Primary Care Cures

Episode 156: Shawn Strash

Ron Barshop:

Imagine you're playing tag football, but the other team gets a deflated football and you don't. And now unretired Tom Brady comes out of the locker room as a ringer and his receiver is Gronkowski, and he knows deflated balls well these two guys, and they also know the receiver. So imagine also three J.J. Watts are on the front line and the field is slanted, so you have to play a uphill and they get downhill, the whole game. That's how HCA, Tenet and the other for-profit hospitals have to compete against 70% of the hospitals who pay no taxes, charity hospitals. Not a city tax, not a county tax, not a state tax, not a school property tax, none of them. They are far the biggest kahuna in every metro and a property ownership for sure, I guess. Maybe other than the city or the state or federal parklands, but hello, they're also missing payment on the mother of all taxes, federal taxes.

Ron Barshop:

How is that a level playing field with advantages of 20 to 30% margin difference in a low margin industry? In fact, hospitals are traditionally single digit margin, and now they got 20 to 30%, that's big. In fact, that's bigger than J.J. Watt, and I stood next to that flesh mountain in an elevator and it's a scary ride, because the elevator was groaning the whole time, literally. So wait Ron, those charities, they give indigent care and HCA and Tenet don't, help the poor. Okay, myths and legends, myths and legends. We may have a show just about myths and legends, but why then in a recent 2022 John Hopkins study, led by a friend of the show Gi Bae, does this happen? Well, tax exempt charity hospitals give two et abio percent of overall expenses to charity and for profits double that, 4%. How is that so? The nonprofit bigs, submit this annual statement of community benefits every year, to their home Metro to make the case for generosity, but more importantly, to get their continued tax exempt 501(c) status.

Ron Barshop:

The IRS definition of a community benefit standard is, to demonstrate very simply, that it provides benefits to a class of persons that is broad enough to benefit the community. Pretty broad language. They don't want any ambitious local DA or state attorney general to sue and strip that precious status. It's happened, rarely, but it's happened. So they account for their write-offs and unreimbursed by Medicare visits and stays for indigent care, but not by ICPA traditional accounting standards, because those don't apply. State requirements, dropped in here and they can vary widely. So, let me give you an example, bigs can get away with listing a public water fountain as a charity contribution. One in Houston, built a beautiful waterfall over the back of their garage, that's charity. And some allow public or corporate private art to count as a benefit to the community.

Ron Barshop:

Really? These kind of games are the tip of a much bigger iceberg, with them playing us, because worst of all, on these annual reports, they write off their charge master rates or let's call them retail rates, not their actual rates. So the written off retail quoted rate is three or four, five times more, what they actually get in the marketplace for their services. So, calling their reported giving inflated, is really a compliment because it's worse than that. It's a racket. The states have a little wink and a nod, the community has a wink and a nod, the hospitals, its a game they all get it. And in previous shows, we've proven that the AHA and its little sister emerges, the two most effective lobbies in all of healthcare, which is the most effective monster lobby in the world, and no state AG or local DA, wants to upset that huge campaign open door.

Ron Barshop:

So, if you've ever read anything that's a survey, there was one that came out yesterday from Protect America's Healthcare, that's basically the American Hospital Association and the Federation of American Hospitals, which are the two big lobbies for the nonprofit and the for-profits, banding together as their PR arm. So they're trying to basically protect the hospitals' interests and in COVID, get federal money, which they did beautifully. But maybe just maybe, charity hospitals too, should pay, for the roads that they ride on, the sewers they use and the police and the fire and how about the EMS, the first responders and how about the post offices and the schools, and let's get federal with parks and military and social welfare. And there's a few more folks that I'm not even mentioning who work in the swampocracy and well, it is endless. Every sign at a charity hospital or a primary care clinic owned by a charity hospital or imaging or surgery centers owned by a nonprofit, should say, if they ever put out a sign that says support our troops, they should have to add an addendum, just not with our money.

