

Primary Care Cures

Episode 51: Katy Talento

- 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 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 host, Ron Barshop, CEO of Beacon Clinics, that's me.
- Ron Barshop: Doctor shortages are 100% created by doctors and teaching hospitals. We know this, that doctor shortages are 100% artificial. We feel it in longer wait times as patients, especially in rural areas where we are becoming care deserts as we lose a rural hospital almost weekly. But it's really about economics and greed. The solutions? Number one, right now we have 32,500 slots for residents to enter in teaching residencies and teaching hospitals. We subsidize almost 100,000 of these to the tune of about \$600 million in our federal budget. Since 1994 that's gone unchanged, so there's a lot of hollering about that. Yet the residents are billed out at 40 times their 60 to 65,000 head janitors wage, so they are highly profitable, believe it. Then we could teach residents based on supply and demand. Most teaching hospitals can and would expand a profit center with 70 to 80% margins, like a 60,000 a year resident.
- Ron Barshop: I would use that \$589,000 from the federal budget as slotting fees to retire the debt of those choosing primary care, if you can't stand the idea of reducing our trillion dollar deficits created by healthcare, more than any other factor. In fact, it's 48% of the federal budget is tied to the healthcare according to a study from our guest today.
- Ron Barshop: A second solution for the shortage is to allow foreign medical grads to skip a second residency. These are the very best and the very brightest minds from India, Mexico, Nigeria, and about 60 other countries with an interest in making more than 20,000 their whole career that they would make in their home country. This is exactly who bailed us out of the last exact same shortage predicted with the same numbers 20 years ago that never happened. They happily fulfill rural gaps, geriatric treatment centers, internal medicine, which in the U.S. doctors seem to be avoiding.

Ask any farmer, roughneck, or logger, they're likely to have a foreign trained MD and are very happy with them.

Ron Barshop: Five visionary states in America are trying to do this. We have 23,000 PDs alone that have all passed English exams and yet are slot backlogged because there's only five thousand available out of those 32,500 I mentioned earlier. What's happening to these doctors is they're exploited just like a farm worker is in that they're paid 30 to 40,000 wages in clinics I've seen here in Houston, Texas near Hobby Airport. Here's a doctor that would be making 20 in their home country, now they're billed out at 80 or 90 or 100 but they're only paid 30. I say shame on the exploiters for doing that.

Ron Barshop: Number three, we're currently graduating a million nurses every four years, but half of them drop out by year two. Without a VP level nurse with a training retention recruitment budget, we treat all of the nurses as invisible and not valuable. Today, without a budget or a champion, they feel like meat in a grinder and they feel invisible.

Ron Barshop: The true real answer to all of these problems for the doctor shortage is direct primary care. We have more than enough PCPs to treat every American with a panel of 660, versus the 2,500 average doctors have today. That would eliminate factory medicine burnout and a lot of medical errors where the doctor is seeing four to six patients a day versus 25 to 35 a day, and they're not buried in a computer tapping away like a secretary.

Ron Barshop: I'm really excited to introduce our guest today. She's literally gone from a nun helping the poor to helping the White House. She's an epidemiologist on the faculty of Georgetown U Medical School which, if you're from that area, it's a terrific school. She has a master of science degree in infectious disease epidemiology from Harvard and has an undergraduate degree in sociology.

Ron Barshop: That's not the most shocking part. She literally spent two years on the streets of the poorest of the poor in countries like East Africa and industrial Russia and inner city America, as a nun. She worked with global companies after that to protect the workforce from infectious diseases and then serve five U.S. Senators as a health policy advisor, most recently was on President Trump's domestic policy council as the top policy health advisor. Her job was to advance the president's agenda and increase healthcare price transparency, price competition, end surprise medical bills, lower prescription drug prices, and expand affordable options in the individual and Arista markets, and reduce the burdens of the Affordable Care Act and promote innovative employer-sponsored coverage models and expand health IT interoperability along with issues like the opioid crisis and HIV. It's a long list.

