*Daniela Cambone:* All right. Onto our next presenter. Thomas Carroll is one of the most respected and longest serving healthcare analysts on Wall Street. Tom joined Stansberry Research in 2019 after a very storied career on Wall Street. He launched Cannabis Capitalist in March of 2019, where returns of some of his picks have reached as high as 424 percent and 636 percent.

Prior to joining Stansberry Research, Tom worked at Legg Mason and then Stifel Financial in Baltimore for nearly two decades as managing director and senior analyst of healthcare. His research was used by institutional investors, newswires and healthcare specific publications, as well as CNBC, Bloomberg, CNN and Fox Business.

He has also consistently ranked in industry stock-picking awards, including top five finishes for stock-picking from Starmind, the Wall Street Journal and Forbes. And he was ranked by Fortune Magazine as the number one US healthcare analyst. So please welcome to the stage, Tom Carroll. Welcome Tom.

*Tom Carroll:* Daniela, thank you so much. Let's give a big round of applause for Daniela. She's done a great job, nobody's clapping for her. Great job, thank you so much. All right, so I'm gonna, I think I gotta move this forward. Is it up there yet? There we go.

So I'm talking today about your number one asset. The one asset that you own that is more valuable than anything else in your life. It's not your Tesla, it's not your Bitcoin, it's not even your house. It's your healthcare. And I wanna make an observation first before I get into my slides. See if you can figure this out. Who are these people?

Tony Seba, Matt McCall, Rupal Bhansali, Austin Root, Marques Colston, are you catching on? Aaron Edelheit, Clay Lauder, Dr. Clay Lauder, Muhammad El-Erian, Paul DePodesta, Joel Litman and Miles Everson.

What do they have in common? That's exactly right. And in some way, shape or form in all of their presentations that crossed over all kinds of different topics, they mentioned healthcare. It is the number one asset that we own, and we have to manage it like anything else.

So goals today, I wanna confirm in your minds that that is true. Health is an asset you much manage like anything else. Hopefully we can learn some stuff about the healthcare system that makes you a better consumer. And at the end, we're gonna profit hopefully some of my favorite healthcare stock picks right now. But don't worry this is not going to be a doc \_\_\_\_\_ talk. I'm not gonna tell you to stop smoking or take your vitamin C or keep exercising. We're gonna talk about something just important.

Understanding the system that is a terribly expensive that we are all a part of. A few words about me that's a bunch of nonsense. Daniela mentioned it. Why is it important to understand this system? Why can't my doctor just tell me what to do? No, your doctor can't tell you what to do.

Even if your doctor has beautiful blue eyes, Dr. McDreamy, how awesome would it be just to talk to him for ten minutes and then get a prescription and run out? You can't do that though, because that's usually our encounter with our docs. Ten, 15 minutes, here's a script, go get your fluoxetine see the next guy. I'll remember you in six months maybe. Your health is the number one asset you own, without it, you don't have anything else.

You don't get to come to this conference, you don't get to see your kids or your grandkids. Maybe you don't get to take that morning run. It is that important and I want everybody in this audience to take that home with them. It is insanely expensive. It can bankrupt you if you don't know what is going on. So you need to know what is going on. And being a better healthcare consumer might even save your life.

So this is a talk I've done for a number of years, depending on the time it ranges from my favorite two to my favorite eight kind of things. I lobbied for 90 minutes, didn't get it. I'm lucky to get 35, thanks Mary. But four topics I wanna talk about today are understand the healthcare dollar, where does all this money go? Stay away from the hospital at all costs plan. For your healthcare costs in retirement. And don't hate your HMO, invest in that sucker.

Health insurance is one of the best investments out there. And I will show you some slides at the end of this presentation. So where do healthcare costs come from? Hint, it's not what we hear about from the media all the time. It's not drugs. We Americans love to spend. That's cut off, isn't it? Darn it.

Anyways, every man, woman and child spent over $11,000 a year in 2020 on their healthcare. And half the price is other developed nations, so we're 2X everybody else. This is what I call the healthcare dollar. Kind of hard to see a little bit. You don't have a dollar imposed up there. Well, where'd it go? There we go. We're back. We'll dive down into the next slide, but the hospitals, the doctors, the drugs, everything else, these are the main buckets I want you to understand today.

They add up to the healthcare dollar. And in 2010, the average American family, mom, dad, 2.2 kids spent about $18,000 on their healthcare. By 2020, ten years later, that was up to over $28,000 a year. That's like buying a new Honda Accord every year. Who does that? Let's dive into this a little bit more. And this is something that you guys right now are looking at and you're like, "This guy is messed up. This is not right." At the hospital level, we in the United States spend about 50 percent of our healthcare dollars, 50 percent, half.

