# Primary Care Cures

# Episode 160: Peter Hayes

Ron Barshop:

Primary is being consumed by employers and feds via CMS, quite a different way than it was 10 to 20 years ago. And in a way that might be the very savior of primary care, and even healthcare by extension, because employers woke up in the last 20 years and now two thirds of all the 151 million Americans that work for companies, work for companies that self-insure. Versus under half, two decades ago. And the self-insured companies have been redefined by thought leaders like today's guest. So many have fired the BUCAs, the bigs had to treasure hunt growth in other pastures. The only part of the bigs' core business growing is their Medicare Advantage. You're part D if you're a senior. It's 80 to 90% of the six largest carriers' core growth this past decade, again in the core business.

Ron Barshop:

So it's been federal, not employers, that have been growing the insurance company part of it. And salaries are a big other golden field of dreams for the shareholders and the suits. The six PBMs they have under their control is 95% of that space. The five GPOs that they own is 80% of that space, and that's the hospital purchasing relying on 80% of everything they buy, or these giant GPOs that are owned by the insurance companies. In fact, they own every legitimate corner of healthcare, but those two PBMs and GPOs tell the story. Gone are the days when a surgeon... scalpel or joint replacement. And I'm sure today's guest has something interesting to say about the vast rainbow of GPOs out there, since there are good ones and there's bad ones. The big point is United, Aetna, Humana, and the Blues only grow with silver hairs, and in salaries, and Cigna also bound themselves with CVS the past 10 years.

Ron Barshop:

So they're not growing their core business with employers, employers woke up. So the bigs have tried a new tack. They aggressively buy up primary care. Over half of all the PCPs are owned by bigs. 90 days ago, most of big six announced that they're going live and national with virtual primary care, which is a serious conflict of interest. How is that a conflict of interest? Well, the more we use it, the more we're billed, and they are incented then to steer us into these high price places of service, rather than the very best surgeons, the best specialists, the best imaging, and the best labs. It's a tug of war for patient steerage into quality versus factory medicine meat grinder. So it's just more tired volume over value. It's the same mantra as most big hospital systems, who aggressively have been buying up the PCPs and other specialists, because they want to steer three high margin O's into their heads and beds.

Ron Barshop:

The three O's are ortho, obstetrics and oncology. An HCA senior acquisition guy taught me those three O's. And primary care would be an ortho, but there's no O in those two words. So I led with the awakening of employers who created a new force that just might fix healthcare. Private

equity is diving into primary care in a big way for a great new model that has seven winners. Direct contracts with employers, no surprise there, if you're a listener to this show. And it all started with DPC, which had to scale to meet these larger employer's needs. So let's break up two tactics the employers are using to buy primary care these days, that has shifted so much really in the last 10 to 20 years. Remember, 76% of all privately insured employers take on the risks themselves, and to protect themselves from a cancer, or a car accident, or a scary catastrophic, they have what's called a stop loss, or catastrophic insurance wrapper to protect on that downside.

Ron Barshop:

That's two thirds of all the workers in the trend. The two tactics of self-insured space are these two. Direct contracting in healthcare where middles like the insurers and their PBMs are side stepped in part or in whole. So big hospitals are certainly in network, but consumers are steered to lower cost, higher quality, value places of service, not necessarily owned by those bigs, which avoid sometimes two to three times markup, and sometimes a lot more, but nothing in return. And more primary care with DPC results in less admissions, lower stays, lower ER use for these pricey hospitals. An older cousin to direct contracting, the second piece I was going to talk about is reference based pricing, which is pre-negotiating all the major costs, and today's guest is a real pro here. So the cost of labor and delivery, the cost of any surgery, knees, backs, hips, diabetes care.

Ron Barshop:

In fact, any procedure you can imagine, any admission to a hospital or any clinic, all exams with clinicians, that includes labs and tests, are all negotiated ahead of time. A trend in reference based pricing is companies like today's guest and Walmart, and they'll choose Centers of Excellence like Mayo or Cleveland Clinic or MD Anderson for, say, cancer care, or other specialty care. But all have pricing worked out in trade for steered volume. So it's a new game, and the employers know a market maker versus a market taker. So here's what we need in quality. Here's what we need and we will pay, and that's a market maker talking. Like any other consumer in America, employers are now fully awake, especially with over 500 employees, and the smaller guys are catching up, but they're still way behind the larger employers. They don't think they can play on the ball here, and they actually can, and today's guest will prove it.