Ron Barshop: Today, she's a benefits advisor with her own firm. She's a media sensation because she is getting on the air and talking the truth. And she's a mother with two kiddos.

Ron Barshop: Can we start by asking about being a nun, Katy Talento? How did that happen?

Katy Talento: Hi.

Ron Barshop: Hi there.

Katy Talento: Well, I like to say that my third boss in the Senate, Senator Tom Coburn from Oklahoma, drove me to the nunnery, but he was he was the most fun senator I worked for. I loved him. They were all great but he was crazy. He drove us hard and I just had to get out.

Ron Barshop: I've got to tell you, I'm impressed that they brought an epidemiologist on their staff. I thought the health policy advisors would be some law school flunky who did a lot of reading, but you actually know what you're talking about.

Katy Talento: Well, it's funny you would say that. I started off as the Public Health Service Act portfolio on the committee that oversaw HHS. The real problem is that little Republican children don't grow up wanting to be public health experts and so there just aren't any.

Katy Talento: I wasn't really qualified. I had never worked in policy before but I knew some people and they were kind of desperate. I would have not hired me later. They made a mistake but it turned out to be great for me. I moved from the public health portfolio eventually over to more bread and butter health care, but I never lost that passion for the global health issues: tropical health, infectious disease, and old school, traditional, remove-the-handle-from-the-well type public health.

Ron Barshop: Yeah, but you just blew me away by saying your first portfolio was HHS. That's 25% of our federal budget. They're spending right now \$100 billion a month for the first ... No agency in the history of the world has ever spent \$100 billion a month. That's 86% Medicare, Medicaid. The rest is things like NIH and CDC. That's a big budget for a rookie.

Katy Talento: Yes, it is. Well, the company I worked on oversaw HHS and there were eight of us. I just did the Public Health Service Act agencies so CDC, NIH, SAMHSA, Arc, a few others. SDA.

Katy Talento: We shared it. We split it. I started off just basic public health stuff. Other people did insurance and Medicare, Medicaid. I eventually moved into those things later.

Ron Barshop: Incredible. Then you got degrees with ... and you started doing consulting and epidemiology and you found yourself on the Senate staff.

Ron Barshop: How does the Senate staff come to priorities? There is such a large laundry list of things broken in healthcare. It seems to us outsiders that the Senate is actually not interested in fixing any of that because they have to rely on lobby money to get re-elected. They simply, with \$565 million of big healthcare money at stake, they can't afford to shake that tree and lose that funding. How do you set priorities when you have that kind of lobbying pressure on the Senate?

Katy Talento: Well, priorities are always set, it's just a matter of who sets them. I will say that I'm old enough to remember when we used to do things in the Congress. We used to pass bills. There used to be a way to make a difference which is why young kids would come to Capitol Hill and work there, the long hours for little pay. They would do it because they wanted to make a difference. We used to legislate and used to be able to file amendments on the floor and negotiate and do bipartisan bills and amendments and see your bills enacted, go to signing ceremonies in the Rose Garden.

Katy Talento: I think Congress has really been broken since about 2008 or 2010. That's almost when it stopped being fun because at that point I feel like Congress ... so much right now is just talking past each other. As a result, a lot of the staff aren't learning the basic skills of the trade. Senators and members of the house think that trained monkeys can do our jobs but really, there are skills to legislating, negotiating the process you can really only learn on the job because it's such a niche area in learning Senate floor procedure or whatever, that you can really only learn them on the job. If you're not doing them during your job, you don't learn them.

Katy Talento: Then you have people in management who never negotiated a bill into enactment, who've never worked with the other party. It's shocking to me that a lot of the staff just can't do that anymore. I think that's contributing that even when you have members of Congress now who do want to work together and have an inclination to cross the aisle and try to get something done such as on surprise billing, a lot of times you just don't have the knowledge base of how to overcome the opposition is really hard, like you said.

