Primary Care Cures
Episode 104: Ge Bai

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:

So I want to thank Shivaram Rajgopal for the quote of the year. She said that a dollar spent on lobbying appears to have a higher return than a dollar spent on R&D. And I'm going to read you an excerpt, which is not normally what I do at the top of the show, but the Journal of General Medicine found a study of lobbying expenditures and new lobby registrations that the health sector represents nearly a fourth of all lobbying activity in Washington and across all industries and across all state capitals in the first quarter of this year. "It's kind of like sharks to blood, sharks to chum or bees to honey." If you prefer a milder metaphor said the study author. And according to this analysis, the health sector lobby grew by 10% the rest of the other sectors combined grew by less than 1%.

Ron Barshop:

And the number of new lobbyists and this is the shocker for me, is that it nearly well it over doubled. So 100% would be doubling the number of lobbyists because of all this money floating around for the pandemic. But it's really not 100% it's 140%. One of the authors of this study is Dr. Ge Bai she's not only a PhD, but she's a CPA and she doesn't like job insecurity so she teaches both at the John Hopkins Carey Business School, accounting, and the Health Policy and Management School at the Bloomberg School of John Hopkins for Public Health. So, that is job security.

Ron Barshop:

She's an expert on healthcare pricing policy and management and she has testified before the Ways and Means Committee in DC. And she's written for the Wall Street Journal and she's published her studies in all the leading academic journals. And if there is a three-letter media like ABC, CBS, CNN, she's been on all of them. You can't name any she has not been on. So she is basically somebody you've never heard of and that you're going to hear a lot more of over the years. So Ge welcome to the show.

Ge Bai:

Thank you very much [Ralph 00:01:58] for having me.

Ron Barshop:

Yeah. You're that quiet person the one at the windows that's talking about public policy when they're interviewing everybody about these issues, right?

Ge Bai:

Yeah. Thank you.

Ron Barshop:

Yeah. So let's talk about the intersection between accounting and health public policy. What an interesting intersection that is?

Ge Bai:

Yeah, it's an empty space, if I may say. Most economists are not in this field. They felt healthcare is too complicated. Some many physicians feel the same way, but on the other hand, if you look at the health policy researchers most of them are not trained in the business discipline. So I was trained as accountant so I felt this is a very unique angle as a bean counter that go there and count very messy beans.

Ron Barshop:

I got to tell you, I was really proud of my grades in school most of my career until I got into tax accounting. And it's the first course I almost failed in my life. That is the dropout course that's why everybody goes to finance majors when they're at the university is because accounting is too tough.

Ge Bai:

Guess what? The more people dislike accounting, the better for our job market. Our skill is more marketable.

Ron Barshop:

So, let's talk about where these intersect. You have written a ton about pricing and hospitals and the lack of transparency. Are you pretty excited about this new executive order? And do you think it's going to be a game changer?

Ge Bai:

Yes, I do. Especially if we have other changes in benefited design that you have together with the transparency regulation to give individuals more choices and promote more computation.

Ron Barshop:

So it's actually the precise opposite is what we have today. We don't have a lot of choices. The vast majority of plans have one option, maybe two options, right? There aren't a lot of choices if you're a consumer right now working at an employer.

Ge Bai:

Exactly. But I think that because that transparency rule is partially targeted to self-insured employers so that self-insured employers can use the information to build their own networks. Sometimes can be narrow so that we can exclude aggressively price the providers.

Ron Barshop:

And the reason this is important to self-insured employers represent a third of Americans. So it's about 80 million people that are in that universe. So we're not talking about a small number here, it's a gigantic population.

Ge Bai:

Exactly. And the money paid to support the health insurance premium come from both the workers and from employers. In general, employers pay a bigger portion than the workers. So there's every incentive for employers to save money for themselves and also for their workers.

Ron Barshop:

Well, and we've looked at studies and had guests in the past there's a huge functional and insurance problem in America meaning people can afford maybe the $400, $500 a month average premium, but they can't afford the co-pays or the deductibles or the co-insurance. So they're trapped in a plan they really can't even go see the doctor and use.

