Primary Care Cures
Episode 93: Katy Talento

Ron Barshop:
This episode is brought to you by the MediSearch Institute. What happens when patients cases become too complex to solve in a typical 30-minute visit? Well, we've all had those super thick, super deep patient history nobody's looked at in a long time and gone back through. Well, I'll tell you what happened is those patients bounce around from doc to doc without getting any answers or making any progress. These patients are trapped and lost in a maze.

Ron Barshop:
Well, MediSearch is here for those doctors and for those patients. Their motto is we solve the unsolvable. Their process is rather simple. Dr. Trent Talbot, the founder, assigns a team of medical detectives, typically three MDs and one PhD to each case. They research the latest breakthroughs and clinical trials and they elicit the opinions of 10 to 15 world-leading experts per case. They purposely seek out experts who will come at each case from a different perspective, the Bayesian method. Altogether, they will put in over 250 MD hours for every case. That means 500 times the amount of brain power that typical doctor can afford to offer.

Ron Barshop:
You know most problems in health care 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 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 cost, deceleration of reimbursements. I want you to meet those in this show that are making a difference. With us, Ron Barshop, CEO of Beacon Clinics, that's me.

Ron Barshop:

America is predominantly an hourly economy, and over half of us make less than 13.80 an hour, according to the Social Security Administration, which sent a report out on this just this week, yet copays hover around $2,000 and premiums around 5,000 for individuals. Most Americans cannot afford endless premium hikes and less deductible raises and less co-insurance risk, endless co-pay bumps. It's endless, the endlessness of it, and endless leads to the death spirals of The Bigs that we now call [inaudible 00:00:32] like Blue Cross, United, Cigna, Aetna, Humana. Now, the Australian private insurers are seeing this death spiral in reality happen today. Here's what it looks like.

Ron Barshop:

The big offset here, by the way, before I explain what it looks like is that United, for example, is driven by diversified revenue from Optum and Optum RX. In fact, all of The Bigs are PBMs. So they have this cushion from a death spiral, perhaps. But here's an insurance death spiral in Australia that we can learn from. Here's how it plays out.

Ron Barshop:

A third of us are in company paid plans for our health insurance. So it starts like it has started then in America, and it's actually begun in America in some states, I believe. Here's what it looks like. The young healthiest appeal off of the company provided health insurance layer by layer, like onions because it gets too expensive and they recognize they're functionally uninsured. They can't even go see a doctor because they can't afford the deductible if they can afford the premium. Then what happens is premiums rise by necessity by the insurance companies, and then this rinses and repeats. The young healthiest flee even more, layer by layer. Eventually, all this left behind or the costly silver's insured with all the meds and all the comorbidities and the spiral causes a death spiral.

Ron Barshop:

Just like eagles and a death spiral, it causes a near death or an actual death experience with these insurance companies because the needed premium hikes are endless, as I said at the top of the show. So even though this is a golden era for the profits of The Bigs, they're all reporting that they're still raising premiums this next year. This is not a maybe going to happen thing. It's happening now, I believe. In some poor states like Kentucky, we have evidence that is... We're beginning to see this, and that's scary, and we know it is happening in Australia. There's only three carriers there that are still viable economically, according to the regulatory leaders there, and they're all begging for federal dollars, even though they caused their own death spiral.

Ron Barshop:

So look, healthcare is the number one worry consistently in Gallup polls. It shows up as the number one or two issue in the last four elections as the number one reason people are concerned, and it's the number one reason workers join an organization is for their health insurance. They want a good plan like we used to have. High deductible plans are laying ever increasing risk on these people, and that's what's causing the death spiral and will spark that for some of these Bigs that are around today in America.

Ron Barshop:

These are tipping points, and today's guest is an expert in presenting these tipping points to the world, and we're going to welcome back Katy Talento. She is an epidemiologist on faculty at Georgetown U Medical School with a master's in science in infectious disease epidemiology, pretty popular topic right now, with a master of science degree in infectious disease epidemiology from the Harvard School of Public health and an undergraduate degree in sociology. But here's the shocker. If you heard the show before, it's not a shocker, but she spent two years as a nun and has worked with the poorest of the poor from East Africa to Industrial Russian and Inner City America.

Ron Barshop:

She's worked with global companies to protect their workforce from infectious diseases and then serve five US senators as a health policy advisor, and most recently, happened to find herself on President Trump's Domestic Policy Council as the top health policy advisor when it was time to hire the head of HHS and the head of CMS, where her job was to advance the president's agenda to increase healthcare price transparency and price competition, which he has done brilliantly.

But today, she is a creative benefits advisor of renown and the DC Metro and beyond. So Katy Talento, we so welcome you back to the show.

Katy Talento:

Thank you so much. It's such a pleasure to be here. Thanks for having me.