Katy Talento: We've got, for instance, in the Senate, Senator Lamar Alexander, chairman of the committee that oversees HHS. His ranking Democrat member is

Patty Murray. They're both extremely knowledgeable and experienced. They both really want to get something done on surprise billing and PBM spread pricing and generic shenanigans and the pharmaceutical supply chain. They've managed to extort the votes for this bill out of committee and they can't get it done because of the special interests who have just lit up every other member. Private equity has started running ads in swing states behind in these dark money groups that took investigative reporters weeks to figure out who was behind these ads. They're really scaremongering members, "Hospitals are going to close. Doctors are going to go bankrupt. Patients won't be able to get care." It's ludicrous, the scare tactics that have been ...

Katy Talento: It's asymmetric warfare, Rob. You've got employers on one side who have a reason to spend their money. If you're a business, let's say you make tractors or you're a farmer and you grow corn, you don't have the financial wherewithal to spend all your money on your healthcare issues in Washington. You're too busy funding your lobbyists on trade or on manufacturing issues or infrastructure issues that are relevant to your core business.

Katy Talento: So what these guys do is they, these employees out there, they pay dues to associations, business associations in Washington, that they are told will represent their interests. But these associations are completely outgunned, completely out-funded and outmatched, and sometimes even co-opted. For them, it's not an ... healthcare costs are not an existential threat for these associations whereas it is for the other industry.

Ron Barshop: Let me jump in here and give you some numbers that are all publicly available. Number one, there's about 12,000 registered lobbyists in the federal register. Number two, one in five of them are health, big healthcare lobbyists. That doesn't include the state lobbies or the city council or any of those other county level, lower level, but one in five.

Ron Barshop: Then number two, the 556 million I talked about, that is more than big tech, big oil, big defense, and Wall Street combined. If you could add up all the lobbies of the next four biggest lobbying groups' special interests, they still don't touch healthcare, big health care alone. Big healthcare, when I say is, that's going to be big hospitals. That's going to be the pharmacy lobby. That's the medical device lobby. That's going to be the insurance law and, of course, the PBMs.

Ron Barshop: If you just look at those five categories, that is quite a spend that they ... And they vote and look together to get bills, their little goodies and bills. If Omar's bill would have made it, their goodies would have had to be in the bill or they weren't going to support it. That's exactly what happened with ACA. Who gets left out of that, by the way, are the doctors. They are not

at the big boy table right now with the money spending that is going on at that other caliber.

Ron Barshop: You mentioned dark money. Dark money is estimated, Katy, and you could maybe verify this, to be equal to the FEC reported money. If they're spending half a billion FEC reported, there's going to be another half billion dark money spent. That's a billion a year spent to influence Washington and state capitals. Is that just shocking?

Katy Talento: Well, I will tell you that the doctors really have played a big role in killing the surprise billing legislation. They absolutely have either through the private equity staffing firm ... I would say they're the most powerful entity in this particular issue. But it's not just them. I've heard from members of Congress that the state medical associations or the local surgeon from their hospital who operated on their kid would call them up and they were spouting the private equity staffing firms talking points.

Katy Talento: I don't understand it because most doctors aren't doing these shenanigans with the surprise billing. You're not seeing that in most doctors. They'll be the first ones to argue it. They'll be the first ones to say, "That's not us. That's not me." But then why are they carrying water for the minority of them that are? It's been shameful. It's been a disgrace to watch the whole process.

Ron Barshop: Well, the AMA spends about 11 million and they're by far the biggest of all the physician groups spending, and they only have 10 to 12% of all doctors as members. Whatever power they once had, it's quite a bit less now. And then the next groups down below, most of them under a million dollars of influence. Again, the doctors are maybe loud in this one issue but they never got a seat at the table for all these other big issues.

Ron Barshop: Let's talk for a second about another subject which is, should we expect Superman to come out of Washington or our state Capitol with all this lobbying money floating around, or should we look for the entrepreneurial solutions from the fringes?

