SHIFTING THE PARADIGM FOR HEALTH CARE: A CONVERSATION WITH CENTERS FOR MEDICARE & MEDICAID SERVICES ADMINISTRATOR MEHMET OZ

Announcer 00:00

Please welcome a conversation with Centers for Medicare and Medicaid Services administrator Mehmet Oz.

Dr. Mehmet Oz 00:13

Where's your intro?

Esther Krofah 00:18

All right.

Dr. Mehmet Oz 00:19

Should I introduce you? They didn't introduce you.

Esther Krofah 00:21

Oh, they did introduce me. It's right there on the slide.

Dr. Mehmet Oz 00:23

Esther Krofah, a very sage interviewer.

Esther Krofah 00:26

Oh, thank you so much. Well, I'm very excited to speak with you this morning. I know so many are interested in your thoughts as well. Dr. Oz, first, congratulations on being confirmed as the new CMS administrator.

Dr. Mehmet Oz 00:39

Thank you.

Esther Krofah 00:39

And the work that you're going to do will be absolutely critical for the entire country. I know many are interested in your journey and fascinated by how you took on this federal role. Why don't you walk us through your personal journey? And why do you choose federal service?

Dr. Mehmet Oz 00:57

If I had to put one word behind it, empowerment. When I was in medical school, we did not have a class on nutrition, which I thought was bizarre, because I knew that if we didn't learn it during medical school, we would not think it was important. So I ran for the leadership of the class, and I won, and that became the platform that I acted on. And I remembered at the time thinking, crazy as it is, as much as we think we own our destiny, you have to empower people to be able to have agency in their future. I felt that way practicing medicine my whole career. I'm on the faculty at Columbia. I felt that way on the television show, just trying to give people tools so they can become the world experts on their bodies. And it turns out that's a pretty useful habit to have, because the main way we'll deal with health care issues in America is by dealing with the 70% of the costs that are driven by chronic illness, much of it, of course, because of lifestyle choices that we're making, sometimes without complete awareness of the impact it will have on us. So joining CMS was a logical next step for me. I had already been tackling many of the big issues. I did go to business school when I was in medical school, because I realized that there was a need to talk to people in ways that actually would resonate about how money affects the ecosystem of health. And I want to just unwrap that, if it's okay, Esther, for a second. Don't think of CMS, which is Medicare, Medicaid, CHIP, which is children's insurance, and the exchanges, which are the Affordable Care Act, instruments to help people as they get off Medicaid and coming to the workforce—don't think about that as just a payment transaction, credit card process. People think of it like Social Security. It's not the right metaphor. It is very much a

living ecosystem. So when you make a decision about how you're going to reimburse for Medicaid patients, you actually shift a lot of incentives, and now people start doing things that are in their best interest, that might not be in the best interest of others around them, and that is a major focus of this administration. The president knows we have to negotiate on some of these topics, but he is a very thoughtful purveyor of the ecosystem. He wants the incentives aligned. So for example, if the President wants something done, and the country has voted him in to do that thing, he wants governors to also have the same incentives, to want to do the same things, to protect people in the way that we think makes sense.

Esther Krofah 03:20

Well, you've really hit the ground running. What have your first set of priorities been?