Ron Barshop:

Well, this is a show that's right after your own heart, because you are an expert at tipping points, and there's so much going on with Americans. There's three tipping point perspectives I'd like to hear your thoughts on. We're going to talk about the tipping points if you're a consumer or a buyer of health insurance out there from your employer. We're going to talk about it from a physician's perspective, where they're finding different tipping points, which is leading us to direct primary care, which you testified on behalf of recently in front of the IRS, and then there's the tipping point of physicians who are burning out and committing suicide at a higher rate than our veterans, even if you look at their ratios. So why don't we take this maybe from the top. What is the tipping points that you're seeing where patients are just fed up and tired of the current regime?

Katy Talento:

Well, I don't know a single patient who isn't or hasn't already reached that tipping point, right? I mean, they are all universally. Even if you have plenty of money, there's nobody who loves the healthcare system. It's sort of become like the cable company, and everyone just dreads having to interact with the healthcare system. Even if they, they like their doctor, even if they think their hospital is a good guy, they still hate being involved. It's not just because they're sick or they're hurt, but it's because they know that they're entering a massive bureaucracy. It feels like you're going to the DMV, and it didn't use to be that way. It used to be that you felt like you were going to a place that was there to help you.

Katy Talento:

Now, people brace themselves because they know they're going to get taken. They know they're going to get a bunch of paperwork thrown at them, and they're going to be signing away their own rights, and it's just scary, and it was already scary because you're hurt, or you're injured, or you're sick.

Ron Barshop:

Well, and I love the DMV analogy because it's exactly the consumer experience we're delivering in healthcare for the most part today. There's a lot of examples where that's not happening. We'll talk about those. But let's also talk about navigating care. I remember the scene where Jack Nicholson is chasing his wife through the cornfield maze, and I think he might have a chainsaw or an ax and a crazy look on his face. When you're navigating healthcare today, every twist and every turn is loaded with a chapter 11 or chapter 13 bankruptcy in there for most Americans.

Katy Talento:

That's exactly right. I mean, when I get a healthcare system now, I have teenagers. So they're always getting hurt and in trouble. I have little nephews. We're always in the hospital, right?

When I go now, I go loaded for bear. I go in. My heart rate is up. I am already hostile and angry by the time anybody talks to me or puts a form in front of me to sign. I start editing those forms, which makes the hospital clerks very nervous, and they start getting freaked out because I refuse to do this, or I refuse to do that. I'm an informed consumer. The only way that I can protect myself financially is to enter into sort of conflict with the people that are in the emergency room or the doctor's office. I have to refuse to do things that they want me to do, like sign forms as they're drafted or give consent to things that without having a price.

Katy Talento:

So I'll start asking the price, or I'll start asking, "Hey, are you going to surprise bill me?" The anesthesiologist who comes to see you right before your surgery, are you in network? What do you mean you don't know? What do you mean? Isn't that something you should know? So I'm already in this adversarial relationship with the institution that's supposed to be helping me or helping my loved one, and I feel it in my blood pressure and my heart rate, and I hate that. I'm only experiencing those things because I know how broken it is, and I'm entering into the sort of defensive and offensive tactics to protect myself and my family.

Katy Talento:

But most people don't even don't even know to do those things. They don't even have those tactics in their tool belt. So they're just getting taken. But then you have the people who actually do know. They know. So they don't have the tools though. So they're going in, and they're just anxious and fearful or worse. I mean, we see this during the COVID epidemic or worse, they actually don't go in. They're delaying care because they're afraid. We see large portions of the American patient population that's delaying care due to cost. This has been studied at somewhere between 20% and 30%, just delay care for serious conditions every year because of fear of cost.

Ron Barshop:

So you and I were introduced unintentionally by Dr. Josh Luke, who had you on the show, and you told him one of these tactics, and that's the moment I knew I had to get you. I had him on the show, and we talked about this. I guess when you sign the form, you say, "Hi, I'm not paying for any outpatient or out-of-network procedures that are being done by the likes of Envision Health." Envision is a private equity owned company that has most of the anesthesiologists, a lot of the radiologists that they're billing out-of-network charges too. So when you're citing that hospital admission form, you're saying, "I'm not going to pay for Envision if you're going to voice them on me, unbeknownst to me."

Katy Talento:

I actually go further than that. I do what's called a battlefield consent form. So to protect myself against in-network gouging, as well as out of network gouging. So we call this a battlefield consent. When you go into an emergency room or even to any doctor's office, you're given a form. The form is really a combination of two different forms. The first one is consent to be treated. You have to consent to be treated, or they can't touch you. The second one is a consent to pay whatever they charge without knowing what that's going to be. Now, usually, in a sane world, those would be two different questions, and you could answer those two different questions in different ways. But today, the trick that they pull is they combine the two forms, and

so that you have one signature at the end, which means you think you're consenting to be treated when really you're consenting to be treated and charged whatever they're going to charge you, and they're not going to tell you what that is.

