Bill Tucker (00:03.087)
And welcome to this special edition of the Benefit Whisperer podcast with Ralph Weber. Longtime listeners know Ralph is a tireless advocate for fixing a health care system that's gone awry and failing millions of Americans. Businesses who've worked with Ralph know him as a financial warrior who fights fearlessly to contain and control health care costs while ensuring that their employees keep the best health care they possibly can afford.

Ralph Weber (00:23.633)
you

Bill Tucker (00:31.291)
In today's podcast, Ralph is joined by Advocates for Change. One of those advocates is a very successful businessman who is now putting his money where his mouth is when it comes to health care. All of today's participants believe not only that we can do better where our health care system is concerned, but that we must do better. So welcome to the podcast. And Ralph, I'm really looking forward to this one. I'm excited. You and I've talked quite a bit before today.

Mc (00:33.07)
Okay. Okay.

Ralph Weber (00:59.269)
Yeah, yeah, so my bill, really, this has been, I've been looking to this for a long, long time. Honestly though, I feel kind of like Howard Beal. Mark, do you remember Howard Beal from Network? Exactly. So I'm sitting here, mic on, staring at healthcare contracts, I feel that read like bad friction, bad fiction, sorry, with friction.

Mc (01:10.945)
Yes, I'm mad as hell and I'm not going to take it anymore.

Ralph Weber (01:25.445)
Prices that vanish after three months, payments that go to spread pricing, opaque rebates, families pushed toward bankruptcy every 58 seconds from medical bills. And you know what, Mark, I'm mad as hell and I'm not going to take it anymore. But think about the. Exactly, I've got a window, but it doesn't open. I can't pull it open, so I might just break it. But think about the patients. Out-of-pocket costs have gotten so high.

Mc (01:40.206)
We just need to get you a window, Ralph, to scream out of, that's all.

Ralph Weber (01:53.938)
It feels like they're driving a Ford Pinto with a full tanky ass and firestone 500 tires one pothole one denial one surprise bill and boom total blowout and Then of course through the doctors and hospitals they deliver care But they have no idea if they'll get paid when they'll get paid or how much because health care contracts don't define payments like normal contracts do

Mc (02:02.626)
Yeah.

Ralph Weber (02:19.663)
they define how to argue about payment, not what payment will actually be. And really, that's why we're here today. So let me bring in our guests. Of course, we have Mark Cuban, entrepreneur, shark tank shark. And he is the guy between behind Cost Plus Drugs and Cost Plus Wellness, who's been blowing up the middleman. And from Stanford University, we have Dr. Kevin Schulman, a physician, professor of medicine and health economist.

And David Scheinker, also a health economist who leads the design at Lucille Packard Children's Hospital. They're the brains on the ground, on the groundbreaking work on computable payer contracts. So Kevin, David, Mark, welcome. But, you know, nobody's pretending that this system isn't broken. But while we're still mad as hell, Mark, sorry, I have to ask. It's March Madness. And you're a proud Indiana guy, Hoosier.

Mc (03:14.625)
Yeah.

Ralph Weber (03:17.957)
But the scariest bracket in Indiana right now, it isn't even the tournament, it's the damn hospital bill, isn't it?

Mc (03:26.784)
Yeah, right. I don't know all the details, but they're definitely trying to change the game. And that's a good thing, know, go Hoosiers.

Ralph Weber (03:31.29)
Yeah. Yeah, exactly. So anyway, who's going to fix this? Who's got the fix? Is it a matter of ripping up the contracts? Is it making payments instant and certain? Or is it just

admitting the whole thing is rigged? So Mark, you said you're mad as hell. You've talked about the big insurers as often detrimental to patients and employers.

Mc (03:53.793)
Yeah.

Ralph Weber (03:59.61)
with unaffordable deductibles, low net payments to independent doctors. To what extent do you see today's healthcare prices incorporating a premium for payment uncertainty, delays, denials, or partial reimbursements?

Mc (04:00.215)
course.

Mc (04:16.653)
I mean, you gotta look at the bigger picture. When you have companies that have thousands of subsidiaries, do hundreds of billions in sales, do $150, $160 billion in inter-company transfers for just one company in a year, something's wrong. And then you look underneath the covers there and you realize how badly they're gaming the system. And the low-hanging fruit example is how they game medical loss ratios.

And so these companies, 70 % of their revenues are from taxpayers. And part of their obligation to taxpayers is to spend at least 80, if not 85 % of their premiums on care. But what they don't tell you is they control via contracting or employment, 10 % of the doctors in the country. And if you get those 10 % of those doctors, or the clinics or the, you know, centers or the hospitals, whatever type of provider they work for charging,

Ralph Weber (05:05.935)
Right.

Mc (05:15.137)
that insurance company more, they reach their medical loss ratio sooner, they reach their obligation to the law and the government, yet they retain the premium that they charge themselves back in the hands of the physicians or the provider of any type that they own, right? That should be illegal, but it's not. part two to all that problem,

Ralph Weber (05:26.327)
Mm-hmm.

Ralph Weber (05:39.129)

Yeah, yeah.

Mc (05:44.321)
This is not a secret. It's not like, you know, I see David shaking his head. It's not like everybody doesn't know this is the game that they play, but they look at every instance of breaking the rules as just being, you know, a risk reward equation. How much are they going to be fined? So for instance, we saw, who was it? ESI that got that ripped off the government $615 million recently. It's not their, it's not their first rodeo where they've stolen from the taxpayers.

It's not going to be the last because other than getting, you know, dinged for 10, 20, 40, 50 million, even a hundred million dollars, they're going to continue contracting with the government. have nothing in place. So the first step is to say, if you are fined or found liable for any, anything that you do, that's wrong. The first time you get a mulligan, the second time in five years, you're precluded. You're prevented from doing business with federal or state government.

Ralph Weber (06:34.607)
Mm-hmm.

Mc (06:42.784)
you'll see their behavior change almost immediately. And then peri-pursuit of that, there's the breakup big medicine bill. You can't have an efficient market where there is that much control focused in just a few insurance companies because they define the pricing where they have market dominance. And so when they define the pricing as an entrepreneur, I'd love to compete with them in 20 other places, but I know that they tell, you know, they...

They tell brand manufacturers, especially drug manufacturers, don't deal with cost plus drugs because their transparency makes it harder for us to have an information asymmetry with the sponsor that we work with. so what we'll do is if you work with cost plus drugs, and I've literally had pharmacy CEOs tell me this, if you work with cost plus drugs, we will diminish your positioning on our formularies, which can cost them

tens of millions, hundreds of millions, a billion dollars or more in revenues if they go from a tier one to a tier three or precluded from this plan or that plan. And so when you look at all these as a whole, and I can give you 50 other scenarios, right, where they just distort the economics. In fact, I'll give you one that follow the money example, and you can tell me to shut up at any time. So every year, all of us, right, we make a decision.

Ralph Weber (08:02.48)
no, keep going.

Mc (08:06.348)
on what plans we're going to choose from the new plans that are offered by our employer, the ACA, wherever it is, we get our insurance, right? And there's, you know, they raised the deductibles on some, they raise or lower the premiums on others, and we make determinations on what we choose. The one thing that never happens is the determination whether or not that member can afford their deductible. You can have great insurance with the company that has $1,500 deductible.

Ralph Weber (08:29.659)
Good point.

Mc (08:34.572)
But if you're one of the 40 % of people in this country that can't afford a $400 emergency expense, you're shit out of luck. And so, and look at like ACA silver plans, the typical ACA silver plan for a family has a $5,000 deductible. Now what happens if somebody is in a wreck, right? Whether you are an ACA plan or a $1,500 deductible for a company, $2,500, whatever it is, and you have $100 to your name, you go

Ralph Weber (08:40.817)
Yeah.

Mc (09:04.076)
to the doctor, let's say, and the doctor says, wow, you I definitely want to help you. I definitely want to live up to my Hippocratic oath, but you only have a hundred dollars and I need to get you past your deductible hurdle so that I can collect money from the insurance company. So what does that provider do? They loan you the money. So you mentioned medical bankruptcies. That's the foundation of medical bankruptcies because those providers typically have to loan money or the patient has to borrow from an external source.

Now wait, there's more, right? Because in doing so, we literally have turned providers and hospitals specifically into subprime lenders. Because you can't expect that money to be paid. And it's not. So immediately because of the insurance system that these big insurance companies have created for healthcare, we create one bucket where the hospitals know they're going to lose a lot of money. So that's one sunken bucket of lost money. Then

We look at the price transparency files and we say, okay, these companies, these big insurance companies have contracted with these hospitals and providers. And any schmuck with a credit card can walk in and get a better price than what they contracted with. Why is that? Well, when you look at it, what do insurance providers do with insurance carriers do with providers? Well, if that hip replacement is tagged at $35,000 in Dallas, Texas,

and Mark needs his hip replaced, is my insurance company, if it's a big insurer, are they gonna pay the full $35,000? No. They always underpay. And not only do they always underpay, and feel free to jump in and correct me if you guys think I'm wrong in this, not only do they always underpay, they late pay. And not always do they late pay, they always do an audit after the fact at the end of the year, if not sooner, and they claw back, right?

So those are three additional buckets where the hospitals or providers are saying, my goodness, but wait, there's more. We can talk about pre-authorizations.
Pre-authorizations are fine, but the denials come fast and furious. And the denials are rarely about denying care. The majority of denials are about delaying payment because you get the time value of money. You get to hold on to those premium dollars and make,

Ralph Weber (11:23.653)
Mm-hmm.

Mc (11:27.596)
4 5%, whatever it is, wherever you invest, if not more. And so you can go down the list of all these things. So now the insurance companies have created these buckets of lost revenue, lost cashflow for providers. So then the providers, they need to make up for all that money. So what do they do? They invent dumb shit like facilities fees.

That's like me at the mask having a cup fee for your beer. The beer is only $3, but that cup fee is $5,000 because you need that cup. Right. It's just purely insane. They, they abuse 340 B, right? They send you the EOBs that use their charge master knowing that you shouldn't pay, but hoping that you do. Right. And putting people who don't understand how all this works in stress, bad positions. And I, know, the high market share.

Ralph Weber (12:14.203)
Mm-hmm.

Mc (12:24.745)

Particularly the high market share providers are almost as bad as the insurance companies. But I think the whole thing starts with the scale of the biggest insurance companies and the plans that they define knowing that it's in their best interest if the member cannot afford their deductible.

Ralph Weber (12:44.633)
Right, yeah, I'm totally tracking with you on everything there. And they, initially, they of course overcharge the employer, and then on the audit, they charge 30 % for what they saved, right? know, that's, yeah.

Mc (13:00.275)
Yeah, which is yeah, that's the game Ryan always talks about, which is where it's like, let me tell you the benchmarking, right? They always create these benchmarks that they define, and then they call it value based care. Value based care is a crime, right? Because if you if you're, you know, and I know a lot of people like to talk about it as a benefit, but there's no definitive benchmarks to determine what the cost should be, because hospitals don't even know what their own costs are.

Ralph Weber (13:16.068)
Mm-hmm.