Dr. Mehmet Oz 03:25

Well, we're starting off with the broad reality, our OKRs. We actually have objectives and key results. Start with the people and Esther, I can tell you, this is something I did not appreciate from the outside. I've never been in government before. These are highly competent, skilled individuals, very mission driven. They come to work at HHS because they want to make America a healthier place. And many don't feel like they've had the freedom to do that. So just activating the natural talent that we have within the organization is an initial focus of ours. Part of the way we're going to prove that is by weeding out fraud, waste and abuse. But part of the reason you got the fraud, waste and abuse is it reveals fundamental challenges to how the system runs. So yes, stop the people from stealing from our most vulnerable. You want us to do that? And it's bipartisan. Everyone wants the system to work more efficiently, but also learn from that. What are the actions that we should be careful about—thoughtful about? I'll give you one concrete example. So, we let a firm go a few weeks ago. Kim Brandt is here, Kim is Chief Operating Officer of the organization. She's hiding somewhere. You'll see her when— hopefully she'll stand. She's a flight risk, she may have left. Oh, there she is in the back, dressed in black. So this, group had charged us $200 million over the last five years. And to our best knowledge, we did not have a single line of code that was usable. So we let them go, in fact, Kim took out about $3 billion of contractors. We have 6500 people work at CMS, but we have 40,000 contractors. So a lot of what we do is done through our guidance outside the agency. But if the people in the agency don't know how to audit someone on the outside, you don't get your money's worth. So how did this $200 million catastrophe happen? Well, we have 13 engineers at CMS, 13, one three, 13 people managing all the outside groups doing IT development. Well, if you've got a bunch of marketing people talking to each other, they don't sometimes audit whether you're actually doing the engineering correctly. And in this case, that's probably what happened. It's an example that I come back to, because if you fix that fundamental issue, which is who's taking care of minding the shed, then you'll get better results coming out of that workflow. And that's, I think, reflective of a broad desire we have. But again, it's not just about the fraud, waste and abuse. We want to do that because the right thing to do, but with those clues, we can make the system run better. So if we save $3 billion doing a fantastic job taking out what we think is unnecessary spending, it actually allows us to align so we can save $80 billion a year by doing the right thing for the American people. And I think that might be a topic we should talk about, because it's reflective of, actually an article today in The Wall Street Journal, but a broad dialog we've been having at the Milken Conference.

Esther Krofah 06:12

Yes, and we will come to that. I want to go through just a couple of thoughts before we get to that, which is really the vision around Medicaid, as was written about in The Wall Street Journal article this morning. But if you come back to the workforce side, and we actually haven't had this conversation yet, many are thinking about the cuts across HHS and wondering if you get to a level of cuts we're not able to efficiently carry out your mission. Do you think about that at all at CMS? How are you feeling about the overall reduction across the entire agency?

Dr. Mehmet Oz 06:45

I think about people every single day. It's the first thing I think about. It's the last thing I think about. And I start with the people who work for me, with me, at CMS. And I believe that we have gotten folks aligned and focused on things that matter most. The changes that were made were made by group choices like this is a group that we actually have duplicated over here, so we don't need both groups, so it can be merged then, or let one group go and keep the other. It's those kinds of choices that within CMS I'm speaking to. Again, CMS is a highly technical group of individuals. They are skilled at specific rules about one of these four insurance systems that we have. But the broader narrative I think folks ought to carry out of here is that if what they're trying to do is directionally aligned with what needs to happen in each state, they'll do their job better, and the states will also be protected. And I'll give you a concrete example of that as well. And this is something that we noticed when we started looking more thoughtfully at how you actually get your coverage. So if you're on Medicaid in California here, and you move to Nevada, both states think you're on Medicaid, and so we pay both states for you to be on Medicaid in both those states. Now that you would think would be an uncommon event. It turns out that we have estimates anywhere between one to ten billion dollars a year are lost just from that. Now think about that. Why would that occur? How is it possible we would not know that you had moved from California to Nevada? Well, both governors have an incentive not to tell us, right? Who benefits from them alerting us that we shouldn't pay both states? And so those mistakes compound on each other, and you start having what seems like money laundering. It's done for very thoughtful reasons. Governors want to protect their states. But it doesn't serve the larger national need for us to be trying to do the same—the right thing for the right people. And the folks at CMS believe what I believe, which is every great nation takes care of its most vulnerable, and we're great people, so we have to do that. When you walk in our building, there's literally a quote—it's the Humphreys building next to the Capitol and the Hubert Humphreys quote was, the moral obligation of this government is for us to take care of those in the dawn of their life, the children, those in the twilight of their life, folks who are older, and those who are living in the shadows. And those the people that we are laser focused on. And if we can make sure they're well taken care of and drive quality in that process, we'll have resources take care of the rest of the population as well. And I'll speak as a heart surgeon to this, the most expensive thing we do is pay for bad health care, because you pay for the work to be done poorly, then you pay to fix it, then you pay for the complications that ensued. So if we drive quality, especially for those most vulnerable, as our foundational building block, the other parts of the system layer on top of it, and especially if we deal with chronic illness as part of that, we have plenty of funds to do this. Remember, we spend twice as much as any other developed country in the world, twice as much for our health care per capita, and yet our health quality continues to drop. We have the highest mortality rate for moms delivering babies. We have a tragically dropping a differential between Europe and life expectancy. We're now five years behind. When I was in medical school, we were equal to Europe. So we're not getting our money's worth, we can't just throw money at the problem. We have to use it wisely and judiciously to make sure that vulnerable are cared for, but also we do our fiduciary responsibility to the American taxpayer.

