Primary Care Cures
Episode 106: Gaurov Dayal

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:

The FTC announced a major study of hospital buy-ups of physician practices. Bully on them, but come on guys, I don't need to spend a dime on this. No study needed, guys. Here's your report. Burnout, increases markedly with buy-ups. Medical errors, the same. Costs, go up double, triple, quadruple, infinity. Hospital acquired infections. The DEM over test.

Ron Barshop:

There's a DEM over test ordered every 13 seconds in America. Unnecessary surgery. Monopoly pricing power. It all increases and bumps when these physicians get acquired the very next day. It has always been and will always be this way. [BIGs 00:00:40], by their very nature, are decoupled from the customer. Their billboards and marketing campaigns are proof positive with bragging and flouting new shiny buildings and happy white coats. And isn't it funny, they're always slinging that ubiquitous stethoscope just so and it's mostly men?

Ron Barshop:

They really should be celebrating the miracles that happen daily, which are the recoveries. The heroic nurses and MAs risk everything with no pee breaks days in a row. The real stories. I noticed most of my life I've been hanging out with women at parties. Remember when we used to have those? But not the men. And Terry asked me why the other day and I said it's because their talk is real. They talk about kids and bosses, marriage issues and parents. Real.

Ron Barshop:

Men talk about sports and business. So BIGs are men at the party and their patient stories in the frontline are women equivalent, and literally women. Here's what the FTC can learn, is that 70 to 80% of PCPs work for the BIGs. That is a freight train and it is accelerated in the last few years equal to all the years before it, decades of acquiring doctor practices.

Ron Barshop:

Now, with Marshall Plan billions, they don't even need that money. HCA, in fact, even returned their 2.1 billion to their credit. But these billions bolstered profits and all of the last four quarters, and they all had reserves about double what they got from the feds. I tip my hat and bow deeply to the two big hospital lobbies for getting more than the actual Marshall Plan that gave us world

peace. But this one had no strings attached and gave us accelerated misery as mentioned above: burnout costs, errors, all that above.

Ron Barshop:

But more than that sad, sad list, BIGs buying spree fundamentally changed primary care and by extension healthcare, because PCPs are the backbone of the largest slice of our economy. And guys, this is the only show that is talking about the stuff and featuring these kinds of guests you're about to meet today. Hopkins and Marty Macquarie taught us that 48% of every federal dollar is a healthcare spin.

Ron Barshop:

Bill Gates said healthcare is destroying school budgets. He said that eight years ago. And it's only worse with COVID. They're barely breathing. His Powell, Warren Buffett said healthcare is a tapeworm on our economy famously. Let's keep this simple. Big anything. The potential for great evil. Not my hospital run. They're doing great in my community. Shut the hell up. Yeah, yours too.

Ron Barshop:

70% get a free tax ride locally, county, state, and feds. It's a dream game board with rig dice and the BIGs are all headed for big trouble this decade because it's all on the cusp of unraveling because of models, like my guest has rent to us. We have hidden inflection points where this divorced reality separating a customer from the big is unsustainable. It's irreversible. I live in a future where everyone wins. If you read anything, I write, I say that every time. So today you're going to join me and my guests today who are the anti-big antidote. Rather than introduce you or off dial, is it safe to say that at ChenMed, and now Everside, that you do not see any burnout there?

Gaurov Dayal:

You know, COVID obviously has changed a little bit of the dynamic, but I think compared to ... First of all, kudos on your opening commentary, Ron. Totally relate to everything you said and I think you said it very eloquently. I think, look, we have a big problem in primary care in this country, right? And places like ChenMed, places like Everside, these are safe havens for PCPs who went into the less sexy part of healthcare delivery to do the right thing and to take care of patients holistically.

Gaurov Dayal:

Hospital systems are not designed for that. Hospital systems are designed for PCPs to refer patients to specialists and to procedures. It's a simple, simple calculus, which comes across, and from my hospital they can relate to this, comes across as loss per PCP, right? They're all "a loss leaders." And I don't think any of us went to medical school to become a loss leader, right? Which is paradoxical given that the same doc the day before they're hired were running a profitable business.