Ron Barshop:

They are gaming us. It's the ultimate long con and the founding nuns and the ministers of these now corporate monopolies and some meat grinders of souls, would simply not recognize this evolution of a once beautiful idea they founded, to serve our most vulnerable and our common creator. So they report these highly inflated charity when really deflated reality is 2% numbers, and so where's the logic please. My kids would say, this is a big whoop, no big deal. So Larry, are you ready for the paradox in this whole story is that we all love one hospital in our hometown. Mine saw to the healthy birth of three wonderful sons, all grown up now and seven nieces and nephews, some are grown up and some are still acting like they're babies in the hospital, but they all had a hundred fingers and a hundred toes, those 10 kids, and they're all healthy and accounted for, yes sir, happy days.

Ron Barshop:

And the death of my dad, they saw that too, just a few floors up. God loved that hospital and I really mean it when I say that. And our model citizens sit on their boards and what honor locally is better, maybe a bank board seat, but we have a mud king and a mud queen here in San Antonio when we dry out the river in November, some think that's a big thing. Charity hospitals have the best galas in town and hire the most effective fundraisers, say the charity watchdogs that rate that kind of thing.

Ron Barshop:

And their wings of their hospitals are named by the wealthiest names in town and their research and their teaching is funded almost entirely by you and me and Anthony Fauchi. And muni-bond lawyers and wall street types, love, love, love, love, love them because they have endless bond financing consumption, and the only problem is they can't fill all those beautiful NextGen crystal pavilions with enough nurses, because the bigs are human meat grinders and they burn out RNs and LBNs at an amazing rate. In fact of the 156,000 yearly nurses graduating this year and over the next five years, half are going to drop out of medicine by year five. The hospitals just burn through them.

Ron Barshop:

Staffing ratios. Okay. I'm guessing MAs have the same burnout since they all seem so young across the board, everywhere I go, and they sadly also have dead end jobs. We are lying to these ladies, they're mostly ladies in nursing and medical assistants, and lots of single moms on my experience in both of those categories. So nurse under staffing ratios today are impossible. So you can't ask a table server to take too many tables or cleaning staffer in a hotel to take on too many rooms. All the rooms suffer, the manager gets upset, the staffer quits eventually and the customers just are not happy. But, the big difference is people will never die in a restaurant or a hotel. And they aren't a patient at a peak lifetime distress, physically, emotionally, no families have been allowed for two years now. So it's definitely emotionally and financially too. They're getting hammered and gouged increasingly.

Ron Barshop:

So they're at a peak stress time and they can suffer death and financial deaths at the same time. So, and in fact, I think I nearly, maybe, I got to take some of this back, because I think I might have died in a hotel when my sheets weren't the right thread count. And when my server recently brought it, my favorite restaurant, brussel sprouts that were smoked instead of broccolini, I just about died those two times, so, maybe there's that. But a true leader staff's responsible and if not, nurse and MA burnout is going to be inevitable, and people might die, or heaven forbid, the CFO might have to readmit. So there's a big pressure for leaders, staffing and profits are a razor thin tight rope walk. These workers I'm describing are the backbone. My hair cutter Emelda, is struggling to become a nurse the last two years working two jobs and going to school.

Ron Barshop:

She's a real catch for some young man, but she's delaying marriage and kids, because Emelda wants more than lousy retail wages for the rest of her life. And I hate to tell her, and I'm not going to tell her that the odds are really a 50, 50 toss up for her. Okay, now I know I got to tip her way better, so shut up. Okay. So most bigs don't seem to care about the sacrifices of all the Emeldas out there. But, maybe, maybe some leaders of some bigs are different. Maybe the bigs themselves are different too than my perception.

Ron Barshop:

And that's what today's guest is here, to splain to me. Okay, everybody knows my take on bigs. Any kind of Bigg anything, Bigg systems are far removed, the real people, real problems, the bigger the Bigg gets. That's precisely why I go dark on these bigs on all these rants. Big insurers who are also big PBMs these days, big pharma, big devices, big middles like the brokers, the healthcare bigs, as I've said a million times, are the biggest lobby on this spinning blue space rock. And as an industry for the past 20 years, you can take the next four biggest lobbies in the planet, of course they're all American and the big healthcare lobby is bigger than Wall street, Silicon valley, big oil and big defense all combined.

