The Price We Pay – A Discussion of the NYTs best-seller by Dr. Marty Makary

Michael Andrade (Moderator) – Founder, Maverick Benefits

Al Charbonneau – Exec. Dir., Rhode Island Group on Health

David Contorno – CEO, E-Powered Benefits

Dr. Patrick Carter – Medical Dir., Kelsey-Seybold Clinic

Ken Janda – Founder, Wild Blue Health Solutions
Discussion Topics

• The Price We Pay –
  • Intro from Dr. Marty Makary
• Panelist Introductions
• Key Points (Problem, Discussion, Solutions)
  • Overtreatment -
  • Opaque Pricing - Price Variation & Discounts
  • Quality Variation -
  • Overcharging - Perverse Incentives

GM is a health and benefits company with an auto company attached.

- Warren Buffet

Federal Government
$1.28 trillion

Medicare

Medicaid/CHIP

State Governments
$302 billion

Households
$931 billion

Employers
$955 billion
How is Healthcare Broken?

If overtreatment were a disease, it would rank as one of the leading public health threats in the world – Dr. Marty Makary

Overtreated
Overcharged
Opaque Pricing
Quality Variation

YOU ARE HERE!

$3.7 Trillion
Too Many Competing Interests?

“It’s explained by the money games of medicine, loaded with middlemen, kickbacks and hidden costs” – Dr. Marty Makary
Price & Quality Variability, Do Discounts Matter?

Example of Price Variability - My Wife’s Injection
How would you choose?

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Discount</th>
<th>Charge</th>
<th>Allowable</th>
<th>Medicare Percent of Medicare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hosp #1</td>
<td>53.9%</td>
<td>$38,000</td>
<td>$17,500</td>
<td>389%</td>
</tr>
<tr>
<td>Hosp #2</td>
<td>45.9%</td>
<td>$18,500</td>
<td>$10,000</td>
<td>222%</td>
</tr>
<tr>
<td>Hosp #3</td>
<td>50.0%</td>
<td>$17,500</td>
<td>$8,750</td>
<td>194%</td>
</tr>
</tbody>
</table>

Medicare Discount Carrier Avg
Billed Charge $104,499 65% $67,924 "Discount"
Medicare Allowable $14,188 258% $36,575 Allowable
Charge Ratio 737% 258% % of Medicare

Does Quality Matter?

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Top 10%</th>
<th>Bottom 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hip Surgery Complications</td>
<td>12%</td>
<td>22%</td>
</tr>
<tr>
<td>Heart Bypass (Death Rate)</td>
<td>3%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Houston Area Surgeons

“Inpatient DRG 470 across 17 hospitals in HOUSTON TX”

“We play it, you play it, we all play it. Let’s not fool ourselves, it’s a stupid game” – Dr. Marty Makary (In reference to Discounts)
Incentives for overutilization and charging higher prices

Moral Hazard

Acting in an adverse manner because you do not bear the full consequences of your actions

Both patient and provider incentives to receive/provide as many services as tolerable with little regard to cost/value

Insurance compounds moral hazard

Don’t worry…your insurance will pay for it! But now the horrors of “out of network”, Surprise Billing, and Inflated In-Network Pricing.

Leads to costly administrative reactions to stop fraud, waste and abuse

“The American people are hungry for real prices, not inflated chargemaster prices, Making real prices public would infuse much needed competition into healthcare’s bloated $3.6 trillion market” – Dr. Marty Makary

Cost = Price x Volume
The problem: FFS medicine mixed with “insurance”
A Health Care Home Run?
If you build it, they will come

“Centers that initiated full price transparency saw a 50% increase in patient volume, a 30% increase in revenue, and an increase in patient satisfaction” – Dr. Marty Makary