Esther Krofah 10:21

Well, I think everyone is interested in, how do we carry that out? Right? We're all heartened to hear that you're focused on the vulnerable population, which is exactly where we should be focused using public dollars. You're talking about alignment between federal and state so we have efficiencies across these state lines, with the example that you gave between California and Nevada. But concretely, when you think about the eligibility requirements and the complexity, it's really 50 different systems, right? You have 50 different states, 50 different systems. They're not talking to one another. And so it may be a matter of California's system is not talking to Nevada's System, rather than something that's intentional. How do you think about integration of data, or data being helpful for us to gain more efficiency, and is that a part of your strategy?

Dr. Mehmet Oz 11:06

I hope, I hope, after this this week, Esther will get her own talk show. So this is a fundamentally important question with a big possible answer, so I'll experiment today, if it's okay. This is something that you're going to be hearing a lot more about over the next week. But we have an opportunity, generational opportunity, because of how information now can flow more readily, especially with the advent of AI, and especially agenticAI, where you can actually start doing more sophisticated tasks to completely restructure how information flows. So specifically, to your question, we spend about $16 billion a year funding states to build their own IT infrastructure for Medicaid. Now we pay for it because the federal match is over 90% in that setting. We could just do it for the states, maybe do a better job, get every state in the same platform, the same portal, and then have them build on specific things for their state, because all the states are different. But that fundamental layer of information could be uniform. We could do that for the Medicare population, for the exchanges, for the CHIP systems, where everyone would have, in the government funded ecosystem, their data available. Now, what would that allow us to do? On your phone while you're sitting there, you'd get a notification that would say, 'Esther, you know, you didn't run your, you know, your mile this morning. And when you don't do that, you become more difficult to be with, and so you ought to do—' Or drink the coffee, that's the antidote for you. But in the meantime, here's an opportunity for you to make a difference. Because you didn't, you know, you didn't actually take your prescription down at the—because we were tracking that. And if you want us, this is all opt—you know, you can opt out of the system. No one's gonna be forced to be in this but if you want this data, you'll have it. But then, more importantly, we can help you navigate the healthcare system. Who's the right doctor to deal with that issue you're worried about, to see if it's a big problem? How do you pay for that? Does your insurance cover it? What's the pre-authorization issue? This can all be done fairly effortlessly, as long as the business sense makes—is logical, and then for the provider, for the doctor, we'd actually have the ability to get decision support. What is the best thing to do for Esther in the situation she's in so I don't waste her time or her money, or the system's money? And how do I actually do that in my workflow, so that without me having to chart things all over the place, because the most destructive thing in your relationship with your doctor, that precious covenant, is when you're telling me something that's soul gripping, wrenching, that's really important I hear, and here's what you see, right? Because this is how I get paid. And so this interaction gets destroyed by that. That's addressable, but today we just have to make the argument, bring the stakeholders in, provide clear flow of data, which we now have executive orders on from President Trump on transparency and exec—and interoperability, and allow that information to flow into an ecosystem that's healthy. But that concept is one that is ready for prime time that wasn't here even a year ago. So I'm more optimistic than ever then we can

make a dent in the system, and in part because the questions you asked now have answers for the first time, maybe in our lifetimes.

