4sight Health Roundup Podcast

Eight Trends Shaping the Current Healthcare System

10/3/24

David Burda:
Welcome to the 4sight Health Roundup podcast, 4sight Health's podcast series for healthcare revolutionaries, outcomes matter customers count and value rules. Hello again, everyone. This is Dave Berta, news editor at 4sight Health. It is Thursday, October 3rd. I don't know about you, but Halloween decorations have been up in my neighborhood for at least two weeks now. Only four more weeks until you can take them down. 10 foot giant skeletons and grim Reapers seem to be the hot decoration this year. They're peering over a lot of fences at you when you walk by or drive by. They have nothing to do with our topic today unless you think they're undead victims of our healthcare system. We're talking about a new report on eight trends shaping the Health Economy with Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi, Julie. How are you two doing this morning, Dave?

David W. Johnson:
Well, I'm doing great. I'm in Cambridge Massachusetts to attend Harvard's Health Policy Leadership Council. This is Amatab Chandra, the Harvard economist, his baby. And he brings together some of the leading economists healthcare economists in the country. And I love debating 'em. They can be so smart and so narrow at the same time, and no wonder economics is often called the dismal science.

Burda:
So do they tell jokes about lawyers and doctors? Instead of economists that, that became,

Johnson:
There was a lawyer at dinner complaining last night, there weren't enough lawyers in the room, and she wasn't getting a lot of support <laugh>.

Burda:
That's great. Julie, how are you?

Julie Murchinson:
I am quite well. I'm delightfully home, hanging out with my puppy. It was his birthday this week, so, you know, it's a good week at home.

Burda:
Now before we talk about this new trend report, let's talk about popular Halloween decorations going up in your neighborhood. Dave, do you see any new trends in decorations this year?

Johnson:
Well, you were on our team call yesterday where Kelly Stone, our formidable publicist showed the giant skeleton that she's put up in her neighborhood or in her yard with a giant necklace that says, never going back on it. So politics and Halloween coming together. Let's see how Kelly's skeleton rattles her neighbors <laugh>.

Burda:

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That's great. Thanks Dave. Julie, how about you? What new or different Halloween decorations are going up in your neighborhood?

Murchinson:
Well, I think I must live in the least commercial neighborhood in the world, because there's not one Halloween decoration on the whole street, but I'm gonna spend the weekend getting my favorite Halloween decoration outta storage, which are the, you know, the hands and feet of the witches that stick outta the ground. Yeah.

Burda:
Yeah. That's my favorite. <Laugh>, do you have one crashing into a tree? That's always a good one

Murchinson:
Too. No, I really should have that one. That's a good one.

Burda:
Yeah. Yeah. Now than the giant skeletons and ghouls I'm also seeing a lot of skeletons, doing a lot of activities of daily living, you know, like playing cards or getting married before a skeleton priest or walking a skeleton dog. So maybe it's a commentary <laugh> on all these GLP one weight loss drugs going around. Okay. Let's go big picture and talk about this new report. It's the annual report from Trillian Health and it's 164 pages long. I'm not gonna read the whole thing to you. I read it already. The report is based on data from trillion's National All Payer Claims database, along with data from a number of external sources, including the Census Bureau, the congressional budget Office, the CDC and the Bureau of Labor Statistics. Trillian put it all together and came up with eight trends shaping the healthcare economy this year. I'm going to read you the list and then ask you to react to it. Here it goes. The current healthcare system does not promote health and is disproportionately expensive. Two, healthcare utilization patterns suggest health status will continue to decline. Three, government innovation and regulation are failing to produce value. Four, the value of technological advancements is uncertain. Five, supply constraints are correlated with inadequate yield. Six, forced consumerism due to cost shifting, has fostered fragmentation without corresponding value. Seven, lower cost care settings can offer better value, and eight employers are better equipped to demand value for money. Boy, until those last two, I was getting pretty depressed. Dave, you got a new book coming out on 10 Forces that Will Cure America's Health Crisis. How do these eight trends from Trillian line up with your 10 forces, usually 10 beats, eight in most sports, and which one of the eight grab your attention more than the others and why?