Katy Talento:

So what I usually do is I will edit that form and every place it says, "I agree to pay the balance that my insurance company doesn't pay," I will strike out that whole section, or I will strike out words that say the whole balance, and I'll just put in reasonable amounts. But you don't have to get that technical in terms of editing the form. You can. Just give them a piece of paper that says, "I consent to be treated with any appropriate treatment." Right? Because there's a lot of inappropriate treatment that they're going to give you and then bill you for. So I consent to be treated and pay for any appropriate treatment at no more than 1.5 times the Medicare rate for such treatment. That way-

Ron Barshop:

Which is what hospitals received. That's what they're receiving on average across the country, and they're very happy to get that from Medicare, which is hired wired. They're not getting that from the insurance companies. They're charging unlimited infinity X Medicare.

Katy Talento:

Yes. The average commercial rate for a private plan is about 240% of Medicare. So 2.4 times Medicare rate. But that's for all services. If you go to an emergency room, it's about five times the Medicare rate, and then for an MRI or CT, it can be 20 times the Medicare rate. So yeah. I think 1.5 is reasonable. It gives them a profit. I mean, frankly, Medicare is more than cost, but doctors and hospitals will say that Medicare is about the cost of doing business. So I'll give them cost plus a little.

Ron Barshop:

So the average Katy Talento out there and the average mother with teenagers or with family that they love that may have to enter the hospital, the trick is we don't know the moment we're going to need to go in and remember all this stuff we learned on the show today. So we're at our wits end. We're at a high stress point, maybe the highest stress point in our life. We're scared, and we're trying to remember to do the right thing. But we're not regular visitors of this DMV visit or this cornfield maze.

Ron Barshop:

So we're trapped in this almost like a foreign country without knowing the language. Is there a book you're writing, or is there some kind of a website they can go to find Katy Talento's tips and tricks when they are in need in this stress period of their life?

Katy Talento:

That is a great question. So the battlefield consent form, you can actually print it out and download it. It's on a website called Quizzify, and I think Al Lewis who runs that organization for it. You can download it. He will print out a little card, a little plastic card you can have, and you can bring it with you. Just keep it in your wallet or print it out and keep it in your car. You

may not even remember to take it into the ER with you. But when you start filling out those forms you will, and then you can send your husband out to get it in the car or whatever when you forget. But you could just take a photo of it and have it on your phone.

Katy Talento:

So that's a great solution for that environment. My website is allbetter.health is my company, allbetter.health. I work with employers. So I work with employers to help them fire Blue Cross or fire Aetna, and we will rebuild their plan from the bottom up with all independent, transparent, no kickbacks solutions. So when we do this, we actually print that battlefield consent sentence on their ID card. So they give it to the ER or their doctor, and it's already there.

Ron Barshop:

Yeah. We've had the great Rachel Means on the show with one of her clients. Etex and Al talked about why he would never go back to Legacy Healthcare. We've had Cole Johnson with Drywall company. He works with Redirect Health. He would never go back to Legacy Healthcare. His workers' comp is a way down because he's got a much healthier workforce laying Drywall now. He used to have terrible rates now that Trump completely turned around.

Ron Barshop:

So before we close out this part of the show where we're talking about the consumer, the patient, the voter, I have a theory, and I'm curious what you think is a political angle a little bit too, obviously. But I think some of this marching in the streets has to do with some of these tipping points I'm about to read off here.

Ron Barshop:

So one fist of nonwhite adults carry longterm medical debt, one out of five. My God. One quarter of US adults must borrow money for a $500 medical bill. The third tipping point is that of the households that are earning 40,000 or less per year, they're more than four times as likely than households earning six figures or more to be carrying longterm medical debt. So this gotcha game of medical debt that the hospitals play, I think, create a lot of anger on the streets, and people don't feel like they can get into the tree house of care. It's a tree house for the rich only.

Katy Talento:

I think that's right. I think we talk about the disenfranchisement or the marginalization of vulnerable populations in the United States. What it is they feel dehumanized. They feel unseen and invisible, and there is no place that I think is more dehumanizing and degrading than the healthcare system, being in a hospital, the powerlessness, the asymmetry of power. I mean, I feel... This is why my heart rate and my blood pressure go up, when I go into the healthcare system.

Katy Talento:

I was the White House health staffer. I would tweet at the CEO of hospitals that were what I thought mistreating my sister when she was dying from cancer. I would get management and CEOs that would come try to talk me down the next day. But it didn't save my sister overnight from whatever abuse she was enduring.