Mc (13:27.999)
They have no clue what their costs are, so they invent these prices. Put aside Chargemaster, right? When you want to get into it with the CFOs to talk about their actual cost accounting, one of my favorite things to do when I talk to hospitals is, can you give me a bill of materials for a hip replacement? They're like, what's a bill of materials? You know, how do you guys, and where we see it with Cost Plus Drugs, we have something called Cost Plus Marketplace.

Ralph Weber (13:44.177)
Mm-hmm.

Ralph Weber (13:49.071)
Exactly.

Mc (13:54.614)
where hospitals come in and buy sterile injectables and now we're adding devices. Like the way hospitals buy these things, we will get a list of their purchases and it'll include their price. And then we show them our prices and maybe for a couple of things they'll

buy, but we'll say, hey, you're big enough. We can save you $4 million a year and they'll buy $100,000 worth. And then I'll go back at Stanford Grand Rounds.

We talked to the CEO and I'm like, we could save you all this money at Penn Medical Grand Rounds. We showed them we could save them $4 million a year. And then we looked at their purchasing and it was a fraction of that. And we're like, what's the deal? We could say, we can't get the purchasing people to do it. The people in the supply chain that deal with it, right? They don't report directly to me and da da da da da. Right. And so the whole thing is just a mess.

Ralph Weber (14:41.969)
Yeah.

Ralph Weber (14:45.489)
Right.

Ralph Weber (14:51.377)
Mm-hmm.

Mc (14:51.739)
and the whole foundation of it. And we talk about AI can't fix broken.

Ralph Weber (14:57.273)
Right. Well, you my view, Mark, on AI is the system, the foundation, the architecture is so broken. If you put AI on top of it, it will accelerate the crumble, not fix it.

Mc (15:09.259)
Yeah, I mean, you know, when you look at AI and you look at technology in general, sorry, one last, when you look at technology in general, everything within the healthcare system is an arbitrage. When you have a $5 trillion industry, if you can just save a fraction of that, somebody is going to make a lot of money. so everybody is like revenue cycle management. Now, RCM with AI, it sounds like new Coke, right? It's like

David Scheinker (15:10.054)
So this is a...

Ralph Weber (15:18.991)
Mm-hmm. Sure.

Ralph Weber (15:33.905)

Yeah.

Mc (15:34.611)
We're going to see if our AI could abuse your AI before your AI abuses our AI by up coding and down coding and miscoding and recoding when there shouldn't be any need for RCM at all. If your hospital uses RCM instead of having somebody internally that knows what they're doing so that you can do it the right way according to the law and the rules, you should be fired.

Ralph Weber (15:47.313)
I

Ralph Weber (15:55.794)
Yeah, yeah. And if you had an employee that ripped off $615 million, $615, you wouldn't find him $100 and then let him keep working, would you? Of course not.

David Scheinker (15:56.261)
Thanks

Mc (16:05.055)
No, no, you the only question would be do we press charges? You know, and it's just crazy that these because they're so big, they're too big to care. And the unfortunate part in this industry when they lie patients die.

Ralph Weber (16:09.925)
Yeah.

Ralph Weber (16:17.337)
Yeah, exactly. Exactly.

So Mark, let's jump to... Yeah, sorry David, I was just going to bring you in. And I agree on RCM too, one of the big insurance companies now charging for it. So Kevin and David, how does your work fit in with what Mark's doing here? Your work on computable payer contracts and stuff. Go ahead and take it from there.

David Scheinker (16:24.205)
So why we're so excited.

Kevin Schulman (16:46.688)

Well, let me jump in. It's wonderful to hear Mark talk. And from an outside observer who this was not his core business and look at how he's looked at the pathologies of all this. And he can go on. He was a Graham Brown speaker here at Stanford. He can go on longer, which is great. And his description is incredibly accurate.

Ralph Weber (16:49.443)
Okay, Kevin.

Mc (17:02.731)
you

Ralph Weber (17:16.367)
Mm-hmm. Yes.

Kevin Schulman (17:16.62)
you know, and detailed. And so the question is, what do we do about that? And, you know, and he's brought up, you know, there's misbehavior of every firm in the market, whichever way you look. And so one of the things we have to understand is no one's in charge of the market. Like, no one's in charge, there's no one to complain to. You know, the large health plans or ERISA plans that are exempt from state regulation.

Mc (17:20.971)
Okay.

Ralph Weber (17:31.675)
Mm-hmm.

Ralph Weber (17:40.475)
Right.

Kevin Schulman (17:45.856)
all the way through. so one of the things that we've been asking is, great, this is an accurate description of problem. What do we do next? And one of the things we did was, underlying all this is these are all analog business processes that we digitized. They're never created as digital processes. So how do we shift the market? And so we did a project where we actually looked

Ralph Weber (18:04.677)
Yes.

Kevin Schulman (18:15.852)
at this question of how do you go from analog to digital, bespoke to standardized, and we found 82 different firms and markets that have done some or all of this at scale. So all of this is doable. They're great examples of how that can occur.

Mc (18:31.548)
But Kevin, doesn't it come down to the CEO of the self-insured employer knowing their business?

Kevin Schulman (18:37.519)
Well, does, but it also is the idea that if you were, if you're running your business, you're doing a lot to make it better for your business, but the hospitals are just pushing those costs onto somebody else and the health plans are pushing. So how do we go from 30 % administrative costs in US healthcare

to 2 to 3 % or 5%.

Mc (19:06.59)
Well, the CEOs don't sign contracts with the people who are ripping them off because they're not even necessary. There's no reason for PBMs to exist. There's no reason for the carriers to have those complicated contracts. Like I'm telling like, Ralph, if you send me all copies of your contracts, I'll put them in clod. And I, and I tell every CEO, put your insurance company contract and your PBM contract in the clod and just say, tell me where I'm getting ripped off and what I can do about it.

David Scheinker (19:08.932)
you

Kevin Schulman (19:12.513)
No.

Ralph Weber (19:32.475)
Yeah. Yeah.

Kevin Schulman (19:33.578)
Yeah, so one question is how do we move the market, everyone in the market at the same time? And so we've been grappling with that. mean, that require someone to oversee? One of the ideas we have is create a new entity to oversee transactions in health care. So the Federal Reserve is in charge of all payment processes, tries to standardize bank transactions.

Can we get someone to do the same thing? Don't worry about how we pay for it. Keep a mixed public-private financing system, but have a standard transaction system.

Mc (20:13.485)
And what would that change? Would you make it public so that everybody got to see every transaction and to see how it was coded and what it would apply to?

Kevin Schulman (20:24.414)
Yeah, or least a set of public rules for sure. I think, and we could talk about it, David's done amazing work in terms of the details and some of our students in terms of details of coding and some of the details of transaction process. But I guess over this, we have to move the market, all of the market at the same time. If I move one firm, I haven't changed the.

Ralph Weber (20:47.249)
Yeah.

Mc (20:50.794)
So why would any the big insurance companies, you know, give an okay to allow participation by their customers?

Kevin Schulman (20:58.22)
So another idea we had was under ERISA. So under ERISA, are now liable for being a fiduciary. So what does that mean?

Mc (21:12.008)
But so are the PBMs now too, right, with the new laws.

Kevin Schulman (21:15.37)
Yeah, but imagine we established criteria for what a fiduciary is as an employer. And that you had to, you could only contract with a firm that does digital contracting.

Ralph Weber (21:21.009)
So, Kevin, that...

Ralph Weber (21:27.473)
Mm-hmm.

Mc (21:28.606)

Yeah, but it still comes down to the CEO and making it a determination, right? You you can make that CEO a fiduciary, but they still have to understand what they're doing. And then, you know, they have to, because they're already incented to change how they do their healthcare benefits. It's their second largest line item and every penny they save goes right to the bottom line. So there's already plenty of incentive there for them to change how they do business.

Ralph Weber (21:48.815)
Yeah, exactly.

Kevin Schulman (21:54.508)
Yeah, accepted.

David Scheinker (21:54.628)
So it's I think there are I think there are

Ralph Weber (21:54.93)
And keep in mind, sorry to interrupt David, one second, I just wanna jump onto what Mark's saying. It's important to understand that insurance companies in the self-insured environment, the employer, the plan is in essence the insurance company, you're self-insured. So even though you use a TPA and it might be a Buka, it might be an independent, you are the insurer. So, sorry, Kevin, David, go ahead.

Kevin Schulman (22:21.799)
Yeah, so every time I have a question about our benefits here at Stanford, and I call the benefits office, they put me through to Mercer. They won't even answer my questions anymore. yes, we run our own plan on quote unquote, but it's outsourced to the benefits consultant who's getting paid by the health plan.

Ralph Weber (22:30.414)
Mm-hmm. Yeah.

Mc (22:40.752)
Well, then you should fire whoever is in charge of that. That's your problem. Literally. Right. Because they're probably they're probably going on vacation with them too, you know, and going on, you know, trips.

Kevin Schulman (22:45.605)
I agree.

Mc (22:52.809)
and the rest. The one thing we have that we know is a constant is the CEOs are starting to recognize that the second largest expense line item after payroll is health care benefits. And that every dollar they save goes right to the bottom line. If you're a public company, you have 100 million shares, you save 50 million, you're saving 50 cents a share. That should be enough incentive for them to do the right thing once they're educated.

Kevin Schulman (23:19.239)
Yeah, mean, one of the issues is they could save that money by doing a better job negotiating with the plans or the providers, or they could raise the deductible. And that's no.

Mc (23:32.029)
Yeah, but you see it doesn't work that but that's it. Because you're going when you raise the deductible fewer people get care more people call out sick their kids call out sick, etc.

Kevin Schulman (23:41.117)
Well, we did, one of my colleagues did study a long time ago, I was at Duke at the time, and basically our low income employees couldn't use our benefits. They didn't have the money to pay. Right. But even for pharmacy, they couldn't afford the cost share.

Mc (23:52.209)
Right, because they couldn't afford the deductible. Yeah.

Ralph Weber (23:52.273)
Yeah. Yeah.

David Scheinker (23:54.883)
What's up?

Mc (23:57.448)
Right, right. No, we see that all the time. That's why Cosplus drugs in business.

David Scheinker (23:58.243)
But to mark the year, specific.

So to your specific question about what can the CEO do, there's kind of two chicken and the egg problems. Putting a contract in Claude to ask, am I getting ripped off? That's a

good step. But if there were more direct contracts like you're trying to do in publishing, which we love, then the CEOs would have more options to see this transparent, no middle man opportunity. But first, there need to be more of those contracts. Same thing for the hospital.

Mc (24:19.24)
Uh-huh.

David Scheinker (24:30.561)
Hospital like Stanford, we'd love clean, easy transactions and direct higher prices with lower wait times, but we need a large enough network of employers or other customers to make that worthwhile.

Mc (24:44.543)
How many salespeople do you have out there calling on employers?

David Scheinker (24:48.739)
None that I know of, which is, but we're very excited about what you're doing this in our research for years.

Mc (24:51.077)
Exactly. Exactly. No, I know. And we would love to see you publish. So you have me as your salesperson. That's why you publish the contracts on Cost Plus Wellness, because that's what Ryan and I do and others, right? We're going, I've spent most of my time talking to CEOs and explaining to them how they're getting ripped off across the board. And, you know, because none of them think, and I went through the same thing with my companies before we started Cost Plus.

