

Primary Care Cures

Episode 130: Patrick Spain

Ron Barshop:

Welcome to the only show dedicated to a new way of delivering healthcare. This new model has no name, but let's go ahead and call it direct contracting or digital first care. The new way centers on opting out of the games bigs play with their rigged dice, their crooked game board and their purchased referees. And if you're looking for a future where everyone wins, that's the doc, the consumer, the employer, and with assured amazing outcomes and measurably lower costs that are ranging up to 60%, you're in the right place. I'm Ron Barshop, your host. I'm glad you're here. Welcome to the new healthcare economy.

Ron Barshop:

Amazon has the PBMs, read, big insurers, very nervous these days, and it's going to hit its 30th birthday in three years. Be your most dominant company start to die, says Jeff Bezos, our newest astronaut. Well by year-end, it looks to exceed 2 trillion in market cap. As I speak today, it's about a billion. I'm sorry about a trillion, eight. It's hard to say that T word, but that's more than every grocery and drug store market cap by double and Bezos is worth \$112 billion. More than most billionaires you can name by probably double as well. And so now healthcare is squarely in its sights, its cross-hairs. So now healthcare is squarely in its cross-hairs for its own people initially. And if that works out nicely, we're going to all see it rolled out and it's starting already. Amazon has quietly launched primary care plus clinics nationwide ASAP.

Ron Barshop:

They're in five states today, including their headquarters in Seattle. Amazon opened its first neighborhood health center in Dallas, July, 2020, which is interesting because Walmart opened their first one in Dallas, Georgia. It also has centers in Phoenix, Louisville, Kentucky, and has plans to open them in Detroit, San Bernardino, Marino County, California, and after expanding into Michigan and California, they're going to soon have health centers near fulfillment centers, their big warehouses, in five states, which will be Texas, Arizona, Kentucky, Michigan, and California. So currently Amazon care works with employers that pay a monthly fee, a subscription model for each employee to have access to the services. And this is kind of nifty, not only including Amazon itself, but Peloton, own pre-core and other different services that are adding in. But let's talk about pharmacy because that's why the PBMs are quaking right now. If you know anything about Amazon, they acquired PillPack and they now are in the pharmacy business.

Ron Barshop:

And it's the consumer centric way to take a lot of meds and supplements in my humble opinion. Now thank you, Amazon, insulin will also be affordable again for millions of diabetics who were getting priced out by three big pharmas that are now getting sued for racketeering, basically.

That just got announced today, but the meds and primary care is just the start, in my opinion. They really want to own the healthcare graph, just like they already own the pocket book graph, but just like Facebook owns the social graph like Apple owns the devices graphs. So meds and primary carrier, super obvious beachheads, if you want to own the health graph.

Ron Barshop:

My big question, maybe not to PBMs is, is Amazon going to figure out that this direct contracting model that they're now playing with, this digital-first care model is the iteration of consumer centric care? They've hired crossover health last year to go in all their fulfillment centers and you met its two liters last year with Scott Shreeve and Jay Parkinson, right after they cut that deal. And now their fulfillment centers are likely seeing how amazing this near-site and on-site primary care paired with occupational and mental health is. And if I remember right, they also offer acupuncture. So costs are going to probably drop, outcomes are probably going to soar and everybody's going to get a nice raise because with free care, you've just got a bonus overnight and it's evergreen. It happens every year. No more deductibles, no more copays, no more premiums. If that happens, and you're a big, they're going to want to own the health graph and they will own the health graph to five, and maybe instead of five years to another 30 years, unlike many bigs who may not survive that long and probably won't with these models that are sclerotic.

Ron Barshop:

Well today we welcome Patrick Spain to the show. Patrick not only founded First Stop Health, which is a telemedicine and virtual mental health services platform available as an employee benefit for employers and is also available to resellers and is also available to students and staff at higher educational institutions. But this is the fourth time he's done this. Why, because he had a bad experience with the healthcare system. So Patrick, welcome to the show.

