

J. Michael Locke

Musings

#131: Musing June 19, 2021

Chiquita Brooks-LaSure is the most powerful woman you have never heard of. She runs the Center for Medicare & Medicaid Services (CMS) in Washington. Our healthcare system and its strategies are driven by the decisions of CMS on what is “reimbursable” under those two huge programs which drive the majority of revenue in many (if not most) hospitals/providers. More money is spent by Medicaid+Medicare than by private health insurance companies. With our silver tsunami, Medicare is growing the fastest. Healthcare investor Travis Hughes commented that *“interesting trend is the growth of the managed programs – Medicare Advantage and Managed Medicaid. The federal government is outsourcing to commercial health plans. Which one might argue, in effect, gets us closer to a single payer system without actually going single payer.”* Telehealth exploded when it became reimbursable during Covid at the same rate as in person visits. Preventive measures need to become more “chargeable.” For instance, obesity has a direct correlation to innumerable conditions but programs to manage obesity are not covered. Our system is focused on treating the symptom or result and programs to prevent disease are less covered by CMS.

One challenge with a more preventative approach is the diminishing availability of primary care physicians. More doctors are going into specialties and it is harder to just get a good old fashioned primary care doctor to build a relationship with and manage your health. The boom in urgent care clinics reflects this. Fortunately this role is being transformed to be filled by nurse practitioners and physician assistants who are in more supply and can handle the great majority of the responsibilities. (Following my initials at the end of the musing is a “public service announcement” on the importance of a preventative approach from my friend and founder of iN2L Jack York.) Some real opportunities to improve health outcomes with population management. You get better incentives when the provider “drives care to manage the health of patients, as opposed to treating what walks in the door” says Chip Locke.

Stunning stat: approximately 1 in 3 women and 1 in 2 men will develop cancer in their lifetime according to the University of Chicago Cancer Center.

Interesting stat: the average age of US automobile is 12.1 years.

For those working on “return to office” plans (don’t say “return to work” – people have been working just at home), tread carefully. According to WSJ, employees in the US are quitting at the highest rate since 2000 with 2.7% of workers leaving their jobs in April (last year it was 1.6%). [forget-going-back-to-the-officepeople-are-just-quitting-instead](#)

Don’t forget the stock market is a weighing machine in the long-term and not a voting machine based on Reddit posts. Meme stocks could make you forget this. From Morningstar: *“The father of value investing, Benjamin Graham, explained this concept by saying that in the short run, the market is like a voting machine--tallying up which firms are popular and unpopular. But in the long run, the market is like*

a weighing machine--assessing the substance of a company. The message is clear: What matters in the long run is a company's actual underlying business performance and not the investing public's fickle opinion about its prospects in the short run."

I am not a big fan of most graduation speeches. Can you remember who talked at your college graduation? Usually it is some kind of celebrity with questionable qualifications to give great life advice. One good one was Steve Jobs' Stanford speech years ago. He had fought off his first bout with cancer and was reflective. *"You've got to find what you love....your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do. If you haven't found it yet, keep looking and don't settle."* His final advice to the graduates: *"Stay hungry, stay foolish."* Full video here: [jobs speech](#)

Effective communication requires some volatility. What I mean is you can't constantly be at one level. I struggle with our current Mayor in Chicago who appears to always be speaking in high intensity (almost shouting) and lecturing. The fact that she is always talking that way leads the listener to start ignoring. Save the strong words/higher levels for key points of emphasis. One of the most impactful presentations I ever heard was by a person speaking in almost hushed tones. His "quietness" captured the room.

I believe that the vast majority of businesses don't have enough sales people. Territories are too big as sales representatives push back on any narrowing which would make them dig harder into their market. If you have a good system of tracking the cost of acquisition (what revenue/bookings is a rep bringing in compared to their costs), theoretically you should hire until the CAC increases to equal the gross margin of the business delivered. Until that point, the rep is paying for himself/herself delivering incremental gross margin which covers the sales costs and contributes to covering overhead and generating more margin. This approach maximizes profits (though not profit margin).

Supreme Court decisions are coming out from the last term. So far, not a major shift "to the right" that some had predicted. One commentator calls it a 3-3-3 court with Roberts, Coney-Barrett and Kavanaugh in middle. [roberts-kavanaugh-barrett-supreme-court](#)

Remember it is Juneteenth today. Good history lesson for your children. It marks the day in 1865 that federal troops got to Galveston, Texas and issued an order freeing the last slaves (the war had ended a couple months earlier and Lincoln had signed the Emancipation Proclamation a couple years earlier.)

Jml

PSA

Greetings loyal Michael Locke readers. I'm sure you're like me and enjoy the relevant bits of education we get every week on these posts, its been worth the price of admission to learn through Michael about crypto currency! My name is Jack York, co-founder of a company (IN2L) that had the good fortune to have Michael as the Chairman of the Board. Michael, along with our CEO and two private equity companies, helped orchestrate a very successful exit in March of this year. I asked Michael to allow me a few words in his post, maybe the first PSA announcement he has had. On Wednesday of this week I underwent successful prostate surgery at MD Anderson Cancer Center in Houston, a fantastic facility. The robotic surgery was fascinating, and it was a complete success, in removing the prostate all of the cancer is gone. My message to all of you is the importance of testing. I had zero symptoms, I'm 61, in relatively good shape, nothing that would have warranted any concern. But through testing it was

discovered that I had extremely aggressive prostate cancer, but it was caught early and small in size. The biopsy in February picked it up, and the Mayo Clinic told me if left untreated would probably have **killed** me within 2-3 years. So for your sake, and your families, put on your big boy pants and get tested! And if anyone sets up a company to find a new way to get a prostate biopsy done I will invest!