Katy Talento: Yeah, there's a reason why I got out of government and I looked around and said, "Where is the exciting stuff happening?" I decided to become a benefits consultant or broker because all the excitement is in the self-insured or innovative employer space, and that's where you can bring so much value. It's almost too easy to bring a ton of value in the productive side of the economy.

Katy Talento: It's really exciting and that is ... I think ultimately these employers are going to have to show everyone ... they're going to have to show each other the way, because Washington isn't going to get it done. At least not

immediately, if ever. We're seeing a lot of the hospitals trying to ... they're entering into ACOs and other value-based arrangements that benefit them and insurers, and I'm not sure that they always benefit the employers. I think these employers, they're going to have to evangelize each other.

Ron Barshop: You know what I think is possibly to happen, and I want your thoughts on this, as people leave the brands, the big brands in insurance, there is a possibility of what's happening exactly in Australia right now. I understand one state in the Midwest is actually having this happen with one of the big [inaudible 00:16:02], that there's a death spiral. Are you familiar with happening?

Katy Talento: A death spiral in the individual market or in the group market?

Ron Barshop: In the insurance market. What happens with two eagles is they can love each other to death and crash to the ground. Everybody knows what a death spiral is. In ice skating it's when the young lady's ponytail is being gently touched in a giant circle by her partner. Then insurance, it's when all the healthy young people leave and leave behind old and sick.

Katy Talento: Yes, we certainly see the death spiral in the individual market. In the Obamacare exchange is where we typically use that term. I had not heard about something like that happening in the group market.

Ron Barshop: Well, the reason I'm not mentioning company names or states is because you ... this is literally almost like a run on the bank or contagion and you don't want to see something like that spread.

Katy Talento: Wow.

Ron Barshop: I'm not going to start rumors or ... but I've heard from people that I know that would know this at the very top levels.

Ron Barshop: I talk to a lot of benefits brokers. They're now starting to tell me that some of these large employers, and maybe some of your clients, are telling the insurance companies in a few years they can shove it. Are you getting any of that anger, that level of anger from your clients?

Katy Talento: Yeah, I think that people are really open-minded in a way they never have been. Typically employers want to keep their employees happy. They don't want to rock the boat and they're very risk-averse. Even smaller ones that are getting eaten for lunch, they're very ... they're loathe to upset the apple cart and try something crazy and new. But it's gotten so bad and so unsustainable. We've been saying unsustain ... this is all unsustainable, that's a word we use in Washington a lot, for decades. Ultimately that

means it shall not be sustained. I think that's what we're seeing. I think we're at a tipping point.

Ron Barshop: The tipping point I see is that HHS now spends 100 billion a month, and it's only going to go up as more are heading into Medicare. 10,000 a day. That number can't go down. It's only going up. By the way, the generation behind us is much larger than the baby boom so it's just only ... Just, there's nothing positive about the metrics of that.

Ron Barshop: Let's switch subjects a little bit because there's a whole lot to talk about with you. We're going to obviously have to do a second show.

Ron Barshop: Mary Meeker said that 65% of all people are signing up for new companies based on the health insurance that they are offered. Most Americans now are looking at health insurance as the number one issue, more even so than compensation. The strange thing about that is that over half of all Americans make under \$20 an hour. 56%. If over half are making that kind of money, they cannot afford these \$1,650 individual deductibles and \$4,500 family deductible, so they're joining for the insurance that they can't even get in the tree house because there's no ladder because of the lack of liquidity. They don't have the savings. What do you have to say about that?

Katy Talento: You're talking about when people get coverage because they think that if they have coverage that they'll be protected from catastrophic ruin, but instead they have coverage they can't afford to use.

Ron Barshop: Yes.