Ron Barshop:

So that's the new buyer in primary care, employers are going direct, and they're going with reference based pricing models, or they're going both. It's a messy transition if you're an employer, but for the members, the consumer, it changes everything for us. In fact, I've echoed on most of these shows, direct contracts creates seven winners. The employer, the consumer, the clinician, the doctor or nurse, the shareholder of the company, the community, and then costs drop 20 to 60%, and outcomes improve. So that's seven winners, all measurable. Metrics can bear these out. It's a future where we all can win. Two of my guests, Clint and Phillip of Medici, had 13 million virtual primary care patients, mostly Fortune 100s. Jami Doucette with Premise Health, another guest, had 11 million direct primary care patients. So that's 24 million right there with just two companies alone that are direct care leaders. Adding guests like Everside with the states of Colorado and New Jersey as clients, Crossover Health, with Facebook, and Google, and Amazon, and Intuit and LinkedIn as clients. 98.6 with Walmart as a client.

Ron Barshop:

You're quickly at 30 million, and that's just the guests on our show. We also were going to invite One Medical, who has Apple as a client, Teladoc 360, just signed up 11 Fortune 100s with their new model of virtual primary care. And so we're going to be way past 30 million when we do the full count, but nobody knows because there's literally no association that counts this. And direct primary care offered in these private equity backed companies is redefining itself, often to now include mental health, and increasingly occupational health with chiro and PT. So direct contracts are leading to a free healthcare for consumers. How is that? Well, we'll talk about that in a second, but it's a very exciting idea, way better than any other broken idea like Medicare for all, that the politicians seem to circle around like vultures, because Medicare is broke in a few short years without more payroll taxes.

Ron Barshop:

So do we really want Medicare for all? So how do you get pre-health care? If an employer is saving 20 to 60%, depending on how much of this strategy they adopt, it can all drop to the bottom line. They can also use that dividend, that 20 to 60%, to buy a company jet. I know of one or two companies that have done that. They can use that dividend and pass it on in the way of bonuses to shareholders, or to employer C-suite. I know that too is common. Or they can be even a little bit nobler, and do all of the above, again, when they fully adopt these plans. Rosen Hotels has famously invested in the poorest school district that surrounds their hotel with guaranteed full boat college to anywhere. And they also offer free care too, to their employees. They removed employee premiums, deductibles, and only have a $5 co-pay for anything that you want to do in healthcare, or even their gym.

Ron Barshop:

That's the big idea that CFOs and HR leaders are waking up to in a tight labor market, is free healthcare is the mother of all attraction, engagement, and retention tools. It was for me and my team. And when everybody gets de facto raises by skipping premium, the economic ripple effect in the community, spend goes up like it's a giant tax refund. So it's over $100 million locally, the ripple effect, if you only have 2000 people that have now eliminated deductibles, premiums, and copay. That new normal will become steering only to a Center of Excellence. So to feasibly, if you're only steering to Centers of Excellence and everybody's on the honest bandwagon, well, the ecosystem is now forced by the buyer, the employer, into universal excellence, now isn't it?

Ron Barshop:

I'm super excited to introduce you to today's guest because he is a thought leader, he's a keynoter on this very subject. And Peter Hayes is the President and CEO of the Healthcare Purchaser Alliance of Maine, and he's led innovative health and wellness solutions, initially at Hannaford Supermarkets, which today has 20,000 employees, pretty big for Maine. So he's often a keynote speaker, as I said, and is considered a thought leader with strategic, innovative benefit design, for the past quarter century. And he's received numerous national awards, thanks to an unflagging commitment to high quality efficient care, value over volume. Two different Maine governors have asked Peter to serve healthcare reform commissions, to recommend public policy improvements, and affordability for the 1.3 million citizens. Welcome Peter to the show.

Peter Hayes:

Glad to be here this afternoon.

Ron Barshop:

Yes. Well, you've been on the front row for a quarter century now, watching this evolve. You've watched the most important of American healthcare wake up to their power. How is that view from 10,000 feet as you've watched over 25 years?

Peter Hayes:

Like slow motion forward motion. I mean, it's baby steps, it's been moving, but unfortunately I think it's really reached this unsustainable spot where... And it's really the last gaps, that purchasers are really starting to realize that they need to use the same sort of financial principles they use for every other corner of their business, and every other business line item on their balance sheet operating statement. They need to get engaged and really start asking questions about what it is they are spending their money on. And I'm most excited, the most... I think healthcare is going to change more in the next 18 to 24 months than it has the last two decades.

