

Primary Care Cures

Episode 14l: Lester Morales

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:

I'm excited about today's guest because he's an expert at a subject everybody wants to know more about how do you find the buried treasure. Employers each have buried treasure in their healthcare spend today, typically the second largest line item after labor costs. So inside a typical million dollar spend in healthcare, which should be about 70 employees, there's at least 200,000 guaranteed in the blink of an eye. A good advisor can find 400,000 in that million. And a great advisor will find 600,000 with some hard work. How do they do it? Let's talk about their toolkit.

Ron Barshop:

First, their fees are fully disclosed and contractual versus 17 hidden fees that are undisclosed as we've learned from previous shows, 17 hidden fees in the typical benefits plan. How about that? The biggest or the lowest hanging fruit is what I should say is pharmacy. It's going direct now.

Ron Barshop:

You skip the big middles that are basically insurance companies so a giant, low hanging fruit is this medication formulary that's put together by your advisor. The average pill in 85% of the cases we learned from previous guest, ZacK Zeller of Scriptco, is about one penny to 20 pennies per pill. That's about 85% of medications. That's what they cost. That's not what you're paying for it. Primary care too, we've had a couple of dozen guests explain how dumping fee for service changes everything for everyone.

Ron Barshop:

Next, we look at labs and independent imaging that are direct contracts. The markups of hospital owned imaging and labs are astronomical. It's not uncommon to see markups between 2x and 20X of that of the independently owned. Surgery and labor and delivery are direct contracts with independent surgery centers who offer excellence to ensure low infection rates and that you get out of that surgery and recover quickly because you had a good team on it. So for example, you want a team that's done 200 orthoscopic surgeries last year, not 20... For your niece.

Ron Barshop:

Let's talk about great TPAs. They already have contracts with big systems so if you do absolutely have to go see a big, they've got it arranged already ahead of time, what it's going to be. But every hospital in Texas will accept these contracts. One will not MD Anderson, but most will take cash pay patients sent by a TPA with a contracted rate, but they'll still play games. So then you need adjudication and adjudication is where, for example, every hospital today that's smart is adding a COVID upcharge on every admission. Why? When you don't have COVID or you don't have a flu because they can, because the CMS has indicated they're not going to be auditing any kind of COVID coding during this crisis. So of course, if they can make an extra \$130 or \$230 or \$330 bucks, they're going to take that all day long. It's a license to steal.

Ron Barshop:

Another game they'll play is they'll complicate a labor and delivery, even though there was no complication. So adjudicating claims is just stopping the shell games with upcharges and saying, come on, wake up. And, and they'll always come through and say, oh, well, gee, software error, bank error in your favor. So the last piece of this tool kit is going to be what's called catastrophic stop limit coverage and that's for the scary and rare risks like the car accident or the cancer or the cardio. So anything over say 30,000 per employee or over a hundred thousand per member is a good example of catastrophic insurance, boom shakalaka. That's the toolkit of NextGen advisors. Some are going to adjudicate claims, that is they're going to fight, and some will not. Some are going to fight for your labor and delivery games, some will not, but the good ones will.

Ron Barshop:

Let's talk about buried treasure to increase profits. How are folks using that? Well, we've had many on the show that have talked about that actual employers that are significant in their markets that are using this newfound [inaudible 00:04:09] to do some cool things. So we know of one story where a CEO bought a private jet, and we know another story where they added benefits to their already good benefit package, because they're in a competitive market like PJD Drywalls. Cole Johnson was on our show back in the early days, and he's a drywall business that has saved millions, not only on his health insurance, but his workers comp dropped like a rock because with instant access to PCPs and chiros, he was able to go 3 million hours at the time of our taping with no work injuries thanks to direct contracting. He offers paid days off now and college assistance and home buying assistance day one.

Ron Barshop:

And there's no special executive perks for the C-suite that the average drywaller can't get as well. So nobody can touch his people in a super competitive field, drywall. That's why LinkedIn is doing this, that's why all in fact, the big Silicon Valleys that you can name are doing this, including Google, including Apple, including Amazon, they're all dabbling with this.