Katy Talento: We've been talking in Washington for so long we've been ... about covering. We had this accreditation that if you have coverage, you won't be bankrupted by healthcare. That has dictated policy forever. It's why we had the big fight over the ACA, it was about coverage. All our fights have been about coverage. Who gets it, what it covers, who pays for it, who's eligible.

Katy Talento: We spend all this time agitating about coverage, focusing on the 47 million uninsured. Now we still have 30 million uninsured. We've got 10 million people on the exchanges, 20 million in Medicaid [inaudible 00:19:35], and people can't afford to use the coverage we've provided but even worse than that, and spending massive amounts of political energy on the ACA when the other 300 million people in America also can't afford their healthcare and they are insured.

Katy Talento: So where are we? I really think that the dialogue has completely shifted from coverage now that most people are insured, now it's hot and it's

crisis, and what are we going to do for the people who are insured who are still going bankrupt?

Ron Barshop: So there's 340 million Americans. We've got 300 million that are theoretically insured and 30 that aren't. Of the 300 that are insured, how many of them are functionally uninsured? [inaudible 00:20:20] the fact that they can't ... they have deductibles they simply can't afford so they'd have nothing.

Katy Talento: That's right. I don't know. I don't know what that number is. I'm sure it is ... it can be known. I don't know it but it's bad. There's something like 40%, perhaps between 30 and 40% of all employer-sponsored insurance is a high deductible plan, so you can assume that those are on their insurance.

Ron Barshop: Well, so let's change subjects a little bit then. There's not an easy answer to that question. Let's throw a question out there maybe there is an answer to. What would it take to turn around physician burnout which is, again, over half of physicians are walking around depressed, disengaged.

Ron Barshop: We've all been there before so we don't even have to describe it even. 78% at any given time in the course of a year are going to have burnout symptoms. Three out of four doctors. Do you want your surgeon who is going to help your dad with heart surgery or help your mom with orthopedics to be depressed? What can we do about burnout, in your opinion?

Katy Talento: We're already doing it, right? I think the answer is very clear, it's direct primary care and it's direct contracting. It's networks with direct contracting startup vendors for doctors, telemedicine. This is the future. And the onsite clinics. Being part of a high performing network where even if the ... I think that the solution for primary care is obvious. Onsite clinics, direct primary care where you have real ownership over keeping a population healthy and you're able to do that Norman Rockwell picture of primary care that everyone got into primary care to do.

Katy Talento: Instead, they got shuffled into some corporate system where you have to take off a whole day of work just to go see your primary care doctor for six minutes. You have to go through Bulletproof glass and five gatekeepers just to get to that six minutes. It's miserable. The entire process is miserable and then you just get referred to some high [inaudible 00:22:08] specialist or some high, overpriced imaging tests or lab tests. It's miserable. Obviously direct primary care is the way out for primary care and those docs, and onsite clinics where they can practice there too.

Ron Barshop: Well, the good news about direct primary care ... By the way, I'm a patient and my employees are all patients of direct primary care for two years. I had zero turnover last year so my retention was 100%. My absenteeism was cut in half. Presenteeism, I don't know how to measure but coming to work, not [inaudible 00:22:35] in because their kid has pinkeye. That's not happening anymore because [crosstalk 00:22:38].

Katy Talento: Right.

Ron Barshop: ... description over the phone or by text. Life is very different in my company that it never was before and I have no trouble recruiting good people when I say, "Free healthcare day. No premium, no co-pay, no deductible."

Katy Talento: It's not just good for doctors, it's good for patients. Of course.

Ron Barshop: The interesting thing about DPC, it's been around for 10 years as a named entity. It had different other names for it before but it's only 1,106 practices today in America and they're adding another hundred next year.

Ron Barshop: The real exciting thing I see going on in direct primary care that's going to turn it in from 100 to literally hundreds of new clinics in the next three to five years, is more and more DPCs are starting to recognize that if they work with people like Katy Talento and offer them a systematic series of clinics in the state or region, that they can now offer employers as something that they can use instead of lemonade stand over here and another lemonade stand next door.