Katy Talento:

No matter how powerful you are or how powerless you are, we're all the same, and we're nothing when we get in that hospital. We're totally at the mercy of a bureaucracy. Maybe this will segue into our next segment, but there are others that are at the mercy of that bureaucracy too, the nurses and the doctors. They wanted to help me. They wanted to help my sister. They knew that they were powerless too to do the right thing, and yet they couldn't. I would have nurse after nurse, after nurse, after nurse telling me like, "Keep yelling, keep screaming, keep tweeting. You're doing what you can. We can't help you. We can't do the right thing. This system is so broken."

Katy Talento:

If I felt that way, given all of the resources and connections that I had at that time, because of where I work, it's not because of who I am, but given all that, what does everyone else feel like? Why should only the VIPs get treated like VIPs in a system where we're all paying way too much for a product or service that is more important than any other product or service we consume in the economy.

Ron Barshop:

Oh, it's a perfect segue. We had Prevena on the show a couple of weeks ago. Prevena talks about, she is still having to use the same three masks that she got when she was first delivered into this battlefield as a hospitalist, her gowns, the same thing. When she leaves the hospital, she's moving to Canada, perhaps, because she's sick of this. But they want her gowns back. They want her gloves, not her gloves back, but they want her masks back so they can recycle them back into the system again.

Ron Barshop:

It's not exactly like you can clean those masks by spraying, and they smell terrible when you do that. But the doctors are in the battlefield. It's almost like a coal mine modern day experience, where they're not giving the proper equipment to dig the coal mine, and then they get white lung instead of black lung as a result of their efforts. You talk about being treated like a non-VIP, who worse than our medical staff is being treated poorly today. If they speak up, they can get fired, or they can get drummed out of the system permanently and with a mock kangaroo court. So doctors aren't much better off. You just testified in front of the IRS commissioner on behalf of direct primary care. Can you speak to that a little bit?

Katy Talento:

Sure. I was actually there representing the healthcare sharing ministries. But what we were talking about was a regulation that was proposed by the IRS to give tax advantages to people who are members of a direct primary care practice or members of a healthcare sharing ministry the same tax advantages that people who are using insurance have out in the world. So if you get your insurance today on the job, all of your premiums are tax deductible. If you don't have insurance on the job, you get it in the individual market, then your premiums are tax deductible after a certain percent of your salary, which still isn't fair. That's not exactly the same as people who have have an employer sponsored insurance.

Katy Talento:

But healthcare sharing ministry members and patients of direct primary care practices, they don't have any of those advantages for the monthly payments that they make to those financing arrangements. The IRS had proposed a solution to this in response to President Trump's executive order directing this last June, and they dragged their feet and dragged their feet. They haven't wanted to do it. God bless them. But they did propose a regulation, and we were commenting on that regulation. Some of it is good. Some of it is bad. We hope that they fix what's bad and keep what's good in the final rule.

Katy Talento:

But yeah. We were talking about... One of the funny things that the IRS has insisted upon is that direct primary care is somehow an insurance arrangement. The reason they say this is because it's risk bearing the way an insurance policy is. They would say, "Hey, if you pay your monthly fee, but then you don't need any services from that practitioner, then he wins or she wins. But if you need more services that cost more than what you paid that month, he or she loses."

Katy Talento:

So that doctor is bearing risk, and so their insurance, and if they're insurance, then a whole series of tax consequences ensue. We just can't have that, right? Because the tax consequences that ensued are unfair. That's not insurance. Lots of people who have direct primary care already have insurance, and lots of people who don't... I'm sorry, who don't have insurance, direct primary care may be their only spending on healthcare, and they're desperately relying on it to keep them out of any other spending. But regardless, they shouldn't be penalized by our tax code compared to people who have insurance, and doctors certainly don't want their arrangements that are so awesome and that they've escaped the broken system to create. They don't want that to be deemed insurance and have to deal with all the regulatory and legal consequences of that designation.

Katy Talento:

So we were commenting on that. We certainly want healthcare sharing ministry memberships to be tax advantaged the same way insurance is. It's not fair that religious Americans who participate in a healthcare sharing ministry should be penalized because they've made a choice consistent with their faith in how they finance healthcare and how they look to members of their religious community to help them finance that healthcare. So that's-

Ron Barshop:

Yeah. If you want to learn more about these folks, we had Jamie Lagarde on our show with Sedera. Zion Health will be a future guest. Liberty is a famous one that does a lot of advertising. So these are ministries that are sharing those catastrophic cancer, car accident, cardio incidents that the direct primary care doesn't cover. So let's talk for a second about what happens if your DPC, this is unthinkable, your DPC, you're now regulated by the state insurance commission in Texas or Washington DC or wherever you live, and now, you are subject to their fines and their disapprovals and all of their rules and regulations because you're an insurance company, and it's literally will put you out of business. You cannot afford to follow those regulatory guidelines. They're too thick and too...