Peter Hayes:

There is just a perfect storm of events that are coming together that are really forcing purchasers to actually take notice, and the most important piece is the Consolidated Appropriations Act that really is making it, a plan sponsor has financial fiduciary responsibility now, just like they do in the retirement fund plans. They need to make sure that they're spending their dollars on behalf of their employees, and they're paying fair and reasonable prices for all aspects of healthcare. From brokers to consultants, to health systems, to providers for prescription drugs. I think that's going to really change the dynamics going forward.

Ron Barshop:

If you look at the CAA, I think one of the most important pivot points of it is brokers now have to disclose their fees. And I've had brokers that can't talk on my show about this, but they'll tell me privately, they have about 17 undisclosed fees built into their arrangements, and most employers have no clue.

Peter Hayes:

Yeah. I mean, actually a really good... It's going to be really interesting. There is a school district in Florida that was with a national consultant, who they thought they had signed an agreement with a consultant that their maximum compensation was going to be better than... pick a number, but it was approximately $200,000. They found out that actually the total compensation that consultant got from their book of business was in the millions, and it is a pending litigation now. That is going to really change and actually effective January 1, '23, brokers are going to have... They are supposedly obligated to disclose to their client all their revenue flows they're getting from all of the products they place. That's going to be a game changer going forward.

Ron Barshop:

This is going to be the full Employment Act, for class action lawsuits and ERISA attorneys, isn't it?

Peter Hayes:

Yeah, exactly. But it's going to be... It's sort of like, it was the same thing that happened in the retirement industry. The first major case that comes in, and an award is made to those that are bringing action against the plan sponsor, it is going to change the market overnight. So I think we're really on the cusp of that. That's why I say I think the next 18 to 24 months are going to be interesting.

Ron Barshop:

Yes. Are most of the employers in your Alliance fully aware and awake to what that means on their shoulders?

Peter Hayes:

Yeah. Some of them are, and some of them are getting very nervous. For instance, the first step of this was the hospital pricing transparency were effective January 1 of last year. Hospitals were supposed to disclose their cash price, and all the prices the different health plans were paying for 300 shoppable services. And I still think there's a significant number of hospitals that aren't reporting. And what it has shown, in one case, there's actually an entity that's tracking this, that 70% of the time on these cash prices, the prices that are being disclosed, about 70% of the time, the cash prices that patients could pay are significantly less than what the health plans, the BUCA plans that you mentioned, are paying.

Peter Hayes:

Which really is going to be a lot of our plan sponsors are looking at that and saying, Why are we paying network lease fees to the BUCAs? Why are we paying, as you had said at the top of the show, two to three to four times more than what a patient could pay in cash? In many cases, patients are better off paying cash than using their insurance card, and that's really going to create some interesting dialogue.

Ron Barshop:

Every plan sponsor now became a Ukrainian pilot shooting down six MiGs, don't they?

Peter Hayes:

Yeah.

Ron Barshop:

Okay. Before we get in... Again, I want to get into what you do every day, but let's talk about the winners and losers since we have a hard stop.

Peter Hayes:

Yeah.

Ron Barshop:

It seems to me that obviously, the employer's a winner, because their second largest cost goes down. Can you talk about that a little bit?

Peter Hayes:

Yeah. I mean, I think The Wall Street Journal did an article that said 95% of wage stagnation in the last decades have been caused by just the rapid increase in health costs. So for employers, not only do they have an opportunity, as you suggested, to reduce their costs, but more importantly, they can take some of those savings that is eating their employees' paychecks, and put them back into other benefits that employees are asking for. And you mentioned it at the top, COVID has really illustrated the real gaps we have in mental health providers in care, gaps in childcare, a bunch of other things. So it really gives the employers an ability to really enrich their offerings, because going forward, certainly in this market we're in right now, attention and retraction of employees is becoming a huge issue. In our marketplace, there are restaurants that aren't opening because they can't get employees to work. So they win by being able to re-divert those dollars to things that add a lot more value to their business equation, and to their employees and families that they're supporting.

Ron Barshop:

Let's talk about how the employees are winning in Maine. How is the consumer getting less friction?