Katy Talento: That's right. It's true that when I think about putting a plan together for a group I'm going to want to, I haven't been doing this very long, but I'm going to want to be working with in-person clinics. It's really hard. I always tend toward digital platforms because if you've got a smaller group, how do you get enough coverage?

Katy Talento: You're exactly right. The future definitely ... I would love to see. It's for doctors banding together and offering broader coverage and more sites to employers of all sizes.

Ron Barshop: Yes. By the way, the DPC conferences joke around that they have the happiest medical conferences in America because nobody's burned out and there's no talk about.

Katy Talento: That's right.

Ron Barshop: Let's shift gears from burnout because there seem to be answers there that are wonderful. Let's talk about, right now we have a bad direction with

federal spending in healthcare, and there's nothing that can [inaudible 00:24:26] turn that around.

Ron Barshop: If you were president or if you were able to influence what's going on, what would you do to cut out some of the waste and fraud and abuse that's going on? Is there any easy, simple solution or is it just all going to be lots of lawsuits like the Trump administration is facing now, with surprise billing and transparency issues? Is it just going to be another lawsuit after another lawsuit after another lawsuit?

Katy Talento: [It is 00:24:49] I think that we used to call this the, "But trumps legal theory." On the inside we would say, "Well, we promulgate a perfectly lawful regulation that we have plenty of statutory authority to problem gate." And it gets to a court and some judge says, "Well, this is totally lawful but trumps , so nationwide injunction." It seems like it's just, it's a crap shoot as to what kind of judge you get is what determines the outcome, as opposed to any sort of objective lawfulness standard. It's shocking.

Katy Talento: Now, we haven't gotten there in the transparency regulations yet. That hasn't worked its way through the courts. I'm very hopeful we do have the authority. We are very careful about the authority we [cited 00:25:32] and there is more than one set of authorities under which the secretary puts these regs in place.

Katy Talento: The insurers, I presume, are preparing their lawsuit. Their regulation hasn't been finalized yet. This is the regulation that would require insurers to post their prices publicly, their negotiated prices. Regulation that requires that of hospitals has been finalized and of course they promptly [sued us 00:25:56], their four major association.

Katy Talento: I do think that price transparency, if there is any silver bullet in healthcare, which of course there isn't really, but it is absolutely a necessary step. You cannot possibly have a functioning market without price information for the buyers of care. You can call it lots of things but it's not a market. What you're talking about with the federal spending is really about prices. It's being driven by prices. If we're ever going to get Medicare spending, Medicaid spending, all of that down, we've got to have underlying prices down.

Ron Barshop: Now the millennials that are going to represent 75% of our workforce over the next 10 years are not going to put up with this inconvenient, non-simple-

Katy Talento: No.

Ron Barshop: ... overdrawn, hidden agenda. They're going to change it.

Katy Talento: Nice. They want Uber. That's right. And they're not mom. They should do it.

Ron Barshop: We're going to talk another time, I hope, in 2020 and face brighter times ahead. I really get excited about the future when I talk to folks like you and when I talk to other people on this show that have actual solutions to these problems.

Ron Barshop: First of all, how do we find you if people want to hire Katy?

Katy Talento: You can always find me at my website which is K, F as in Frank, KFTconsulting.com. That's my initials. KFTconsulting.com. Or you can email me at Katy, K-A-T-Y, @KFTconsulting.com.

Ron Barshop: Very good. Thank you.

Katy Talento: You can always find me on LinkedIn too.

Ron Barshop: Oh yes, we can. Your great posting.

Ron Barshop: Final question is, if you could fly a banner over America that would improve everybody's understanding of healthcare, what would that say?

Katy Talento: It would say, "End secret prices."

Ron Barshop: Short and sweet. That's how we'll end this interview. Thank you so much for your time. This is awesome. We'll look forward to next time.

Katy Talento: Thank you. I appreciate the time.

Ron Barshop: Thank you for listening.

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