Patrick Spain:

Thank you, Ron.

Ron Barshop:

What happened to you? Why did you get so mad?

Patrick Spain:

Someone in my family became seriously ill with a very rare and usually fatal disease. And so we went to conventional providers and they all said, well, we hardly ever see any cases like this. We'll try this or maybe try that. We're not sure whether any of that will work. And so I said, well, somebody must know about this. Could you tell me who? And essentially in a much more polite way I was told, well, we don't get paid to do research. We get paid for procedures and we get paid for office visits. Which is it that you'd like? And so I said, well, something's not quite right with that. I was in the middle of something else at the time. I said note to self, fix healthcare. And so around 2011, I was talking to one of my friends from college who was an ER doc.

Patrick Spain:

And I said, Hey, I'm thinking about how do we fix healthcare? And so we kicked things around for about a year. We started looking at advocacy, which is essentially what advocates do for people now, they find them the right care and the right place for the right amount of money. And the market wasn't ready. There wasn't an advocacy market, but it was essentially for rich people. It costs five and even six figures to get really good advocates to get you to the right places and get you all the second opinions and things you needed. But in the course of that, Dr. Mark Friedman, who is my partner at First Stop Health, and he's also an ER doc, happened to mention that 50% of the people in my emergency room don't need to be there. So how many times Americans go to the emergency room meet here?

Patrick Spain:

It's a nine figure number. And so he said, great, that's a great market. Let's look at doing some kind of immediate consult via, at the time, phone. And we sort of looked at the big players at the time. Teladoc was then as now the largest player in this space. And we said, we don't really understand this business because the people are paying relatively small, fixed monthly fees combined with, if somebody actually calls, they have to pay a fee and nobody's using it. It seems to be like a checkbox benefit. And so we thought, well, what if we got people to use it? What if we applied some of the same marketing and engagement techniques being used across other industries to get people to actually use it instead of one or 2% utilization, we could get it up to maybe as high as 25 if we worked at it really hard.

Patrick Spain:

And so we went out and recruited some employers. We tried to do it through brokers initially, but because we didn't have a track record, we couldn't. And we went out and recruited a dozen employers and worked really hard to try and to make sure that their employees were aware of this benefit and how to use it, and most importantly, it costs them nothing because it was an unknown to most of them. They'd never heard of telemedicine and to pay \$40 a typical copay, or maybe it was a lower 10 years ago was something they weren't going to do. And I believe at the time we were one of the few companies, Teladoc had some of it that was doing this only a monthly capitated amount. And so we went to work at it. And in the first year we achieved not 25% utilization, but 34% utilization by making it free and by educating about the kinds of things they could call us for and that we could help them with. So that's really the genesis of First Stop Health.

Ron Barshop:

And right now you're in how many states?

Patrick Spain:

50, DC. We have Puerto Rico and maybe Guam covered now too.

Ron Barshop:

No Virgin islands? What's the matter with you? No Puerto Rico.

Patrick Spain:

No, no. We have Puerto Rico and Guam.

Ron Barshop:

Okay, good. Let's talk about the numbers. What is your headcount today and what do you think it's going to look like in two or three years?

Patrick Spain:

We have half a million members right now, which makes us relatively small, but our members, unlike some of the other folks in the industry who talk about members, they're really talking about, so I have one of our competitors signed through my healthcare plan and I never call them. No one's ever called them in our company or really any other company. So they're still getting, leaving aside what happened during the pandemic, they're still getting low single digits to mid-single digits now calls. And so that's not a good approach to success in this space. So what we've done is continue to push our utilization up. And we'd added another product, which is virtual mental health. Again, free, no theoretical limits on how often you can use it. But it's intended for short-term issues so we kind of positioned ourselves in those two areas right now.