Ron Barshop:

I was in a state insurance office, a commissioner's office in Texas, and he showed me the plumbing of what it looks like in Texas to deliver care through the state insurance commission, and it looks like a very bad nightmare. I mean, it was a giant poster on the wall. It had millions of Gantt chart arrows, and I said, "Does anybody actually understand this in this building, how this all works together?" He says, "Like two people." But it's a joke. The state insurance commissions will do nothing but regulate doctors out of business with direct primary care.

Katy Talento:

Well, I mean, I would argue that doctors are already regulated. Hospitals are already regulated in a number of ways, and they don't need a second regulatory scheme. I mean, certainly people can disagree about how much regulation is appropriate for insurance companies or even for direct primary care or healthcare sharing ministries. But they're not the same thing. So we don't want two kinds of regulation attached to them. A direct primary care membership really is you're paying for medical care. You're not buying insurance. Come on.

Ron Barshop:

Let's talk about your profession, what you're doing to help employers, which is the third category. So I consider this a future where everybody wins. There's three in the golden triangle. There's the patient, we've talked about. There's the doctor, we've touched on, but there's a lot more to talk about. Let's talk about the employer's perspective now. What is the tipping point for the employers where they're opting out to disassemble a plan with Katy Talento and Rachel Means, Michael Minera, and some of the other guests we've had? What are the reasons why they're opting out and joining you, and why would they tell you no to opting out? What is the pushback you're getting from people, why they wouldn't want to disassemble and save, what, we're talking 20% to 60%, right?

Katy Talento:

Yeah. We are talking that much, depending on how much innovative, disruptive things they want to do. I think that most employers who are sort of mid-market employers, between a hundred or 200 employees and several thousand employees, they don't have a giant HR department with a bunch of healthcare experts, actuaries, and analytics people making sure that their health plan is optimized. The way maybe a Walmart does or a Boeing does or a giant company, lots of these companies are still using a stop-loss carrier to bear some of their risks still because they don't have a ton of cash on hand. But what I find is the real tipping point, the real reason why people come to AllBetter Health or to Rachel's company is because they are tired of being the enemy of their workforce, and healthcare is creating a wedge between labor and management.

Katy Talento:

It used to be that providing health benefits was a way that you showed love, that you showed care for your workforce. It was supposed to be a benefit and an advantage. But now it's become this annual nightmare where you're right around Christmas time, you're telling your workforce that they're going to have to pay more every year. It's not your fault. Your being charged more by your terrible PPO plan, whether it's Blue Cross or Aetna or whoever, and you're being charged more.

Katy Talento:

Your broker is coming to you and say, "Well, Blue Cross wanted to raise your rates by 30%. But you're welcome. I got them down to 15%. Aren't I the greatest broker ever? Now, pay me a bunch of commissions. I'll go golfing for the rest of the year, and I'll see you next November." So what can you do? They don't know what to do. They don't know how to fix it. So they've just been more and more shifting those costs to their workers in the form of higher deductibles or a larger contribution of their premium every month.

Katy Talento:

So that kind of agony is not why people went into business, whether it's making cars or whatever widgets they make, whatever service they provide, they didn't intend to be this iron still, iron cold heartless insurance company. That's sort of what they feel like they've turned into and that their employees feel like they've become. So that's why people come to us.

Katy Talento:

Now, why would you not use us? Well, one of the reasons is that it's very easy to just turn over your program to Blue Cross or United and to your broker, and they will do a few open enrollment meetings with your workers every fall, and then you're basically done.

Katy Talento:

So if you have one HR person or you have half an HR person who's working on your health benefits plan, they don't have time to do everything that Rachel or I are going to be doing. They don't have time to fire Blue Cross and build it all together, get all the tech involved, make sure you're compliant. They don't have time for all that, and they don't have the knowledge for all that. Very few brokers have the knowledge of all that. We've had to work long and hard, and we're still learning every day the new tricks that the healthcare industry can play.

Katy Talento:

So people have to be really tired and sick and tired of the status quo, and I would argue that you have the most altruistic employers who come to us, because the secret superpower of healthcare, and this is not true in other industries, but the secret superpower is also the reason why the status quo is so broken, and that is that actually you can spend less on healthcare. In fact, the only way to spend less on healthcare is to have more generous, better health benefits.

Katy Talento:

So when you come to me, I'm going to say, "Let's do a no-deductible plan. Let's have no copays for your people. Let's have it all be free. If they choose appropriate and high quality care, if they choose the highest quality care, if they are enrolled in a direct primary care membership, let's make it free for them." That sounds like Christmas morning to an employer who really cares about his workforce and who's built like the Grinch every year.