Who hears about this when we're trying to lower healthcare costs, we're talking about health policy? Nobody. Let's look at the drugs. Everything we hear about, we gotta cut costs, the bad drug companies, evil profits, blah, blah, blah, blah, blah. Drugs are 13 percent of the medical dollar. This is what we hear all about. This is what big government is trying to fix for us and it doesn't need fixing. I would argue it needs to be bigger.

What causes all these problems? I'm a product of the School of Public Health at Johns Hopkins. My grad school advisor, Dr. Jerry Anderson, he actually invented the way hospitals are paid these days. He summed it up this way in a 2003 article that he published with famed healthcare researcher, Uli Reinhardt, it's the price is stupid, it's pretty easy. He actually redid that study in 2019, it's still the price is stupid. Nothing has changed.

We have a major problem in this country with healthcare. I like to say it's the best place to have your healthcare, it's also the worst. Let's look at some of these things. 2019 survey a physician pay 2X, the next closest in Germany. These are cut off. Darn it. Well, the one on the left is actually the average dollar amount spent in the hospital, it's $5,200 in the United States.

In I think it's Australia there, it's about $700. The next slides are still kind of the same that stuff. I think this one is, actually, let's go to this one. There we go. This one on the far right hand side, you got the point, we spend a lot more in the United States than anywhere else. The one on the right there, the slide didn't come up correctly, but that's appendectomy, getting your appendix out. In this country, we spend about $16,000 to do that.

In Australia, they spend about four. The first successful appendectomy was done in 1735. That's almost 300 years ago. We should be doing these things at Walgreens across the street for 400 bucks. Why are we spending all this? Very simple procedure. So what's the punchline here? The punchline is that hospital costs are half of our spending in the United States and we don't hear about that at all.

This must change and if you have to go into a hospital, you have to know what's going on with you in that organization. Drugs get all the attention, unfortunately, it's negative. Like I said, I think drugs should be a bigger part of the healthcare dollar. They actually keep us out of the hospital and there's very good reasons to stay out of the hospital. If drug prices were cut in half miraculously, 50 percent cut, I think you'd argue that's a pretty miraculous cut to anything, any big expense.

That average family of four would not spend $28,000, they'd spend about 26, big deal. Maybe it's not the Honda Accord EX it's the DX that we spend every year. Price per unit of healthcare has to come down in this country. Unfortunately, private sector, which is doing a really great job, its best job as it can giving us all kinds of investment opportunities, is probably not gonna do it in the near term.

It's probably gonna be government, which again is my reason to really understand our healthcare system. All right, let's keep picking on the hospitals. I want you to avoid these places at all costs. Hospitals are disgusting, germ filled, massively inefficient, and you do not wanna spend one hour there.

In 2019, a study found that superbugs are found on patients that walk into the hospital within a matter of minutes, 14 percent of those patients. In 2018, a study found that 1.7 million people that go in the hospital end up with an infection that they didn't go to the hospital in the first place for. And of that 1.7, 99,000 of them die. That's 6 percent. What's COVID? 1.6 percent. We've heard a lot more about COVID in the last 18 months, we hear about people dying in the hospital because of drug resistant infections that we get there. Also because they're human physicians make mistakes. That's fine. I make mistakes, I make them all the time.

But in 2016, my friend Marty Makary from Hopkins did a study because he suspected something that he wanted to prove between 250,000 and 440,000 annual deaths every year, annual that's what that means every year, are attributed directly to providers. In 2016 that made it the third leading cause of death in the United States.

Again, Marty Makary, he actually wrote a book about it, which I think you should read. It's called Unaccountable. Talks about this code of silence amongst physicians where maybe they talk only with kind of their close confidants. It's not something that is brought up in a big way. A must read. I love this quote, "One of the biggest risks for getting an antibiotic resistant infection is staying in a healthcare facility like a hospital." That's the CDC telling you that, that's your government telling you.

How about this picture? I took this as summer while I was sitting on Bethany Beach in Delaware, drinking a bud light lime because I'm a public school kid at heart. Saw this banner polar go by, everybody has seen these, the old Piper J3 Cub pulling a banner. Let's zoom in on what that says. Surf the net for upfront hospital prices. What? You're at the beach, it should be telling me to surf the net for the best happy hour, the best wet t-shirt contest. I don't know if they still have those maybe. Anyway, I thought this was pretty amazing sitting on the beach.