I had my guy who was my broker slash consultant who told me every year, you know, hey, we're only increasing your cost 5%. Everybody else is seven or eight or 9%. And then I did a comparison of my pricing versus cost plus pricing once we started. And I was getting ripped off horrifically, horrifically. And that's the case when you start delving in and I give a list of things for these companies to do. Now the hard part, and I think to Kevin's point,

Ralph Weber (25:36.742)
Yeah.

Mc (25:47.578)

What is it that we can do that assist these companies to deal with the fact that they're getting ripped off? And that's something Ryan and I work on daily. You know, you need to have a health care CEO at your company. You need to have an internal TPA that is only aligned with your interest and the wellness of your members. Until you do that, you are completely dependent on an external company that is trying to figure out this morass of a health care system that we have that

it's going to be very, very difficult for them to take care of you in the way you need to be taken care of. And that's like, when we talked to Baylor Scott and white, we're like, train TPAs and how your whole system works. You guys, are you guys familiar with Palantir, the company and Palantir, they do a lot of government transactions and everything. Not a big fan of how they're they've run, but one thing that they, do

Ralph Weber (26:23.281)
Yeah.

Mc (26:42.109)
They do what they call forward engineering. And I used to do this in my systems integration company 30, 40 years ago, where we would put people on site to implement and explain and train all the things, all the software that we wrote, all the changes that we are making. And that's, I think, the next step in direct contracting. And so Ryan and I and our group talk all the time about training people or getting a TPA that we know is going to be above board and honest and straightforward.

and having them put somebody on site, because the hard part isn't the contract. Maybe to a certain extent, getting wide enough coverage with direct contracts is, but you can do a wraparound network to deal with it. And you can always negotiate when you're in an out of network situation. Anything you can schedule, you can negotiate. But having somebody who worked at a TPA come to work for your company at Stanford, as an example, so they don't just send you to Mercer.

Ralph Weber (27:24.624)
Sure.

Mc (27:39.891)
where Mercer is not going to have potentially the best interest of the patient. But even beyond that, I've started to name and shame the CEOs of companies. If you follow me on LinkedIn at Mark Cuban, you'll see I have no problem. Because to your point, Ralph, the responsibility is ultimately for any self-insured employer, the responsibility is that of the CEO. And to your point, Kevin, on Arisa, right?

The ultimate responsibility is to keep your members alive for God's sakes, you know, and your CEO of a self-insured company probably doesn't even know when there's been a denial, definitely doesn't know that that denial could lead to that patient becoming progressively worse, disabled, you know, horrific circumstances or dies, you know, and that's, nobody has been out there calling me. Every single time I've named and shamed somebody within

Ralph Weber (28:30.415)
Yeah.

Mc (28:37.254)
hours it's been resolved. And what I've been telling people since then, CEO since then, you need to get a report for every denial that you get, that you have for your members so that you can review it. Because if you think it's bad now with healthcare and what's going on in this country, wait until somebody tragically dies because you didn't, your, your ASO denied something that costs $75,000 that you could have approved and save somebody's life.

Ralph Weber (29:07.482)
Yeah.

Kevin Schulman (29:07.527)
You know, Ralph, one of the questions is, so these things have been festering for a long time. mean, Mark's engaged, which is great. He's a limited number of people that are really engaged in trying to solve the problem. There aren't many in this country. And so the question is, why now? What's different?

Ralph Weber (29:16.251)
They have.

Kevin Schulman (29:32.201)
You know, so at a national level, we're going to have a health care debate in the midterms and really in 28. And unfortunately, neither party right now has a plan to address any of the issues he's talking about. And then, so one thing is we need to put that together now. We need not just at a firm level, but at a market level and a national level, how do we solve this? You know, I think we have to, you know,

Mc (29:54.875)
Well, what about the break up big medicine bill?

Kevin Schulman (30:02.089)
We'd have to get into the details of what all this stuff is. But how do we get the market? The overarching goal should be our market, the transaction costs on our market should be no different than with a credit card, like 2 to 3%.

Mc (30:15.182)
But is it really the transaction cost? The transaction cost in terms of the money, the payments, the payment rails.

Kevin Schulman (30:20.169)
But the costs are all the stuff you've been talking about, the denials, the craziness, the poor quality products, the bad referrals.

Mc (30:25.53)
Right. Right. Right.

But those are transaction driven. Now those are per member per month driven, you know, and those are denial driven. Those are deductible driven, you know, that's before the transaction even happens.

Kevin Schulman (30:44.253)
Yeah, I mean, we're about to get two things that are going to add to the issue. So you've already talked about AI and bad processes, that we're going to have chatbot wars. So as bad as it is to get paid right now in an analog world, it's going to be even worse in an AI world where payers are setting their AI chatbots to not resolve issues. Yeah.

Ralph Weber (30:44.527)
You know what we've got?

Mc (31:07.526)
Yeah, yeah, the agents that they're using, it's an agent battle, one versus the other, for sure.

Ralph Weber (31:12.079)
Right, right. mean, we've gotten to the point where, yeah. Go ahead, Kevin.

Kevin Schulman (31:12.201)
So that's going to gum up the works. the other one is underneath all of this, our analog system's incredibly vulnerable to fraud. And it's not just that.

Mc (31:25.372)
And when you say analog, Kevin, I'm confused. Tell me when you say analog, what are you referring to?

Kevin Schulman (31:30.343)
Well, when you're doing that transaction and you're trying to resolve it, you share a piece of paper or you pick up the phone, right? I mean, at the end of the day, the underlying infrastructure is all analog.

Mc (31:40.933)
The resolution, yeah, that's going to chat bots, but to your point, they're still fax machines.

Kevin Schulman (31:46.247)
Yeah, but all of this is incredibly vulnerable to fraud. So, you know, the thing that CHAT GPT is really good at is creating a CMS 1500 billing form. We have no idea who's submitting a claim. We have no idea if an encounter ever occurred. We have no idea who you are as a patient. There's no... I love to, in class, I make everyone look at my insurance card.

and there's not one digital thing on it. There's no barcode, there's no chip. You don't know who I am, even if you use Xerox.

Mc (32:23.268)
that's a good point, right? So what you're saying is anybody with an insurance card can show up and if you've got good insurance or you can afford the deductible, if you would steal someone's insurance card, you can get surgery and no one will know the difference.

Ralph Weber (32:33.935)
Bye!

Kevin Schulman (32:37.725)
Yeah, but now that was in the analog world. There are these stories of people who came in for appendicitis and they were at appendix-raping out. But now it's digital, right? I could create everything using AI. I could fabricate who the patient is. I can fabricate who the provider is. I can fabricate the site of service.

Mc (33:01.628)

Right, and simplified the fraud, right? The fraud becomes just another agentic process from the AI and you can just, yeah, unless you have a filter on the other side, it doesn't know any better, just like phishing in some respects.

Kevin Schulman (33:06.014)
Yeah.

Ralph Weber (33:16.133)
We have an insurance card that has a QR code on it. As soon as the provider scans it, it takes them to a payment page. They see the picture of the patient. The patient is there and approves payment on the spot. So it's a two-way process where they're right in front of there. But to everybody's point here, we've gotten to the point where average premiums for a family are what? $28,000, $30,000. And then out-of-pocket maximums are over $20,000.

Mc (33:42.664)
That's the employer side. That's only the employer side, right? Yeah, the employer side with the deductible, I thought like for me it was $30,000 on my side.

Ralph Weber (33:45.851)
Well, the employee side, you know, the doctor was on.

Ralph Weber (33:51.739)
Yeah, yeah.

Ralph Weber (33:55.942)
Yeah, you're talking about the stop loss premium spec, right?

Mc (33:59.878)
No, no, I'm talking about just how much we're paying to cover the premiums for the family.

Ralph Weber (34:05.869)
Right, right, right. 30 grand to cover the premiums for the family and then they have another 20,000 out of pocket. So they need insurance on their insurance before they can even use it, you know?

Mc (34:12.463)
Right, right, right, Right. Well, Ryan has heard me say this all the time. If you want a car loan, no, let's say if you want a school loan, the federal government will guarantee that

loan and loan you some money, right? If you have a small business that just went on Shark Tank and got a deal, you could go to the SBA and they'll guarantee a loan for you and buy down some it in some cases. If you want a house, they'll guarantee a portion of your loan.

Ralph Weber (34:24.049)
Mm-hmm.

Mc (34:41.775)
And some cities or states will give you your first down payment on your first house, right? If you want to go to Indiana University and party your brains out because they won the national championship, go Hoosiers and drop out after the first semester. They'll guarantee they'll loan you the money and they'll guarantee other money. If you get into a horrific car wreck and can't afford your deductible, good luck to you. And so.

Ralph Weber (35:03.739)
Yeah, you're on your own.

Mc (35:05.305)
you're on your own, right? And so we've got to do something that helps people on the deductible side. And I think to Kevin's point, David's point, that gives us the right to ask for something in return, because they're the then the hospitals, you know, their their losses decline, right? You can ask them to do cost accounting, you can ask them for better pricing, because otherwise, they're the subprime lender.

David Scheinker (35:12.118)
Thank

David Scheinker (35:16.033)
So.

David Scheinker (35:28.641)
So those are all examples of people underwriting risk.

Ralph Weber (35:29.273)
Right, and hospitals have become the biggest, yeah, and hospitals have become the biggest collection agencies in the country. Where one third of the cost that the allowable charges are, are never gonna be collected because of the deductible cliff. And I'm writing a paper on this and it's sort of in draft form. But what my proposition is, look, you're never gonna receive this anyway.

David Scheinker (35:34.622)
And then.

Mc (35:39.068)
Mm-hmm.

Ralph Weber (35:58.182)
So they're pricing in sort of an unreceivable premium, if you will. A normal contract says, if you deliver A, we will pay you B within C amount of time. Healthcare contract doesn't say anything like that at all. If you order something from Amazon, you had a healthcare con, yeah. Go ahead, Mark. Right?

Mc (36:13.873)
But it's a bigger problem. It's a bigger problem because those losses, those credit losses, are defined not by the contract between the insurance company and the provider, but by the contract between the insurance company and the member or their employer. And so the hospital, the provider has absolutely no say

and that whole thing and that's the underlying fundamental problem. So then the next question becomes, do we need insurance companies for self-insured employers in particular? And the answer is no, because those insurance companies, the biggest insurance companies either are only ASOs.

yet they're determining the denials, determining the negotiations, they're determining prices, they're determining deductibles. You know, they're determining whether a cash pay out of pocket should be applied to the deductible, something every employer and every benefits consultant should make sure happens, right? But beyond that, they're just a bank. You know, 70 % of the biggest insurance companies revenues come from the taxpayer. These people are just banks. And so rather than including

Ralph Weber (37:26.961)
Mm-hmm.

Mc (37:28.879)
you doing this with insurance companies, why not direct contract and act as a bank for your employees, your members, get stop loss insurance, because you're taking the responsibility anyways. So when you have a member who, and you're a self-insured employer, you take full responsibility for everything except for the member out of pocket. There's no reason for you not to take responsibility for the member out of pocket.

Ralph Weber (37:53.369)
Right.