Esther Krofah 12:27

It's really coffee, actually. It's coffee. What you talked about sounds like investment of dollars. Are you thinking about repurposing savings on efficiency, eliminating fraud, waste and abuse, and reinvesting it into these kinds of it, systems that you just described? That sounds like it will require resources—

Dr. Mehmet Oz 14:22

Esther, that's 100% of what I want to do. And it does require resources. But what we really want to do is, you know, build the guardrails, build the tracks, so people can race on it. And this is a call to action for each and every one of you. It's why I came to this conference. The US government, CMS, is open for business. We're going to ask you to help us build a better structure with tools that are better built by you than us, that will allow individuals to get better quality care. That's how we'll make the big difference in health care. We can quibble over the crumbs of the cake of our budget, but we can just build a very different system where we don't need that cake at all. I don't want to fix yesterday's broken pipes if we don't need pipes in the world we're moving into. And that ultimately, is where we want to reinvent, reinvest those resources. And I—look fraud, waste, abuse, competency, it all to me, comes back to what is our vision? And there's a fine line between vision and hallucination, right? Other people have to see it, or you get suspicious. For those of you who are not used to that, that dialog in your head. But I do believe what I'm articulating many of you identify with, and if we can figure this out together, in this unique moment in our history, when we have a crisis that threatens the public support of health insurance, where we know we have some answers and we have to make some big choices to get to the promised land, but if we don't do it now, we may not get the chance to do it in the future.

Esther Krofah 15:47

So there is a vision for Make America Healthy Again, and many will support that vision, because it's focused on how do we address chronic disease conditions? You've talked about it, that we have a third of the American population that has pre-diabetes. We have 40% of the population that is obese. We spend incredible amounts of dollars just on treating chronic disease, conditions that have comorbidities. The list goes on, that is a laudable agenda. What does that look like, practically, for you at CMS? How do you carry out this agenda of Make America Healthy Again? And what are the steps that you're taking to achieve that?

Dr. Mehmet Oz 16:25

Esther, let's unify what MAHA really is, because it is a lot of things, and people perceive it in different ways. But I'll tell you how I think about MAHA, and I've been active in this space for a while. To me, it's about the single word of curiosity. Now remember, 80% of questions are statements in disguise, if we're honest with each other. So I can

say it's a settled issue. I can say that's been already litigated. The reality in science is that's rarely the right answer. The right answer is, I'm curious about what you discovered that might be useful for me to hear. And if I'm curious and I'm courageous enough to talk about what I think I found—and that's what I think Secretary Kennedy gets an A plus grade on, because he's earnestly, a curious person who's found a lot of stuff that concerns him, and he's talked about it in a courageous way—and then you're compassionate about it. I mean, people don't care what you know till they know you care. So express it in a way that doesn't bring fear to their hearts, keep them up at night. They love their family. Moms love their kids more than anybody else. Answer their questions, I used to joke—my producers, when the prompter—they'd say your guest is crying, ask her why. But that's actually worth doing. Why are people upset? What is it that's not being addressed in their lives that we might be able to help with? As we do that, we allow MAHA to thrive, we allow it to blossom, because the questions also remind us of our responsibility to take on folks who may not have the best interest of American people at heart. And in the health care ecosystem there are, I'd argue, maybe 150 people who really, really control a lot of what goes down. And that's not a, you know, that's not something we should ignore. The natural instinct of those folks to keep business as usual is going to be there. They have a fiduciary responsibility to their shareholders. Our job is to figure out ways of making sure insurgents and new ideas can prosper. I think AI forces that, it makes people realize that a change is coming and they need to reckon with it. And that gives all of us an opportunity to shake the Etch A Sketch and maybe build a new world order within the health ecosystem that actually addresses the MAHA initiatives in particular. Otherwise, we're going to allow 70% of the people to suffer with illnesses that they don't have to go through, and lifestyle, hell of a lot more fun if you're not dealing with that. Can I give one little fact?

Esther Krofah 18:49

Can I ask you one other question before that?

