Nate Randall: Welcome to Illuminate HR, Suzanne. It's great to have you here.

Suzanne D.: Thank you, Nate.

Nate Randall: Your past includes the Kaiser Family Foundation and the Pacific Business Group on Health. Two amazing organizations. You're also the founding CEO at the Leapfrog Group and for the past nine years, Executive Director at Catalyst for Payment Reform. I just wanted to start by saying thank you on behalf of all of the employers and employees out there. The work you do is not only super interesting to me, but extremely important to the country.

Suzanne D.: Thanks, Nate.

Nate Randall: Let's just say we've both been and seen a lot in healthcare over the years. And I'm sure there's a ton that we could talk about. But as a starting point, I'm really interested in what you're currently focused on. Another way to say it is sort of what gets you motivated and moving in the morning.

Suzanne D.: Yeah. It's an exciting time to be working with employers and other healthcare purchasers who are looking for better value, because unlike any other time in my 20 years of doing this, I feel like there's a lot of energy around trying new things and a willingness to be bold. And that makes for much more interesting work. And I think part ... There are probably two forces at play in my mind that have created this moment. One is that there has been unprecedented consolidation among healthcare providers, and that has led to really tough dynamics for those who use and pay for healthcare, because as healthcare providers consolidate, the evidence is about a mile high that they start charging higher prices.

Suzanne D.: So, one of the biggest drivers of healthcare cost growth right now is the price, and that's something that's negotiated in the commercial sector and employers are not winning this battle at the moment. I think the other thing that has led to this moment of innovation is that Americans have kind of reached their limit when it comes to the affordability of health insurance and healthcare in general. Where we used to be terrified of telling Americans that they couldn't have choice of any doctor of hospital that they wanted, I think they're much more willing today to make trade offs between choice and affordability.

Suzanne D.: So, you've got employers recognizing that they're up against a wall and you've got consumers willing to be more restricted in their options if it means they can afford their healthcare. And I think that's led to a moment where providing thought leadership to and coordination among employers and other purchasers is a pretty exciting place to be.

Nate Randall: In my work over the years, and I've been fortunate to be at some fairly large and influential employers and involved in some of the groups we talked about at the beginning of the show here. But it's been frustrating and I've seen that it's super

hard to build consensus amongst, especially large employers that are very proud of their brands. And really, really hard to get them to publicly come together and in step say something or do something together.

Nate Randall: I think it should be fairly obvious that you believe pretty strongly that employers are and need to be a major part of the solution for healthcare costs in our country. But where's your current thinking on this issue?

Suzanne D.: Well, I think you're exactly right in your observation that it's very hard to get employers to work together and I think the reason for that is they're all busy running whatever kind of business they're in. Healthcare is, I wouldn't call it an afterthought, but it's sort of a side job. And so the idea of coming together as purchasers is just, it would just be an afterthought. And then we've also got, as you I think hinted at, employers who are pretty committed to the customizations they've made to their health benefit strategy. They think that they're critical for keeping their employees happy and attracting new talent. And whether that's true or not, I don't know. It's an empirical question I'd like to answer. I don't know how much all this customization really matters.

Suzanne D.: But if you try to get employers around a table and get them to agree on what it is that they want to buy, it's going to be pretty challenging. And so, I've been thinking that really I think what could work is for entrepreneurs and new vendors to come into a space and offer new products and services that are going to be attractive to multiple employers and then through those new products and services, they can perhaps more effectively amass their leverage or their group buying power.

Nate Randall: Yeah, it's interesting. And kind of jumping around a little bit here, it also seems to me that there's a huge disconnect in the sort of great American healthcare debate with public consciousness around some of the talking points. So, we hear a lot about insurance costs too much, which it does. Deductibles keep rising, which they do. This isn't sustainable, those sorts of things. But we keep sustaining it. What are we sort of missing here in the public discussion and conversation?

Suzanne D.: Great question. I think if we could all snap our fingers and make every American a very educated and savvy healthcare consumer, I think we would be a lot better off. So, imagine we could create an understanding among all Americans that not every healthcare provider is good at everything and some are much better than others. We help them understand that some charge way beyond competitive prices and some are more reasonable, and we would help them understand how to navigate the healthcare system so that they could shop with their feet just like they do fr cars or for flights or anything else. But healthcare isn't easy to understand and it's also not something that most people want to have to become experts in.

Suzanne D.: So, this whole idea that consumerism is going to save the healthcare system, I think, I personally have put a lot of effort into that and I just don't think it's quite where it's at. Then we have to educate business leaders and we have to help them understand that healthcare can't be an afterthought. It they look at their competitiveness globally and what some of the biggest inputs are into their expenses, and what's affecting their bottom line? It's healthcare. So, we have to find ways to convince business leaders to give it the attention that they give to other supply chain management or marketing, or other things that they do.