Ron Barshop:

One of our show guests was Ashley Bacot of RosenCare, a favorite. We immediately did a second show because there wasn't enough time for one show to explain all the cool things they're doing for their community, but they used the 435 million and found buried treasure to eliminate all of the debt for a 6,600 room hotel chain in Orlando, that's all around the convention center if

you've been there, they're the hotel that surrounds it, Rosen Hotels & Resorts. Then, then they turn around a crime ridden neighborhood because having debt free wasn't good enough for Mr. Harris Rosen and they now offer a full ride college tuition to high school graduates in Tangelo Park, the worst crime ridden drug ridden neighborhood in Orlando. But now that neighborhood not only has no gangs and virtually no crime, but they graduate college at the same rate as the top wealthy school districts in America. So it's amazing, 78% graduation rate from college for kids that normally didn't have a chance, might have had a 1 or 2% graduation rate.

Ron Barshop:

And finally let's talk about DeSoto Regional Hospital and the poorest county in Florida, Arcadia, Florida, if you've ever been there. They were a four star, highly rated rural hospital in deep financial trouble. Carl Schuessler, a guest on this show and Dr. Lee Gross, another guest on this show and a DPC leader in Arcadia together crafted a direct contract plan that not only saved a million on a 2.2 million health spend, but they involved the school, the county, and the town employees in this monthly subscription model offering direct primary care and even bought from a local pharmacy, their meds. They saved a rural, so they saved a county.

Ron Barshop:

We lose one rural hospital every 10 days in America, needlessly, if they just had this kind of let's call it surgery, financial surgery. Let's call it financial engineering, that's actually more accurate. It all starts with hiring a creative benefits advisor like today's guest, 99% of benefits advisors are not. They're usually wedded to a carrier, and then up to 17 brokerage fees are slipped in there so they can make their college tuition for their grandkids and their kids, and the average healthcare spend is not saved, it's only raised. And did you know about your pharmacy rebates that you're supposed to get as an employer? I'll bet you don't.

Ron Barshop:

A future guest is Chris Deacon of the state of New Jersey. She found \$2 billion in savings in their health spend and she's just getting started. You think the state is happy with her?

Ron Barshop:

Walmart found a billion dollars in 2019. When I checked last, which is the equivalent of having to open over 1500 stores to their bottom line. Imagine how happy they are when the HR comes and speaks to the board now. Instead of giving a 8% bump, we can say, we gave a billion dollars to the bottom line with some creative centers of excellence and direct contracting and attention to primary care. And of course they're now in the business and they've announced they're going to have thousands of stores across America and they just signed on for 37 states to open up clinics in those states. So every big tech companies in it, Walmart is in it states like New Jersey and Montana are doing it. Texas is considering doing this. It's a future where everybody wins and it starts with a committed CEO or CFO or CPO who will talk to a benefit advisor like today's guest.

Ron Barshop:

When the C-suite is involved, the second largest spend, healthcare, it becomes a giant opportunity to uncover, as I said, buried treasure.

Ron Barshop:

Meet Lester Morales. He ain't normal man. He's one of the good guys. He's a creative benefit advisor who left an EVP role at a billion dollar benefits firm to start eventually, Next Impact in Florida, his own firm. And he has deeply personal reasons why he did this. He was featured in Forbes last May where I discovered him and today you get to discover him. Lester, we're so glad to have you on the show.

Lester Morales:

Thanks, Ron. Super, super excited to hear that. And I loved hearing all of those stories because people have to know this stuff is possible.

Ron Barshop:

It's, not real to them until they meet you and you can actually have them get on the phone and get some testimonials from some of your clients. So Lester, I don't think of you buttonholed in any particular area, but you do a lot with Indian reservations that own casinos all over America. That's a big market. So before we get into what we talked about at the top of the show here, tell us what happened, you were 16 that sort of changed the trajectory of your life.

Lester Morales:

I remember it as if it was yesterday. I listened to a voice message on the answer machine a day after Christmas to come to find out that my dad was diagnosed with multiple myeloma. For your listeners that don't know what that is, that's cancer of your bone marrow. Dad had a bone marrow transplant, chemo, radiation, and hundreds of thousands of dollars in medical expenses. And unfortunately by age 17, my family became the statistic that 67% of personal bankruptcies are because of health related reasons. We filed bankruptcy when I was just a junior in high school.

Ron Barshop:

You at a very young age- we're going to flash ahead a bit. And you rose to the C-suite gig at a \$350 million firm with 200 people underneath you. And what did you discover working for these big alphabet houses?