Mc (37:58.093)
If by doing so, you can negotiate a better price with the provider that more than compensates because the provider is taking all the risk for the member out of pocket. And so what Ryan and I are trying to do is literally set up a bank program where people would take the amount of money that they would pay otherwise for an ACA silver plan and deposit that in the bank, not an HSA, because it's not attached to an insurance plan. Right.

Ralph Weber (37:58.308)
Exactly.

Mc (38:24.87)
but effectively works like an HSA plan without the tax benefits. And in doing so, we're able to go to, well, let me take a step back. by allowing the, it's not even a member, by allowing the individual to now, let's just say their ACA plan premium is $1,500. If they commit to depositing $1,500 a month,

Ralph Weber (38:30.065)
Mm-hmm.

Mc (38:52.752)
forever. And it goes up and down a little bit as they get older, it goes up some right as they have a family goes up some, they'll put it in a bank account, earn interest just like a checking account. It's their money, but they can only use it on health care, like an HSA. But here's the key. If they have something horrific happened, right, we're already taking out some of that money for stop loss insurance. And we're taking out some of that money for direct primary care, so that

Ralph Weber (39:06.405)
Right. Yep.

Mc (39:21.626)
They're covered at the top end, they're helped at the bottom end, and in between, let's just say the stop loss is $30,000, we'll loan them the money. The bank or the company will loan them the money. No insurance companies whatsoever, just a TPA or whoever to manage all of it. And now all of a sudden, the insurance companies are gone.

Ralph Weber (39:38.833)
You know, I was talking.

Exactly. was talking to my actuary last night and we talked about who right now the the plan Says here the allowable charge. This is what we're gonna pay you the hospital makes the patient pay Why shouldn't the plan make the patient pay? And you know in essence what you're describing the mark sound kind of sounds like structurally like a captive where each person has their own little You a tee eight thirteen, you know a 31 beat

Mc (40:09.744)
But the key is, but the key is we don't want it to be insurance. We don't want it to be health insurance because the rules change completely, right? We want this to be in control of the individual and or the employer. You know, at this point in time, if you direct contract, so hear me out. If an employer who right now self insurers goes to cost plus wellness and uses our contracts, right? In doing so, they make a commitment that they take responsibility for the patient out of pocket.

Ralph Weber (40:13.039)
No, no, no, of course. Yep, yep, exactly.

Ralph Weber (40:20.923)
Mm-hmm. Right.

Ralph Weber (40:26.651)
Mm-hmm.

Mc (40:39.712)
and they take responsibility effectively to pay it on time and they take responsibility to trust the doctor. There's no pre-osser denials, right? And so in doing that, then you work with the member and you can say, look, we're going to put this in an account for you and we're going to take money out for the stop loss and we'll take care of everything in between. That'll be the risk we take as the self-insured employer. And now the self-insured employer needs help.

Literally the only thing that's stopping this from happening for a lot of companies that we talk to is they don't know how to do it and we need to get somebody on site to help them do it. So if you know anybody who worked at a TPA who would like to work as an internal TPA.

Ralph Weber (41:15.825)
Yeah, exactly. Yeah, yeah.

yeah.

I do that. I do that for companies all the time. Okay. Okay. You got it.

Mc (41:28.944)
So we'll work with you, Ralph. We'll send you business after business. And what we would ask you to do is put your contract on Cost Plus Wellness. Because if you put your contract on Cost Plus Wellness, then we can say, if you want to use these direct contracts, but you don't know how, go to Ralph Weber. Here's Ralph's contract. You know exactly what it's going to cost for him to implement this. And Ralph can do an actuarial table. You can do the spreadsheets. He can look at your claims.

Bill Tucker (41:31.453)
you

Ralph Weber (41:37.317)
Yep. Okay.

Ralph Weber (41:44.113)
Mm-hmm.

Ralph Weber (41:51.729)
Right.

Mc (41:57.253)
and then extrapolate based off of, you know, how many, you know, what you've experienced in the past, and you're going to save a shitload of money.

Ralph Weber (42:04.241)
Yeah, yeah, absolutely. Absolutely. mean, you know, yeah. And David, I know you're itching to speak here. You know, Starbucks, is it true, Mark, that Starbucks spends more on employee benefits than coffee beans? That's what I heard.

Mc (42:07.172)
and your members are gonna be healthier.

Mc (42:21.432)
Yeah, I mean, what did Warren Buffett say that GM is a car company, is an insurance company masquerading as a car company?

Ralph Weber (42:27.707)
Yeah, exactly, exactly. Go ahead, David, you had something to say.

David Scheinker (42:29.665)
Yeah, well, I mean, we love what you've been saying. And for years, we've been studying the health care economy and putting together estimates that if taken to the furthest extreme and moving to digital efficient contracts, we could save a trillion dollars from our health care economy. And the only additional step we're advocating is to accelerate this ability for employers and providers to contract directly.

There should be a digital version of these contracts. It's like a template. Like when you go to get a mortgage, you get a calculator. It's exactly the same everywhere. You get your choices and the transparency. That digital foundation.

Mc (43:03.354)
Sure. Yeah, of course.

Mc (43:08.838)
100%. So all you got to do is post those in Cost Plus Wellness. Post that on Cost Plus Wellness for people to use.

David Scheinker (43:16.22)
Well, ironically, we're scraping your contracts from Cost Plus Wellness to try to build this because it's almost impossible to get real examples of contracts to build this digital version of.

Mc (43:25.432)
Right, that's why we put it out there. That's exactly why we created it, right? That's exactly why Ryan Bust is asked to do all this all day.

Kevin Schulman (43:29.233)
Well.

Well, but you-

Yeah, I mean, think you've been working with Turquoise, too, the patients framework. that's also been based on some of our work. And we just published a paper on standards that already exist to create all these things as digital. I think the tools are there. It's totally feasible to do this.

There's no question about that. The tools are all there to do it. I think David's done amazing work on prior authorization where there's no consistency across plans.

Mc (44:15.947)
No, because you got to realize prior authorization is not about determining what the best medical situation is. It's about delaying as much as possible to retain the time value of money.

David Scheinker (44:27.168)
But we actually did that. We did that as a proof of concept that this is easier than you think. We had one brilliant graduate student, Aya, reproduce all the prior authorization rules of four major insurers. And she did this as a part-time project and built a digital version of all of these rules to show that it's

Kevin Schulman (44:28.805)
Yeah, no, mean, look, why would you?

David Scheinker (44:50.777)
actually far easier and quicker to make a rational standardized version of this. So we're building proof of concepts as we can.

Mc (44:58.057)
of course, but they don't want it to be rational. The insurance companies don't want it to be rational. That's the point. You can't delay and make money. If you have $100 billion in premiums and you're earning 4%, that's $4 billion a year divided by 12 for every month that you delay. It is not about doing what's best for the patient.

It is about collecting as much money. When you are that vertically integrated, realize that they make like on the pharmacy side, they own the switch that the pharmacy processes the claim through. They own the hub that interfaces with the manufacturer and all these, know, amortizers and accumulators. And then they take a percentage of savings when they're using the accumulators, all via companies that they own. And so, and we haven't even talked about pharmacy yet.

Ralph Weber (45:26.715)

Yeah.

Ralph Weber (45:45.498)
Mm-hmm.

Mc (45:51.95)
I mean, you talk about a ripoff. my God. I mean, go ahead, Ralph. Sorry.

Ralph Weber (45:52.154)
No, no.

Ralph Weber (45:56.048)
Yeah, yeah. So, sorry, Mark. So what do you think, Mark? If payments became more certain and immediate, do you think provider prices would start to decline as the uncertainty premium shrinks, the uncollectible from the patient?

Mc (46:08.728)
No.

No, because the uncertainty is the insurance companies and they make all their money by introducing uncertainty. as long as, go ahead.

Ralph Weber (46:17.928)
However, yeah, I agree with you, Mark. I agree. But if you said to a provider, look, I will pay you immediately at the time. You don't have to pay Chase Ryan for his $5,000 out of pocket or 10 or $20,000. I'm going to pay the whole thing. And that was system wide. Do you think providers?

Mc (46:38.625)
yeah, mean, that's what our contracts say just that, right? That's the whole point of cost plus wellness because for the contracts that we've signed for my companies, I have to pay either the day of or within 30 days, whatever their payment cycle is, right? There's no pre-authorization or denials. There's no patient out of pocket responsibility to the provider. That's all on me. And in exchange for that, you can just look at our pricing to see, you know, in some cases it's under Medicare, some cases...

It's 120%. If it's complicated, it's 250%.

Kevin Schulman (47:10.823)

Yeah, you know, so on the provider side, Stanford is Stanford Hospital, you know, around Stanford Hospital. So Mark gives us an amazing transparent deal, but I'm still dealing with 999 other health plans, you know, and yeah.

Mc (47:28.419)
for sure, but one at a time. know, it's like 99 bottles of beer in the wall. You take one down and pass it around. 98, 998 bottle insurance plans on the wall.

Kevin Schulman (47:33.807)
No, I know. But yeah, until I can get rid of 1,000 people in my revenue cycle management group, right?

Mc (47:46.566)
Well, yeah, but then the question becomes, why would an insurance company participate? Because the whole reason this problem exists is because they introduced it. They have no incentive to participate whatsoever. Now, if you could do this, now you could say the provider could say, look, if you are self-insured, this is the only way we're going to work with you or you're going to get out of network pricing, you know, and you can incent the employers because that's 60 % of employees.

David Scheinker (47:57.216)
you

Kevin Schulman (48:17.531)
Yeah, still have to, yeah, I'm still doing Medicare and Medicare Advantage. I'm still doing Medicaid. So I totally agree with you. At some level, the question is, how much time do we have, frankly, before the payment system collapses, or in terms of this affordability agenda? Yeah.

David Scheinker (48:17.787)
So.

Mc (48:39.723)
But that's on Stanford. That is completely on Stanford. Like if you were a business that came on Shark Tank and looked after you like a startup, right? And you said, I'm going to hire, Stanford is so overpriced. We have the innovator's dilemma. I have to undercut myself before somebody else does it for me. Right? Now you have the challenge that you've guys spent so much money on all the

pianos and artwork and fancy stuff and everything and you know, the foyer and all the, looks amazing, right? It's beautiful and all the machines that go ping, right? But if we were trying to disrupt you, we would hire a bunch of salespeople with those contracts and go to the employers and say, I will put somebody on site that's your healthcare CEO.

who will manage all this process. it's not even an HR benefits thing anymore. And in exchange for you spending less money than you were spending before, know, paying direct, no patient out of pocket, et cetera, it's gonna still gonna be less. I'm gonna save you money at Stanford. It's easy, but Stanford won't do it because hospital CEOs, and I'm sorry, I mean, I've met them, nice people and all that, they're idiots, right? They don't think like business people. They don't.

They think how many bets can I get? How much revenue can I get so I can get a raise, maybe buy some more, maybe get bought depending on your circumstances. They don't run them like real businesses. As I've been talking about this stuff, I had some small medium sized hospitals come to me and I'm like, okay, maybe I'll even invest. Give me your detailed financials and breakdown. And the first thing I wanna see is what you spend on consultants. They were spending more on consultants.

Ralph Weber (50:15.313)
Thank you.

