Primary Care Cures
Episode 94: Doug Aldeen

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:

If you listened at Christmas time, I told you 10 lies about primary care in 2020, and I'm going to do the same thing. I'm going to tease that same show for our 100th episode, which will be coming up in a few shows. So in 2021, this is a teaser for my 100th episode.

Ron Barshop:

Now, remember everybody wins in a future where we're creating with the show. Now, here are the 10 lies. The first one is, independent primary care physicians are soon dinosaurs. You got to work for a big, you can't be independent anymore. You got to work for a system, or a private equity firm. Number two, there are not enough PCPs to go around for America, big lie. That's a big one. Number three, our health declines always or at best maintains as individuals and as a nation. Next, our costs of care only rise, rise, rise, rise. Next, COVID almost killed our hospitals. Now, that is a monster lie. There is no Superman or Wonder Woman to save us, like I fit in that Wonder Woman thing, but there is actually a Wonder Woman to save us and a Superman to save us.

Ron Barshop:

The next one is that docs are powerless to radically reverse bad habits of the patient. Not true. We've had many guests that have proven that wrong. Next, money solves most of healthcare's ginormous headaches. Untrue, untrue, untrue. And second to last is your insurance broker, or advisor, cares about you. That one's not true because 99% really do not. In fact, they don't even truly represent you as an employer, which is violating an ethics code, and also a fiduciary responsibility. And the last one is, there are no easy fixes in healthcare.

Ron Barshop:

Well, here's what my wife says when I smile and I tell a big lie, like I did yesterday. She says, "For heaven sake." She's from the Midwest, she's a sweet Chicagoan, and so, "For heaven sake," when I tell a lie. So, there are no easy fixes in healthcare, is what this show is actually based on. There are easily fixed solutions. They're all out there, they're just not scaled. They're not big yet. That's all coming in time. So, "For heavens sake," my wife says, and I smile real big, and I had to say to Terry yesterday, "Hey, I had a good sleep hygiene program and I'm living it." And she just [inaudible 00:02:18] says, "For heavens sake, Ron."

Ron Barshop:

So, show 100, again, we're going to turn these lies into 10 opportunities, which come from episodes of learning from this show from some of the amazing smart people, like today's guest, who love primary care like me, like you. Who see that healthcare is fixed and everyone can win. Docs, or employees, costs, patients, who are employees, who are voters and population health. So the triple aim says, you're not supposed to be able to get any three of these, you can only get two out of three. And what we're finding with the show is that the [inaudible 00:02:52] is here and it's alive, and it is now. So I'm not as smart as you are if you're a doctor, because listening to this I'd have failed anatomy because me and most of my CEO buddies have ADD. We can't sit still and memorize all the tendons and musculature and veins in the human hand, no way.

Ron Barshop:

But today's guest could have passed anatomy. Today's guests could have passed anatomy. He's a very nice guy for a lawyer, but he's the good kind of lawyer and ERISA expert. He helps employers of all sizes and all shapes, set up their self-funded plans for health insurance. That means they risk more, but they save bundles by ensuring the catastrophic stuff with Warren Buffett. Doug Aldeen was counsel for nearly an $8 billion deal this year. He's an expert on reference-based pricing. We're going to call it RBP because we're going to sound cool. He knows the games the big's playing. We're going to talk about that today. He's a resource also to national news organizations regarding issues of healthcare, and is consultant with the Governmental Relations Committee at the Self Insurance Institute of America in DC. And he's an advisor to RIP Medical Debt, which has abolished over 1.2 billion in medical debt. Doug Aldeen welcome to the show.

Doug Aldeen:

Ron, thank you for the kind words of introduction. Although I have to take issue is, I don't think I could pass anatomy.

Ron Barshop:

Okay.

Doug Aldeen:

Like you, I have ADD, probably equally if not as bad. So-

Ron Barshop:

I like to tease my bankers, they didn't have to pass a test to be a banker, but a lawyer does, you have to pass the LSAT and the MCAT. The doctor does plus they got to pass their boards, and it's just something I would've never tried to do, but-

Doug Aldeen:

Well, I appreciate that. But no, I mean, definitely in terms of opportunities, getting in health care has been the best thing that was ever a decision I've made in terms of work-wise. I mean, just so much opportunity.