Suzanne D.: For whatever reason, it's not easy and I think again, the complexity of our healthcare system makes it really difficult for lay people, lay in terms of understanding the healthcare system, to figure out how to plug in and get involved. And that's why so much of my career has been creating organizations that can help them do that.

Nate Randall: Yeah. And it's interesting because there's not a lot of talk about fixing the cost of healthcare. We talk about the cost of insurance. When we blame the insurance companies, are we really kind of protecting the hospitals, providers, physicians, the people who are actually charging these exorbitant rates?

Suzanne D.: I've been thinking a lot about this because if you're paying any attention to the democratic side of the presidential competition that's ensuing, there's a lot of discussion about Medicare for all, Medicare for More. But if there's a common theme, it's that the insurance companies are evil and that they are responsible for the situation that we're in. And I by no means need to exonerate health insurance companies for everything that they do. But it shows a misunderstanding right now of where the biggest source of the problem is, which is the healthcare providers who have, like I said before, have consolidated so much that they have just amassed an unprecedented amount of market power, which allows them to charge these exorbitant prices.

Suzanne D.: And yes, we've got insurance companies negotiating on our behalf, so those prices aren't always paid as the providers request them to be. But it ultimately keeps driving up premiums and driving up the need for us all to share a greater portion of the cost out of pocket. It all comes back to that. So, we can keep pointing our fingers at insurance companies and pushing them to get better and be more efficient and be more humane. And no one wants to look at their healthcare providers who are responsible for the safe delivery of their baby or for curing a family member of cancer and think they're to blame. But they're not great actors these days.

Suzanne D.: I live in the San Francisco Bay Area where famously we hear about Sutter as a very large dominant system. And right now the attorney general of California is accusing Sutter of really driving up the cost of living in the San Francisco Bay Area as compared to LA, for example. Yeah, ki think there's a lot of educating we need to do about what the source of the problem is.

Nate Randall: It's really interesting and sort of transitioning on that point, just looking at some of the numbers. I mean, healthcare spending is almost 20% of the US GDP. And over the last 20 years, it's one of the only sectors of the economy that has consistently grown. So, if you fix healthcare, you'd essentially be torpedoing the economy. So, part of my theory is is that the reason we don't hear politicians and other people talk a lot about fixing the actual underlying cost of healthcare is because they don't want to be the person to send the economy into a tailspin.

Suzanne D.: Yeah. I have not dug into this as much as I would like, but I did have a chance to work with a really brilliant healthcare economist, Bob Murray, who for many years in Maryland ran the commission that sets rates for hospitals. And he kind of thought in every which way about how you can make a healthcare market work more efficiently to meet the needs of consumers. And he had alerted me to a study that we cited in a paper we wrote together I think back in 2012, that it's a little bit of a misnomer that healthcare is so important for our economy, because there's some evidence that for every job you add in the healthcare industry, you lose something like 0.8 of a job in other sectors of the economy, because the bigger the healthcare industry grows, the more it costs all the other types of industries and businesses that are out there. So, there may be a slight net positive effect, but it's not nearly as big as people think.

Nate Randall: Yeah, that's a really interesting point. And the other thing, and I know you know these stats and you're around them, but I'm not sure that the average person understands how far out of line we are on our healthcare spending. I mean, if we want to be number two in the world, which is currently Switzerland, we'd have to take somewhere around a 20% cut in our healthcare costs. And I can guarantee you not many people want to take a 20% pay cut. Not many organizations want to take 20% out of their profits. And even more if we want to make it to number three, which is Germany. We'd have to cut our costs almost in half.

Nate Randall: These are big, big things. Connecting it back to what you do, how do we get from sort of where we're at, leveraging the buyers and purchasers that you work with to those kind of reductions?

Suzanne D.: Yeah. There's a couple of different overarching strategies. One is to get employers to band together and buy in bulk so that they can reclaim the theoretical leverage that they should have as the customers of the healthcare system. The other way is to get employers and other purchasers to ... If they're not literally on the same contract, to push for the same things at the same time. And that's the philosophy that I've more closely followed in the work that I've done, because as we talked about earlier, it's very hard to get employers to agree to the exact same terms. But we can't just sit back and take it.