Mc (50:23.608)
than they were on the interest that they weren't sure that they could pay to keep them alive. I'm like, why do you need all these consultants? Well, that's just what we do. I'm like, why don't you hire people that know this stuff already? We want physicians to be able to own hospitals. Physicians run hospitals. How's that been working? The whole idea that you can't make money at, and I would tell these guys, look, you can make money on Medicaid.

You just can't have fancy shit, right? You can't have all those consultants. You just have to run a normal, you know, a normal business and you can make money on Medicaid and Medicare and then some, right? But they have their list of consultants. I've never seen a hospital that doesn't have more consultants, you know, in some cases, then they have beds. It's ridiculous.

Ralph Weber (51:15.633)

And the very consultant that they need, Mark, is one to look at their health care contracts, their PBM contracts, their PPO contracts, their TPA contracts, their stop loss contracts.

Mc (51:25.752)
But that should be something the CEO knows how to do. The CEO of the hospital, if that's not your core competency to know how to optimally run your hospital, you're in the wrong business. And there's a lot of CEOs, CFOs, et cetera, who are in the wrong business in the hospital industry.

Ralph Weber (51:33.809)
Mm-hmm.

David Scheinker (51:36.722)
Hiya.

David Scheinker (51:42.973)
I love this talk. I hope some of our brilliant students start a business like yours and get very rich and solve health care. I have to drop off now for a talk I'm giving, a pleasure and honor to meet you.

Mc (51:51.406)
Okay.

Ralph Weber (51:55.429)
Kevin, you're sticking around, right? This is just getting fun.

Mc (51:57.795)
Yeah, and for David and for anybody watching my email is mark at cost plus drugs.com. If you have any questions, any follow up, you want to talk some more of this stuff that, you know, obviously I live this stuff and we're into it in a big way and we want to change things. So I'm happy to engage via email with anybody.

David Scheinker (52:14.858)
Thank you, I will take you up on that.

Ralph Weber (52:15.345)
So Mark, you're hanging around, right? You're not, okay, good, good. Okay, thanks David, yep. So, you know, it is a dilemma. mean, you know, we need to do this. It has reached, you know, a breaking point. When is it gonna break? When is it gonna snap?

Business after, you know, person after person is going bankrupt. Business after business can't afford real healthcare anymore. People need insurance for their insurance. The contracts are big part of the problem.

Mc (52:17.059)
Yeah.

Ralph Weber (52:44.347)
The government breaks up monopolies like Microsoft, but they don't break up monopolies like UnitedHealthcare and the big insurance companies. And I'm not sure why that's different.

Mc (52:53.301)
That's the problem. Yeah, they spend a lot of money. That's why.

Kevin Schulman (52:55.356)
Yeah.

Ralph Weber (52:58.021)
Yeah, yeah, could be.

Kevin Schulman (52:59.515)
But you know, think Mark, you know, if you say just take Mark as a CEO and his understanding of this market, either as a, you know, either as a supplier to the market or as a CEO of a firm, you know, I think he's absolutely right. Like most CEOs don't understand anything he just talked about, you know, and when you go to the Hill, no one understands this stuff, you know, that

The people that understand PBMs are few and far between, really few and far between. These are all very opaque businesses. And we don't have a good slogan. What is it that you want the politicians to do? Yeah. Well, but we need to...

Mc (53:43.302)
Insurance companies lie, people die.

Kevin Schulman (53:51.655)
We need to, you know, so we could either say with firms we could actually have this agenda where we move firms forward and if enough firms switch that's going to put pressure on the market to flip. The other way around is centrally that we have get in

front of the politicians and say here's what we need to do. Because we're going to end up with a debate in 26 and 28 about single-payer.

Mc (54:21.192)
Yeah, look, and I'm not against single payer, right? But the problem with single payer is nobody's done it since 1995 with Israel, right? When there's been a lot more complexity and you've got to go talk to Stanford and see what rates they can afford to accept to participate in single payer. Because otherwise they're not going to be able to afford to do it. And that's not necessarily right. But those are the rules they created for themselves.

Kevin Schulman (54:21.221)
right yeah well but

Kevin Schulman (54:46.533)
Well, and also who's in charge. So in this political process, when Bernie was running, I was like, might want Bernie running your health care system, but the other team wins every once in a while.

Mc (54:49.665)
Yeah, for sure.

Ralph Weber (54:51.185)
Exactly.

Mc (54:58.775)
Well, no, that's what I said. Like if you read Bernie and Representative Jayapal's single payer legislation, the first thing it says in the first paragraphs is at the discretion of the Secretary of Health and Human Services, right? How would that be working out right now?

Kevin Schulman (55:16.827)
Yeah, yeah, that would, yeah. But so, you know, so if the political process isn't mature enough for a single payer, then we need to kind of bring something forward like, you know, single transaction process. You know, again, computable, everyone doesn't have to have the same thing.

Ralph Weber (55:17.125)
Yeah, exactly.

Mc (55:34.423)
But how do you, so single transaction process, where do the numbers, where do the inputs come from?

Kevin Schulman (55:40.165)
Well, I mean, you could still negotiate those, right? You negotiate X percentage of Medicare if that's, you negotiate my price, you negotiate three days or seven days, we have a little slider bar. No, I'm just saying, absolutely. You know, I think that, that.

Mc (55:49.892)
But isn't that what Cost Plus Wellness is exactly is doing? Yeah, yeah. So what do we need to do to get Stanford to post their contracts and eat their own dog food?

Kevin Schulman (56:03.303)
It's not.

Ralph Weber (56:03.525)
You know, Kevin, I spoke a while ago to, yeah, go ahead.

Mc (56:05.495)
Wait, Kevin, I want to hear it because Kevin's pulling his collar on now.

Bill Tucker (56:07.901)
You

Kevin Schulman (56:11.458)
Yeah, luckily I don't work for them. no, but you know, on the provider side, like I'm fighting this too. If you look at Stanford's P &L, you know, we're spending four million, four, you know, of our revenue. It says this is all public. So Stanford's like nine billion dollars in revenue now. You know, four billion dollars in staff. Two billion dollars on doctors. You know, and with, you know.

Mc (56:14.068)
Mc (56:39.191)
Yeah, it's back-ass half-wars, you know?

Kevin Schulman (56:40.987)
Yeah, right. You know, and so every time you have a doctor, we have X number of non-clinical people telling me to, you know, change the billing form or telling me to

submit a piece of paper here or there or click the box here or there. You know, so all that stuff, you know, is an expense that could go in. Yeah.

Mc (56:57.719)
which is part of the insanity, right? The insanity is that employers work with insurance companies who define the networks that have the providers, that have the doctors, that they deny and don't trust to offer the care, right? It makes no sense in any universe. So the only way you get around that is to break up the insurance companies through the break up big medicine bill.

Or you find a replacement because it makes no sense any longer. All they are is banks.

Kevin Schulman (57:32.561)
Yeah. I mean, the replacement stuff.

Ralph Weber (57:32.914)
Yeah, I I'd love to do a pilot Kevin, you know, I spoke to Charlotte a while ago about doing a pilot and then we put on pause for a bit because I think this is doable. This is very doable. Having number one having the health care contract actually makes sense having the terms, you know, say we'll pay if you deliver a will pay be by C and that's it.

It's that simple instead of being the basis for an argument on how to settle, you know, payments by patients if they over eight if they owe over $10,000 the hospital would collect 8 % within 210 days. I mean the DSO is crazy I've researched statistics by crow and I've published, you know on on the deductible cliff if we eliminate that and make payments instant and make the rates affordable

Mc (58:09.219)
Okay.

Ralph Weber (58:31.225)
then companies like Mark could spend less on healthcare and more on wages and attract better people. And in time, in time, that will solve.

Mc (58:38.773)
So how do we productize that Ralph so that you can post that contract on Cost Plus Wellness and I can go into every employer and say, Ralph Weber has posted a contract and for your company, he will take the direct contracts on Cost Plus Wellness and put together a program that works for you so you could say goodbye to your ASO and their PBM.

Ralph Weber (58:58.993)
Mm-hmm. Okay. Well, I've got to show you my calculator that calculates that. I've got one in Excel and then I've got a simple one that I did online, but it computes that number and it offers a direct contract at the time. We say, okay, listen, hospital, you know that this is how much you're going to collect. This is your net present value of what you will eventually collect. How about if we just pay you this right now?

right here and now. We haven't run a pilot yet because we haven't had anybody willing.

Mc (59:29.665)
And what do they say to that? How's that going?

you haven't run a pilot. So we give you the pilot by using our contracts. Right. So rather than using your spreadsheet, you just go in and you take the Baylor-Scout white Baylor-Scout white, very forward thinking, very advanced, way ahead of pretty much everybody else. And you just look at their contract and then we'll find you employers because that's the challenge for Ryan and I, right? Not finding the employers is finding somebody who can come in and transition to make it better so that, you know,

Ralph Weber (59:37.54)
Okay. Okay.

Ralph Weber (59:55.023)
Mm-hmm.

Ralph Weber (01:00:00.859)
Okay.

Mc (01:00:03.264)
the insurance side, the PBM side, working with Kevin to create a formulary so you don't need the PBM formulary. You can just go out and price the best price on the medications. Since the company's covering the deductible, there doesn't need to be a patient out of pocket for anything for the most part, right? Because that's the minimus. And now all of a sudden, the employees are happier, they're healthier.

and the employer is spending less, they're happier and healthier and HR is happier and healthier because they spend half their day dealing with denials and all the downs, the second order impacts when people can't come to work, their kids are freaked out about their kids not getting care, et cetera. If you put together, if you go through some of the

contracts and Ryan can work with you and put together a plan and post the contract, then we'll say on Cost Plus Wellness,

Ralph Weber (01:00:35.121)
Exactly.

Ralph Weber (01:00:39.334)
Yeah.

Ralph Weber (01:00:50.715)
Mm-hmm.

Mc (01:00:56.872)
If you are looking for somebody to help you implement any of these contracts in your company, Ralph's the guy. And then hopefully there'll be other Ralphs that come along from different areas, right? And then there'll be some options, but if you do that, Ralph, we will send you business. And every CEO I talk to, I will say, do you know who Ralph Weber is? You're about to, he's going to be your best friend. And to Kevin's point, that's not going to change the industry overnight.

Ralph Weber (01:01:06.289)
Yeah.

Ralph Weber (01:01:18.929)
Ha

Mc (01:01:24.8)
But just like we started getting people going away from the big three PBMs to the 35 pass-through PBMs, and those pass-through PBMs now have 20-some million lives as opposed to 2 million lives four years ago, right? It's a process. And the more people who go away from the incumbent system, the easier it is for the representatives, their representatives, to see what's happening. As an example,

and to understand what can be done legislatively. Not easy, but the one thing we know for certain, one thing, one, every single employer, every penny they cut in their benefits cost while maintaining wellness, right? Not losing anything on that end. Cause you don't want to, you know, take from Peter to pay out Paul, right? But every single employer benefits. And if you can tell an employer as a sales guy,

Ralph Weber (01:02:07.781)

Mm-hmm.

Mc (01:02:22.53)
Put aside tech, put aside health. As a sales guy, if I can tell an employer, I'm going to save you money, make your company healthier, which will make them more productive. That's not a hard sell. Particularly when the most hated industry in this country is health insurance. It's not like we're making you mad, you stop doing business with this company you love. That's not what we're facing. It's just an education process.