Ron Barshop:

Hey, Doug, I want to play with some of these lies that I came up with that we'll talk about in a few shows. The one that jumps out at me really, that I think would be interesting to you is that your insurance broker cares about you and loves you. Is your experience that insurance brokers on the whole truly care about the employers?

Doug Aldeen:

Yeah. I'm going to caveat my response by saying, listen, I work with a ton of advisors and there's a platform out there by the name of Health Rosetta. Their sole mission is transparency, disclosing all different revenue streams. Fully, honestly transparently, really working with these plans to deliver great results. So I think if you share that same mission, you're in good stead. Now there are a number of advisors or brokers that don't share those same goals. So I think it's fair to say, depending with whom you're dealing, you could very easily find yourself stuck in some fully insured plan, when in essence it's not the best fit for you, and you're paying your broker a significant amount of money just to keep you there.

Ron Barshop:

I saw a plan the other day, it was 10,000 members. The broker was going to get a $2.4 million exit fee. They were also getting millions of dollars of other fees that were undisclosed. And you think you're being represented by your broker, but sometimes they're not really representing anything other than their kid's college fund.

Doug Aldeen:

That's exact. I mean, think about it this way. I mean, January 1st, you get up and you've already got a built in revenue stream whether you do anything or not, and there's an incredible incentive to maintain that revenue stream. I mean, there really is.

Ron Barshop:

Part of the fun of the show, is after the show I talk to our guests, and one of our guests who used to work for JB Gallagher, said that he got 17 different fees and commissions, most of which were not disclosed to the lawyer. Okay. Let me shift subjects here. I said also there's no Superman or Wonder Woman to save us, bury the lead, or give away the punchline, if you will, and say that the Superman or Wonder Woman, that's going to save us are employers, who switched to reference-based pricing, or direct contracting, or digital first virtual care. Would you agree with that statement?

Doug Aldeen:

I would agree with that statement because employers ultimately, i.e., the pain customers, are going to drive fundamental change in the health system. And once employers wake up and realize what's been happening, I think it's a revolution unlike anything we've ever seen.

Ron Barshop:

It's happening so fast right now. I don't know if C19 is accelerating it, or just the ever increasing premium increases are increasing this, or the fact that Walmart has now adopted centers of excellence and reference-based pricing. Most of the Silicon Valley well-known names are addressing this issue with the same solutions. So there are thought leaders out there in the employers world that are leading the charge, but it's taking a long time for the rest of America to wake up. Why is America asleep, Doug?

Doug Aldeen:

I think, let's just backtrack just a second there. I do think COVID-19 has accelerated change precipitously, simply because conversations that I'm having now, seven months ago, I never could have had. And a lot of it is being driven because hospitals are on the precipice of insolvency. I mean, I think I read a statistic the other day, where 50% of hospitals by the end of the year are going to be operating in the red. So cash is king, and reference-based pricing depending on where you are in the cycle, you can actually build a business around it, I mean, with a direct contract. Because when you add in a level of certainty, a fair level of reimbursement, no copays deductibles, and payment within 15 days. I mean, that's something you can actually build around as opposed to playing the three-card Monte chargemaster game.

Doug Aldeen:

But I think in terms of your specific question, why a lot employers are a little bit behind, healthcare is to me analogous to that first gazelle who crosses the Zambezi, where you've got the crocs. The first one that makes it safely, the hodge come across. And I think that what we're seeing in the marketplace, is that a lot of these employers that are adopting some of these different strategies, implementing DCP in their self funded plan, direct contracting, that it's actually working and it provides significant cost savings.

Doug Aldeen:

Because I mean, think about this one, if you're a CFO right now in the fourth quarter at a Fortune 500 company or a mid market company, your sole purpose is maintaining P&L. You got to preserve P&L. What's the easiest meatball pitch in your budget? Healthcare. And I think people are literally waking up, like you said, at exponential rates and realizing, wait a minute, I mean,

there's something that I can actually do here as opposed to reducing workforce, laying people off. Because I mean, that has such a significant impact on morale, families, et cetera. And you can change it by being a little bit smarter and doing what's right.