Ron Barshop:

I'll say that again, healthcare's bigger than the next four biggest combined. Which splains so much wrong with healthcare. Overwhelming, almost every Metro is dominated by a monopoly or duopoly pricing power by the bigs, over 90% of US Metros and the big consolidation hasn't taken a breather in 15 years. So monopoly care is only accelerating, not going the other way. The big insurer, same deal, but state duopolies instead of local. And sometimes you'll see a insurer get in a fight with a local monopoly and it's kind of fun because it's like battle of the titans, but generally I think the insurer's going to win. And Texas is an example about monopolies. Texas has 45% market share with just one. One of the blues. Arkansas has like 85, 90% with one of the blues. So they're completely owned by one of the BUCAs and that goes for many states in America.

Ron Barshop:

They're just completely dominated by a BUCA. Okay. So getting back to it's not black and white with this paradox, I love, love, love my local monopoly hospital and I know and respect the CEO and several board members. And you'd probably feel the same if you're active in your community. So here I am trashing bigs, just not in my own backyard, what a hypocrite. So it's a paradox for most of us and the polls reflect these wide views for that reason and depending on who funded the poll. But, a hospital, it's kind of like the last place on earth I want to be if I ever get sick. And I can't explain it as well as a friend of the show, Dave chase, who says this uncomfortable truth this way, when one is in a hospital, you're in a healthcare hurricane, yet so many hospitals exploit the situation to price scout, which is mostly legal.

Ron Barshop:

And we know it's illegal to price scout during an actual hurricane though. So I try to end this on a high note and in the spirit of ending this on a high note, you're lucky today to meet Shawn Strash, who is a kinder, gentler, and deeper take on bigs than I'll ever have. And he's educated me over the years on the virtues of one particular big he knows very well. And yes, he's promised he'll dish on a few games that a CEO plays at the tail end of a quarter to make the numbers. Shawn is a self proclaimed reform CEO of over 20 mostly HCA hospitals. Welcome Shawn, my friend to the show.

Shawn Strash:

Thank you, Ron. Thanks very much. It's a real pleasure to be here and an honor. I appreciate the time with you.

Ron Barshop:

Great. Well, so before we get going, any comments on what we just said?

Shawn Strash:

Yeah. So, it's a great intro. I love it. I love your passion, you and I mirror that and absolutely, we do talk about, we did talk about a level playing field, running hospitals and my whole careers was spent on the for tax or for profit hospital side. And I didn't coin that phrase, not for tax. That was a phrase that was coined by some folks I knew back in the day, back in 1990 something regarding some of the, not for profits that we call, not for tax because, they all have to make a surplus. That's what they call it on their 501(c3) or 1099, and if you pay tax, you call it a profit. So yeah, absolutely. It's incredible, just the mission that you go to on some of the not for tax hospitals, it's oh, is little ironic to me.

Shawn Strash:

They state the mission, but they don't follow it. And you and I have talked before about the number of patients that are sued for their out of pocket liability. And I would dare say that most of the not for profits are more aggressive than the for profits. In fact, HCA for instance, has a policy, they do not Sue patients and they just don't. And so I got to say there is a wide variation in operations, but as you said, they play with the rules that are, and as Dave chase says, many of those rules are perverse.

Ron Barshop:

I got a lot of questions for what you just said, but before we do, I want to kind of state clearly that you are not speaking for HCA or any of your former employers, you're just a guy out there talking and giving your opinions. Can we agree to that?

Shawn Strash:

Yeah, yeah, no, no. For sure. They all operate a little different. I've had experience with many different systems and I'm not plugging anybody, but it's just, my time with HCA was really great. They don't, for the most part, I've never saw any patients for anybody not playing by the rules and very black and white. And I mean, just for instance, right? For the pandemic, they were given $6 billion under the cares act. They paid all that back and didn't furlough anybody, but they put many of the executives on 80% of salary and still expected them to continue working. So I've got to say, certain organizations operate a little different than others with the rules are given.

Ron Barshop:

Yeah. It's interesting they did that because, and my hats off to them, but there's no other major system that did that. There's a couple of small ones that did that, but nobody of HCAs heft, pulled that off. And what do you think that was all about?