Ge Bai:

That's exactly right. So we have not only a high premium problem, we have a deductible problem and then that will... We have heard many people go bankruptcy and hospitals go after individuals, sometimes individuals with very low income for a gigantic bill medical bills, and then eventually go to court and seek their salary. We have seen many cases like that.

Ron Barshop:

Yeah. At the University of Virginia, until they were outed by the media we're chasing down with liens on people's estates. So if somebody died, they might not know from 1990 and a hospital bill that was a lien against the estate and had interests that built up and so the inheritance was less. Now, UVA got shamed out of it, their public mission states, it's got the word of God in it. It's got doing the right by individuals in their missions and value statements. So they are slowly piece by piece removing these liens but even John Hopkins where you worked at has pursued the poor and they've had to reverse that because of the public light.

Ge Bai:

Exactly. And the public light has helped a lot. I want to just to clarify one thing, it is totally legitimate for a business, any business, including hospitals to get the bills paid. However, here we're talking about hospitals, non-profit hospitals pursuing patients who are in many cases within a eligibility threshold will and should receive charity care support. Think about nonprofit hospitals, these hospitals are exempted from income tax, property tax and all kinds of taxes in most States. They have a liability or obligation to help patients, especially hardworking Americans who are struggling to not to fall into the Welfare trap. That is their obligation, but the many hospitals are doing the exactly the opposite, pushing these patients to the brink.

Ron Barshop:

I'm not sure the boards of directors know Ge, that this is going on. I think this might be overzealous CFO or overzealous revenue collection consultants I don't think hospitals are inherently evil. The nonprofits. I think these are ways to get their returns higher or get their reserves higher or at some financial term that I don't think fits in the mission and I'm certain that the leadership knew about it would denigrate or stop doing these policies. Do you think that's... I don't know. That's just a theory. What do you think about that?

Ge Bai:

I think that greatly depends on each individual hospital situations. Sometimes we see hospitals with a very similar practice as a for-profit entity, very profit-driven, aggressive expanding market shares, squeezing every cent from consumers. Well, in that case, I would say those hospitals are not different from for-profit entities where you cannot have free lunch, right? You cannot have both ways. Usually either pay tax or stop those aggressive being in practice. And most troubling is that many of these hospitals are enjoying very high profitability. They have money. It's not like they're struggling financially. They're going to close. They have money, but they're trying very hard to squeeze more from the, as I said, hardworking Americans who are struggling financially.

Ron Barshop:

That is the truth. We have been looking into the financials of the top 20, the top 20 had strategic reserves of $120 billion. They got 105 billion in CARES Act funds. And if you look at their last three quarterly profits for the for-profits, we don't see what the nonprofits are reporting until the end of the year, they're all making money. None of them are doing poorly. There are all year over year doing better than they did last year.

Ge Bai:

That's exactly right. And many hospitals are seeing all profit drop, but remember that's only a reduction in profit. Most of them are still enjoy the net income in red, meaning that they are making money. So the hospitals have been enjoying high profitability, especially after the ACA. We have seen increasing profitability across the country in general, not necessarily for each individual hospital, but if you look at hospitals as a population of study, then they have been enjoying higher and higher profitability ever since the passage of the ACA. So they are in a more stable financial situation however, we have seen more aggressive debt collection, pricing practices. So those two things are very puzzling coming together.

Ron Barshop:

What of all the studies you've done has been the most troubling or disturbing conclusions that you've reached from your analysis?

Ge Bai:

I think the most recent one, the lobbying this may be it's because it's most recent. It really tells us a story that those regulatory process in many cases is not coming from a purely people-oriented perspective. We have a term called regulatory capture. One, everybody believes that the best way to address healthcare is hospital, it's [inaudible 00:10:35] government. I think we tend to forget

that it might be the case that the governments are creating problems. For example, let look at the Relief Bill we have $175 billion at CARES Act, Relief Bill that is a significant amount, but the government is in-charge of allocating it. Then if your company, if you want to get more, your first reaction would be, how can I lobby? How can I create some connection or use my older connection in order to influence the policy makers to create some kind of formula that will benefit me?