Ron Barshop:

Now utilization, according to Medicare/Medicaid is somewhere around one to 2% pre-pandemic and is now close to 40%. And we had a guest, Clinton Phillips, with Medici on who has, I think, 13 million patients on his virtual care platform. And he said they still have 13 million a year later, but they now have 400 to 800% utilization. So it's like, aha. I can use that. Did you find your utilization jumped also during the pandemic?

Patrick Spain:

It did. It doubled overnight. And because we charge employers a flat fee, that was a little painful for the first five weeks into the pandemic. But what we saw during the course of the pandemic is something that we hadn't really thought about, but it turns out that if you stay home, you wear a mask, you stay six feet away from people and wash your hands 30 times a day, not only do you not catch COVID, but you don't catch the flu. You don't catch a cold. You don't get strep. So there are a lot of things that went away. And so utilization as a percentage has gone down for us. Now there's a lot of talk about all this huge utilization and providers. For example, I have a specialty practice that I go to for allergies. They had zero utilization of telemedicine prior to the pandemic, and then they popped up to 20% and now most of, and I don't know where they are these days, but most folks have now sort of started to come down. And those were just substitutes for physical visits and the charge is the same.

Ron Barshop:

Yeah, you do have to go in and get allergy ... I'm in that business too. You do have to go in and get shots every week and sometimes every month, sometimes every year, but that's one of those fewer doctors, you really have to have a lot of interaction with, you can't take that medication home safely.

Patrick Spain:

But the first consult was done by telemedicine with the doctor. They, they had me come in and do a test, then had another consult with the doctor and then I come in weekly and get those shots. So yeah, it has to be physical. But if you take some other areas, what's happened is that providers

who were doing an in-person consult are now doing a virtual consult, but there's no money saved because they're getting charged the same amount of money, the insurance company, or the patient is getting charged the same amount of money. And so it's just using technology to substitute a physical visit for a virtual visit, but without cutting the price.

Ron Barshop:

Teladoc takes a lot of air in the room, out of the room, but y'all have really aren't direct competitors would Teladoc. Explain how your model is different from a Teladoc model.

Patrick Spain:

So we sell directly to employers and we sell on a free to the employee basis. And so what we give the employer in exchange for that is a guarantee that we will save them money measured purely by the number of diverted visits from ERs, doctors offices, urgent care, et cetera. And so we're able to sell what we do on that basis. And so our only competition, and we serve the mid-market several hundred employees up to 5,000 or so. We have several large companies as well, but our primary focus is on that mid market, which is largely broker intermediated. And the only thing we compete against is an embedded product. It could be Teladoc, it could be MD Live. It could be American Well or Doctor on Demand. But even today, those, while they did get a pop during the pandemic, utilization is back down into maybe 10%, whereas it was two or 3% before.

Patrick Spain:

And again, you still have the issue of they're back to charging copays. Most of them stopped during the height of the pandemic. And so there's no real savings for the employee to do it. There is a convenience factor. And so we're competing by saying it's convenient, we're the fastest in the industry. We are three minutes until you get a consult on average. If you call during the business day, it'll be more like 30 seconds or you can come in via your app or whatever. However, you come in, you'll have a consult typically during the business day in 30 seconds, but on average, across a 24 hour timeframe, it's in under three minutes.

Ron Barshop:

So you got to scratch your head and ask yourself, you're at 34%, which is three to four times your competitors and you're offering something free. So you've made it frictionless. Why aren't the others, 50 or 66% of the employees jumping onto these calls with y'all?

Patrick Spain:

Well, we ask ourselves that all the time.

Ron Barshop:

Yeah, I imagine.

Patrick Spain:

One of the issues is that if you compare it to primary care, the average family of four goes to the physician 10 times a year. And so that would be 2.5 times per family member. It usually doesn't break out that way. The male never goes, the female goes more frequently and the kids go the

most frequent. But when you look at it, at 44% utilization, we're getting 44 calls per 100 so we're getting less than one call per covered employee. And so the reason is that they still are used to the old habit of going to the doctor. And some things do require a physical exam, but probably half may require physical exam, higher for children because they can't explain things that are wrong with them as well.