Gaurov Dayal:

So I could never understand how is this physician profitable on Monday, but now a loss leader on Tuesday? Aren't they doing the same thing? And aren't you actually inflating their rates and getting paid more for everything they do because of these ridiculous loopholes in the reimbursement model? So look, healthcare is a tough profession. Being a primary care doc is tough so I would not want to paint a panacea what we're doing at Everside. But it sure beats the alternative as to being a large healthcare system.

Ron Barshop:

Absolutely. Okay. More questions. We're going to get into the models in a minute here because it's super important to understand for this listener. But cost rising. Do you see costs rising at the value based care models like ChenMed or at Paladina Everside?

Gaurov Dayal:

Again, COVID puts a whole new spin on things because utilization, frankly, across all sectors of healthcare have declined for obvious reasons. But taking that out, the value that these primary care models bring is actually significant curtailment than cost. I just started Everside recently and we are very confident in telling employers that we will more than recoup any dollars they pay us. And that's why they sign up with us.

Gaurov Dayal:

And on top of that, we're guaranteeing better healthcare outcomes. So look, you know this, Ron. The solution to the problems in the US healthcare system are very simple. It's just that the incentive model prevents us from seeing the solution, right? It's hands-on, regular primary care, prevention and chronic disease management in cost-effective settings with cost-effective treatments. It is not rocket science. It has been made convoluted because the reimbursement model supports convoluted things, right?

Gaurov Dayal:

You can correct me on my statistic. But I think primary care accounts for approximately 5% of US healthcare spend, which is, frankly, ridiculous when you think about it. Because more a bolstering of a primary care system will so significantly reduce your total cost of care that you could probably triple your primary care spend and still come up way ahead on your total cost of care. But again, the lobbying groups, as you referenced in your opening, work for hospitals, work for device makers, work for pharma. They don't work for primary care, right? And the ones who do are frankly not terribly effective at it.

Ron Barshop:

Well, and the two largest primary care groups we would say UnitedHealth Optum has the largest group of over 46,000 PCPs. And then you can go to Kaiser Permanente in California for the second largest about half that. And both of their CEO said within a week of each other about a year ago that an investment in primary care significantly reduced the downstream costs. That's just logical. I mean, that's [crosstalk 00:07:40].

Gaurov Dayal:

And what do they have in common, Ron? What do they have in common?

Ron Barshop:

I don't know. Good question. What do they have in common?

Gaurov Dayal:

They're both plans that have added on primary care groups who are incentivized to keep people healthy out of the hospital, and to lower their total costs of care because that hits their bottom line directly, right? And I think, frankly, look, that is the model we should be looking at, right? Kaiser is an amazing model where they have a lot insight on the patient, both from a clinical perspective as well as a financial perspective. So incentives are aligned, right?

Gaurov Dayal:

I mean, one of my friends is a spine surgeon at Kaiser and he said he loves his job because unlike ... So no disrespect to the thousands of spine surgeons in America, but it is a very over-utilized specialty. I think, in fact, it's the most over-utilized specialty out there. Right? You go in, you pulled your back using a weed wacker over the weekend and you're getting a discectomy on Tuesday morning. Right?

Gaurov Dayal:

But at Kaiser, what my friend said is what's great is by the time he sees a patient, they're getting surgery. They've been through everything. They've been through primary care management. They've been through PT. They've been through conservative therapy. So if I'm showing up to that guy at Kaiser, it's because I need a discectomy or whatever, right? I think that's how medicine should be practiced. People should be doing services that are needed at the right time, at the right place, by the right people, but not because they need to make another boat payment.

Ron Barshop:

Well, there's literally nobody in America that has your experience at the tip of the spear with value-based care with ChenMed. Everybody's heard of ChenMed, the pharmacist show, and how amazing it is. And that is full risk. I believe only 5% of all value based care clinics have full risks, because they don't want to take that scary risk on. But ChenMed does it and not only does it well, but really is a national model how to do it right. Am I right?

Gaurov Dayal:

Yeah. It is a full risk model, all medical costs, all pharmacy costs. And it's basically, if you don't manage, you can lose a lot of money. And if you can manage patients well, you can get good outcomes both financially and clinically.

Ron Barshop:

And you double their business in a couple of years you were there. Then, you've been invited to be president of Everside, which merged with Paladina. And I think you're the second largest DPC practice in the country now?