Ge Bai:

And then this become an investment decision for you. It's not about right or wrong. It's just about a pure cold business calculation. You are going to focus on investing in lobbying or government relationships in order you have the rule in favor to you. But what you actually should do is to compete, focus all your efforts on competing on the market in order to produce better service, better products to please every consumer. That's what you need to do. So I think once we rely too much on government, then the shift of the individual companies will be more and more on the government side. They will do more and more lobbying. They will try all kinds of other things in order to influence the policymaking process. Then eventually our people are not necessarily benefiting from it.

Ron Barshop:

Yes. The Senate Minority Leader called this the Marshall Plan of 2020 and aptly named because if you trace back inflation adjusted, this is actually more dollars than the real Marshall Plan in the 1950s that gave us world peace, trading partners alliances with Japan and Germany, and our former enemies became important allies. This CARES Act really got us nothing. We gave it to companies that had profits throughout the last three quarters that had reserves adequate to handle this that had nothing in return. We got literally nothing in return from this Marshall Plan that we got versus world peace the last one. It's almost comical if it's wasn't so sad.

Ge Bai:

That's so well said, and this is inevitable because the most politically connected and the most powerful players will have upper hand. And eventually the process becomes inevitably regressive.

Ron Barshop:

It's amazing that the little guys don't have a chance in the lobbying game, no chance. So then you're talking about independent PCPs and smaller employers, but I got to take my hat off and give a hat tip to HCA they did return $6 billion of the 175 because I guess, got shamed into it and didn't need it. I mean, they are a public company. They're for-profit not non-profit, but wouldn't that be a nice gesture if the hospitals came forward and did the same thing HCA did by leadership? Would that be nice?

Ge Bai:

Yes. Yes, exactly. Remember if you get government money, there are strings attached explicitly or implicitly. Actually, I was quite pleased when I saw that news. Well, you know, the hospitals have all ready done a lot before the Relief funds came. So we have looked at the financial disclosure quarterly disclosure from the largest for-profit hospital chains. They have been

already volunteerily stopped paying cash dividends, voluntarily stopped put mergers and acquisition to preserve cash, to prepare for the upcoming pandemic. The market and individual corporations already have a way to deal with the situation. It's not clear how government can efficiently help and efficiently allocate the funds and fairly to everyone.

Ron Barshop:

Well, let's talk about those strings attached because now it gets into your accounting background. The strengths that I saw attached to the CARES Act were mostly accounting functionary. You have to do certain kinds of reporting and you have to be highly specific about how you're using the funds and why you got the funds. But I didn't see anything that said, you've got to be doing anything for the consumer. There's nothing in it for the doctors. There's nothing in it for the employers.

Ge Bai:

Exactly. So you see the strings were selected in a way that is not benefiting consumers. I'm totally with you. That is the huge loophole and the handicap in the law.

Ron Barshop:

All right. Well, I have another study for you to consider and maybe you've already studied this but the AICPA I believe is changing the rules for hospital, non-profits to report how they're writing off their charges. Meaning what they're doing currently is they're writing off at full charge master retail price. Charge master means the 100% price that they offer, but they don't get charge master they get half charge master, a third charge master, but they're writing off at full charge master pricing, even though that's not what they're They're getting two times Medicare in essence.

Ron Barshop:

The other thing that they're doing is if they build a beautiful waterfall, there's a hospital in Houston that built a gorgeous waterfall on the side of a garage and because it's public art they wrote it off as a public service. So if they buy beautiful art in their lobbies or build sculptures or build gorgeous buildings that are architecturally award-winning they get to write this stuff off. But I think the AICPA is changing the rules on that. Do you know anything about that?

Ge Bai:

No, I'm not familiar with this. So they can no longer write it off?