Ron Barshop:

You know what I've found that really works, it's amazing. It's so simple. I've had this product or product like this for four years now in my company. And I used to lead off, let's talk about mission and values and vision, and that was all kind of malarkey because it didn't really resonate with them. But when I started to tell me about your health, tell me about your kids. Oh, well we had pink eye and we had a stomach bug and my husband's got apnea. And then you say, well, are you calling that number that we gave you? We've kind of forgot about it. So I stuck a sticker with the phone number of the tele-health on everybody's laptop. And I said, I don't want you ever to not call this number again when you have anything going on in your family, because I want you healthy. And I want you not worried about your kid going to some stinking Medicaid clinic with a bunch of hacking, coughing babies. You deserve the red carpet, and that's what this number will give you. And it was beautiful. Everything switched over. My turnover has dropped almost to zero. My absenteeism is not zero, but it's way lower because they're not going to these half day Medicaid clinics to wait in line forever, to get a 15-minute visit with a doctor for a script.

Patrick Spain:

We did something very similar in our early days. We found that men who worked in logistics, worked in oil services industry and drivers of trucks and other types of vehicles, weren't really getting the message. And so we worked with their employers to put a sticker on the equipment they used, on the dashboard of the truck. And that really dramatically increased utilization amongst that group of people. So we found, we probably have 15 different tools that we use. One of the interesting things is we have a number of companies that are heavily male, manufacturing, sort of blue collar and you can communicate with those folks all day long, and you're not going to get as far as you would, if you communicated with the female head of household. So we communicate with the female head of household now. And so those companies have typically the same than utilization as any other company.

Ron Barshop:

The alpha caregiver is almost always going to be the wife, isn't it?

Patrick Spain:

Yeah. Apparently 85% of the time I saw a report is that 85% of all healthcare decisions in the United States are made by women.

Ron Barshop:

So if you're at half a million today, what do you look like in two or three years with your growth plans?

Speaker 3:

Well, we've been growing 60% a year for the last couple of years. I expect that will continue. We're in the process and maybe adding some additional dollars. And we're also expanding our services. I mean, we're very much like direct primary care right now, except there are certain things we don't do. We don't have appointments, everything's on demand. We don't do annual physicals. It's not a huge challenge technologically, certainly, to move into that space. One of the challenges is around acceptance by employers of a direct care model. And we're starting to see it in the mid market. And as we did in telemedicine, you don't want to start too early, but you want to get in there pretty early and we're starting to see it really take off.

Ron Barshop:

What is the reason people tell you no three years ago and what is the reason people will tell you no today that doesn't make sense to you?

Patrick Spain:

Well, it's complicated to explain. I mean, that's the main thing, which is, so when I talked to our HR department about it, they said, what do you mean there's no doctor network? And I said, well, every doctor is in network. Well, how can that be? And then you have to explain how it works. And so the challenge is we've been used to going to doctors and getting the insurance company to pay the bulk of it and us paying a small amount of it for a long time. And we don't even know what those doctors are tops in their field. We don't know really what they're charging us. We only know what our copay is.

Patrick Spain:

And so we're in a world where people are, because of technology, are much more able to absorb some of these things, but they still need a lot of guidance around how do you shop for this stuff? And what we do right now is in effect, we do the shopping for them. We give them good board-certified doctors who will take care of about 20 to 30 different conditions. And then as you move into specialties and into primary care, you do the same thing.

Ron Barshop:

So if I need a women's well-check or my kid needs a vaccine, or I have some angina and I need to have my chest palpated or whatever, whatever I had to have reviewed with a physical visit with a doctor, y'all arrange for that visit and then the company pays for it because it's self-insured or do y'all pay for it? How does that transaction work?