Peter Hayes:

A couple of things I would point out. Right now if you ask, it was staggering, we actually talked to the medical association here, and they've been polling new... people that are graduating from med school and other things, and asking them where they are. And at this point, there's a staggering number that would prefer to have a single payer system to the current system. The provider burnout, the provider dissatisfaction, is huge, and so isn't the patient. So a really good example is, and you had mentioned at the top, the state of Maine themselves, their employees have partnered for two years now with Karim Health, which is a Center of Excellence program, which Rand has done a study of them. What they're finding in these Centers of Excellence is there are remarkable differences in outcomes, cost, and patient experience.

Peter Hayes:

They're finding about 25% of the time for joint replacements, they don't need to be done. For spinal procedures, it's more like 50% of the time. Patient satisfaction scores and net promoter scores are in the high 90s. Amazon's in the 70s. A lot of the BUCA plans, their satisfaction scores are single digits. It's a much better patient experience, it's a much better provider experience. And you're right, there's this quality piece that what Karim does is they will go in and they will not only certify that the center itself, the hospital itself is a Center of Excellence.

Peter Hayes:

They actually go down to the surgeon level, and they will find within hospitals... Again, you mentioned at the top orthopedics, they'll actually find in hospitals, there may be a staff of eight orthopedic surgeons. There may be four of them that are outstanding, but there's also four of

them that they won't put in their Center of Excellence program, because they just aren't at the top of their game. So it's a much better quality, it's a much better care experience, and the savings are about 45%, according to Rand, and per procedure. So it is a win, win, win for all of the players in the mix that matter.

Ron Barshop:

Let's talk about the physicians. I know you're not on that side of the equation, but you talk to enough of them. Are the physicians also winning when they now have this more efficient, less bloated way of performing care?

Peter Hayes:

Well, I think at the top you talked about advanced primary care, or some of these new primary care models. And certainly we have talked to... The physician burnout is real. I mean I've got many friends that are primary care docs, and they claim they would never go back into health system medicine again. It's not a great experience. They don't get time to spend with patients. They have quotas of how many procedures and referrals. It's all about the volume, as you said at the top. If you talk to providers that are working under the new payment models where they're on site, near site clinics, the patients actually make appointments, and they're on time. Satisfaction levels are much higher.

Peter Hayes:

So yes, physicians have been forced into corporate medicine, meaning they're owned by health systems. And the ones we have talked to are not very happy with that evolution, if you will, over the last decade. They would really like a different model of delivering care. So that is also exciting. When you have a system at which the patients aren't happy, the payers aren't happy, the providers aren't happy, and you look at who are happy with the status quo, when you have those three major segments, the payers, the patients, and the providers not being happy, you have a broken system.

Ron Barshop:

Yeah. Well, you've spoken about outcomes. You've spoken about cost. Let's throw the last one in here. Do you have any stories, Peter, of the communities winning, and some of the townships, and some of the employment centers of Maine, where the dividend is now spent to help either charity, or to help a bigger spend in the community, or anything really that is measurable?

Peter Hayes:

I mean, a real good example, and this goes back to the heritage of our entity, which has really been around 30 years. And I guess the real story that you can point to, where the collective voice of purchasers can make a difference. And again, this entity's been around 30 years, and we started a while ago. The mission really was, how could purchasers work to improve the quality, access, and affordability of healthcare? And one of the things we recognized in our state at that point in time, Leapfrog had just started. They rate patient safety of hospitals on letter grades A to F.

Peter Hayes:

When it started in Maine, we had some of the most unsafe hospitals in the country. And we had a bunch of purchasers came together in actually the state of Maine, and then the entity I was at, which was a local supermarket chain, we decided that we would waive deductibles, and copays, and member cost share, if they actually went to the hospitals that had the highest patient safety grades. And in a period of a decade, a little more than a decade, Maine has gone from that to having the safest hospitals in the country, actually Maine just got an award. The governor just accepted an award. Maine's had the safest hospitals for the past decade in the country. That's a place where focusing on the right things, patient safety, has lifted the boat. So everybody that goes to get care in Maine is having a better experience than they would've had if that action hadn't taken place.

Peter Hayes:

That's a great example. Another great example is, again, we've been asking our hospitals here when I was in my former role, we had had a hip replacement in the state that had cost us over a million dollars. We were self-insured, we didn't have stop loss. We started... And it failed because I say three things, the mantra that we used, it's sort of like Nike, just do it. But the mantra we had is make sure you get the right care, at the right place, at the right price. Because about 40% of the time, you're not getting the right diagnosis when you start out the gate. So there's misdiagnosis, which is about 40% of the time. Leapfrog, which I just mentioned, if the hospitals are rated A to F, if you go to a hospital rated C or lower, you have an 88% higher chance of a fatality by going to that hospital for any reason.