Dr. Mehmet Oz 18:51

Yes

Esther Krofah 18:52

Okay. Everything that you said, of course, I think so many would resonate with, would agree with. When I closed the Opening Health Plenary, I asked what people were optimistic about, and I got four answers that pointed to areas of optimism and two that said, 'Well, I'm terrified.' How do you respond to those within the American public that they see the changes coming, they agree with those goals you talked about with Make America Healthy Again, but they're terrified about the process?

Dr. Mehmet Oz 19:24

Esther, every scenario that I have seen, for example with Medicaid, has shown increasing expenditures in Medicaid. The real question is, how much more expenditures in Medicaid? And how do you make sure that people

getting the care they need and deserve with the resources that are being expended there. This is true of so much of what we're looking at. And when you're in the inside, you see magnificent opportunities. I mentioned the concept as a generational opportunity, because we're bringing people in the government that would never have served in government before, because they see the things that could be done. I wouldn't probably be sitting here if I didn't really buy into the fact that the President is committed to this, that Bobby Kennedy really believes he can make a difference, especially in broad preventive strategies, and I had a deep bug in my soul to not let a problem continue to happen when I know we have the answers at our fingertips. America has always stood tall in these scenarios. And this problem is not just here, this is in other countries as well who face similar predicaments. Last night, we were having dinner with Lord Darcy, who was in British Parliament, and he was asked—he's a physician. He was asked to do an honest assessment of their health care service, and he said, 'it's in critical condition, but with stable vital signs.' So we're right on the edge about to fall into the deep abyss, the darkness of disastrous collapse of the system, but we're not there yet. He thought America is sort of in the same predicament. We have the chance to fix this, but not if we blithely walk out and say, life's good right now. Life's good right now. It's like asking someone who's falling off the 50th floor of a building how things are going when they're on the 20th floor. They say 'so far, so good' but it doesn't end well. And it predictably won't end well if we don't stand up tall, deal with partisanship, and begin to address the deeper challenge that all of us in America desire to do. And I would actually argue it does start with individuals. It is your patriotic duty to take care of yourself. It's to have a lot more fun as well. But if you do that for yourself, the people around you do get healthier, which has been looked at, but more importantly, the entire ecosystem begins to move in that direction. Healthy people beget healthy people. That's why, when men and women start dating, men get healthier, women get sicker. (Laughter) True, by the way, you can't make this stuff up.

Esther Krofah 21:47

Okay, let's talk about your priorities. You've talked about AI being a big part of your area of interest, particularly around providing more information right to individuals and to the providers. You've talked about fraud, waste, and abuse. You've talked about Medicaid being a big area of priority. Go through your top, really quickly, your top priorities and where you are now in trying to implement them.

Dr. Mehmet Oz 22:09

So for the first few months, we are focused on fraud, waste and abuse, because there's a lot of it. It's also one of the ways you sort of oil the system, get everyone realizing that change is okay. We have a war room now for fraud, waste and abuse. And remember, fraud happens. This is, for example, this area is the ecosystem for hospice fraud. When you audit a hospice, which is designed for the last few days of life and they have five year survivals, that's a problem. Either they're magic workers, miracle workers, or they're defrauding the US government. And it turns out it's the latter, not surprisingly. So we have a whole system (inaudible) that we actually are stopping the money from ever leaving the building. I mean, 10s of millions of dollars just recently stopped before it left because we realized there was something that was uneven. And these are not small time operators. These are something—we think maybe even foreign governments involved, but definitely foreign nationals, involved in this activity. And they do it very effectively. They can't believe it's such a ripe ground for stealing money, and our job is to protect the vulnerable by not letting people steal their money. And so that's a major early focus, but again, that just gets us headed in the bigger narrative, which is getting folks completely aligned. So maybe we can touch on that article

