Nate: Why the discussion is the way it is. There's a couple thoughts here. One is some research I've been doing and it's publicly available stuff around lobbyists and lobby dollars. So the, the lobby dollars that doctors and physician networks and hospitals put towards presidential campaigns when compared to health insurance companies is astronomical. I mean, they are putting way more money into this issue and getting what they want. Then the health insurance companies are, you can also look at pay scales of CEOs and we cry about how much CEOs make. But there are not many insurance company CEOs that are on the tops of those lists. However, there's pharmaceutical company CEOs, there's all sorts of things like that. The other, you know, kind of conspiracy theorist a thought here is maybe medicare for all is the first step. And the second step is taking over a, the free market and setting prices and in, maybe that's viewed as we're getting close to part of the problem. Let's get that done and then we'll fix it later. Because I do believe just medicare for all a is not necessarily gonna solve our problem and make the majority of Americans happy.

Denny: Well, another, another interesting thing about Medicare itself. So let's look at Medicare as it exists today. There's some 40 million American sites, probably closer to 50 at this point that are enrolled in Medicare or medicare funded programs. Now we use the term Medicare very loosely. Traditional Medicare is a program that is paid for the gut by the government, designed by the government, offered through the government. And there's various contractors that will you know we'll fund doctors for your care, but 40% of Medicare eligibles in the United States opt out of Medicare. And instead they're able to take a voucher, basically a voucher from the federal government for what the government would pay itself to provide you Medicare. And you can take that money and you can go out and you can buy a private insurance product from hundreds of, of, of suppliers all over the country.

Denny: And they're cheaper and they are better coverage than Medicare. Now, if Medicare itself was just better because it's government administered and it's a government program, that shouldn't be the case. A private company for profit company should not be able to compete with Medicare for Medicare services and charge you less money and provide you more care. But it's true. And the evidence it's true is four out of 10 or two out of five medicare eligibles take advantage of that. They drop out of Medicare, they give up their medicare card, they take their money and they go buy a private market solution. So Medicare itself is not the answer.

Nate: Yeah, it's fascinating stuff. The other thing in this is, this is really in the weeds for some people, but I do think, again, stepping back, if this is the most important issue of this election and I would argue it's going to be our most important issue until the entire thing explodes or we start making some real progress here. We should know some of these details, but I was unaware of the provider sponsored health plan impacts and some of the, the work you did there, I'll link to the article you did on it, but I'm, I'm fascinated by that because I just wasn't aware of it. Maybe talk me through what that's about.

Denny: So more and more there's been consolidation for years and years all over the healthcare system. Big in big drug companies buy up smaller companies and get bigger, bigger

insurance companies buy smaller insurance companies and get bigger, bigger hospitals, buy smaller hospitals and get bigger. But we're in a different kind of a season in the last several years. What you now see is crossovers. You see hospitals that are acquiring physician groups, you see insurance companies that are acquiring physician practices. Most landmark a, you know, an example of that is Devita who purchased healthcare partners a few years ago. This is the second largest dialysis provider in the world that purchased one of the largest independent physician practice groups in the United States. And by the way, that transaction has now moved to another phase where now an insurance company has purchased that. So what you have is not just consolidation within a function of healthcare, but consolidations across.

Denny: And one of the end results is you can no longer tell the difference between a big system that provides care and a big system that provides insurance. There'd be those lines are blurring dramatically. And so, and that's what's called provider sponsored plans. You see, and you see this most prominently in these Medicare alternatives. Oftentimes if somebody opts out of Medicare and they buy one of these plans that are called an advantage plan, right? It's means it's an it's and it is an advantage. It's an advantage over Medicare. Oftentimes that plan is coming from a big medical care delivery system that also offers its own insurance built into its care system. And that is a, you know, that's an interesting model and it's an evolving model and it's a continuing model. Given enough time, it will break the back on medical inflation. I just don't know that we have enough time to wait for that kind of consolidation, but it's one of the big movements that's occurring there. So [inaudible]

Nate: What's the solution here? Is it, is it, is it a difficult one? Is that, do you have the answers? If a, if somebody would listen to Denny? Do we have, do we have the answers over there and somebody just needs to call the right phone number?