Ron Barshop:

I love the analogies of the gazelles and the three-card money. I use it all the time. Let's talk about three-card Monte with pharmacy benefit managers, that is a deep and wide subject. But if you had to summarize like on the back of a postage stamp, the games that are being played with pharmacy benefits, how would you talk about that to employers that aren't aware of the games and the three-card Monte going on?

Doug Aldeen:

I think you can summarize... I mean, if I were PBM, the acronym is programs bilking millions. I mean, you could say billions, but I mean, if you are not paying attention to what's happening, and if you're working with an [inaudible 00:10:45], and I forget who's even affiliated with the different insurance carriers anymore, you are doing such a disservice to your plan. And particularly as a fiduciary, because I would almost bet my right arm, that there are ways in which you are significantly overpaying to that PBM. And you just have got to go into the hood with the right individual, analyze that claims data, and get to the bottom of it.

Ron Barshop:

No, so if you put together a program of different kinds of drugs, a formulary, they call it, again, the same client with 10,000 employees, we looked at their formulary, they spent last year, $12 million on meds. And with just a change in the formulary, $2 million, that's two, again, deeper, wider subject to get into on one show for one, that's a show into itself. But taking $10 million off the table, you got to make 30 or 40 or 50 million with the EBITDA, 10 or 20 or 30%, to get down to $10 million savings.

Ron Barshop:

Well, okay. So let's talk a little bit about reference-based pricing. You have now helped self-insured companies go to reference-based pricing. What are some typical savings? And we've talked already about pharmacy, we've talked about hospital and chargemaster. What are some other savings or what percentage savings are self-insured plans seeing in the ranges from what you've gleaned in the last several years?

Doug Aldeen:

All right. Let's talk about reference-based pricing in two veins. Okay, first is, I personally think, if you're a self-funded employer, you don't have an alternative, but for reference-based pricing. And the reason I say that is because, if you look at a hospital's financials, what's happening as a result of the MLR, the medical loss ratio, is hospitals are turbocharging their rates relative to their costs. And you can look at a snapshot of a hospital's financials and look at the rate they're increasing their chargemaster, while their cost remain relatively flat. And so you just, you think about it. I mean, if you're in a fully insured product, the insurance carriers are just meeting the hospital, as they increase their charges, the premiums get passed off to the employees. And it's

cost shifting in the traditional way. So if you're not doing bottom-up pricing in this environment, you're going to... Honestly, it's an unsustainable model. That's the reality of it.

Ron Barshop:

We had a guest, Surgery Center of Oklahoma, and that is reference-based pricing on its very surface. Essentially what that looks is, you're listing the cost of every surgery, you list of the cost of every procedure, all the MRIs, and all the imaging, right? So there's a price that you can reference and it's contracted, it's agreed on ahead of time, so there's no gotchas, no surprise billing, no secret deals in smoky rooms. It's a very clear, it's like a retail price in a store.

Doug Aldeen:

That's exactly right. And so with that being said, I mean, if you look at a hospital's AGB percentage, and again, that's something that's publicly posted on their website. I know a system, for example, in Ohio, their AGB percentage is 11%. Now AGB is, all claims divided by all payments. So Medicare, Medicaid, self-pay, commercial. Just it's easiest formula, all claims submitted for payment versus all claims paid. And when you're talking about 11%, that number is a number the hospital can live with. So if you're paying pursuant to a 50% discount, you're overpaying significantly.

Doug Aldeen:

So when you talk about the specific savings, I mean, you can take a 4 million, because a lot of times what will happen is, in reference-based pricing, there'll be a run out. So there's some balance billing, there's some noise. They want, the self-funded plan wants to move a different arrangement and there'll be a run out of claim. So I'll take those claims and we'll resolve them. Hopefully you can turn it into a direct contract, which will solve everybody's problems, which I think happens for me probably 25 to 30% of the time, with the savings. I mean, so you take 4 million that you can resolve for 665,000, the hospital's happy with it. So it just gives you an idea in terms of how bloated and hyperinflated those chargemaster rates are. The savings are absolutely huge.