Ron Barshop:

Well, I think that's the rules change they're working on is they're going to more highly specifically target these kind of ridiculous gamification of the accounting rules.

Ge Bai:

That's great. I think the taxation rules should also have more discretion on those things.

Ron Barshop:

So, what would that look like?

Ge Bai:

If it's a for-profit, so we might be able to argue that those things should not be tax deductible. Is that ordinary, necessary business expenses?

Ron Barshop:

Yeah.

Ge Bai:

Do they really extend the public welfare? You know, the problem is now hospitals have been frightened by the ACA. They have a lot of money. If you have more money, think about individual finance, my paycheck got high of more amounts then I'm more likely to spend more, right? So the hospitals are doing the same. I have more money I'm going to spend it. So in order to control spending, there's no way if we keep allowing hospitals to obtain aggressive revenue in sometimes seen very questionable way.

Ron Barshop:

On the spend side, it looks like hospitals were laying off people and furloughing, even though they had federal money not to do so. I guess the federal money did not have targets associated with keeping good people on board and not furloughing and not laying off.

Ge Bai:

Mm-hmm (affirmative) I don't think that is a string attached with the government money, but the laying off in general, if we see a company is cutting labor force, then the stock market would've go up because that's usually a good news indicating more efficient operation. So during pandemic, many of my friends couldn't understand why hospitals still laying off. You know it's really a hard decision but they sometimes had to control their spending in order to preserve cash flow. And my issue is after the pandemic, once everything came back normal, I think the temporary furlough or temporary layoff should be reversed and we have seen some cases. So hopefully the labor force impact and the local employment impact will be temporary.

Ron Barshop:

So I'm going to imagine your analysis and your studies that you do are kind of like books on most people's side tables before they go to bed. You probably have about 10 different studies going on right now. What are you most excited about studying right now?

Ge Bai:

Thank you. I'm mostly excited about an upcoming charity care study. So we look at the hospitals across the country of different ownership, different characteristics then we are going to make a conclusion whether they perform up to the public expectation or not.

Ron Barshop:

I'm wondering, have you ever studied whether hospitals that are run by physicians are run better or more efficiently or more operationally sound than those that are run by executives?

Ge Bai:

We do not examine that, but in general physician-owned hospitals are better run than government or nonprofit hospitals. That's in general true.

Ron Barshop:

So are you talking about in terms of returns? Are you talking about lower infection rates, higher outcomes? What are you talking about?

Ge Bai:

Financially. So I haven't studied a lot regarding the clinical outcome. So here I'm talking about more nimble, more financially adaptive operations. So we see that physician-owned hospital [inaudible 00:19:52] not huge, but they are providing efficient service and they are doing a great job with the routine care. So if you have a very rare disease or complicated needs, then usually you'll go to a large hospitals, but in general, your physician-owned hospital are very efficient in treating routine, low-complexity cases and they are doing very well.

Ron Barshop:

Okay. So my most important question is you are teaching at two different colleges at John Hopkins. Are you having to run sometimes from one class to another class with like your tennis shoes on?

Ge Bai:

That's a good question. Luckily I do not. I haven't done that because my teaching for the business school is only in DC campus. So we have a DC campus in Dupont Circle and then they mentoring other activities in Bloomberg, in Baltimore. So I have go there in car.

Ron Barshop:

Oh, wow. Okay. Well thank you for all you're doing and keep it up. The good work, the good analysis it's great to read what you're doing and how do people find you if they want to contact you by?

Ge Bai:

Please email me at gbai@jhu.edu.

Ron Barshop:

Okay. We'll put that on the links and then also, if you could fly a banner over America on an airplane, what would that banner say?

Ge Bai:

Healthcare is Liberty. We either go to the joys of freedom, or go to the serfdom through healthcare.

Ron Barshop:

Yeah, that's incredible. Well, thank you for your time, Ge. We'll do this again this is very interesting and you're a very good spokesman for these analysis, I appreciate it.

Ge Bai:

Thank you so much Ralph for having me.

Ron Barshop:

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