Gaurov Dayal:

We are. So Everside is the new name for Paladina. We're launching the new brand I think in March, actually in a few weeks. It's a combination of three companies actually. It's Legacy Paladina then Activate, which has a lot of Taft-Hartley union members. And then health stat, which is our most recent acquisition, which had a lot of presence in the occupational onsite space as well for employers.

Gaurov Dayal:

So, it is the second largest DPC in the country. We have approximately four locations in 32 States. We see employees. We see their families and all for a fixed, direct primary care fee with no incentives to do more, but every incentive to do everything needed to keep people healthy. And also, improve access dramatically. Right? And I think that's a big, big part of both of these delivery models. Access. I mean, try getting into a primary care doctor in this country. It's not because they don't want to see you. It's just such a cumbersome process. It's delayed half the time. By the time you see one, your illness is self-resolved, right?

Ron Barshop:

So let me go into these 10 lives I talked about a few weeks ago. I said that you have to work for a big company insurance company or Kaiser Permanente to be a PCP today. Do you agree or disagree?

Gaurov Dayal:

Well, I mean, you have to meaning like you have fewer options or that's what you would like to do? I guess [inaudible 00:11:29].

Ron Barshop:

No, that's what people have to do because they don't-

Gaurov Dayal:

I agree. It's a monopoly market now. I mean, you have to go work for a big ... It's very difficult to be on your own. And there's not that many models such as Everside and ChenMed on a relative basis as you mentioned.

Ron Barshop:

Okay. Do you believe there's not enough PCPs or that we have enough PCPs?

Gaurov Dayal:

I believe we have enough PCPs, but I think that we over-utilize their time in the wrong fashion.

Ron Barshop:

Okay. Our health always declines or at least maintains as individuals in a nation, true or false?

Gaurov Dayal:

It should be false, meaning health should get better. But it's not always the case.

Ron Barshop:
But ChenMed is the case and Everside is the case.

Gaurov Dayal:
Correct. But that's not the norm.

Ron Barshop:
Okay. Cost of care only rise.

Gaurov Dayal:
False.

Ron Barshop:
False. COVID almost single-handedly killed our hospitals.

Gaurov Dayal:
Great story. Not true.

Ron Barshop:
Yeah. Totally narrative. Not reality. There are no Superman or wonder women to save. That's just BS because I'm talking to Superman. I mean, wonder woman is every woman that works for you guys. Docs are powerless to radically reverse people's bad habits, true or false?

Gaurov Dayal:
False.

Ron Barshop:
Yeah. I want to talk more about that. Money solves most healthcare's ginormous headaches, true or false?

Gaurov Dayal:
It solves many of them.

Ron Barshop:
Okay. There are no easy fixes in healthcare.

Gaurov Dayal:
False.

Ron Barshop:
False. Okay. And then most insurance brokers really care about their employer. That's the best one. That's what I elect.

Gaurov Dayal:

I want to take the fifth on that one.

Ron Barshop:

That's a good thing to do. So, let's talk a little bit about Everside and Paladina. What happened with Paladina that blew everybody's mind was they took on the State of Colorado and then they said, "We're going to take full risk on this. We're going to charge you a certain amount." And nobody had done that in direct primary care before. Is that a model that you're going to continue to evolve with or is that a one-off thing?

Gaurov Dayal:

No, that's actually a great success story for us and has been replicated. We're also in the State of New Jersey also now. And just recently, we expanded our relationship with the State of Colorado. I mean, it just goes to show, I mean, it's one of your questions, money, isn't the solution to all the healthcare problems, right? I mean, it's common sense approach to engaging with the employees, their families, seeing them regularly, being available to them, having them having a designated PCP who knows them, connects with them. And I think the results speak for themselves.

Ron Barshop:

You've only been there a couple of weeks. Do you have a sense of how much percentage in savings employers are finding with Paladina?

Gaurov Dayal:

It varies on the level of engagement. Not every contract is the same. But I think we are very comfortable that it's definitely North of 10% for every employer we sign up.

Ron Barshop:

Okay. And how do you feel about these, one medical's going public? Do you think that's a future for Paladina?

Gaurov Dayal:

I mean, look right now, who knows? I've given up predicting the stock market, especially after March of this year. So who knows where things stand in the market? But I think right now what is happening is there's a lot of growth in the sector, and to fund that growth capital is needed. So I think there's three options, typically. Either you raise investment through VCPE, you go public. Or these days, it seems like everyone is doing what's called a SPAC, which I don't even know what it means. But I read about it every day. So I think those are the sorts of what seems like a lot of folks are jumping into one of those three.