Shawn Strash:

So, I was sitting in my living room when we were still down in Naples Florida with a CEO of a large public traded with a $9 billion position services firm. And he knows the HCA CEO pretty well, and we were sitting there, I think it was March 17th. So March 16th of 2020 was the lowest trading day for HCA after the pandemic. And so Chris and I were sitting in my living room March 17th, we were going fishing that day. I'd worked for Chris a few times and a great guy. And he was talking about the concern of the healthcare companies and organizations and hospital organizations that, this pandemic is really going to be difficult. And it was. Absolutely, it was. It presented a whole new set of issues, especially from a care perspective as Dave chase put as well.

Shawn Strash:

It's a hurricane when you walk through the front door, in fact, for instance, in an ICU, a patient is touched over 200 times per day. Just imagine that. So keeping track of that, most of the patients in earlier days of COVID all went to the ICU were vented and we know how that turned out, but we were in my living room and he said, "Hey, the HCA is concerned about what's going to happen." And I said, "Chris, there's a lot of really intelligent people at HCA that I thought I respect. And I got to say that they're they're back in Nashville and they are going to figure it out and it's a worldwide pandemic." They're the largest hospital provider in the world and yeah, their earnings in 2021 made history in the company. So they did figure it out and yeap, they gave back the Cares Act money. And so there's an example of playing by the rules and doing well and also doing what's right.

Ron Barshop:

Yeah. They actually doubled their net income last year over the previous year. So it's what a big profit and I thought that would be a bellwether for how well the pandemic is serving the bottom line of other hospitals. And it looks like it is a bellwether. A lot of hospitals did very, very well. And I was looking at the hospitalization charges for the average COVID patient. The lowest is in Maryland, it's 131 grand and it's $472,000 Nevada for COVID admission. So was COVID a profit moneymaker, was it?

Shawn Strash:

Oh, absolutely. Yeah. So it's interesting to me that this hasn't been made public and maybe this will help. So I think the public needs to know, Themis, the usual way to approve new codes, new revenue capture codes, for codes that mirror the care given, so a hospital can provide charge capture to earn income, which is totally legit. You should get paid for what you do. So 17 codes were approved in April, 2020 by CMS. It didn't go through the usual cycle, of course, because they were specific COVID codes. It couldn't, usually a code takes 18 months to get approved. It goes through review period and appeals and yada, yada yada, so fully understand why it had to get pushed through quickly, but here's the kicker. So there's something called the revenue audit contractor. They have a specific job of doing many things, but one of them is to keep providers honest in terms of patients they admit. So the revenue audit contractor to the rack like Novitas and other third parties that contract with CMS, their job is to wear the auditor hat.

Shawn Strash:

And so, truth be known, when you're running a hospital prior pandemic, prior COVID, you always hope for a 'good flu season' where you have a lot of patients coming in for flu, because that's good for the hospital. And again, that's okay. So flu, we considered a very soft admission, meaning that there really isn't a surgical intervention. You're not cutting. You're not taking out, you're not putting in. A patient's admitted, they go to the floor, they're monitored, they're given antibiotics and fluids and hopefully over the course of five or six days, they recover, which most of them do. So it's a stalking mission meaning that monitoring and the care that's given on the floor may not quite meet admission criteria, like there's one called intake law that many of the hospitals use. So Novitas reviews, all of those Medicare fluid admissions for Medicare and will say, "Hey yeah, Strash's hospital there, those 10 admissions, three of them aren't aren't real admissions, so Medicare take them back."

Shawn Strash:

So Medicare doesn't pay on those three and Novitas gets 30% of all the savings on those appeals. And there's a huge appeal process, right? For every system out there, the HIM the hospital information management, health information management department is typically a pretty fundamental part of any hospital organization. Where physicians are trained to go to other hospitals and help admitting physicians in terms of criminology on the record, which is legit, to get paid for what you do. So, the rat comes in, Novitas says, "Hey, take back those three admissions." And so Medicare takes them back. And that was always a riff on a soft admission, like the flu. Well, here's a kicker. In April 2020, seventeen codes, they are respiratory codes that were basically flu respiratory codes that were adapted to COVID, 17 codes. 13 of them, you have to prove or validate the patient had COVID. Four of those codes are for suspected COVID.