Lester Morales:

You can't turn the Titanic. I'd like to think that on the, just like, when we talk about, is all docs created equal and, people don't look at every day, the profit. I'd like to think that not every person inside of a firm is this way, but the reality of it is when you have to follow the money. And my mom told me that when I was a kid. So the reality of the big firms is when you look at the profit that is created for the entity, it is typically directly on top of the same percentage that they make in overrides and contingents by some of the major insurance companies. And when you are in our case, 119 executives in North America who get paid on how well the stock performs, again, follow the money. So you're going to make decisions to make sure that that stock price performs the way you need it to, because that's how you make a majority of your compensation for all of the decision makers that are making, all of the important decisions.

Ron Barshop:

But in the last 10 years, employers are starting to wake up to this and they're starting to fire their brokers and they're starting to go direct. We know today, just from the guests on the show that 30 million employees now have direct contracts through their employers and folks on our show that are helping them. So why do you think the tide is turning these last 10 years? Is it just a lack of sustainability of doing this forever?

Lester Morales:

Yeah, on an average group, your price is going to double every five to seven years. That's nowhere near inflation. It's obviously nowhere near typically the EBIDA produced by that organization. So, Albert Einstein's definition of insanity. If for the last decade I have done it like this, how much longer am I going to continue to put my hand on that hot stove? So with strategies and things that quite honestly are not any more difficult than what's going on today, make it so that a couple hundred life employer can, buy directly from that hospital down the street and, truth be told Ron, as you know, it's actually better for the hospital themselves. And so when you can create a win, win, win, a win for the hospital, a win for the employer, and a win for the employee. And all it takes is looking at something a little bit different, you have to, you would not be a prudent person running a business, or being an executive at a business or being a health insurance advisor. You would not be being prudent if you didn't at least explore.

Ron Barshop:

Now we put you at Willis, which is one of the big alphabet houses that has maybe one of the top four or five brokers in the country, and you have an EVP role, very important role at a very young age, and you just thought this might be for the birds. There's got to be a better way. Then you time your practice in Puerto Rico just in time for what?

Lester Morales:

In 2017, I always say 2017 will be the longest chapter of my life. Unfortunately, my mom passed away from pancreatic cancer on August 11th and on September 19th a category five hurricane, Maria, went through and destroyed the island. I had personally three feet of water inside of my house, 34 windows out of our corporate office blew out. I had employees that lost everything. And that was a 60 days that I don't know can be repeated that's for sure.

Ron Barshop:

So you timed your independence and just in time for the worst hurricane in Puerto Rico's history, since you've been alive, but you literally weathered through it and you moved, I think your practice to Florida, is that right?

Lester Morales:

No, it's still in Puerto Rico. I spend some time in Florida because that's where I moved from to start the business in Puerto Rico. But no, I still spend about nine, 10 months out of the year in Puerto Rico.

Ron Barshop:

Today let's just talk about how many employees will typically work at a casino, just as an example.

Lester Morales:

At a casino, a small one, several hundred, a midsize one, several thousand and a very large one, tens of thousands.

Ron Barshop:

You're going to have a one large amount to play with to make them look great when you go and help save them this kind of money. Is there anything you want to add to the toolkit that I didn't talk about that helps you become a superhero to these guys?

Lester Morales:

I would say two things. One obviously specific to the Native American and tribal business is the access to 340B drugs, which is obviously a government sponsored way to procure drugs at highly, highly, highly discounted numbers. And typically we're walking into a tribal entity, saving them between 60 and 80% of their cost day one. And then I would just say for everybody else, I would imagine that your listeners sometimes listen to this and say, holy cow, that's just not possible. So I would tell you there's two things that I really always tell employers to think about. One is there's a lot of levers to pull because of the cost and quality of healthcare changes, depending on where you go, right? And if we think of multitudes of levers, you don't need to pull every lever all at once.

Lester Morales:

If we can visualize a crawl, walk, run, the change management in any organization is going to be such a big deal. So we can create a pathway for somebody to experience these types of savings, not having to create such a amount of change from day one. And then I would say, two is, this is all number driven. I'm shocked every day that employers make decisions and throw parties when they save 39 cents on a ream of paper but on their second largest expense, they go at this with their head in the sand because of the data. And so what I love about all of these conversations is that it's data driven and it's impactful in a positive way for the employer themselves and their employees and when that happens, you've already mentioned it, it's easier to recruit and retain key employees and any other organizational goal can be met with additional capital, whether you're trying to open a new location, whether you're trying to hire a superstar sales leader, whether you're trying to buy another tractor, whatever it might be, all of those take capital and there's just such a trapped amount of capital inside of the health plan that this is just a data driven decision that can be immediately impactful to the organization as a whole.