Denny: Well, I guess you know, so I gotta I gotta take off my my political hat entirely for this because I tend to be more of a free market person. So I believe, I would tend to say from that standpoint, let's figure out ways to let the market work and get the government out of the way. But let me set that aside. Cause it's a lot harder for me to talk about it from the other side. And that's probably most helpful for me to say, let me pretend I was not a free market person and I was a government solution person. So as a government, as a solutions person, I would probably say we have to set, we have to require disclosure by everybody who provides any kind of healthcare. And we a as, as state and federal governments have to figure out how to narrow the number of different ways that care can be charged and paid for.

Denny: So that regardless of whether you're getting your coverage from your employer or whether you're getting it from because you're in your, you've qualified for an a program being an older American or you're qualified for a program being a poorer American or being a veteran or being a teacher or being a member of a labor union, right? Regardless of all those things, when I, when I set foot into my primary care physician's office, there should be a price for that service and all of us should be paying the same price. That would require some form if we were gonna prove approach this in some way other than free market that would recover it well. That would require the government

to set some standards on who can charge what for what, and then some limits on how that can vary from one American to the next.

Denny: That would eliminate this big cost shift and allow us to begin the process of viewing healthcare transparently. Otherwise, all these movements to require everybody to, to disclose their fee schedules. It's not going to help anyone understand anything. It's, it's just, you know, it's back in the old days when the, when the, the retail price of the manufacturer's suggested price for an automobile, you know, meant nothing. It didn't really matter if you published all of those. The real question was, is there something about the market that's going to say that a, a Ford Colorado truck just simply should cost this amount of money wherever you buy, regardless of who you are. And unfortunately in healthcare we may have to go down that road. If we believe the government's got a role, their first role has to be control the price that the provider of care charges so that it's no longer varies by who the buyer is.

Nate: Yeah. And the scary thing about all of this is, I believe I could be wrong, but I believe one of the only industries that has consistently grown over the last 20 years has been health care. And I think if you kneecap that you may be setting yourself up for a massive recession. It's carried the economy through some really tough times. So you know, this is a bigger picture thing that I think a lot of politicians do struggle with is, you know, who wants to be the one to take 10% out of the economy or 20% out of the economy. In the name of, you know, sort of getting everybody coverage. It's a, it's a double edged sword. It's a dangerous thing and it's a difficult problem.

Denny: And in most industries we don't get to that place because there's sufficient co true competition, a buyer. And a seller who are exchanging rates and services directly with each other, which is not the case in healthcare, but in most other industries they are. And so what happens is competition forces productivity. And so if something gets too expensive, somebody comes up with a more productive way of doing it and the market moves to that, right? You couldn't have predicted the the, the movement towards online shopping, but it was because the cost of retail brick and mortar intermediaries for retail products was no longer sustainable. Real estate became expensive. The cost of maintaining a bricks and mortar earthquake, you know, a, you know, standards of building and other, and other forms of, of, of you know, local building codes, those things become restrictive. And so somebody in the market says, how can we find a way to do this virtually?

Denny: Now, healthcare doesn't go that way because there's nothing to force it. So you might say, well, what would happen if the government laid down it's heavy hand on what you're allowed to charge for various medical services. One might say, well the more astute physicians, hospitals, labs, emergency rooms imaging centers would up with better ways of deploying technology to do the same work in a more productive way. Productivity is always the answer to increasing. It took to pressure on prices and because their consumers have no ability to do it, we're not the ones who are paying the bill there, then who is going to do it? There is nothing to restrict the, the to push back on the cost of healthcare because we as patients are not the purchasers. We're not seeing it. We see a tiny piece of it.

Nate: Hi guys, this is Nate. If you believe this information is as fascinating and as important as I do, I'd like to ask a huge favor. Please share the show with your friends and family on Facebook, Linkedin, Instagram and other social media. As always, thanks for the support. Now, the last half of part two of my discussion with Denny.

Nate: So for all of our sake, I hope something positive happens in this arena. But more and more in my experiences, I, and I'm not like this in anything else, but I've become more and more of a fatalist when it comes to healthcare that I think it's going to have to suffer a massive,

Denny: A meltdown, like the financial crisis in order for it to be remade. Purposefully. I think we're just so far apart on our philosophies and the way forward on this. I just don't see it being fixed. But I really hope it does get fixed either to, you know, Nate, one other thing that's, that is the, the is that has the same dynamic going is is if you look at the university system, which has moved from being something that was relatively benign when I grew up, I could, I could work my way through college. I had to work every day. I, you know, I waited tables and restaurants and I played in a rock and roll band and I was able to go to a state you know, a the university in my state and pay for my college and my housing with the money I earned.