Ron Barshop:

I want to talk at 10,000 feet about hospitals. Look, I'm not an economist, you're not an economist, we're just two guys that care about care, getting proper care at a fair price. But it seems to me that the hospitals continue to use bond money to build more facilities, more shiny buildings. They don't pay taxes, 70% are nonprofits, they don't pay taxes locally, state, federal. They're getting a hell of a free ride, and they're usually the largest real estate owner and the largest employer in most metros. Here's my question. If you look at all these new shiny, gorgeous buildings, they've got to put heads in those beds and with virtual care taking over more and more visits, with on-site clinics, we've talked to a lot of people on this show, they're doing more and more onsite clinics, there's millions of patients now that are going to clinics at their own location that don't need to go to the hospital to get good primary care.

Ron Barshop:

So essentially the machinery that's feeding into the hospital is going to start slowing down rather dramatically, and people already know that hospitals can be a dangerous place, because if they

didn't know about hospital acquired infections being the third leading cause, now COVID has made perfectly clear that hospitals may not be the totally safest place to go right now. Do you think that hospitals are overbuilding and are going to hit sort of a nadir or a Rubicon, they're crossing the Rubicon and they're just building so much cost structure and that they can't go backwards and recover?

Doug Aldeen:

I do. I absolutely do. And the reason I think that is, I think about the model and the model is sick care. I mean, it's not designed... I mean, it's designed to feed the beast. And I honestly, I think that because you think about the different policies that have been implemented in terms of payments, payment mechanisms, you can get the surgery in an ASC as opposed to an inpatient procedure. I think hospitals honestly are going to be dinosaurs, I mean, in their current fashion. Because when you think about what were hospitals, 50, a hundred years ago, they were literally places where people went to die. That was it. And when you look at what it is now, it's designed to, like you said, to feed the beast, it's sick care. You're booking revenue. Honestly, it's the corporate practice of medicine, is really what it comes down to. When you own all of those different positions, you are controlling everything.

Ron Barshop:

No, here's the complicating thing is, your children... How many kids you got Doug?

Doug Aldeen:

I have four.

Ron Barshop:

Okay. So your four kids were born probably without a midwife in a bathtub, probably born in a hospital. If you have a grandmother that you loved or grandpa, they probably passed in a hospital. So we have this love feeling or this emotional feeling, they deliver good care. They've delivered our baby, they took them out nicely, and it's hard to get mad at hospitals. And I'm not mad at hospitals. I'm not upset with hospitals. I'm just like, when I see darkness or evil, I call it out. And I think most people that work at hospitals are good people. We're not demonizing hospitals, we're just demonizing the game that's being played.

Ron Barshop:

And here's the worst game, Doug, I think, I want to hear your opinion. They now own 70% of all primary care physician practices, and they've got offers on the table. And so do insurance companies and sort of private equity, they're putting offers on the table for primary care physicians to come join their system, because again, as you say, it feeds the beast, it's the [crosstalk 00:18:54].

Doug Aldeen:

Exactly.

Ron Barshop:

It is. I didn't know until I studied this. 70% of all urgent care are owned by hospitals. So again, they're tremendous referral systems for high paying customers. They're all insurance based that go into urgent care for the most part. So, again, I'm not anti-hospital, I don't think you are either, I just think the machinery that's become hospitals, has grown quite dark.

Doug Aldeen:

I would agree with that a hundred percent. And I think that when you really think about it, think about Wall Street. Wall Street has referees. They have the SEC, they have FINRA. Arguably, if, you know... Jamie Dimon, he works for what? Citibank. If something is going wrong, there's a place people can go, investors can go, and you can get some type of relief. Healthcare doesn't have that. I mean, think about hospitals as an example. Who oversees the not-for-profit hospitals? The IRS. And when you look at market conduct of certain not-for-profit hospitals, again, I'm not a hospital hater, but the market conduct that you see in the marketplace, all right, is absolutely awful. And there's no referee, there's nobody there monitoring the store. Can you even do that? I mean, you've got people being sued who qualify for financial assistance, and it's just, I mean, it is as bad as it gets.

Ron Barshop:

Yeah. And there's some much worse than others. Let's shift gears a little bit and talk about this one, that costs only rise... Again, we've already addressed this, but costs are not only rising when you go with reference-based pricing, or when you go with direct contracting with the direct primary care doctor, or direct primary care doctors' system. You don't have costs rise, you have costs actually lowering in the 20 to 60% range. So costs do not only rise in healthcare, if you go direct.

Doug Aldeen:

Absolutely.