As a healthcare geek myself, I study the industry forever. I thought it was amazing that someone paid money to pull a banner to tell everybody sitting on the beach to demand price transparency at the hospital right up front.

So what's the punchline here? Avoid this dirty place at all costs. Again, I'm not telling you to completely stay away. If you gotta go, you gotta go. Hospitals are where the sick people are. Hospitals will guarantee you a few things, they'll match your deductible and they will be the most annoying, crazy, awful experience of your life. I had my first in-patient experience, I don't know, five years ago or so. I actually wrote about it in our Stansberry Digest. Check it out if you like. But get ahead of your healthcare before you need this place. But if you must on Amazon, you can visit Heartlake City Hospital for about 50 bucks. It's the best deal in all healthcare.

All right. So now you're 65, what's this Medicare thing? As I look into the audience, I don't see many people that are aged 65 yet. So maybe this will help for your parents or your grandparents just tuck this knowledge away. Medicare is a great program. Federal program, providing health insurance for basically anybody over age 65 and people with disabilities.

Part A is hospital insurance, it's freeish. You pay into it for ten years when you're working and then you are eligible for it. Part B is I call it doctor insurance, I think it's technically called medical insurance, but it covers all the physician fees and things like that. You gotta pay for it $149 to $505 every month comes out of your social security check to pay for this. And it's gotten expensive.

It's a great program, but it's well into the hundreds of billions, $835 billion in 2020, that's projected to be 1.7 trillion in ten years from now. At least Medicare covers all my costs, I worked so hard for it. Not really, think again. Medicare alone will cover about 60 to 70 percent of your expected spending in retirement. What does retirement mean?

Well, if you make it to your 65th birthday, the actuarial tables tell us that you have 21 more glorious years to live. Isn't that a great stat? I don't think I want to hear that. Anyways, but with Medicare, with a prescription drug plan and with a Medigap policy, which many people bundle together, you can expect to spend about $200,000. Not as a couple, if you're married, you both get to spend it. Isn't that great. Wouldn't you rather spend that on something else.

So I want you guys to consider for yourselves, for your parents, for your grandparents, something called Medicare Advantage. I am not a Medicare Advantage spokesperson, I'm not getting paid by United Healthcare, but this is a great program that's been through four iterations right now and it is working perfectly. What is it? It's basically your entitled Medicare benefits packaged in a really efficient way.

When you join up for one of these plans, you can pay $0 out of pocket and get benefits. You can also pay $30 or $40 or $50 out of pocket and get a little bit more robust benefits added onto your Medicare. You always get your Medicare benefits, nobody's taken any of those away. And private sector administers this. That's why it works so well.

And it is much less expensive. Those three things I just mentioned that most people do Medicare fee for service, a Medigap policy, and maybe a prescription drug plan. That's where the $200,000 comes from, that's what we're seeing right here. A Medicare Advantage plan can give you exactly the same stuff, but at a lot less cost, 130 grand, let's call it over those glorious 21 years.

So what's the punchline here? Consider Medicare Advantage, Medicare benefits packaged efficiently by the private sector. Plenty of choices nationwide. In 2001, the average Medicare beneficiary had 33 options to choose from and more benefits, dental, vision, drugs, even fitness plans. There's a company out there called SilverSneakers that is actually a fitness program that was acquired by Humana a number of years ago.

People love it, the responses from customers is off the chart. But again, don't take my word for it. About 42 percent of the total Medicare population right now gets their benefits this way. And that number has consistently gone up for the last ten years. And I think it will continue to consistently go up because in the next five years, the most people ever are gonna become eligible for Medicare. And these companies, these Medicare Advantage companies are gonna be in a super sweet spot.

So that moves me on to my next topic. Don't hate your HMO, let's invest in it. Especially if you have a Humana Medicare plan, or if you have a United Healthcare Medicare plan. Peter Lynch said buy what you use. If you go to Target all the time, buy some Target stock.

This is a great way not only to offset your healthcare expenses, but it's an amazing investment. I think all health insurance companies have been amazing investments for the last 20 years. When I first got into being a healthcare analyst, my core thesis was based on this one idea. HMOs whatever you want to call them, health insurance companies, manage care companies. They are cost reflective. They don't create healthcare costs, they reflect them. Managed care companies have doctors in the hospitals and urgent care centers over here. And then over here, they've got all their members, all their people, and they need to know their people and how sick they are.

And they have to estimate, all right, all these people are, how much are they gonna use over here? And they have to come up with a number and they have to price to that number. And from 1966 to 2016, average healthcare medical inflation went up 10.7 percent a year for 50 years. Wouldn't it be great if we can invest in that?