Ron Barshop:

And it's evergreen. It renews every year. So I want to talk about 340B because I discovered it about maybe seven or eight years ago. I'm sitting in a meeting with a community health center here in San Antonio, they asked what do I pay for EpiPens, which is my most expensive thing I buy for allergy patients. I pay about \$280. I have to buy them every six to 12 months because they expire. They never sell you a brand new one. They always sell you one with a long lead time on it. So \$280 and he held up his hand. He goes, this is what we pay and he held up two fingers and I said so \$200, he goes, keep going. I said, \$20 bucks. He goes, keep going. \$2. And he goes, keep going.

Ron Barshop:

You paid 20 cents for an EpiPen. He goes 2 cents. I paid 2 cents for an EpiPen on 540B, 340B. I'm sorry. And I went, can you show me that? And he, of course, he showed it to me. He's a CFO pulled it right up, delightedly, and I realized there is a whole other game afoot here. So what tribal entities and nonprofit healthcare systems can do is they can buy an EpiPen for 2 cents, but they can pass that on to the patient, the employee or the tribe, or they can also mark it up a little bit and that's what it turned into. Hasn't it turned into a giant gambit?

Lester Morales:

It allows you to do a lot of different things. To your point, when working with a commercial plan that's pure profit, obviously for the entity. But when we look at this, both from a FQHC and a tribal entity who has a goal and objective to impact the community that they serve, they can take their 340B eligibility and draw a plan that allows them to partner with other employers in their community to help improve the health of that population while lowering the cost while still making a nice little margin on their cost and that additional margin allows for the FQHC in that example, to provide more services to that community or that tribal entity to provide value to the community and it's tribal members. It's such a win-win. When I say low hanging fruit to mean the apple is sitting on the floor, it's just a matter of designing the way to maximize that opportunity and news flash none of the major insurance companies nor PBMs want that to happen because what comes out of their pocket is going as savings to the other pockets.

Ron Barshop:

When you present to an employer, not only your credentials, but these ideas, what is the reason they tell you not right now? Why would they not do this and jump on it?

Lester Morales:

Nobody ever got fired for hiring IBM is probably the safety net. Hey, I'm already working with insert broker here or insert major carrier here. If that's possible, why wouldn't they be doing it? So I would say that's the number one.

Lester Morales:

And then I would also say that there's just a change management reality and I think that was my biggest mistake in this journey is, oh my gosh, look at this 25, 30, 40% savings this company is going to want to buy and I think the reality of that is there's a lot of change management that goes into that. And there's a lot of believability factor that goes into that. Again, they've been seeing for the last two decades, double digit rate increases every year. So when you come in telling them that you could do X, Y, or Z, which is contrary to what everybody else is saying, there is a little bit of shock factor and believability that goes into that, which is why I love the compensation models of performance based. Hey, if I don't save you any money, I don't get paid or I get paid much less than I would if I saved you money and so now we're aligning our interest.

Lester Morales:

But Ron, this is such a data conversation. If somebody was large enough to get their data, we could show them that Johnny went to that CVS and filled their medication and the plan paid \$10 and under a transparent model, the same CVS, the same exact drug on the same day, would've

paid \$2 and that's all data driven. It's just the people in the places that have the data don't want to give it up and the advisors that are typically representing an employer are not pushing this type of analysis to really drive the type of change because the major PBMs, 83% of the world are insured by those three PBMs are all attached to the major insurance companies, which is how everybody in that food chain makes money.

Ron Barshop:

What we're not doing in this industry that is going to be an easy fix, right now there is no association for Lester in the state of New Jersey and Rosen Hotels and all of the people, not only the employers and the benefit advisors that are being creative, but really also anybody who's in the direct contracting downstream, the primary of care, the imaging, there's not an association that's tracking the headcount of who's switching into this new world with a future where everybody wins. There's nobody that's tracking the kind of savings that's happening other than the isolated stories we have on shows like this. There's nobody that's academically studying this to show that employees are happier. They just got to raise. They have free healthcare. That's the story with my employees. That's story with every one of these employers I've talked to. Free healthcare is a \$500 a month to \$1,500 a month raise, which is a credit card payoff, a new home, a better apartment, a nicer school district, maybe even a private school. So-

Lester Morales:

Or I'm just not somebody filing bankruptcy, right?-

Ron Barshop:

Yes.