Johnson:
Well, first off, Dave, the Trillian report is brilliant. Hal Andrews, the founder and CEO of Trill, and I are as close to brothers from a different mother as it gets of all the healthcare analysts, economists, and commentators out there in the marketplace. Hal's thinking comes closest to my own on market driven system reform. His writings are insightful, logical, and compelling. So I encourage everybody to get your hands on this report. They're making it available for free. But anyway, to your, your question, Dave, there's some overlap between the reports, eight trends and the 10 trends that Paul and I identify that will bring about the coming healthcare revolution. But rather than do a side-by-side comparison, let me just comment briefly on each of the eight trends from this year's trillion report. One and two, the

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current healthcare system does not promote health and is disproportionately expensive, and healthcare utilization pattern suggests health status will continue to decline. That's American healthcare in a nutshell, and why we need to blow it up and, and have a new system replace it. It can't keep getting more expensive while our people keep getting sicker. So, nailed that one. Three and four, government innovation and regulation are failing to produce value, and the value of technological advancements is uncertain. I would say in both instances it's really too early to tell. But pro market, pro consumer reforms are very promising. Shoot, TRI is doing a registry of all of the commercial contracts that health systems and health insurers are required now to disclose. And the pricing transparency that's coming about from that is truly remarkable. And I think as we get more information and more facility with the databases that will have a material effect on prices economists here would love that. On the technology side it's still early, as I said, but many of the technologies are very promising and likely disruptive to status quo supply, demand dynamics. Supply number five, supply constraints are correlated with inadequate yield. You know, I, I'd probably go in a slightly different direction here. This report has many of the usual statistics about the undersupply of physicians and practitioners and and so on. And it is so maldistributed, and because of the perverse payment incentives that drive behavior in the marketplace that I don't think this will correct itself until we get much more alignment between desired outcomes and payment. But this is also where technology particularly the power of the large language models and the machines to do pattern recognition can really make a big difference in terms of diagnosis and early intervention and so on. So what they're saying is absolutely true. I just think there's a different story unfolding in the marketplace. It's not quite over the horizon yet. Forced consumerism due to cost shifting, has fostered fragmentation without corresponding value. Yes. But consumers are developing much better instincts for purchasing healthcare services and when the tools come their way, which they will don't underestimate the power that consumerism can have, again, on supply demand dynamics. Seven and eight are aware there's hope in this report. As you mentioned, Dave lower cost settings can offer better value. You know, that's a duh for me. I mean, look at Portugal, a poor country, European, but a poor country. One third, the per capita income in the United States one fifth, the per capita expenditure on healthcare, and yet life expectancy is five years longer. And that's because they've combined what we call public health and population health into community networks that operate at the individual level in individual communities. And if you get the front end in healthcare right good things happen. So lower cost settings decentralized delivery, all good stuff. And number eight, employers are better equipped to demand value for money. This is the last one, but it's also the one that captures my attention. Self-insured employers forever have paid premium prices for largely commodity services, and they're fed up with it. And what Hal is commenting on in this report, is the fact that better buying by these self-insured employers, insisting on value for their healthcare purchases, has more potential than probably any other force multiplier to change supply dynamics in the near term.

Burda:
Great critique and analysis. Thanks, Dave. Julie, any questions for Dave?

Murchinson:
Dave, that was amazing. Truly <laugh>. So Hal Andrews says two things about what could remedy some of our situation here. Says one, either the employers are going to solve this in the next five to 10 years, or something breaks. And he also says two, Congress could meaningfully change the landscape by focusing on patent law. Which do you think is more likely to happen and why? Dave?

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Johnson:
Well, I guess the first one is more likely than not. I don't completely understand where he is going on patent law. Where I thought he might be going when I first read that quote was, you know, if the marketplace can't figure it out, we'll go to a government controlled system like other advanced economies. And I really hope that doesn't become the case. But quite honestly, if we continue to spend more money and get worse outcomes maybe the government solution is the last resort. We have to go there in the same way other countries have, but I really hope we don't. So that gets us back to the employers. And as I said, I've been frustrated that self-insured employers haven't demanded more value for their purchases. And I believe they're now starting to get the tools that are enabling them to do that. And, and so I, I'm hopeful that if we can unleash the American innovation system on healthcare with proper incentives where we align payment with what both payers and providers do in terms of promoting better outcomes for consumers, we can go from being an underperformer to actually leapfrogging some of these other systems. But that of course, requires tearing down a lot of the existing infrastructure, business models and so on that are generating the dismal results or dismal outcomes that we're getting currently as identified in this Trillion report.