that came out. So there's a mismatch that happens in Medicaid that is an example of what I was speaking about, where we actually create the wrong incentives. The care of a pregnant woman living in poverty is significantly—the amount of money spent is significantly less than an able bodied person who doesn't want to work for whatever reason. Now you might think that doesn't make any sense. Well, it turns out that the amount of money that, actually, states claim they spend on the pregnant, impoverished woman or the elderly poor person is half that in many states of what's paid for able bodied people, which you would think is the opposite, right? Because an able bodied person should cost less money than someone who's older and poor and living by themselves and having big troubles. But because we pay 90% of the money for the able bodied person, and only, let's say, 65% for the traditional Medicaid, poor, young, old, or disabled person, it actually moves the money to the abled body population, which takes resources away from where you wanted them to go in the first place. Now this happens because of the way we pay stuff. So what I've learned at CMS, but it's evident if you're in healthcare, is make sure the incentives support what you want to have happen. The ecosystem will react in a very big way. So those are the kinds of broad structural issues that actually that we have to make and I bring this up because you're all going to be talking about this continually. This is going to be a big debate for the next six months in our nation, as all of us, right, left, middle, everyone has to grapple with the reality of what our goals are. That's why I want to align us on one thing we probably all agree with, take care of the most vulnerable. If what I described is true, and please check it out on your own, but if it's what I say is true, then you will start to get a little bit upset about the natural history of where we're headed, and you want to change it.

Esther Krofah 25:11

Well, a big part of achieving that alignment and incentives, especially on Medicaid, as you described, is working with the governors. What's the response so far as you've been talking to governors around aligning on the payment—and you're talking really about the expansion population, are they the right population? Are they consuming so much of the Medicaid resources that we're not able to take care of the most vulnerable population within Medicaid? What is that vision? What's the reaction from governors on that?

Dr. Mehmet Oz 25:38

Governors want help, and they want to talk about this. Although we pay three quarters of the bill, they still are stuck with a quarter of a rapidly increasing bill, and Medicaid has doubled in size over the last decade, and so they can't keep up. It's crowding out education, all of their opportunities to make their states better, programs they know they need to invest in, and they know their people better than the federal government does. What they feel is that they're handcuffed. The federal government tells them to do certain things, but then tells them how the money is going to be divvied, and they do the best they can with those rules. It's like writing haiku. And we're saying just write poetry. Doesn't have to be haiku. Just make your state sing beautifully and let's figure out a way where you can have freedom to do that, but you also do what we think all of America wants you to do. You don't want, I'll be very specific, illegal immigrants on Medicaid in California to be funded with tax dollars for Mississippi. That's just not fair. And there's opposites of that that happen as well. We want all of us to say, as a nation, we have decided to do certain things. We're going to pay for it together. Don't try to game the system, because we don't—and we're not going to provide you incentives to game the system. And we believe that will be incredibly effective.

Esther Krofah 25:59

In the last minute that we have, one of the key roles of CMS is really trying to decipher what new technologies and innovation should come into the program. And you want clinical trials, of course, that reflect the patient population that you're covering and paying for and reimbursing. The next panel is going to talk about one particular type of innovation, which are GLP-1s. But how do you think more broadly—you don't have to comment on the GLP-1s. You can if you want, but how do you think more broadly about all of those who are working on breakthrough devices, breakthrough medicine, breakthrough therapeutics, is there an opportunity to incorporate that within the CMS programs?

Dr. Mehmet Oz 27:26

Yes, yes, yes, and yes. When I say we're open for business, we're open for business across the board to improve the well-being of the American people and by doing that, the spillover benefits to the rest of the world. We want an IT infrastructure that is able to deal with the complexity of care today and support all the stakeholders, but we also want better testing to identify diseases before they're going to hurt you, because it's easier to—a stitch in time saves nine, as Ben Franklin said. We have opportunities with promising new innovations, medications, and devices. We have ways of making government more efficient, but I understand the private shareholders perspective, because that's what I used to be. You want predictability, you want to make sure that you have a clear pathway that might lead you to profitability. You want benchmarks to get you there in ways that keep you in business while you go there. Those are all things that are sensible. If you're interested in doing business and making people healthy in America, come talk to CMS.

Esther Krofah 28:20

Well, thank you so much. That's a nice way to end the panel. Thank you so much. [Applause]