Ralph Weber (01:02:34.341)
No, absolutely not.

Ralph Weber (01:02:48.494)
Exactly.

Mc (01:02:51.2)
And my whole career selling PCs when I was in my twenties teaching, I had to teach guys, know, CEOs who had no idea what a PC was, the value to their company, then the value of connecting them together, then the value of streaming on the internet, then the value of this, you know, then the value when you can sell, when you can show people, they will benefit and save money at the same time. They're going to say yes. And then the hardest part is going to be for the, the Stanford's of the world because they're

Ralph Weber (01:03:14.107)
Yeah, yeah.

Mc (01:03:19.458)
their cost considerations distort what they're able to do. It's not that they can't afford to do care for Medicare or Medicaid patients. They've chosen to go on a high end brand to be the Starbucks relative to other coffee providers. And so that's where it becomes a bigger challenge and hopefully we can convince them to participate as well.

Ralph Weber (01:03:45.616)
Yeah, exactly. And in my 20s, I was an air traffic controller. I was telling people what to do. Yeah. my God. Yeah. I I jump in in the middle of chaos. Look at everything that's happening and straighten it out. I mean, that's what I had to do. Zero error. And that's that's what health care is like.

Mc (01:03:51.35)

Just be glad you're not now, right?

Mc (01:04:01.558)
That's what you do. Yep.

Ryan Kline (01:04:02.932)
want to just plug real quick Kevin's work. Part of what he's done and is looking into with this standardization in the contracts enables Mark, we were talking about creating more Ralphs as the implementers for all this stuff that is open source. And one thing that is missing, aside from the contracts being open source, are some kind of standards for how prices are calculated.

Mc (01:04:29.154)
Yeah, 100%.

Ryan Kline (01:04:30.772)
how the medical policies are adjudicated. And I think, I do think having read some of Kevin's work and his team, those standards being adopted, whether it's employers or health plans and being published enables a much quicker adoption of the implementers for the contract.

Mc (01:04:51.148)
Well, for that, definitely.

Kevin Schulman (01:04:52.657)
Yeah, I mean, think thanks, Ryan. And yeah, we've had great teams working on this stuff for a lot of several years here. So that's been, you know, it's been a, you know, Ralph, we visit mostly out of the business school. It's not the med school, you know, so.

Ralph Weber (01:05:06.701)
really, okay. Yeah, and that's where it needs to be. That's where it needs to be.

Kevin Schulman (01:05:11.089)
But Ryan, on the adjudication side, to the other piece that we should think about, again, with this concept of analog to digital, do it, know, CBO is going to kill you if you get rid of prior off, right? So how do we move it from analog to digital? So imagine you have these contracts and you imagine all the services are transparent. Well, then I can profile things with a digital tool. Like, I don't need a thousand people somewhere at a call center.

Mc (01:05:28.03)
Okay. Okay.

Kevin Schulman (01:05:40.987)
I could run a report and say, you know what, this provider is more than two standard deviations above the norm. Maybe we should either visit them and see what's going on or maybe we should not contract.

Mc (01:05:51.953)
And vice versa, to your point, the providers can run a report saying, am I profitable with this insurance company? And am I profitable with this insurance plant? Because they have no idea.

Ralph Weber (01:05:52.091)
Mm-hmm.

Ralph Weber (01:06:02.545)
I mean right now a lot of employers are having problems getting their data, you know, and that's a huge problem in its own. Yeah, exactly, absolutely. You know, and the digital contracts with a sort of an analytics layer that it flows through, I think that's a big move. So if we get standardized contracts, that really makes sense. That says, okay.

Mc (01:06:08.779)
particularly pharmacy.

Mc (01:06:26.485)
no, I'm a I agree with Kevin and Ryan. A standardized contract is a huge win for everybody, right? Because it simplifies all the administration. No question about it. You know, I couldn't imagine like in the NBA, there's one standard contract. You just fill in the numbers and everybody's got to use that uniform contract. And that makes life easier for everybody. The the challenge, as I said, is not the providers. I can see the providers definitely wanting to do that. Right. It's the insurance companies.

Ralph Weber (01:06:47.311)
Mm-hmm.

Mc (01:06:56.275)
And so then the question becomes, how do we sell the employers on using those standardized contracts and locking out the insurance companies other than StopLoss?

Ralph Weber (01:07:07.781)
Well, I think we have to get a TPA that's big enough, that's independent, that can take over, that can be there to jump in because everybody's scared. If I lose the big insurance company, I'm going to lose my network, I'm going to lose my doctor, nobody can get a physical, a colonoscopy, et cetera, which is not the case. But I think that's the fear.

Mc (01:07:28.783)
Right. Right. And that's where HR comes in because anytime there's change, HR doesn't want to deal with it because they have to sell it to all the members. And, you know, the incumbent always gets the benefit of the doubt. And the HR person doesn't have to deal with the economic ramifications of that.

Ralph Weber (01:07:35.599)
No. All right.

Ralph Weber (01:07:46.244)
Exactly, exactly. you know, we talked about fiduciary. HR should be the fiduciary if they're the final sign off on the contract. If they have an RFP that's run by their consultants that aren't independent, that might be getting kickbacks and they okay it, they rubber stamp it, then ultimately they're the fiduciary and they could be held accountable for that.

Mc (01:08:12.132)
But they don't understand any of that.

Kevin Schulman (01:08:12.455)
I

Ralph Weber (01:08:14.469)
They don't, Mark. You're right. Yep.

Kevin Schulman (01:08:15.015)
No, nobody understands how the benefits consultants are paid. they always come in. I still remember, we met with a employer, and they said, no, our benefits consultant is definitely not on the take from the PBMs and the health plans. I was like, yeah.

Mc (01:08:22.635)
Well that's-

Ralph Weber (01:08:31.387)
Yeah.

Mc (01:08:31.557)
They call it the coalition, right? Like it sounds like something out of a spy thriller. But if you guys ever find documentation to support it that we can publish, I'll do it in a millisecond. You know, I have no problems dealing with because, you know, we work from the outside in. We don't work from the inside out. And that's really what gives us a big advantage, because I don't care what they think. I have I don't need anything from the big three PBMs.

Ralph Weber (01:08:33.851)
bright bright.

Mc (01:09:00.287)
I don't need anything from the big insurance companies. They have nothing that I want or need and they're the problem. And so I have every incentive to try to fight them. And the same goes for the consultants. The consultants know I'm their worst nightmare because I will publish anything and everything that proves that they are misrepresenting how they do business.

Ralph Weber (01:09:18.32)
Mm-hmm.

Mc (01:09:28.095)
or taking advantage of employers or providers. I mean, the fact that this needs to be done is unfortunate, but, and it's the same thing with PBMs, the contracts you go through, Ralph, if you want to like slide them under the table to me so I can go through them too, you know, and just take out the names, I will put all of that out there because the more we put out there, the better educated everybody becomes.

Ralph Weber (01:09:35.963)
Mm-hmm.

Ralph Weber (01:09:40.517)
Yeah.

Ralph Weber (01:09:44.037)
Yeah, yeah, I'll do it.

Mm hmm. Yeah.

Ralph Weber (01:09:53.712)
Yeah, absolutely. It is education. But the problem with education, is we have to undo the miseducation first that the big bukas have been doing for years. Well, that's true. That's true.

Mc (01:10:03.86)
Mm-hmm.

Kevin Schulman (01:10:06.215)
Well, it's the beauty of Mark's approach, which is like it's a business issue for the CEO. You've delegated this to HR. This makes no sense to delegate to HR because it is such a big line item. you need somebody that we can hold accountable that becomes an expert in this. it's not Mercer.

Mc (01:10:06.388)
That's the beauty of AI. That's the beauty of AI. AI can't mislead you.

Ralph Weber (01:10:13.169)
Yeah.

Ralph Weber (01:10:23.259)
Mm-hmm.

Ralph Weber (01:10:33.829)
Yeah, no, and at the end of the day, it's the EBITDA. Every dollar you save, unlike cutting marketing, unlike cutting payroll, unlike cutting everything else, every dollar you save direct flow to EBITDA.

Mc (01:10:48.64)
Exactly right. And as long you're not, you know, doing anything to undermine the quality of care, which you shouldn't. And in fact, you can do the exact opposite with this. But if you've got 20, if you're a public company with a hundred million shares outstanding and you save $25 million, that's the easiest 25 cents per share that you'll ever find ever.

Ralph Weber (01:10:55.951)
Mm-hmm.

Ralph Weber (01:11:08.303)

Yeah, exactly. mean, we've got so the issues are I mean, they're they're a million issues. We could go on for hours. I mean, there's the ambiguity, the impacid opacity. There's the delay. There's the DSO. There's the realization, the actualization of revenue. You know, it all fits together and it all is fixable. It just takes will, you know, so how

Mc (01:11:31.324)
yeah. This is the easiest industry I've ever been involved with to disrupt. Cause it's so simple at its base. How much does it cost? How do you pay for it? And what happens if someone can't afford to pay for it? That's it. Those are the only questions we need to answer.

Ralph Weber (01:11:36.111)
Mm-hmm. Yeah, it is.

Ralph Weber (01:11:46.876)
You're right. You're right. And you know, in 1929, I did a couple of episodes on the benefit whisper about how the Baylor teachers plan. Yeah. No, no, no, I did. I did. I'm not that old. I did a hundred year history, a hundred year look back in 1929, the Baylor teachers plan. You know, yeah, during the depression, people were going bankrupt. Hospitals were drowning in debt.

Mc (01:11:55.425)
In 1929, you did the podcast, you had the first podcast.

Bill Tucker (01:11:59.929)
Hahaha!

Kevin Schulman (01:12:00.455)
He was really important. He was ahead of his time.

Mc (01:12:02.164)
Yep.

Mc (01:12:08.938)
Yeah, that's when it started. Yeah. Yep.

Ralph Weber (01:12:14.737)
And, you know, they started the Baylor teachers plan, the premiums were $6 a year, and the whole thing was to solve liquidity, liquidity of the hospital, liquidity of the patient. It was that simple.

Mc (01:12:20.096)
Mm-hmm.

Yep, hospital and yep, yep.

Kevin Schulman (01:12:26.087)
But you know, absolutely, but we also, every country in the world has health insurance. You know, all the European countries, know, people have like, Switzerland's got a nice public-private system. Like, we've uniquely screwed up the market. Like every, you know, it's not health insurance is at the end of the day, health insurance is how, you know, healthy people take care of sick people. That's what health insurance is.

Mc (01:12:47.454)
Yep.

Kevin Schulman (01:12:55.079)
All right, that's it.

Mc (01:12:55.678)
It's just we allowed them to do everything else.

Ralph Weber (01:12:58.063)
Yeah. Yeah.

Kevin Schulman (01:12:58.213)
Yeah, it's.

Mc (01:13:00.128)
That's the difference, because those other countries don't allow you to be vertically integrated and in 2,500 different industries.

Ralph Weber (01:13:06.747)
Exactly.

So there we go. Wow. You know, I think I'm going to have to change my name to the benefit shouter instead of the whisper. We can't whisper anymore. What else do we have to talk about? I'd love to go on, and we can go on if there's so much. Pharmacy. OK. Let's talk about pharmacy for a few minutes.