Burda:
Bad behavior leads to regulation. So let's clean it up people. Thanks Dave. Julie, let me get your take on this list of a trends. Do they reflect what you're seeing in the market firsthand and what caught your eye specifically in the section on the value of technological advancements? I'd like the part on how new therapies will replace traditional procedures and interventions, you know, which we talk a lot about on this show. What do you think?

Murchinson:
Yeah, we absolutely do. And unfortunately, this does reflect so much of what we see, and frankly, why there's so much potential for digital and novel care delivery models. So yes, I, I wholeheartedly believe in a lot of what we're seeing here. It's funny, almost everything seems like motherhood apple pie when you read them right at first flush. But it's really impressive when you realize, you know, trillions analyses are based on this incredible fact based, and it's funny, I, Dave, I don't know if you felt like this, but Trillian almost over emphasizes that it's fact-based. Did you notice that? Or was that just me?

Johnson:
Huh… I didn't notice it, but it is fact-based.

Murchinson:
<Laugh>. Okay, so technological advancements, you know, a lot of those were focused on drugs with a little bit of AI and telehealth. It's almost like they were throwing digital bone, honestly. And interestingly, there wasn't a ton of analysis or maybe any on diagnostics. So interesting analysis to be sure. A couple things I was struck by you know, since Q4 2023, so about a year ago, 41 medications have received FDA approval and one third of those target cancers. And while this isn't surprising, it's sort of stunning and also somewhat consistent with the fact that on the service side, oncology is, you know, one of the most evolved disease specific spaces that we have in our industry. And it's this vast network of oncologists that can deploy these drugs. So oncology, not surprisingly, remains, you know, the dominating category for drug manufacturer. So that was interesting. Another point was that, you know, we're definitely feeling the increase on our side of cell and gene therapies. I'm talking to a lot of systems

these days. I talked to one yesterday that's just has approval for its first infusion center and has a plan to build a number of them over the course of the next 18 months. So there's a, there's a service corollary to a lot of the, the new drugs that are coming out in the cell and gene therapy category and, and others you know, it was wild to see that while metformin has, you know, been the common medication to treat type two diabetes for a number of years, how GLP ones rose from the eighth most common drug regimen per type two diabetes to the second. Not surprising, given all we've talked about here, but…. And a few analyses I didn't agree with this won't surprise you, truly, it says that telehealth utilization signals that patients don't view telehealth as a substitute for in-person care in most conditions, except for behavioral health, of course. And is that really what's happening? I don't think so. Further, they say that how telehealth utilization evolves from here will depend on how policymakers and employers, payers, providers view it as a clinical utility, which could be at odds with patient or consumer preference. And I just don't see it. Like, I think patients would be much more apt to use telehealth if it were delivered in the right modes from the right places for the right purposes. So I don't think the the business side of healthcare has evolved to truly serve patients in the way patients could or wanna be served. So I don't think they got telehealth right. I would say the same thing about AI. I thought the AI observations were just a little bit quick and maybe weak because the CBT codes they were talking about have been in place for just about six years. And the solution market, from what I've seen, is far from mature. So we need to give AI some time to get in the hands of the users and to build trust. My favorite fact was that, and this won't, we've talked about this a long time ago, and it's been a while, but it's a cost of care across the nation and how variable it is. So across the four common heart and vascular surgical procedures in select competitive markets, the hospital level median negotiated rate ranged from 26,500 in St. Louis to 153,800 in New York City. <Laugh>.

Burda:
That's great stuff. Well, I'll tell you I would agree with you on the telehealth trend. I'd much rather have a televisit than a in-person visit, and that's mostly because I don't like people <Laugh> and the GLP one chart that you mentioned, that was one of the be the best design charts I've ever seen, because you can

Murchinson:
Yes, I agree.