Denny: That's, that's an unthinkable idea for our kids and our grandkids. Today and the differences, most people were paying directly for their college education now because of grants and, and student loans and subsidized student loans and guarantees from the federal government. And you know, all of that, what has happened is the purchaser of university services has moved farther and farther away from the cost and hyperinflation as occurred. So I think we learned something in both, which is the buyer and the seller have to be negotiating with each other. I have to be forced to go to my doctrine and say, this is all I got and my doctor has to be thinking, if I don't get it from you, I'm not going to get it from anybody else. And you know, in the early eighties, managed care change that dynamic in the early 1980s, we went from being patients who dealt with our doctors and you know, any other healthcare intermediaries. And then after the fact claims to an insurance company and got some money back, managed care companies said, we'll get in the middle of that. You won't ever have to deal with a bill. You just pay a $5 copay or a $2 copay when this first began and somehow it's all miraculously, miraculously gonna happen behind the scenes. And what that did is it took away from the system any accountability to the patient financially and, and when there's no accountability to the buyer, hyperinflation results, that's what we've seen over the last 25 years.

Nate: It's a great comparison you just made between the university system and the healthcare system. And the other thing that has occurred to me, my son just finished his freshman year at northern Arizona University in Flagstaff. And these facilities are incredible. I'm going to venture to bet that you guys didn't have 15 to 20 restaurants on campus and you know, world-class swimming pools that, that Olympians come to train two and a giant amphitheaters and, and all of this amazing facility. The same thing we can say about hospitals. Hospitals now are incredible feats of technology and science and AH, facility. You've got, you know, beautiful, large four A's. You've got big screen TVs

everywhere. You've got just the most comfortable, amazing thing and it's, and it's great and, and people love it. Yeah.

Denny: Okay.

Nate: All that stuff comes at a cost too for both those systems.

Denny: They do. And you wonder in both cases, has the full maintenance cost of any of those facility improvements been considered over the life of the, of the facility? When the decision was made to do it or was it made from a purely competitive standpoint? I've got the hospital down the street. I've got the university on the other side of the state. I have to have a, I have to have a reason for people to come here. And instead of competing on the basis of outcomes and clinical values, we now compete on the basis of aesthetics, expensive aesthetics. And it's not just for patients and students. It's for a, you know, a world-class surgeon that is willing to perform expensive surgeries in my operating room. I'll build them a fancy operating room and I'll never pay it back. But I'll be able to make a claim that that world-class physician is affiliated with my hospital and everything about that, that deal is inflationary. Similarly, I get some, you know, world-class professor who's going to spend most of his time or her time doing research, not teaching, doing research. That's going to be very costly. Getting government grants for that. And, and so you can see what happens in both settings, chasing after third party money, donor money, grant money the prestige associated with affiliations. None of that has to do necessarily with the quality and the unit cost of a degree or the quality or outcome of a surgery.

Nate: Yeah. And where, you know, at the risk of getting a long ways from what we were originally talking about, you could also make the same argument about a baseball ballparks and football parks and hockey arenas and everything else that they have despite culled out of control. And we would rather tear down something that's perfectly functional. It's the same concept. And in the end, we all complain about the cost of tickets in that a beer costs 15 bucks in that. You know, our MRI was charged at $16,000, and that a year of college costs $60,000. If you're lucky. [inaudible] As long as we keep paying, who's the sucker?

Denny: We tolerate this in, in most forms of our economy. I drive down the street, my pickup truck, I'm a farmer. I drive in my pickup truck. I can drive right by somebody that is, you know, is driving a Maserati. And I recognize that's a choice he made or she made. And that choice was a foe, was a function of what she or he considered to be important versus me, but also their ability to spend that money. We don't as Americans instinctively say, that's not fair when it comes to, you know, somebody driving an inexpensive car, somebody driving expensive cars, somebody living in a big house, a small house. We're not petitioning our government to say we ought to have single payer automobiles and single. And by the way, it ought to be the best and most everybody ought to have Alexis. Or that everybody ought to you know, live in Beverly Hills. We don't petition our government for that. And so for some reason, these, these kinds of outliers, because they're personal to us and they become political to us as well, they take on a life that's quite different.