Suzanne D.: So, we've done things at Catalyst for Payment Reform like creating health plan user groups, which are like client advisor groups turned upside down where employers together meet with a particular health plan that they contract with

or are thinking about contracting with and push them on things like are they reforming how they're paying doctors and hospitals, are they insuring that maternity care is a priority to them? The news keeps coming out about maternal mortality in this country being at an alarming and frankly embarrassing rate. And the health insurance companies are very lame about actually trying to insert incentives into the system that would encourage providers to do a better job.

Suzanne D.: There's endless examples like that where the customer has to make sure that their voice is loud and heard, so I think that's on a very sort of high strategic level. At a more tactical level, I think it's critical for employers to think about how they can ensure that there's competition among healthcare providers in whatever markets are important to them. And there are a variety of ways to get it. We're seeing employers continue to be interested in implementing on site or near site clinics as a way to not only create a benefit for employees in terms of access and ease of getting primary care, but it can also help control utilization of overpriced healthcare systems. Likewise, tele health can be used in the same way while we mostly think about it as a way to divert emergency room visits.

Suzanne D.: It could also help, again, control unnecessary utilization of over priced healthcare systems. We see employers really trying to vet providers for services where they're seeing really wide variation in quality and price, and creating a benefit design that encourages employees to go to the providers that are the highest value. And in some cases they call these centers of excellence programs. And in some cases they pay these providers with bundled payments, which create further incentives for them to be efficient. We're seeing reference pricing. I think you used to work at Safeway, that really helped pioneer this idea. I thought it was going to take off much more than it did. But it is still slowly growing. We're still seeing more and more employers pick it up and add procedures and services for which an employee has to make up the difference if they go to a provider that charges more than a reference price that the employer has set.

Suzanne D.: I'm sure I could speak to other strategies, but there are a wide variety of them now that are available to employers to implement and we are seeing them grow. I would like to see them grow faster.

Nate Randall: Hey guys, this is Nate. Illuminate HR is supported in part by our patrons. Lynn Glocker and John Carl, thank you for supporting the show. For more information on the benefits of becoming a patron, please visit our website at IlluminateHRPodcast.com. Now the last half of my discussion with Suzanne.

Nate Randall: You brought up the Safeway experience and obviously there as you alluded to, we sort of pioneered some work on reference pricing as well as medical price transparency. These concepts work to a certain extent, obviously, and they're also pretty straightforward and make a lot of sense. Reference pricing is just trying to make sure the four services that have equivalent value and where

there's no difference in quality, something like an x-ray, it doesn't matter where you get your x-ray, that there's competitive pricing. And at the same time, employers still are reluctant to do this, because I think nobody wants to hear from employees that are angry that they couldn't go get their x-ray wherever it is they wanted to go.

Suzanne D.: Yeah. I mean, again, I think that that has been the challenge. And in some cases, it's kind of backfired. If you have employees that don't have time to search around on a computer because of the nature of their job, they're on the floor of a store or something like that, they can end up just having greater cost sharing without understanding why, and that's not the goal of it. But I think at the end of the day, this issue around affordability and the challenges with navigating the healthcare system and knowing where to go, I think with the right communications and the right financial incentives and the right assurances around quality, I think there's going to be an increasing willingness on the part of employees and family members to be more directed as to where they seek services.

Nate Randall: Yeah. And obviously we're talking about large organizations here primarily that have the numbers to do these sorts of things, that have the budgets to do these sorts of things, that have the pull with the insurance companies and providers to sort of push them in the right direction. For everybody else who works for smaller organizations or maybe they're on fully insured plans, or they really don't have ways to do this, what are their choices out there? Is it really that we just have to wait for congress or the political arm to act and to put some things in place to make competitive pricing happen?

Suzanne D.: Yeah, it's a great question. One interesting trend that I've been watching is smaller employers deciding to become self insured so that they don't just have to take the products that are offered in the marketplace by health insurers, but they can come up with benefit designs that create the kind of incentives that we were just discussing and they can have transparency into the prices they're paying and things like that. So, that's one interesting reaction.

Suzanne D.: I think the other is there has been a move toward high deductible health plans over the last 10 years or so, and yet the evidence is coming out that they can be deleterious, especially to patients who need a lot of care, perhaps someone with chronic conditions, because they tend to make people refrain from seeking care whether they need the care or not. So, we're seeing interesting additions of value based insurance design where cost sharing is waved for primary preventive services and now with the latest presidential executive order, there is likely to be regulations coming out that make it possible for both drugs and medical visits and services for secondary prevention, for people who are already sick, to stay healthy by getting their screenings and such.

Suzanne D.: That can be also part of a value based insurance design. We're also seeing a slight uptick because of the exchanges in the availability of narrow network

products. So, I think as a fully insured employer, you do have some choices depending on what the third party administrators that operate in your area have to offer. There are some ways to essentially fight back by really focusing on high value providers through the plan choices that you offer to employees. Or like I said at the beginning, by becoming self insured and acting more like a big employer.