Katy Talento:

So it's so much fun to do what we do. I mean, I love being able to show employers how to do it differently. But it does require that they engage with us and that they sit down with us and work

with us to design the program that is consistent with their company's culture and values and priorities. So it does take a little more work. But no HR director ever got fired for choosing a Blue Cross plan, and I think that's why we are where we are today.

Ron Barshop:

So I want to break this down a little bit. We're going to go a little bit over time so that you can really spell this out. Again, I've learned a lot from Rachel and from others that are creative, like you guys. I call y'all financial engineers. You're not really brokers. You're not really even advisors. You're engineering a whole new way of thinking about care. So here's the first thing I know that happens is the pharmacy spend, the formulary that has been put together is a garbage formulary. It's got all the expensive drugs built into it. There's not purchasing anything at a wholesale rate or even at a fair rate. So the first thing I know that Rachel will do is she'll take the formulary and reconstitute it with a local grocer or a local pharmacy that will offer their price plus a little market that's guaranteed. So it's all transparent. There's no stiff, let's call it a three-card Monte being played with the drug pricing. Is that first stage of what you do also?

Katy Talento:

Yes. I think that the very first thing we look to do is your prescription drug situation. So the problem today is that you've got a certain kind of middleman in the supply chain, and that middleman called the pharmaceutical benefit manager markets themselves as a buyer's agent. They work for health plans, and the health plan is paying that PBM, as we call them, is paying them to go use volume to get a big discount from the drug manufacturers. So you can think that sounds like a good idea. I'm going to... A company is going to pull together a bunch of employers like me or a bunch of insurance companies like me and use all the volume that we have together to extract discounts out of pharmaceutical manufacturers. Great. Good idea. The problem is they're not just a buyer's agent.

Katy Talento:

They're not just getting paid by us. They're getting paid by the drug companies too. So they're taking it from both sides, and most of their revenue is actually coming from these kickbacks, from the drug companies. It's a pay-to-play situation, where if I'm a drug company, and I want my new drug to get on the formulary for Blue Cross or on Aetna's formulary, then I have to pay a giant kickback to that pharmaceutical benefit manager, and it's not just a manager. It's not just a guy out there, one person. These are giant companies, three giant companies on The Fortune 100 list that control 85% of the pharmaceutical market.

Katy Talento:

So these are huge bureaucracies that you do not have power against. So they're taking it from all angles. It is not in their interest for you to pay less for drugs because the more you pay, the bigger their kickback, which is a percent of what you paid. So everyone in the system, this is true of hospitals, true of brokers. It's true of Pharmaceutical benefit managers, everyone in the healthcare system today gets paid more if your costs are higher and you are sicker. Those incentives are all wrong. So what Rachel and I do, I like to say I like your engineer idea and your architect idea. I like to say that we engineer a system with incentives that are all working for you, where everyone is working for your priorities, which are to pay less for better care.

Ron Barshop:

We had Marshall Allen of ProPublica on the show. I know you're friends with him. Marshall, he trumped his previous article that talked about a $2,500 corona test. So the C19 test was $2,500, and it was paid by the insurance company. This next story he did was a $10,500 coronavirus test, and it was paid by the hospital that employed the guy. So they overcharged a $72 tests to the tune of $10,000, and then they paid the stinking bill themselves. So they literally were overcharging themselves for a $10,000 test that's really less than a hundred bucks.

Katy Talento:

Remember that insurance companies, we think of them, we think, "Oh, we pay these premiums, and they bear all the risk." So if we cost them more than we paid in premiums, that's just too bad for them, right? No. No. Most health plans, they're just claims processors. They just write checks to hospitals out of you, the employer's, bank account. They're not actually bearing risks. You are. So they have no incentive to make sure you get lower prices. In fact, they get kickbacks from hospitals and other, and certainly from these pharmaceutical benefit managers, they get kicks back kickbacks and discounts if you pay more. So-

Ron Barshop:

I want to jump in and explain who you is. You is not Katy Talento. You as the employer that you're dealing with. Your employer that's self-insured has representing most of Americans today, and the self-insured are actually paying these ridiculous bills. So I mean, I laugh that a hospital is overcharging, the PBMs agreeing to it, the insurance company's paying it, no adjudication at all. There's three drunks leaning up against each other talking about how sober they are. It's sort of hilarious.

Katy Talento:

Exactly. That's the best system. If you're a self-funded employer, you actually get the best deals, and what we're talking about is total corruption, and that's in the best case scenario. If you're not a self-funded employer, if you're an employer with maybe fewer employees or you just don't have a strong HR department and you're actually buying insurance, meaning that insurance company is bearing all the risk, or if you're on the individual market, and that insurance company is bearing all the risk and you only pay your premiums and deductible, you think that in that situation, you're making out like a bandit if you have high drug costs because the insurance company is paying more than then your premiums.

