give us an idea of the ratios that you were rated at before you started with Redirect versus the ratios are at now? What kind of a Workers Comp loss ratio drop did you see? It sounds pretty significant.

Cole Johnson: Well, it is extremely significant. So this is getting into the weeds and Workman's Comp is absolutely something that I do know and understand. And so if I get too far into the weeds, just check me a little bit. There is what is called an Experience Modifier Rate or an E-Mod for short, and what that's really rating are the number of claims that you see what's actual versus what's expected, and what they expect you to have as respect to your peer in your peer group and your industry is a 1.0. What we were facing when we implemented at Redirect Health, we were at a 1.46. So what that really meant is for every accident or every lost day of work, every claim that we would be expected to have in our industry, we actually had 146% of that. So we were doing significantly worse than our industry

with the implementation of Redirect Health and the associated benefits that we talked about. Really just being able to hire a more compliant employee that appreciated the benefits and appreciated just the overall general wellness that we promote. We have been able over a couple of year period to reduce our E-Mod from a 1.46 to a 0.69, so where we've had for round numbers, approximately 50% higher experience modifier on our Workman's Comp, we are now about seven tenths of what everyone else pays.

Ron Barshop: That's a big swing in premium too, isn't it?

Cole Johnson: Well it's, yeah, because our earned premium at that point in time when we started that was almost \$3 million a year. So you have to take that \$3 million and then you're going to pay 46% more because of what your modifier is. Now we take and do the exact same opposite and we pay 69% of that \$3 million premium. So we have a multimillion dollar a year savings through this Redirect and having healthcare on all of our benefits and having our Workman's Comp claims be limited to Workman's Comp claims and not as as a healthcare provider.

Ron Barshop: Look, you guys are in a position where you're not having to bid on jobs because you're so well respected and you do such a fine job that people actually want you there. But I would imagine if you ever did have to bid on a big job, you've got a secret weapon that others don't have now that you've just disclosed.

Cole Johnson: Well, we have some very significant cost savings in our overhead. We have a safer employee who everyone appreciates that too. We have a healthier employee and we have less turnover. So when we're on a project, it just flows through to the work product that all of our employers and customers actually receive.

Ron Barshop: All right, so let's talk about how you're investing these multimillion dollar savings just from the Workers Comp because the additional savings that I see is about a 40% cost saving on my old health insurance premiums. If we used to pay \$550 or \$650 an employee, I'm paying maybe half that now. So what are you doing with your savings that these new found savings you've created in the last three to five years?

Cole Johnson: Well, we're generally reinvesting those savings into our people, it's into all of our employees as benefits. But also to our customers as respect to what I feel like we have an obligation to control costs. I personally believe that our inflation is much higher than is generally reported and really could be the trigger that slows our overall economy and really hurting our employees that way. And so by having the cost containment within our healthcare and having our very productive employees, we're really doing



our part to keep housing affordable, which again benefits our employees because it's important to us that not only that our employees get the benefit of healthcare they deserve, but also their ability to achieve the American dream and buy their own home.

Ron Barshop: So true. So could you ever imagine Cole going back to the old days before you discovered this new secret weapon?

Cole Johnson: No, absolutely not. And part of that, above and beyond the very real benefits that we've discussed, I'm altruistic on this. I believe that our craft workers should receive the same benefits that our executives do and they should receive benefits that are commensurate with management and with commensurate with their contributions that they make to our company. I really believe there's important, rewarding and mutually beneficial to all of us to provide our employees the benefits that they need to be healthy and productive for themselves and their families and to their employer. So it's not altruistic in that.

We recognize that a healthy, productive employee is also really good for the employer. And because of this inherent belief, I plan to continue to grow our benefits program to the fullest extent we can do so responsibly and in a smart manner that is good for our employees. And with that, we encourage our employees to bring us ideas and what benefits that they need. And even if that's, how do we make Redirect better and how do we provide any feedback to Redirect on what's really working well or if there's anything that could be improved upon. And we provide that feedback, we value the different ideas, and we do what we can to support and implement them.

Ron Barshop: Very nice. Well, I can't sum up any better than you just did. You're like the perfect guest because I don't have to sum you up, you did it for me. But I will ask you one final stumper question. If you had a banner that you can fly over America, the world's largest banner, what would this message be?

Cole Johnson: Oh, that's an easy one. Paul Johnson Drywall is hiring. And we value our employees, we value their work, and we value their overall contributions.

Ron Barshop: Well that gets us in a whole nother discussion about a shortage of skilled craft workers, doesn't it?

Cole Johnson: It does. And I certainly feel very blessed. But Paul Johnson Drywall has not had to face that same labor constraint, at least certainly not to the same level that our competitors have and the rest of our industry has. We have been very fortunate to be able to provide the workforce for our customers that our customers need.

Ron Barshop: Well we're going to give credit where credit is due to the CEO that had the vision to take a chance on this and try something new. So congratulations on your success and we look forward to another conversation someday soon.

Cole Johnson: Perfect. Well, thank you so much.

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