Guess what, we can. Managed care companies. That actually beat the S&P over that same time period. So again, let's get back to this reason why they're so great. They have a built-in price inflator. Medical cost trends, that 10.7 percent. If I'm Humana or if I'm United Healthcare, I have to know all my people and I have to guess what they're gonna spend next year. And I just told you for 50 years, that number has been going up ten percent a year.

If I'm gonna stay in business, I have to price my product at least at ten percent, or maybe you're gonna expect eight percent next year. So I gotta price it at least at a price increase of nine percent. And everybody has to pay it because we need health insurance in this country. What a great characteristic. Their cost of goods sold is healthcare costs.

So as long as healthcare costs keep on going up in this country, I don't see an end to it. These companies are gonna keep raising their prices. Who's a business owner in here or was a business owner? Could you raise your prices each and every year for ten percent without losing customers? Probably not. These guys can. Let's look at some examples, Anthem, big Blue Cross Blue Shield conglomerate across the country, massive outperformance over the last 20 years. Humana, same thing, big time outperformance.

One of my favorite stocks, United Healthcare, big time performance. These companies just work and work and work and work. So let's talk about a couple more stocks not just managed care companies, boring health insurance, unless those returns are boring to you. Here's four names that I like right now, Accolade, I actually pitched Accolade last year.

Accolade is a SaaS business, this was started by the guy who invented Concur. Remember Concur? Concur was like the first business expense online system out there that he sold for a bazillion dollars. He started this business, customers love it. It brings together all the health benefits side of an employer with all of the employees and connects all the vendors together, all done, basically in the cloud. Amazing story, I suggested it at about 34 bucks last year, it went to 60 something.

It's come back down in the tech sell off, I'd still buy it today. Agilon Health, ticker AGL. This is a company that recently came public about six months ago. This is the next iteration of managing Medicare benefits. This is a very, very cool company, little sashes, not a ton, but a really unique opportunity. And one of the reasons I really like it is because it starts with the physician, with the doc, with the guy who should be in control or the lady that should be in control. Gender doesn't matter anymore, by the way.

So that's why I really like this story. This company goes in wraps a bunch of technology around a doc practice that's already seeing 2000, 3000 people, maybe half of which are on a Medicare Advantage plan. This company pulls revenue right from that Medicare Advantage plan is at risk for all of the services of that patient and keeps the upside. They have amazing results so far.

Molina Healthcare, anyone here at Molina healthcare, ticker MOH. This is a company I took public 20 years ago, it's a Medicaid health insurance company. All they do is take care of poor people in the Medicaid program. It's actually an amazing story. And the stock has worked really well over a bunch of years. But guess what we're doing right now with the infrastructure bill, we're pumping a ton more cash into Medicaid. This company Molina is going to be a direct beneficiary.

Most people have never heard of it nor want to. It is a boring health insurance company that takes care of poor people, very important, but very, very unique story. Throws off a ton of cashflow. Last one here is Phreesia, ticker PHR. Another SaaS business, at Stansberry we love SaaS businesses. This is a company that has a system that manages intake of patients at doctor's offices and at hospitals.

You can do it online, you can schedule things online. You can put all your medications in there. You know when you get to a new doc and they give you a clipboard here fill this out, name, address, what drugs are you on? Blah, blah, blah, blah, blah. How many of those have I filled out? Anyway, patients love it, doctors love it. It makes their practice more efficient.

Our system is at a real tipping point right now. We're at the convergence of healthcare costs getting to be unwieldy, a lot of new technology coming in, complete inaction of the government. And how do I know this? Walmart healthcare, Walmart's getting in the business. They see a lot of inefficiencies, they can make it better. Amazon in healthcare. I think Amazon is going to become the biggest pharmacy in the country within the next few years. MinuteClinic, you've probably heard of those. Great little business. I tried to invest and that one was private, they wouldn't let me. Here's another slide. Is this one coming up? Okay, good. So it's 2011 to 2020, and every one of those blue bars represents billions of dollars. You add it all up, it's over $80 billion of private equity money going into disruptive healthcare stocks.

I'm a participant in this. This is directly where Teladoc came from. This is where Phreesia came from. This is where Accolade came from. And I love this quote from a partner at Flare capital that's a really smart healthcare investor, "US healthcare, arguably has the greatest potential to create several hundred if not thousands of valuable companies over the next few decades."

I wholeheartedly believe you could just swim in the healthcare pool and invest your entire life very well. Oh, and if you learn about it, you might save your life because we're all customers. Every one of us in this room. One last thing, this is not showing up either.