Ron Barshop:

Who are your chief competitors that you see in the marketplace?

Gaurov Dayal:

Frankly, the space is not terribly penetrated. I mean, it's like people access primary care different ways if they go to their traditional primary care group. Most of them don't go to primary care, which is a shame. Most people are going to nowhere or they're going to the emergency room or urgent care. So in most markets that we're entering it's not as much about switching PCPs. It's about people having a PCP. And we really feel like it's a fairly under penetrated market. I mean, look, we're not a tremendously large company. But we're second in the country in size, right? So it goes to show that it's just not a very penetrated space. And I think part of my ...

Ron Barshop:

Is Crossover the largest cordon?

Gaurov Dayal:

No. Crossover's much smaller than us. I think if I have my numbers correct, a company called Premise maybe larger. But Crossover as far as I know is much smaller. I don't know as much.

Ron Barshop:

Yeah. Crossover might be over a million, but they just got Amazon. So they might be growing pretty fast.

Gaurov Dayal:

Yeah.

Ron Barshop:

How many patients are y'all serving now?

Gaurov Dayal:

Again, it depends on which model we're looking at. But from an engagement perspective, it's over a million.

Ron Barshop:

Okay. So if your children were getting into primary care or getting into health care, would you recommend that they become doctors now in your model?

Gaurov Dayal:

I think if you're going to be a ... And look, I have my own bias here as a primary care physician. But if you want to practice ... When I was in med school, the reason I went to primary care was the relationships with patients. Be there in a longitudinal fashion. Be there when they're most vulnerable and when they need medical care. And also, shepherd them through a very complex MOU.

Gaurov Dayal:

That is only going to happen, I think, in companies such as this that are independent, that have no vested interest in over utilization of services, that get to call that are physician-led, and that

are built on a patient first principle not a reimbursement first principle. Right? I'm not being Pollyannish about it. These are all businesses so revenue is important.

Gaurov Dayal:

But what's driving it? And are you like second banana to like a hospital system or third banana, maybe? Or are you front and center of the care delivery model of your company? So the short answer is yes. I think we see much better job satisfaction. We see a lot more feeling of control, and we see a lot more the fact that people get to do the right thing at the right time for the patient.

Ron Barshop:

So, we call this a future where everyone wins where the doctor wins, as you just described. The patient wins because they don't have to deal with the coal mine experience.

Gaurov Dayal:

I agree fully, yes.

Ron Barshop:

Yeah. And there are people who, most doctors if you asked them, "Can we hit triple?" They'll go, "We're even close."

Gaurov Dayal:

Correct.

Ron Barshop:

But you'll look in the eye and say, "No, we're actually happy employer, happy outcomes, population health's increasing. Patients, docs, everybody's happy."

Gaurov Dayal:

Triple Aim is not being met because the reimbursement model and traditional fee for service actually disincentivizes you to hit the Triple Aim, right? I mean, everything's following the money. Right?

Ron Barshop:

It's sad joke. So, [Gaurov 00:18:16], what is the question I should've asked you that I didn't ask you?

Gaurov Dayal:

Oh, geez. That's a good one. What are my views on the future of virtual care in the future?

Ron Barshop:

Let's go with it.

Gaurov Dayal:

I think COVID's really accelerated virtual care probably by, I don't know, at least a decade. I want to say maybe more. So just given that it's healthcare and regulatory itself would taken a decade to resolve. I think at peak COVID what we're seeing 70, 80% virtual visits. Now the number probably flipped and it's probably 20%. But it's still probably 10X or maybe 100X more than it was. And just like we're all using Zoom or Teams or whatever to interact and work, I think that virtual care is here to stay, right?

Gaurov Dayal:

My belief is that virtual care is legitimate. There's a lot of work that has to be done around quality standards, but I could argue the same thing in life care. We have very ambiguous quality standards. I do think that ultimately the patient gets to call the shots. I'll use my dad who's almost 80 as an example. He didn't know that virtual visits were even possible until COVID. And after he did one with his primary care doc, he's like, "Why do I ever go in?" Right?