Kevin Schulman (01:13:09.873)
So we solved it for you, Ralph.

Mc (01:13:29.578)
Pharmacy, pharmacy. first of all, we talk about PBMs as if they're standalone companies. The big ones that cause the problems, the big three, they're not standalone companies. They're either owned by enormous insurance companies or they own one in one case, right? So we have to, one of my mistakes was, is I've learned this stuff and continue to learn is I was, everybody pointed me to the PBMs and I looked at them as being a standalone company acting independently.

Ralph Weber (01:13:38.289)
Mm-hmm.

Ralph Weber (01:13:46.715)
Right.

Mc (01:13:59.849)
They don't, right? They are fully integrated, not just in terms of how they approach problems, but culturally the way they approach economics, right? The same things you see with independent pharmacies where they get underpaid, know, late paid, quad backed, you see with independent physicians. And the crazy part is independent pharmacies have a stronger and louder voice with legislators and they're actually getting legislation done and getting settlements with the FTC.

Independent physicians, they're like church mouses, right? They say nothing and they get shit on worse than anybody. And so, you know, the point being there that you've got to be able to speak up, but pharmacy has had some impact, but we've got to talk about the bigger fundamental issue with pharmacy and how the whole thing works. And it all starts at the fact that brands, especially manufacturers,

sell their products to the biggest three distributors that control 90 plus percent of the market at list price, at retail price. And because of that, everything downstream from there is inflated so that the PBMs and the insurance companies that own them can retain those rebate margins. And by retaining those rebate margins, because they control the formularies, independent pharmacy, so I'll give you an example, that's the easier way.

Eloquist just changed the price, but let's pretend it's December of 2025 and Eloquist retail price, the WAC price is $600, actually $609, but we'll say $600. So when BMS

sells it to one of the big three distributors, they sell it for $600 and they get $600. But then if they're paid promptly, they'll give a one and a half percent prompt pay discount and then a three and a half percent discount for data services, a data services agreement.

So that's 5%. So on that $600, the net cost to the wholesaler is $570. Now they're in for $570. So when they sell it to a pharmacy, could be a little mom and pop pharmacy in the middle of nowhere or a big pharmacy chain. They're selling it at $570. Sometimes they'll even lose a little bit of money. But the bigger point is that pharmacy is now spending about $570.

Mc (01:16:19.551)
So they have Eloquist in stock for $570, their cost of goods sold. Somebody walks in with no insurance. Even though the net price that BMS will end up earning is 300, that pharmacy is out 570. They can't sell it for 300 or 400 or 500. They have to sell it for 570 or more. So now you've got people who are uninsured can't afford their brand medications. But wait, it gets worse, right?

Ralph Weber (01:16:19.568)
Mm-hmm.

Mc (01:16:48.351)
So even people who are in an insurance plan, when they're in their deductible phase, how much does that Eloquist cost if they have a $2,500 deductible? It costs $600, right? So they're paying $600 out of pocket too, which makes it very, very expensive for the reasons we talked about with medical services. $600 is a lot of money that a lot of people can't afford.

Ralph Weber (01:17:00.847)
Right, right.

Mc (01:17:15.679)
And so now we're paying, why are they paying $600 when the whole job of a PBM is supposed to be to negotiate better prices, right? That's what they say. We're negotiating better prices, but they're not.

Ralph Weber (01:17:24.453)
Yeah. Yeah.

Kevin Schulman (01:17:29.201)

Yeah, this is happening with the TLP ones where the PBMs were, you know, it's a competitive market. When we put the drug through the PBM, you know, the list price goes up to pay. Yeah. And in fact, and so it's become so expensive, we have to drop coverage. So not only do we have the worst of the pricing because the PBMs involved, but then people can't afford it at all.

Mc (01:17:40.447)
to $1,300, yeah.

Mc (01:17:54.528)
So, and what the manufacturers are doing is doing direct to consumer and direct to employer, and they're different prices. The direct to employer is $700 and the consumer can be two or $300.

Kevin Schulman (01:17:57.325)
Right.

Ralph Weber (01:17:59.452)
Right. Yeah.

Kevin Schulman (01:18:00.796)
Yeah.

Ralph Weber (01:18:05.327)
Yeah, you know, my wife filled up... Sorry, go ahead, Kevin.

Kevin Schulman (01:18:05.735)
Ralph, let me... Yeah, I just want to... We've talked a lot about the brand name problems. The generic market's 90 % of prescription. So, you know, one of the things, a paper we just published last week was secret chopper studies of the quality of generic drugs. So, the other controversy we need to look at...

is the same mechanism that drives down low price. The PDM doesn't care if the drug works or not. They get paid the same amount. They're not responsible for the medical benefit. So a third of the drugs that were tested were poor quality. We used a red, yellow, No. I think.

Ralph Weber (01:18:39.631)
Mm-hmm. Right.

Mc (01:18:39.684)
Right.

Mc (01:18:47.527)
Hopefully none of those came from us, right? Because we really try to make sure.

Ralph Weber (01:18:52.549)
Well, you know.

Mc (01:18:53.491)
Say that again, so none of them came from us? Good. Good, good, good, good.

Kevin Schulman (01:18:55.759)
Now this is coming from distributors.

Ralph Weber (01:19:00.357)
Yeah, my wife filled a prescription during her deductible phase. The prescription was going to be $800 plus. She pulled out a manufacturer's coupon and got it for $25. It's nuts. But most people wouldn't do that. If I wasn't her husband, she's a physician. If I wasn't her husband, yeah.

Mc (01:19:14.834)
It's nuts.

Mc (01:19:18.923)
You wouldn't know, right? You wouldn't know. Now, hopefully they'll check out costplusdrugs.com. But the bigger point is that the whole thing starts going downhill because the manufacturer, the brand manufacturers, especially manufacturers, sell to wholesalers at whack price. So I talked to one of the brand manufacturers, three of them actually CEOs. And I said, why do you do that? Because if let's just say your net price after rebate and fees from the PBM for that $600 drug is $300.

Ralph Weber (01:19:34.821)
Mm-hmm.

Mc (01:19:48.671)
and the distributor made $30, right? So if you sold it to them for $300 and they sold it to the pharmacy for $330, you would make the same amount of money, Mr. Manufacturer, the wholesalers would make the same. And actually they'd make more on a cash on

cash basis because it'd be less cash out of pocket. And that uninsured patient, maybe some of them can afford $350. And that during the deductible phase,

Ralph Weber (01:20:04.945)
Mm-hmm. Right.

Mc (01:20:15.975)
Maybe that patient can afford $350, right? And they can get a lower deductible going forward because it's a, you know. But the worst part about it is a lot of patients can't afford it because these brands are selling at full list. So I asked them why, why do you do this when it doesn't make economic sense and it reduces your market share, reduces how many patients have access and they're like the PBMs.

What the PBMs have said is this protects our rebate because the difference between 600 and the net $300 price, 95 % of that is the rebate that goes right to the pocket of the PBM. some they keep, some they put out, some they now offset with fees so they get to take more on a fee-based basis. And they're creating all these clinical fees and all this other mishegahs. But they literally told me verbatim.

that they would prefer not to sell at this price. They would prefer to sell at net. But if they do that, that the PBMs would reduce their placement on the formulary and take them from tier one to tier two, costing them 10, 20. And that's the same reason cost plus can't get access to the brands. Why won't they sell to us for the exact same reason? Because those brands know what we've done to the biosimilar market.

Ralph Weber (01:21:26.757)
Yeah.

Ralph Weber (01:21:30.597)
Mm-hmm.

Mc (01:21:38.591)
When we showed that our Stellara BioSimilars Star Gem does $365 and we publish that, like we do all of our prices, everybody knows and that pushes down the price they can charge. So they tell the brand manufacturers, if you work with Cost Plus for your brands and they publish the price, then boom, we're gonna reduce your entire portfolio on our formulary. And so going back to what Kevin said, part of those contracts, Kevin, is to make sure

Ralph Weber (01:21:47.28)

Right.

Mc (01:22:07.218)
to do whatever we can so that the PBMs no longer continue to control formularies, because that's what they auction off and that's where their power comes from.

Ralph Weber (01:22:15.505)
But they also set the prices, Mark. There's a bill in Tennessee right now, HP 1959, if I'm not mistaken. The Department of Commerce and Insurance did an audit on some of the PBMs, and they found in one case a PBM that owned pharmacies was paying its own pharmacy something like $9,000 that they paid an independent pharmacy $57 for. So, yeah, it's the...

Mc (01:22:17.8)
Yeah.

Mc (01:22:38.192)
Yeah, it's insane.

Kevin Schulman (01:22:40.313)
No, the FTC has got an amazing report on this of six different business models that the PBMs have created to rip us off. But Ralph, you also have mail order. if Optum puts it in their mail order and then they get a discount from Merck, that's not a rebate.

Mc (01:22:48.978)
And they used our pricing for relative pricing.

Ralph Weber (01:22:52.443)
So, yeah, right.

Ralph Weber (01:23:05.029)
No, well, yeah, right, right.

Mc (01:23:05.798)
Right, it's not considered a rebate, yeah.

Kevin Schulman (01:23:06.395)
Right? Yeah. So, you know, that's a whole nother set of cash flows.

Ralph Weber (01:23:12.081)

But so Ryan, maybe you can do some fact checking because I'm just going by memory here. It seems to me in 2018, Cigna bought ESI. At that time, Cigna's revenues were $47 billion. They bought it for $67 billion. And then in 2019, their revenues were $153 billion. OK, I'm just going by memory here. I'm not sure if the numbers are right, but there's something like that. OK, I mean, think of that multiplier.

Mc (01:23:37.992)
Right.

Ralph Weber (01:23:41.12)
You don't why where?

Mc (01:23:42.095)
yeah, and that's where most of their profits are coming from now. So you see all these PBM legislations and more scrutiny that they're facing, settlements they're having to deal with. And one says, well, our profits are going to go down for two years and then pop right back up. None of the other ones even said that their profits would go down at all. And when you listen to their quarterly earnings conference calls, they're basically saying that we'll make it up in specialty medications.

Ralph Weber (01:23:44.646)
Mm-hmm.

Ralph Weber (01:23:58.064)
Mm-hmm.

Kevin Schulman (01:24:09.489)
Yeah, I mean, think that was, you know, to me, when all those mergers happened, it was around hospital outpatient pharmacy, right? If the PBM controls the benefit, then they can redirect the Part B payments.

Ralph Weber (01:24:17.371)
Mm-hmm.

Mc (01:24:21.916)
Yes, yes, yes, it's crazy. And then they buy the oncology center. Even distributors now are buying oncology centers because they want to make sure that the specialty medications that that oncology clinic purchases goes directly through the distributor.

Ralph Weber (01:24:25.689)

Yeah. Yeah.

Kevin Schulman (01:24:27.355)
Yeah.

Ralph Weber (01:24:42.427)
Now, did you say Corleone? Is that a coincidence?

Mc (01:24:47.79)
Did I? If I did, you know, it might it might have been subconscious, but it's, you know, wouldn't shock me or Tony Montana. Say hello to my little PBM.