Nate Randall: Yeah. And it's been an interesting experience for us. We moved to a pretty rural town. Obviously being self employed largely, I'm on the California exchange and when we moved here, there's basically one option and it's a massive deductible. It's still a very expensive plan, even though it is a huge deductible. We're both healthy people, so I can see where the system is just completely broken for some areas of the country and as you said earlier, we feel like it's become this place where it's not sustainable, yet every year it continues going up. Is there a breaking point that you see at some point? Is there a breaking point where the average American just goes, "You know what? Just go ahead and do Medicare for all or universal healthcare"?

Suzanne D.: Well, I mean, I think we're seeing a lot of interest in that right now. It's time for all these candidates to be running for president and coming up with their platforms, and that seems to be the most common theme that we hear about. And I think it's because they know it's going to resonate with people who are just so tired of this system and feel like there's got to be some other solution. I don't know what it's going to take. Believe me, 20 years ago when I started working with employers, people were already saying, "We're at a breaking point and surely things are going to change," and things just keep getting worse. And yet we still haven't seen a really radical change to the way that our healthcare system is functioning.

Suzanne D.: And I think it comes down to sort of fundamental disagreements on whether or not the marketplace can create what Americans need or whether we can trust government to intervene and not mess it up, or can government intervene in a lighter way that maybe makes the markets function better. I'll give an example. In Rhode Island, they created through legislation an office of health insurance commissioner. Usually insurance commissioners are broad across all kinds of insurance, but in Rhode Island they have a specific healthcare one. And they also basically created price increase ... sorry, caps on price increases where there's a cap on how much health plans can increase the amount they pay to providers year over year. I think it's about 3%.

Suzanne D.: So, they didn't create Medicare for all. They didn't set rates fro what providers can be paid. But they said growth can only happen at this rate and no faster. And it then gave a little bit of market power back to the payers in a state where there's very little competition among providers. There are a whole sort of range of things that can be done from totally trusting the market all the way to really intervening and creating a national health system that has centrally set prices.

There's a lot in between that I think we're going to see states experimenting with increasingly over time.

Nate Randall: It's fascinating stuff and I love talking about it and thinking about it, and wondering what's going to happen. And it certainly keeps folks like you and I and many others employed to have this huge problem. I wish it would go away, but as you said, you've been doing this longer than me and it's still the same discussion. When high deductible health plans came out, it was slow in uptake and it still is not something that every employer offers, even though it makes a ton of sense for al to of reasons that we don't need to get into. But adopting new things and taking some of the work that you do to the next level, are there examples of things that you think are coming in the future that employers are going to do? Or are we really just trying to accelerate what we know works and hasn't? So for example, reference based pricing and things like that. Are we in the mode of we have some answers, we just need to get better uptake? Or are there good solutions that are coming down the pike here?

Suzanne D.: I think it's a mix. We have some good answers that really have only been taken up by such a small portion of all the employers out there. That's the low hanging fruit. But I do think we're seeing some interesting trends. For example, employers who felt that high deductible health plans were backfiring for their populations and not creating a good benefit or healthy population are thinking about copay only plans. The idea of a narrow network, which could have a premium that's similar to a high deductible plan and cost sharing that's even lower is something that they're starting to offer alongside the high deductible plan or other offerings. I think we are going to see employers think about ways to band together to buy healthcare.

Suzanne D.: So, at the national level we've got the Health Transformation Alliance, which is trying to do this in certain markets. In Colorado, through some legislation that already existed I believe, we've got employers banding together to procure as a group and ultimately to buy healthcare as a group. I think we're going to see more and more of that. I also think that emphasis on alternative sites of care is going to continue, whether it's tele health or on site or near site clinics. Or retail clinics or urgent care clinics instead of the ER. I think we're going to see a lot of that, because it is low hanging fruit. Americans are busy. They want convenience. And some times you can put all that together and actually have higher quality of care and spend less.

Suzanne D.: Those are just some of the things I think we're likely to see. But I think it's, first step is for those employers who might be listening to this who have not yet tried any of the kind of strategies and tactics I've been listing, there are a lot of good examples out there. And actually on our website at Catalyze.org, we've got case studies that employers can download for free and see how other people have done these things.

Nate Randall: Yeah, it's great work. And as I said, fascinating stuff. Thank you very much for being with me today. I really appreciate it.

Suzanne D.: Oh, it's been fun, Nate. I hope to talk to you more again.