Katy Talento:

No way. That is absolutely the worst deal in healthcare today is that kind of insurance, because I guarantee you Blue Cross and United, they are not going to lose money on you. Don't you worry. When they are actually financially on the hook, there is no chance that they're going to take a risk. So what they do is they pad your premiums. They raise your deductibles more and more every year so that they never lose money. That's the worst deal of all is when they're paying the bills, when you're an employer and you're paying the bills, at least you can fire that and hire someone like me or Rachel. But you can't do that if you're really in an insurance plan the way individuals in the market are.

Ron Barshop:

So in a couple of shows from now, I'm going to be talking on my hundredth show, it's my second year anniversary about, is there really a super man or a wonder woman who can heal healthcare from the bottom-up and top-down? I believe the answer is yes, it's the self-insured employer is super man, and he or she is going to heal healthcare by stepping aside from the gamesmanship, from the DMV visit experienced consumers are getting by going. Here's the formula I think that if we had time, we could get into. You're going to have a direct priced formulary from a pharmacy directly that might support your local community, your local grocer. You might have a DPC, a direct primary care relationship that's going to eliminate a lot of downstream, complexity, medical errors, burn out of doctors, because they're not going into being shuffled into an ER hospital, a megalomania system, where people are just crazy about charging ridiculous rates.

Ron Barshop:

We have to know that the Katy Talento book of fighting this, they're going to have, you're going to have direct contracts with labs and imaging so that the pricing is all upfront and transparent and at a fair price, usually from independence, not from the big hospitals, and then you're going to have surgery relationships for labor and delivery and any kind of hospital relationship that's a directly contracted rate that's either reference-based pricing or is laid out ahead of time with a contract of what you're going to pay for various procedures, like we have with surgery centers of Oklahoma, some kind of that preference, where you actually know what you're paying for every single thing. Is that kind of the layout of how this works from your perspective as an advisor?

Katy Talento:

Yes. That's exactly right. There are some backend functions as to too in terms of stop-loss and who's writing the checks and who's paying the claims and what kind of navigation and customer service they give to your members. So that's really important as well. One thing I would say is that if you're out there and you work for a company that's a nationwide company, or you've got a bunch of employees that are scattered in small pockets across the country, and you think, "Hey, I can't do this. I don't have a local pharmacy to do a direct contract with." We're all over the place. There is still help for employers like that. There are lots of solutions for employers like that, and frankly, more and more employers in the COVID era are becoming like that. So there are lots of online and startup vendors that are springing up to serve a nationwide workforce.

Ron Barshop:

So I'm looking at the numbers. There's no association that actually tracks what I call digital first healthcare. Digital first would be... There's a huge number of guests that have been on my show. The biggest would be Medici. They have a third of The Fortune 1000s that are clients. They have 13 million members that are virtual primary care. You have Crossover Health that's now doing business with most of Silicon Valley at their headquarters or their fulfillment centers in the case of Amazon. They just signed up. That's well over a million members that are digital first. That's also DPC. You have public filings.

Ron Barshop:

You have Oak Street, which is more of really a value based care play. But then you have One Medical, which is a direct primary care and slash a fee-for-service blend. You have Paladina in Colorado, and Paladina has just cut some large deals to acquire in other states. So that's a direct primary care. The DPC Coalition reports half a million people are members of DPC, but it's much, much bigger than half a million people that are going direct with digital first care or direct care are paid by employers aren't there.

Katy Talento:

I think that's right. I do think that we have not hit even close to sort of the Holy Grail on this, which is when employers are paying for this. Right now, you have to be a really engaged consumer who has to understand this value prop and seek out the solution that's best for you, whether it's digital or whether it's a bricks and mortar practice. There are very few employers that are buying this for their employees as part of their health plan. That's really what I hope to change and what I know you hope to change and what lots of our colleagues are trying to do. But that's why the regulatory and the legal environment is so important, because a lot of the reason why employers are offering direct primary care membership to their workers is because of the regulatory and legal consequences of doing so. It can mess up a high deductible plan. It can mess up an HSA situation.

Katy Talento:

So it's very complex. It's over-regulated. It's very burdensome for an employer to do this. There are ways around those burdens. There are. But they're hard, and we're still working through it. But that's why you do kind of need a seasoned advisor to help you work through it. I really appreciate entities like Hint Health or others that are out there, like Equal RX that will help you put together a bricks and mortar network.

Katy Talento:

So if an online virtual provider, I find most of them are directed toward patients only. They only sort of present their value prop to patients. You really want a vendor to feel accountable to the employer who's paying as well, and there aren't very many of them that do that. So I actually prefer to put together a bricks and mortar network for all the cities and towns where you have workers.