Nate: It's interesting you bring up that analogy because I used to use the Tesla analogy when I was working there with new employees to explain to them how backwards the healthcare system is in that if you go and spend $100,000 on a Tesla, first of all, you know the price and you expect that it's going to be a much better car than a $25,000 Kia. Right? And you get that, you get a much, much better car for your dollar. Generally speaking, in the healthcare system, it's not like that at all. You could buy the $100,000 Tesla and then they pull up in a Kia. You know, it's, it's, it's not, price is not related to quality. And that's one of the biggest travesties of our system is that we just don't have a good way to make that that correlation happened. The other analogy that we used to use at Safeway all the time was, you know, if you're shopping for cereal, the top shelf right front of your eyes is the expensive stuff with the good branding and it probably tastes better, probably has better ingredients, you pay more for it. But if you go towards the bottom shelf, you're going to get the stuff that's less expensive, probably has more sugar, probably isn't as good for you, but you're making a trade off and you have all the information you need right there in front of you.

Denny: Well, in, in, in all those cases, the tradeoffs we're making in those decisions are also trade offs across categories. Somebody says, I'm going to spend a lot of money on a Tesla cause it's a good value for me and as an end because I choose that I may take not be able to take a vacation this year. That's a trade off I'll make, right. Somebody else might say, I'm not making that trade off. I'll never miss my vacation. I'll drive a less expensive car and deal with the fact that the performance price you know, relationship on my automobile may be imperfect. We have, we have, we are nuts when it comes to healthcare. We as a society, and it's not unique, but it is not also isolated. We as a society believe that we are entitled to live forever that we should not get sick.

Denny: And if we get sick, we should have no pain. When we sick. There's, there's civilizations all over this world that accepts illness. They accept death. It's as a part of life and the, and the, and so as a consequence of chasing after something that's not possible living forever pain-free and the dying in my sleep, we will spend almost any amount of anyone's money, whether it's ours or not. And if we, if we run out of, we expect somebody else to pony it up. And so, you know, these statistics about the percentage of dollars is huge percentage of our healthcare, a dollar, the dollars that are spent in the last six months of life. I mean the numbers are incredible and high percentages of them have no possibility of being efficacious. And yet when we're put in that place that's where we'll be. We also have no we have no ability to self control the way we live our life for the benefit of longterm value.

Denny: We expect as Americans that we can live a rough life, we can live an unsafe life. We can live an unhealthy life and that when, and, and knowing that we will probably increase our chance of getting a chronic illness or a sudden acute attack and we expect the healthcare system to fix us. And so we call health care in our, in our society that, so we say, well, why is the u s healthcare, why didn't the United States as the cost of healthcare so much higher per capita than it is in other countries? Well, some of it has to do with culturally how we view healthcare. I don't think most other countries consider Viagra healthcare in the United States. We sure do. And so there's all kinds of examples that make the comparisons nutty because we have chosen to say everything is

healthcare and I'm entitled to all of it, whether it's going to be good or not. And I demand it as a voter.

Nate: So I'm really interested because you've, you've got deep expertise on this. You've spent a career in the space around the space doing your good work for all of us. So what gets you excited now? Is it driving your truck down the road to the farm or what, what's going on for Denny? What's, what are you all about right now?

Denny: Okay. Well, I do spend a percentage of my a week doing advisory work in for a variety of industries that are peripheral to health. I, you know, in some of them and I try and leverage the experiences that I've had with people who, who don't normally come into contact with us, but have reasons to want to be part of the ultimate solution. You know, there's clinical companies as technology companies, there's a lot of interesting things that are happening that are related to healthcare. But further away from what you and I had been talking about, you know, for the last few minutes. So I do spend a certain amount of my time in doing advisory services there. That keeps me fresh, keeps me you know, aware of what's going on in, you know, I intentionally publish you know, pieces like this, a 10 re 10 things about Medicare for all that nobody's telling you.

Denny: And I'll continue to do that. I have I've have large family, I've got four kids, 10 grandkids, and even one great grandchild now. And so I'm trying to spend a little bit more of my time experiencing quality of life, which I spent most of my professional career you know, letting language a bit. And you know, I'm also in a place of saying I want to simplify you know, I've been very successful, but I really do believe that, you know the quality of life is associated with having less, not more. And I wouldn't have said that when I was younger. And so I'm trying to appreciate how to, how to make much with, with, with little,

Nate: Well, I can, I can definitely resonate with that and I'd love to just thank you for spending the time with me today. I really appreciate the insights you have and I know that the folks listening are just going to be fascinated by this conversation.

Denny: Well, it was great talking to you and it always good to catch up.