Peter Hayes:

So getting the right diagnosis is important. We found in our, going back to the right diagnosis for cancer care, we put a second opinion program with Dana-Farber. 90% of the time, the local diagnosis of cancer was wrong. It was either... About a third of the time it was the wrong stage or type of cancer, about two thirds of the time, it wasn't the optimal therapy. So you think about the consequence to the patient of not getting those two things right. And then the price in our marketplace, the price of healthcare, varies sevenfold. I mean, you can pay $300 for an MRI, or you can pay $3,000 for an MRI. So right care, right place really can make a difference. We asked our hospitals here, if they would go to a bundled price, they didn't. I traveled and went to spend some time in Europe. We put benefit design in place about 15 years ago, where in Singapore, you could get a hip or knee replaced for $10,000.

Peter Hayes:

It would be warrantied for a year. We put a benefit design in place saying, "Hey, we'll pay a 100% for you and a significant other to go." The minute we did that, we got a call from hospitals in Maine saying, "We'll do the same thing." The same thing happened with Karim Health that I talked about. We asked our hospitals to participate with Karim Health. They didn't. There was a hospital, New England Baptist, in the Massachusetts market that did. And right after that, we had hospitals step forward and said, "Yes, we do now want to participate." So those are examples of where you can move the market by using your purchasing power, to really, instead of... You said it at the very top. Instead of being market takers, instead of being, we're going to take what the various stakeholders want to sell us, we're going to turn that around and say, "This is what we want to buy going forward."

Ron Barshop:

Yeah. That's a beautiful explanation. I want to be respectful of your time, and I think we need another show just to deconstruct and really tease apart your idea of the ideal plan. If you had a completely compliant employer, and they said, "We'll do whatever it takes, Peter, to get these costs right, to do right by the employee, do right by the doctors, do right by the system and changing the world." What would that look like? And I don't know that we have time to do that today, but it's a big subject, right?

Peter Hayes:

Yeah. It is. And that literally is the billion, trillion dollar question, because that's what we're spending on healthcare, and we didn't get it right with the Accountable Care Act.

Ron Barshop:

Mm-hmm (affirmative). That wasn't even about healthcare. That was about how we spent. Well, look, this has been a remarkably important interview, and I appreciate your time. We are definitely going to schedule you again, because we only got about half these questions out. I didn't even get into what a purchasing alliance does, and I know that's an important multidimensional question that most people don't understand. So that's, I think, another show, another time.

Peter Hayes:

Yeah. I'd be glad to, anytime. I apologize for the short session today, but we'd be glad. Tons of time next week, so if that works, let me know.

Ron Barshop:

Sounds great, Peter, thanks. The best way to reach you is which way? On LinkedIn or social media, and what is the best way?

Peter Hayes:

Probably just use, I think, would be my work email, which is just PHayes@purchaseralliance.org.

Ron Barshop:

Great. And I'm going to fly your banner overhead. We always ask that question at the end. You already said it at the end. Get the right care, at the right place, at the right price.

Peter Hayes:

Yes.

Ron Barshop:

Yeah. That's it. Thank you, Peter. You have a great day and I got to tell you, I bought a popover tray right after I scheduled you, because I got excited about popovers again that I had at Acadia Park last time I was there.

Peter Hayes:

Oh, that's so funny.

Ron Barshop:

Yeah. So I'll be making some tomorrow night with my girlfriend.

Peter Hayes:

Hey, you should come back. I don't know when the last time you were in Maine, but our claim to fame now is we've got... Portland became a food city, and I think we have more microbrews per capita now in Portland, Maine than any other place so if you-

Ron Barshop:

Yeah, that's where we flew into. So we got started there before we drove, and I'll also tell you that we know that for a fact, because we sampled that. So we know. Yeah. It's a great little town.

Peter Hayes:

Well there's a lot more samples to be had.

Ron Barshop:

Okay man. All right. It was nice to visit with you, and we'll get that other interview scheduled then.

Peter Hayes:

Okay. Thank you.

Ron Barshop:

Thanks Peter.

Peter Hayes:

Thanks, bye.