Shawn Strash:

And here's the sort of the nail McCoffin on that, CMS said in April 2020, there will be no rack audit for anything COVID related. So hospitals are out there and seeing patients, a validated COVID patient and a suspected COVID patient are treated the same way in terms of CDC reported and are also reimbursed the same way. And we've all heard it, at about a 30% markup from typical flu admissions. So if you look at the map in 19, I've did this and posted on LinkedIn a while back, for flu in December of 19, the map was dark red purples for flu. You look at the map in December 2020, flu is gone. It's bright green, the incidence of flu is completely gone. So it's kind of like telling the IRS, "Hey, just trust me,I owe you a thousand bucks," and they going, "All right, good for me. Good enough. Move on." So, that's kind of the big secret that isn't being told out there. That there's no one auditing these admissions.

Shawn Strash:

And there's very few companies out there but I submit, I came back to HCA, if you go on their COVID statement, they put it out there on their COVID statement that they have seen and treated more than any other provider in this country, more verified and suspected COVID patients in the country. So, I mean, at least they are telling the story and they're telling the truth.

Ron Barshop:

Well, so basically, the COVID admissions are highly inflated numbers?

Shawn Strash:

I think for, yeah, not maybe not for all hospitals, but for many of them. Yes.

Ron Barshop:

And if the sheriff isn't going to put a pose to go chase the bank robber, there is no crime.

Shawn Strash:

Exactly. Exactly. And having some inside knowledge, I got to say, HCA is reporting very, very few suspected and so again, they're doing it right. I have no information on other system, so I don't know.

Ron Barshop:

I think they stopped doing this in August of last year. They went back to their normal drum beat.

Shawn Strash:

Yeah. There you go. So hat's off to them for sure.

Ron Barshop:

Yeah. So let's talk about the pressure that HCA would face, right next door to a really good competitor, good Methodist or good Baptist or good sisters or whatever, or divine Saint, whatever. But if you're competing with a nonprofit, how in the world do you battle in that unfair playing field? And I want to couch my question with something that sounds incendiary and it's not meant to be, but the stop loss catastrophic areas hired HPC to study why the HCA facilities are adopting a pricing methodology that puts them into egregious pricing. So their claims are dramatically higher with HCA than they are with any other system. And I think it's because the stress and this pressure that HCA has, to compete with nonprofits, am I even close there or am I in the wrong playing field?

Shawn Strash:

I think that on the outside, charges seem like a big deal, and I got to say though, when you're running a hospital and this is with any company I've worked for, you typically, you charge maximums above a year and you do it in a meaningful manner. Anything above 10% annual is, there's a term in most commercial payer agreements that anything above 10%, you have to disclose and discuss with the payer. So they're typically under 10%, but the charges, when you're working on the inside, charges aren't as a fundamental, as it is on the outside, when you're a payer, PPA or an insurer. And the reason is, most of the agreements, the big dollars, right? 80, 90% of your reimbursement in the hospitals coming from the contracts and a very small amount is coming from the out of pocket. percentage charges that a patient typically has to deal with.

Shawn Strash:

So that being said, there's really not a whole lot of focus. There's really not a lot of angst about raising your charges because we really didn't feel like we were hurting anybody, y other than trying to collect on the percentage charges type agreements that everyone loves, if you're running a hospital. If you've got a payer that's going to pay 70% of charges well great, that's when it really pays off. But yeah, I got to say, we talked about HCA in particular. I also think it's because they're a big dog and I was with them in the late nineties when the OIG came calling and two markets did a couple things that probably weren't the greatest thing. And it took the whole company down.

Shawn Strash:

And they really learned from that the compliance program that they put into place is now the compliance program that every system uses. In fact, part of the corporate integrity agreement that we had to abide by was that we had to publish our new policies and procedure and we did. Every organization out there copied those, those policies and procedures. They paid over a billion dollars. And so with that, they're a big target. So two markets brought down a big company because they're publicly traded and something can happen in one market, and if that affects your stock price by five or $10 per share. That's significant. I got to say this that's some of them not for tax systems and hospitals, especially ones in some of the smaller markets, they disregard, they play a lot more in the gray area.