Lester Morales:

I look at that and say, you tell you what drives you. Every time I think of eliminating a deductible for somebody, when we're talking about a 2, 3, 4, 5, \$10,000 expense, and the average person doesn't \$400 in the bank, you just ask yourself, how do we continue doing this?

Ron Barshop:

Can you imagine if we had an association and we had the average player in this field has a net promoter score in the nineties versus the sixties and the thirties for healthcare in general, the average advisor is saving 38% on the average 100 to 500, 500 to 10,000 is 40%. The average employer now has a retention tool and attraction tool that they never had before and here's the data on that. We don't have that kind of large scale data. A, nobody's studying it and B, nobody's calling for the study.

Lester Morales:

Yeah. And I often say this, and this is why I like, obviously the collaboration amongst the advisors that are doing this right. I don't consider advisors like us competitors, right? I consider this, that the inertia needed to get more and more employers is with an abundance mindset and that the rising tide lifts all boats and so to your point, I agree. This is something that employers need to demand it and we all as people who are trying to fix it need to share it more often.

Ron Barshop:

I think you're doing a lot of joint work with some of the guys that aren't used to working in this ballpark or this league. I've had on my show, maybe six or seven advisors who know how to talk to a large employer, but most advisors are sort of trapped in the under 300 market, the smaller mom and pop business that's the local roofer. But you are in the bigger league and you understand what that conversation looks like and what the objections are going to be so you can make the sale happen.

Lester Morales:

And again, I think the larger the group, the more it gets data centric, right? The larger the group, the more they get their data and with that data, the whole story can be painted. This isn't a what if situation, this is showing an employer with their own data, the impact that these strategies can have.

Ron Barshop:

I'm going to make you an offer that I've made to you privately and the offers open ended, so it's a golden Willy Wonka ticket. Any time you want to come on this show with an employer that wants to talk about how wonderful you are, you got a free ticket, man. I mean, it's like unlimited. So I've had Rachel Means, she's been on the show. Carl Schuessler did not come on the show with the hospital but he [inaudible 00:26:52]. We had, Lee Gross not too far after him. We've had Cole Johnson with Redirect Health come on the show alone without them and these kind of stories are going to turn the dial. Our best downloaded shows are those with the employers telling their story because it's such a happy story. So just throwing that out there, buddy.

Lester Morales:

I will absolutely take you up on that.

Ron Barshop:

Okay. And so if people want to find you, Lester, time has gone too fast here, but if people want to find you, what is the best way to reach out to Lester Morales?

Lester Morales:

Obviously I'm on LinkedIn, it's Lester J Morales. If they want to hear our podcast, we actually have a podcast to Impact Healthcare, that's Impact Healthcare and it's impacthealthcare.fm is the URL. And then I actually have a text community that if anybody wants to be a part of, they can text me 8-1-3-5-3-7-6-9-9-2 8-1-3-5-3-7-6-9-9-2. And we publish stories there and downloadables that help everybody down the food chain kind of understand these different strategies.

Ron Barshop:

Oh, great. And if you can fly a banner overhead with one simple message, what would it say, Lester?

Lester Morales:

Ooh, that's a great question. I would say that it's possible. These strategies are not pie in the sky. Better benefits for lesser cost is 100% possible. And quite honestly, not overly that difficult.

Ron Barshop:

I did a little math on 30 million people free of the shackles of these giant cartels and if you just take the economic impact and multiply it times two, which is what they say a federal stimulus check will do. So when the government gives \$1,500 to every American, that's a \$3,000 local benefit. It's over 850 billion-

Lester Morales:

Wow.

Ron Barshop:

We're talking somewhere short, just shy of a trillion dollars of giant ripple effect for local communities when people get a raise and that's what happens when they join folks like Lester. Thank you so much for being on the show. Of course, we're going to do this again very soon and can't wait to hear more in the future.

Lester Morales:

Thank you Ron, and thanks to your audience for listening.

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 podcasts and subscribing. And leave us a review. It helps our megaphone more than you know. Until next episode.