Patrick Spain:

Right now, we don't do that. What we say is you have a health insurance carrier, that health insurance carrier has those resources, and we need to refer you to that because we don't have physical locations. But I'll tell you how my physician does this. I'm in a concierge practice and so actually these allergy things, and he's in Chicago and I'm in Austin, he found me a good allergy clinic. And the good doctor set that up. I went in and did everything. And in that case, I am charging my insurance company, but I'll tell you the actual cost, every time I get those weekly shots is staggeringly high. It's hundreds of dollars for a two minute visit with a med tech. And so when you think about the opportunity to cut lots and lots of money out of that, we still don't have

a place that I can go. I can't go to Walgreens and have them give me this shot because the doctor has the serum.

Patrick Spain:

So there are a lot of barriers to figuring out how to drop these things, but you can see them in front of you every day, how expensive things can be. And so one of the things that my physician does is he says, okay, here are the folks near you where you'll be charged \$200 for that shoulder MRI you need. Don't go to the three hospitals in Austin because they'll charge you closer to 2000.

Ron Barshop:

What do you all charge the employer for your service?

Patrick Spain:

If you're a thousand or larger, we're charging you basically a \$5 a month for tele-medicine and another dollar and a half to \$2 for a virtual medical.

Ron Barshop:

Wow. You don't just don't literally get any cheaper than that. That's fantastic. Well, great. So let's talk about the future. Are you going to be adding additional services on top of mental health?

Patrick Spain:

Well, we really like value-based healthcare. So we're looking at adding additional PEPM services and we look at direct primary care. We look at dermatology, much of which kind of to my surprise can be done via virtual means. So if you need something cut or frozen off, you need to go somewhere and so you need to be able to set up an arrangement whereby you've diagnosed something and you need to have something done. You need to be able to send them somewhere. But we really like direct primary care as an exciting place to be in the future. And we're still kind of figuring out what our strategy will be when we address it.

Ron Barshop:

Do you have a way with your technology, Patrick, to attribute a patient to a certain provider in your system? In other words, will I get the same nurse or same PA or same doc every time? Or is it going to be a little bit more random than that?

Patrick Spain:

So it's combination, it's like, you'll have a primary care physician, but if you have an emergency, if you really need a prescription for something, you may end up talking to one of our urgent care specialists who works with the primary care doctor, but you'll have a single record. And so right now what we do is episodic tele-medicine. If something wrong with you, we can fix it. If you have something that requires multiple visits, we can't help you. We can help you that first time. Fantastic example is we get a surprising number of calls with toothaches, and this surprised us, because we can't pull your tooth for you, but what we can do for them, because the dentist can't

work on their tooth until the infection has gone down, is we can prescribe them an antibiotic and within 24 to 48 hours, they can actually see a dentist.

Patrick Spain:

And we can do that in the middle of the night. And the diverted more than 60% of people with a toothache who call us are calling us after hours and when we asked them what they would have done was they said they would've gone to the ER. Normally only 5% of our employees had that as an option when they call us or 5% of our members. So that was an interesting opportunity that arose and we'd love to be able to refer them to a dentist if they don't have one that they could see in an appropriate period of time. And so setting up all those networks, as you know, there are a lot of networks that are already set up out there. I think you even interviewed some of the folks who have those networks. And so we're in the process of building that.

Ron Barshop:

Right. Well, Patrick, this has been great. If people want to find you and reach out, how do they get in touch with you?

Patrick Spain:

I'm PJSpain@fs, as in first stop, health.com.

Ron Barshop:

Okay. And if you could fly a banner over America with one message for everyone to read, what would that say?

Patrick Spain:

Well, we deliver healthcare that people love.

Ron Barshop:

Right. Okay. Well, thanks for being on the show. Let's stay in touch so we can watch your growth. And I hope only great success and big wins for you like you are having right now. That's terrific. Terrific story you told today. Bye-bye.

Patrick Spain:

Bye.

Ron Barshop:

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