Ron Barshop:

So let's close out the show. There's so much more to talk about with you. So we're not done with you yet. We'll get you back on again soon. But the lobbying spend of healthcare is not legendary. It's beyond legendary because of what they achieved during this crisis, the hospitals were able through the AHA, American Hospital Association to get a Care Act passed that gave them $8,900 for every Medicare patient that they served last year, which were faculty $175 billion.

Ron Barshop:

So the hospitals that have reported publicly that are the three or four biggest public companies are all making enormous profits before they got the federal bailout, which means that the nonprofits, which represent 70% of all hospitals out there, were doing just fine too, because they

have tax advantages way beyond the for-profits like HCA and Tenet. So what we're talking about is a bailout that wasn't necessary from a lobby that is the priciest in America.

Ron Barshop:

One in six lobbyists in Washington, in fact, most state capitals are healthcare lobbyists, and they just beefed up 110% their lobbying force because of all this money that they think is floating around to bail out everybody else. Now, they want to bail out insurers, which ridiculously don't need it. Pharma, which ridiculously doesn't need it, doctors, which are owned by the system. So they don't need it, most of them. That's 30% that are independent do. But the lobbying, if people are expecting a solution out of Washington to bail out this system, the lobbyists are going to make sure that never happens, aren't they?

Katy Talento:

Yeah. I mean, in my career, it's taken years to see members of Congress who were willing to buck the main industries here in the healthcare swamp. Now we have sort of an interesting critical mass, like kind of a fierce minority of members of Congress on both sides of the aisle that are willing to take on these drug middlemen, for instance, or to force transparency, or to end surprise billing, or to take on the private equity owned physician staffing firms. There is a sort of a fierce minority that's trying to get bills passed to do that. But what happens is those giant, swampy, and special interests come in and control the rest of the members of Congress. That lobbying effort kicks in. They start scaremongering ads on TV and key districts and states where people are running for reelection, and they scare the rest of the Congress.

Katy Talento:

So you have very informed members like Senator Lamar Alexander from Tennessee and others who are really... Senator Braun from Indiana who really get it and have dug into it and learned how to fix these problems and what the policy issues are and what the fixes are, but they can't get their bills through. They're not even getting through watered down, which is usually what we call a victory in Washington. They can't get through it all. So it's just been really sad to watch. I think that I'll keep working in Washington, and I think president Trump has done amazing things at the executive level, the things that he can do without Congress. He's been very impressive and will continue to be so. But I think you're right that the real hope and the Holy Grail and the solutions are all out with employers.

Ron Barshop:

Yes. That's a great way to close out the show, the swampy... What did you call it? The swampy and jungle? Oh, that's-

Katy Talento:

Swampy and special interest.

Ron Barshop:

Oh, man. I'm going to use that. Is that okay? May I ask you that from you?

Katy Talento:

Yes, please.

Ron Barshop:

Okay. Well, you're very quotable and always entertaining and very knowledgeable about what the solution is going to be, and that's why we're going to have you on endlessly in the future, because there's a lot more to talk about. So if you want to be a winner, if you're a consumer, if you're a doctor, or if you're an employer, this is a good show to listen to because you are going to find solutions like Katy Talento out there that can help you get through this maze and figure it out, and there are solutions, believe me. It's working beautifully in spots.

Ron Barshop:

As we open the show up, we always say primary care is secured. Healthcare is secured. It's just secured in patchwork. It's not scaled yet, and it's going to be scaled in the next, hopefully five to 10 to 20 years. Katy, thanks again for everything you're doing and keep up the good fight. As long as we have warriors like you out there battling, we're in good hands. So thanks again for being on the show.

Katy Talento:

Thank you so much for having me. Appreciate it.

Ron Barshop:

So welcome to just a hospital minute. We are adding these segments for one minute at the end of every show to tell you some of the games that hospitals play. Watch list hospitals are hospitals that carriers watch for chronic over-billing. There's some that are much worse than others, and they're way at the top of their list usually. But nothing happens at all. The insurance companies are hoping for the best, and usually nothing has changed and they do nothing. So this is just another hospital minute.

Ron Barshop:

Thanks again. Thanks again to our sponsor, the MediSearch Institute. I want to read you a note a CEO friend of mine sent me who used them for a rare childhood disease her daughter had. Dr. Talbot's research was thorough. He provided clear paths of treatment and he gave me access to the best physicians. I'm so grateful for his work. That's the MediSearch Institute.

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. And number two, help us spotlight what's working in primary care by listening on iTunes or wherever you get your podcast and subscribing and leave us a review. It helps our megaphone more than you know. Until next episode.