Gaurov Dayal:

And I think that's the mindset we have to have. And we have to be viewing this as a way to improve access and lower costs and not use the same old, same old mindset that, "Oh, a virtual visit should cost the same as a physical visit." Right? Because the cost saving and access benefits should accrue to the patient. If you look at technology, digitization of services typically, and I think maybe unanimously, lead to lower costs.

Gaurov Dayal:

And I think that in healthcare, we try to act like we're always different. And hopefully, we won't be different on this one. This will significantly accelerate access and adoption and lower cost of all kinds of services, not just primary care. But very important ones like behavioral health, which I think just completely gets transformed by virtuality.

Gaurov Dayal:

So, I don't think much is going to change in the next year or so. But I think the next five years we're going to see a significant, significant change in delivery. You and I are both old enough to remember this. But in the late '90s when cell phones were becoming mainstream, people would ask, "What's your cell number?" And, "What's your home number?" People don't ask that anymore. Right? They ask, "What's your phone number?" And they assume it's your cell number, right?

Gaurov Dayal:

And I think that similarly, within the next decade, we're going to use virtual care and physical care fungibly. Assuming, just going back to your opening statement, that regulatory reimbursement and lobbyists don't screw it up for all of us so that it just becomes prohibitive to do virtual care because of all of these reasons.

Ron Barshop:

Yeah. Well, my neck is hurting from violently agreeing with everything you're saying. I think the hospitals may be in big trouble, though, because they're building these big shiny edifices, and more care is going virtual visits. 85% of all visits are obviated by the telephone now. And plus

we're having smart tech that's entering the home with wearables that's going to allow us to monitor and reverse diabetes as we have with a couple of our guests. So I don't see hospitals winning in this. And I also see, I want to hear your take on that. And I also see the insurance companies in a death spiral because even as diversified as they are, they're going to lose their core business as they price themselves out.

Gaurov Dayal:

I guess I've been around long enough that I wouldn't bet against either for different reasons, right? I agree in concept with what you're saying, especially on the hospital side. I still see significant construction of hospitals everywhere I go despite the fact that everybody says we're over bedded and way over utilized. Unfortunately, for many systems is the one trip pony, right? We can service the only revenue model or the only meaningful revenue model.

Gaurov Dayal:

And I think COVID, frankly, pushes value based care backwards for hospitals. Because now for the next two or three years, they're going to try to recoup the losses that they incurred this past year. I think the issue with hospitals is what you said in your opening, right? I mean, there's always a bailout coming. There's always government protection. There's always this. There's always largest employer in town.

Gaurov Dayal:

My analogy to that is, well, does being a large employer, that's not justification for inefficiency, right? Because otherwise, we should hire more people at the post office and at the car dealers and take out Uber and have cabs only. I think in general, the economy does better when we have efficiencies not inefficiencies. I think that's a lesson that because hospitals are at the intersection of government and a private sector, frankly, and maybe it's not government but at least it's public sector, they get to straddle the fence a little bit.

Gaurov Dayal:

On the insurance side, it's a tough question. I don't know. I mean, they're humongous companies. They're very diversified. They have a lot of cash. And I think alternately, not everybody can be a risk-bearing entity, right? That takes a lot of effort. Even risk-bearing entities needs somebody to provide them with the risk. So unless we're going down the path of the national healthcare system, there will be somebody in the middle, for lack of better word, even just to be a sales channel.

Ron Barshop:

So you're my hundred and fifth interview, I said uh-huh or yes about as many times in this interview as I said in all the other 105 combined. I'm so delighted to invite you back and hear more about as you grow and expand. And I'm so proud that direct primary care has such a fine representative. And my God, you had such great training working for Gordon Chen and the Chen family. They're such good people and they have such a good model. But I do want to ask you a question. I have a stumper that I ask every guest, and you may know it. But it's, if you could fly banner over America with one message, what would that say?

Gaurov Dayal:

COVID free zone.

Ron Barshop:

Okay. That sounds good. Thank you. Well, thanks again for being on our show, Gaurov. We'll look forward to doing this again soon, and we'll check in later. Okay?

Gaurov Dayal:

All right. Thanks a lot, Ron.

Ron Barshop:

Thank you, man.

Gaurov Dayal:

It was a pleasure. Thank you. Bye.

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.