Burda:
You could see that little dot go up and up and up every year, so….

Johnson:
Yeah. Yeah.

Burda:
Well done to their designers. Thanks, Julie. Dave, any questions for Julie?

Johnson:
Really well done, Julie. My question for you is is gonna relate to tech as well. You know, in our forthcoming book, Paul Kuserow and I suggest that 3D WPH democratized and decentralized distribution, that's the 3D part of Whole Person Health, WPH, will be the disruptive innovation that brings down status quo US healthcare. I'm curious what evidence you see in the marketplace within

trillions, trends number three innovation and regulation, and number four, technological advancements that suggest 3D WPH is not only getting traction but is actually on its way to achieving sufficient scale to disrupt and repair the industries broken supply demand dynamics.

Murchinson:
Well, you know, I think there are so many things in section three that give you hope that were maybe positioned as being fairly negative today. You know, public health has been focused on decreasing mortality. Does that by definition also mean that it hasn't been focused on actually health? Well, you could interpret it that way, right? So that was interesting. a lot about, you know, CMSs' experimentation with different value models. And frankly, I think a lot of people forget that CMS has had to really restructure the type of data it requires and collects, and then over the, the number of years it's had to collect that data to be in a place where it can actually analyze it. So data collection gives me hope. They, again, look at it as like, it's been 10 years, what have we learned? Et cetera, et cetera, et cetera. I just don't agree with that. The third part is they're pretty intense focus on quality. And, you know, there's a tenor about quality being expensive, but you know, <laugh> people are paying attention to quality still, which I think matters because we always are on this teeter-totter of what matters, quality or cost. So I actually see a ray of light in there, and that, I guess in section four, which I just covered, Dave you know, <laugh>. There's so much in there that could support what you and Paul write about from drugs to telehealth to, you know, personalized care with AI. So you guys are on the right track.

Burda:
Yeah. True. Yeah. Well, I think this is a definitely a must read report from my perspective. And I think each of those eight trends could be an episode of, of our show. And actually maybe Dave, that's what we should do with your new book, right? An episode in each chapter or each of the 10 forces, right?

Johnson:
Yeah! Why not?

Burda:
All right. We'll talk. Now let's talk about other big healthcare news that happened this past week. It wasn't all bad, was it, Julie? What else happened that we should know about?

Murchinson:
We'd have to be living under a rock to not have seen the CVS announcement, but it'll be really interesting to see if the board drives some sort of breakup of CVS and Aetna, and even really CVS Caremark just given everything going on in the hill with the PBMs. So it'll be something to watch.

Burda:
Dave, what other news is worth mentioning?

Johnson:
Well, couple items. Particle Health, an intelligent data analytics platform company is suing Epic Systems Corporation in federal court for anti-competitive behavior that got announced this week. All I can say may the force be with them. And second thing is, AHA came out with its annual contribution to the best fiction list where they declared that the community benefit from nonprofit hospitals is 10 times greater

than foregone federal tax revenues. They neglect to highlight that 75, 80% of that is for underpayment of Medicare and Medicaid which of course for-profit companies can't claim as a community benefit. And a big chunk of the rest of it is for professional education. So the benefits, community benefits of nonprofit hospitals I think actually pale in comparison to the cost of providing tax exempt subsidies. Amatab and I did an analysis of this a while ago and came up with a number in and around 40 billion a year as the cost of tax exemption for hospitals. So, big number.

Burda:
Yeah, it's easy when you make up your own formula and definitions, right?

Johnson:
So, absolutely <laugh>.

Burda:
Thanks Dave. And thanks Julie. That is all….

Murchinson:
They call that cheating actually. <Laugh>, <laugh>.

Burda:
You wonder why the the trillion people kept saying fact-based, right? <Laugh>. So there's your answer.

Johnson:
There's no fact checking in healthcare. Come on, <laugh>.

Burda:
All right. That is all the time we have for today, if you'd like to learn more about the topics we discussed on today's show, please visit our website at 4sighthealth.com. You also can subscribe to the roundup on Spotify, Apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.