Ralph Weber (01:24:50.011)
What?

Ralph Weber (01:24:53.571)
Yeah. Exactly. Wow. So Ryan, have you done the fact checking? Am I close?

Kevin Schulman (01:24:56.935)
You

Ryan Kline (01:25:03.973)
Yeah, looks about right, bro.

Ralph Weber (01:25:07.213)
Okay. Yeah, you know, thanks. Well, air traffic control, have to. So but you know, it's crazy. It's not. So why are we allowing this to happen? How long is it going to continue?

Mc (01:25:08.392)
Great memory, Ralph.

Mc (01:25:21.522)
mean, go ahead, Kevin. I mean, when we get standardized contracts, it starts at, yeah, yeah.

Kevin Schulman (01:25:23.483)
No, I mean, it's the same set of issues. Yeah, it's the same set of issues. nobody, I asked, I got involved, it might have been before Mark started Cosmos Drugs, but I filled a script for one of my kids for a generic cream at the pharmacy using my benefit from Stanford. And it was like 300 bucks for a Clindam Ison cream. And I was like, this is

nuts. This thing went like generic in the Stone Ages. Why does it cost so much? And then,

at the time I on GoodRx and I found it for 100 bucks. And I went to the, I asked the pharmacy, why'd you rip me off? And first they said, why'd care? And then they said, well, bring in the receipt and we'll give you the difference. So I brought in my $300 worth of my benefit and then they gave it to me for 100 bucks. And then I called Stanford HR and it was like, why did I get ripped off? And I used my benefit. Again, they couldn't answer the question. They called them Mercer. you know,

Mc (01:25:58.458)
Crazy.

Kevin Schulman (01:26:20.049)
drug pricing on our health plan is complex is what they said.

Ralph Weber (01:26:23.185)
Yeah. So, you know, that's a great point, Kevin. If everybody listening, whenever they got ripped off and they looked at whether it's Mark Cuban Cost Plus or GoodRx and they found it for way cheaper, if they all called their HR department, maybe we're going to start some pressure going here. Their CEO.

Mc (01:26:41.725)
They're CEO. No, they're CEO. Yeah, the CEO.

Kevin Schulman (01:26:43.207)
Yeah, they should call the CEO. Yeah, alternative would be to do Mark's plan. And you know what? If I could save $10, it stays in my account. So instead of the colonoscopy at the $6,000 site, I do the colonoscopy at the $1,000 site. I should care.

Ralph Weber (01:26:53.125)
Yeah. Yeah.

Ralph Weber (01:27:02.0)
Mm-hmm.

Mc (01:27:03.901)
That's the whole point, right? Because what we did say is if you win the genetic lottery and you're paying your $1,500 a month, what would have been a premium that you're depositing now in this bank account for health care, if you don't spend the money when

you hit 64 and then go into Medicare, you get to keep all the money. It's all yours. Anything you don't spend is yours.

Ralph Weber (01:27:25.492)
And we spend our own money better than we spend other people's money like I'm with some Marty Feldman. Milton Friedman wants that, right? You know, we take better care of our own money. And if there's that incentive, we're going to watch it.

Mc (01:27:38.971)
We're going to watch it. Yep.

Ralph Weber (01:27:40.377)
Yep, absolutely. Absolutely. It's crazy. Bill, why don't you pop back in here and let us know if we've missed any gaps here, if you're still breathing.

Bill Tucker (01:27:50.6)
I don't know. You know, Ralph, I've been doing this with you for a while now. And every time I do a podcast with you, I sit here and write down all kinds of questions. And I always walk away with a lot more questions than I have answers to. There were a couple of things, though, Mark. And it sounds like a lot of what you're proposing makes a great deal of business sense. So from a business standpoint, you could see how a CEO of a company would be like, yeah, that makes sense.

Mc (01:27:58.517)
Yeah

Bill Tucker (01:28:18.183)
But when you get into the PBM side of this, sounds to me like it is less a business fix than would require a legislative fix. Am I?

Mc (01:28:26.743)
Well, it just depends, right? So that you work in parallel. So you try to educate CEOs as much as possible to not work with the PBMs that are ripping them off and to work with pass-through PBMs as alternatives. Yo, yeah, it's completely their control. Not only is it their choice, but if they're a self-insured employer,

Bill Tucker (01:28:38.023)
But do they have a choice on that PBM? Because if these PBMs are not standalones, okay.

Mc (01:28:45.501)
They get to dictate all the rules. They just don't know they can. And the consultants they work with don't guide them in that direction. And I'll give you the perfect example, Bill. So if Kevin goes and buys his cream for $100 out of pocket, $200 less than what the benefit would have paid, he should be able to count that against his deductible. I'd be willing to bet that that $100 cash out of pocket did not.

count against his deductible. so employers don't know that they can dictate to the insurance company running their plan that every cash out of pocket that costs less than the alternative that was offered will count against the member deductible or the family deductible and the out of pocket. They can set those terms, but they don't know to do it. So a big part of what we're doing is trying to educate the CEOs and HR people and benefits people to

take advantage of these things because again, going back to Kevin's point, the consultants ain't helping them where shit, right? They're not telling them these basic things. And if they're not telling them the basic things, they're certainly not helping them with the complicated things.

Bill Tucker (01:29:59.698)
Yeah, I know. And I know we're going to lose Kevin. know he has to has to jump off here in just a second or so. So if he goes blank, he didn't he disappeared for the purpose. It didn't get mad and he didn't get mad long away. but it's but you know, you use the word stupid earlier marketing and it many, many times. And I don't know whether he's stupid or ignorant. And I think, you know, to be kind and generous for a moment, they're probably all a bunch of ignorant people. And it's like in a lot of us for

Ralph Weber (01:29:59.772)
Exactly.

Mc (01:30:07.485)
He didn't get mad at us. And I got to jump off in a second too. Yeah. I got to jump off in a minute too.

Ralph Weber (01:30:13.147)
Yeah.

Mc (01:30:15.793)
Multiple times.

Mc (01:30:22.105)
Ignorant is probably a better term, but...

Bill Tucker (01:30:27.761)
reasons I don't understand because it's in our own economic and health benefit, to not be ignorant don't seem to want to become less ignorant.

Kevin Schulman (01:30:34.631)
Because we make it so complex. Making it complex and putting up these smoke screens avoid the hard questions that Mark's asking. Even at the business school, when I run a healthcare program, we have to teach people the alphabet soup and the acronyms and the architecture so that they could see through it. But very few people

Mc (01:30:39.419)
Yep.

Ralph Weber (01:30:50.097)
Mm-hmm. Mm-hmm.

Kevin Schulman (01:31:03.963)
really understand that. also, again, no one's in charge of the market. Nobody sees across. Nobody sees what happens if Medicare does this, how it pops out on commercial. Yeah.

Mc (01:31:13.33)
And that's where we have a benefit, right? Because we're working on the outside trying to figure out how all these pieces interrelate. And to Kevin's point, very few other people are even considering that.

Ralph Weber (01:31:23.345)
Exactly. So.

Bill Tucker (01:31:24.891)
Well, it's amazing. It just it blows my mind because as Ralph has pointed out many, many times over the years in his podcast, there's a family that goes bankrupt every 58 seconds in this country, which is which is unforgivable and frankly not understandable. Like what what are we doing here?

Kevin Schulman (01:31:41.959)
Well, and a good chunk of them are cancer patients, which is even worse.

Mc (01:31:45.521)
Yep. It's just tragic. Yeah. Hey guys, I have to close out, but I have two requests. One, Ralph, will you work with Ryan so we can get your contract on Cost Plus? And Kevin, if you come up with a template that you think you're ready to publish, then let us publish it for people to say, look, here's the template to take to your provider if they're not already on Cost Plus.

Ralph Weber (01:31:51.419)
So, okay.

Absolutely. Yep.

Ralph Weber (01:32:10.753)
Can I get you to do one last thing, Mark? Everybody here? Okay. I want to hear everybody say at the same time, we're mad as hell and we're not going to take it anymore. How about that? How about that?

Mc (01:32:19.644)
You got it, is it raining and I got a rain jacket on, right?

Bill Tucker (01:32:23.133)
We're mad as hell and not gonna take it anymore. Three, two, one. We're mad as hell and not gonna take it anymore. There we go. Out the window, under the street, ladies and gentlemen. We gotta go. know Mark, Kevin, Ryan, thank you very much. Ralph, we gotta get out of here. Mark, you gave your email to people who had questions. Kevin, want, anybody can touch with you before we go?

Ralph Weber (01:32:24.207)
Yeah. Okay. Bill, give us a three count. Here we go.

Ralph Weber (01:32:31.707)
We're mad as hell and we're not gonna take it anymore. Outstanding and post that, post that.

Kevin Schulman (01:32:31.975)
I'm mad as hell, I'm not gonna take it anymore.

Mc (01:32:32.088)
I'm mad as hell and I'm not gonna take it anymore.

Kevin Schulman (01:32:50.575)
Yeah, Ryan, I have, Ryan, just send me a note. It's kevin.schulman at stanford.edu.

Bill Tucker (01:32:56.615)
Great, excellent. All right, terrific.

Ralph Weber (01:32:57.713)
And post on LinkedIn, Matt as hell, okay? That's gonna be our call to action. Hey, thanks guys.

Mc (01:32:59.406)
This is fun.

Bill Tucker (01:33:06.365)
All right, and Ralph before before I wrap it up. Absolutely go see you later, Kevin. We're all about to go Mark. I know you got to get out of here. Ryan, thank you for being here. Ralph, before we get out of here. How do people get a hold of you if they're employers and they're thinking they need to have a conversation with you? How did they get ahold of you?

Mc (01:33:06.411)
Make sure you tag me so I can repost it. See you guys.

Kevin Schulman (01:33:07.505)
Thank you.

I gotta run.

Ralph Weber (01:33:10.883)
I will, absolutely. Thanks guys.

Ralph Weber (01:33:22.651)
go to mybenefitsuc.com. How about that? And just, you know, talk to us. You know, go to mybenefitsuc.com and, you know, find me on LinkedIn. So yeah, let's keep this conversation going. Love to have you again, Mark, but I'll be in touch. Okay.

Bill Tucker (01:33:26.353)
I like that.

Mc (01:33:26.672)
I love it.

Mc (01:33:39.1)
For sure. Thanks guys.

Bill Tucker (01:33:40.126)
All right. And thank you. And for those of you who are listening to this podcast for the first time, this has been a really fun one. I wish it would this much fun every time around. But you do yourself a favor and hit the follow button if you're not a subscriber already, because that way every time a new episode drops, you'll be notified. You can give it a listen. I look tell people about this podcast. OK, people talking to people is like one of those rare things that goes on in the world these days. But go out and tell people you like this podcast. You found it useful. You found what these people would mark and

Ralph Weber (01:33:46.512)
Yeah.

Bill Tucker (01:34:10.044)
Ralph and Kevin and David and Brian were talking about interesting and let them know because word of mouth promotion is invaluable in the age of bots. Until next time and until the next edition. Thanks for taking the time to listen. We'll catch you next time. Thanks Ralph. Thanks Mark.

Ralph Weber (01:34:25.298)
Thanks, Bill. Thanks, Mark.

Mc (01:34:26.975)
you