Ron Barshop:

Yeah.

Doug Aldeen:

Yeah. I mean that's 100% sure.

Ron Barshop:

Okay. And when I say direct, I mean you're sidestepping the bigs, the ones in the middle. So we talked about hospitals, let's talk about the big insurers. Here's what I see happening to the big insurers. And I sure hope I'm wrong because it's a run on the bank, scary scenario, but it's not dystopian, it's actually happening. And that's called a death spiral. Are you familiar with what's going on in Australia right now?

Doug Aldeen:

No, I'm not.

Ron Barshop:

So as premiums are hiked every year, five, 10, 12%, the younger healthier, simply can't afford those 400, 500, $600 a month premiums, and for a family, much more than that, up to a thousand dollars a month. And so they just peel off the employer plan and they go direct. They go with virtual care, they go with a different model. They don't join the, in the employer's plan. When they don't join the plan that hurts the employer's numbers, but they're just saying, "I vote with my fee, with my pocket book." And when the young healthies peel off, the premium scope... When the young healthy next layer peels off, it's a wall of mirrors, and all you have left are the older sicker, less healthy. In Australia right now, their chief regulator just made a statement last week and he said that there's only three economically viable insurance companies in Australia today, because the rest are in a death spiral. Do you see that that's a possibility here?

Doug Aldeen:

I do see that could be a possibility here. The only reservation I would have, in fact, I think I just even posted something on LinkedIn today. When you start looking at United and how deep those pockets are, the rest of them I don't know. They clearly aren't as deep as well as what United has. But I think you're exactly right though, because when you think about just market dynamics, you're 25 years old, you don't need a fully insured premium, you go to the doctor maybe once a year for a checkup. But I would agree with you a hundred percent. I think at some point there is going to be a run on the bank with insurance carriers, which is why you see them diversifying into so many different areas, whether it's PBMs, all the different things you can get into in healthcare besides insurance.

Ron Barshop:

Doug, unfortunately we can talk a lot longer. We've run out of time and very sad to say, we'll pick this up again, there's a lot more to talk about, but if people want to find Doug Aldeen, how do we locate you?

Doug Aldeen:

I actually do have a website, it's just dougaldeen.com. And then I'm on LinkedIn as well, and I think I actually do have a Twitter account, but I'm a pretty easy guy to find. And if anybody has any questions or would to chat further, I would be honored to speak with you.

Ron Barshop:

And then if you could fly a banner over America with one message for all Americans, what would that banner say?

Doug Aldeen:

Boy, that's a great question. Here's what I would say, disintermediation. The minute you can get rid of the middleman in healthcare, and it can a patient to physician relationship, the better off we're all going to be.

Ron Barshop:

Yeah. We know that people with a primary care relationship, it's like giving up a pack of cigarettes, in terms of extending your life and improving your lifespan, not just your length of life, it's your quality of life when you have a primary care relationship in your corner. So we know that. It's like wearing seatbelts, it's just a very common sense thing to do, yet 50% of all millennials and younger, particularly males, have never seen a PCP. They just don't have that relationship because the cost is frozen them out. They're functionally uninsured.

Doug Aldeen:

That right there is a tragedy, because for example, I have a direct primary care physician. So for my wife and I, it's $185 a month, and I text her, I call her. I mean, it's the best relationship I've ever had with the doctor, to be honest with you. Truly, yeah.

Ron Barshop:

Yeah. I have the same relationship and my whole company does, and it was a great bandwagon to jump on three years ago and we've done nothing but win. Everybody wins when you have a direct relationship.

Ron Barshop:

Well, Doug, thank you again for your time, it's been way too fast, this interview. We'll do this again, as I said, because there's a lot more to discuss and there just wasn't time to discuss it all.

Doug Aldeen:

That's okay. Well, listen, thank you so much for having me. I enjoyed it very much.

Ron Barshop:

Okay. You take care, Doug.

Ron Barshop:

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.

Ron Barshop:

If you know a clinician daily calls are the key, once you're admitted into a hospital. A daily call from someone with an MD or a DO, outside the system reduces silly tests and over-treatment. It's you have the all-seeing eye of God looking over your care and your care will be quite different than if you're untended to. So this is just another hospital minute.

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:

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