Shawn Strash:

In that I recall the conversation I had in, literally in 2018, in a Missouri market, a two hospital market where we were purchasing services. We were a long term acute care hospital in that market, purchasing services from a not for tax system. And I recall a conversation with the CEO and the CEO said, Hey, if you want these services, you're going to have to pay more for them, if you want to continue getting our patient referrals. I said, wait, hold on a second, that's something that you just can't say ever. So I said, let's just couch that next call, let's have your attorney on the line because that's no, we are not going to that place. So I say that was 2018 and there's a smaller, not for tax system that is not under the big radar that's some of the the bigger organizations are. So they feel like they can skate a little bit and maybe play in the gray a little more.

Ron Barshop:

You know, I was one wondering Shawn, HCA was founded by a doctor, Senator Bill Frist, in Tennessee. And today it's much bigger than he ever imagined. 200 hospitals, 2300 sites of cares in two countries, but mostly America. How do you think a doctor as a founder informed and propelled the culture at HCA versus others that weren't formed by doctors?

Shawn Strash:

Yeah. He was awesome. Senior for instance, and junior as well. And so I'll just say this, that he had a phrase, it said, good people beget good people. And I got to say this, that if I were ever to go back to the hospital administration side, it probably, HCA is the only place I'd ever go back to, because of how they operate. But I respect him. So he, in late nineties, when the OIG came calling, Rick Scott was CEO and Rick Scott left, but Dr. Chris junior came back in and totally changed the culture back to, they were the original Columbia HCA, really HCA first, then Columbia, and then back to HCA. But I got to say that his hit culture with physicians, was its the doctors and the nurses first. So I recall my mentor at HCA would come to our hospital and he never, ever, he was a division president and then became Eastern group president.

Shawn Strash:

So over half of the country, and he never talked about financials, productivity, labor rates, or I just said, ratios, he always said, Hey, I want to talk to these four or five doctors and if we meet any of your folks in the hall, you need to know their name and at least something about their family. And that was the culture I came up under. So any hospital I ever ran, it was that focus. It didn't matter how harsh the corporate office was with other companies I worked for, they always focused, I was focused on my physicians and my nurses, and then patient care is going to be taken care of after that. And plus little things like you put your cell phone number in every patient care packet, and you make sure your nurses know that each patient has your cell number.

And it's pretty incredible how issues that may have popped up, get fixed before a patient gives you a call. And again, something I did learn from that culture that came up under with Dr. Frist.

Ron Barshop:

We're going to start another show but I have a couple more questions. I do want to have another show with you soon, but I've met more than a few HCA board members in my lifetime here in Texas. And when I tell them my take on hospitals, they don't like my fact set, and they don't like my perspective one bit. Are people like me viewed as like a gadfly or like a pain in the butt? What do they think of the Dave Chases and the Marty McCrees and Ron Barshops of the world? They just don't want to hear the truth, like our truth. What's going on there?

Shawn Strash:

Well, I think it depends with metrics you look at. So if you look at metrics, we talked about, with CHS for instance, they took $700 million in Care Act funding. They furloughed staff, clinical, and then between March 20 and 2021, 20 and 2021, by the way, were their best financial years. They sued over 19,000 patients for out of pocket. So I don't think you can ever have that conversation with HCA because they didn't do any of that. They did the exact opposite. They didn't, they never sue, they will never Sue a patient. They paid back all their Cares Act funding and, in terms of the relationship with physicians, it's part and parcel different and they furloughed zero staff. So I think that conversation with them would be a little different from those factoids because they don't affect them.

Shawn Strash:

But yeah, on the way you operate a facility, sharp pencils make a bottom line and you work under the rules that were given. So I think it's kind of like Dave says as well, right? Its tough to, don't fight the system. You got to find solutions within the system that we're given. So, that's I think the bottom line on that one.

Ron Barshop:

Well, I'm upset because we have to sign off now, but we're going to pick this back up again very soon. So if you could fly a banner Shawn overhead, what would that banner say to America?

Shawn Strash:

Wow, my goodness. I think it would say this. If it was specifically about healthcare, I'd say there are numerous alternative payment solutions is what I would say.

Ron Barshop:

Yeah. I agree. How can people find you Shawn, if they want to reach out?

Shawn Strash:

They can find me on LinkedIn. I'm under Shawn Strash and they can reach out to me via LinkedIn's probably the easiest.

Ron Barshop:

Great. All right. Thanks. And we'll get you on again soon.

Shawn Strash:
Thanks Ron. Appreciate it very much.