What have we just started to do in the United States from a macro level? We started to taper, Fed is starting to taper cycle. The last time we started a taper cycle was 2013. From 2013 to 2015 what was the top S&P healthcare performer? I just gave it away. Healthcare top sector, number two was real estate, number three was technology. And those two red lines pulled together, that's healthcare and it's technology. There's gonna be so many awesome opportunities to invest in these companies in the next ten years.

So what do we learn today? Hospital expenses drive overall costs. This needs to change. Nobody's talking about it. Stay out of the hospital at all costs. Private sector Medicare benefits are the way to go without question. And don't hate your HMO, invest in it. And many, many other healthcare stocks that are out there today. Thank you very much. I still have nine minutes left. I rushed through because I was told definitely don't go over, we've got other stuff to do. But I still have nine minutes left, I'm happy to take some questions if there's any questions. Yes, sir right down here.

*Participant:* Medicare Advantage is not available everywhere. What determines whether it's going to be available in your county?

*Tom Carroll:* Yeah. So the question is Medicare Advantage is not available everywhere. What determines how it's going to be available if there's gonna be a product? The vast majority of counties across the United States do have a product offering. In some rural parts of the country, health insurers have deemed those areas not to be a market in which they can make their two or three percent selling these products unfortunately. So the way it actually works is Humana's revenue stream they get paid more if they go to a county where the costs within that county are already high and if you pick another county that's in rural somewhere, where fee for service costs are low.

If I'm Humana, I'm probably not gonna go to that county because I'm gonna get paid not as much there as I get paid somewhere else. And it's also kind of a built-in mechanism, Medicare doesn't want these companies going to places where costs are already low. They want to incentivize these organizations to go where costs are already high, to put some framework around it, to manage those costs, to get some skin in the game themselves. That's the primary reason economics. I can't see everybody, another one right in the front here.

*Perticipant:* Thank you. You mentioned that Med Advantage was a small amount. My wife and I pay $195 each a month. Is that higher than what you're seeing?

*Tom Carroll:* Yeah. So $195 is probably towards the higher end of a Medicare Advantage plan. If you traditionally do it, Medicare part B that you pay for, a prescription drug plan, and then a Medigap policy, those three things together are gonna cost you $250 to $300 a month. $195 is a more expensive plan, but probably have some great benefits there. Over here and then one in the back next.

*Participant:* I'm one of the ones that are old enough to be on it and it's actually worked fairly well, but I'm getting bombarded with there's supposedly a new thing out that's going to give me even more benefits for the same money. Is that real or is that a partial scam?

*Tom Carroll:* I wonder what you're – it might be direct contracting. So there's a new iteration of Medicare Advantage, kind of what I was talking about with Agilon, that stock. This is gonna actually really incentivize physicians to make sure you're as healthy as you possibly can be. Because if not, they're going to get financially penalized and the upside could be really, really good for them. So if that's what it's talking about, that is absolutely real. It went into place this year. I wouldn't do it this year because it's going to be a cluster, next year it's probably gonna be better.

*Participant:* Well, they're talking about it's gonna include hearing aid and glasses, which I pay on separate policy that this would include.

*Tom Carroll:* Yeah. So that could be Medicare Advantage, because Humana and United Healthcare basically take the money they get from the government, manage it more efficiently. With some of the money they have leftover, they give you benefits like hearing aid, like vision, like dental to get you to come, to entice you in let them manage your Medicare benefits. Yeah. So that's absolutely plausible. In the back there, a gentlemen's hand up.

*Participant:* \_\_\_\_\_.

*Tom Carroll:* That is net of premiums.

*Daniela Cambone:* What about hospital company as investments like Columbia HCA, Tenet?

*Tom Carroll:* Yeah. So Columbia HCA, Tenet \_\_\_\_\_, there's been a number of hospital companies that have gone public. My view for the last 20 years has been they're trading stocks. They're the ones on the front line, they're the first place to get cut if Medicare needs to take some money away from the system, or if Medicaid needs to take some money away from the system. They're very influenced by health policy at the federal level that we try to as analysts guess, but we don't always get it right.

So they tend to be good investments when they're beaten up, when they're cheap, like any other stock ride them up to a certain level and then get rid of them. I would not wanna hold them for the long term. And what did I just teach you guys earlier? Hospitals are what? 50 percent of the problem.

In the next round of reform who's got a big target right on them? Hospitals. Obamacare pointed the gun at drugs. Hospitals are where it's gonna be. I'm out of time folks. Maybe one – catch me afterwards. I love talking about healthcare, I grew up in a healthcare family. Please come and chat with me. Thank you.

*[End of Audio]*