

Blips on a Screen or Trigger Events for Massive Change?

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 Burda, news editor at 4sight Health. It is Thursday, December 19th. This is our last new episode of 2024. We're gonna take a short holiday break and come back with the first episode of the new year on January 9th. Thanks to all our listeners who have stuck with us over the past 12 months. It's been quite the year in healthcare. I'd argue it was more eventful than most, and I've been doing this for more than 40 years now. In that spirit, we're gonna look back over the biggest stories of the year with Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson partner at Transformation Capital. Hi Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:

Doing great, Dave. We've finished all our holiday shopping, so I'm getting ready to settle into a long winters nap.

Burda:

<Laugh> hibernation. Good for you. <Laugh>. Julie, how are you?

Julie Murchinson:

Doing well, I'm well. But I have a little story to share 'cause Dave shared earlier this year, this earlier this week, I had a little minor surgery, not elective, but minor and get ready.

Burda:

Yeah.

Murchinson:

\$22,000 <laugh>. But the cushy experience was priceless. I walked in and the gown was being blown with warm air, and I had this bear hug, warm air jet blanket, and they told me they were proud of over numbing everything, which made me really happy. And while I was in pre-op, I had this beautiful scenery to watch, to distract me and the nurse rubbing my shoulder. And then I was asked if I liked the music choice when I was wheeled into the or, but of course, I fell asleep immediately, so I couldn't listen to it. And then I was, you know, for all of our patient safety shows, asked my date of birth and last name, no fewer than like 15 times in four and a half hours. And when I woke up, I had a great cup of coffee, and I even asked for a second, and I had incredible nurses and a very humorous anesthesiologist. But at \$22,000 for four and a half hours, that was 4,888 an hour, I mean, wow.

Johnson:

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Yeah. <laugh>. And of course you were a Medicaid patient, so that's why you're getting such great care. Right, exactly.

Murchinson:

Exactly. <laugh>, <laugh>

Burda:

Sounds a little soylent green to me, <laugh>, but yeah. Okay.

Murchinson:

I'm thankful, but yeah.

Burda:

Yeah. Glad you're safe and healthy and back home.

Murchinson:

So do we.

Burda:

Yeah. Good. Good for you. Before we look back at 2024, let's talk about what you're doing over the holiday break. Dave, you gave us some hints already, so it sounds like you're home for the holidays and not traveling, and you think you may wake up long enough to do any work?

Johnson:

Oh, I'm definitely gonna be working over holidays. I think I've mentioned on other shows that we're working with a company in Seattle called Optispan to write a book on scientific wellness. And we owe them an initial manuscript by mid-January. So it's heads down time for me at my desk until then. So not only during the holidays, but no JP Morgan conference for me this year, which I'm actually happy about.

Burda:

Wow. Scientific Wellness. I can't wait to read that. That, that's fascinating. Julie, how about you staying home, traveling, answering work, texts and emails?

Murchinson:

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Well, laying low through Christmas for sure. Off to a warm place for New Year's, and yeah. Kind of always answering work, text and emails. <Laugh>.

Burda:

Yeah. Yeah. Everybody will be gearing up for 2025. Well, you guys know me. I'll be home and I may never leave the house over the next two weeks. There'll be enough food and drinks here to last at least two weeks, maybe more. You know, for me, there's no, no expiration on leftovers. And with Christmas and New Year's Day, both falling on a Wednesday, I'll probably do some writing, but definitely not any interviewing. No one's gonna be around. That said, we've been around all year here on the roundup and commenting on the biggest stories and trends each week. So I'm gonna ask each of you for your big story or trend of the year why it tops your list, and then give me a runner up just to make things more interesting. So so here we go. Dave, what's number one and number two on your healthcare Hit parade this year, and tell us why.

Johnson:

Yeah. Well, first, Dave, I wanted to compliment you on your commentary yesterday on the 25th anniversary of the Two Err is Human report. And your conclusion that patient safety really hasn't improved since then. I think is accurate and, and damning, and that got the nation's attention. So think about the millions of people that have died unnecessarily because of medical error and then the cumulative harm, financial, emotional, physical of those that haven't died, but been affected by medical error. Just a sobering thought. My top two stories for 2024 are the Brian Thompson assassination and the emergence of GLP one drugs for weight loss. I choose these two because they embody two broad macro trends, rewiring the healthcare industry in real time, disequilibrium, and a shifting emphasis toward health. I'm gonna spend most of my time on disequilibrium. And then a little bit on the, the shift toward health. So the Thompson assassination first and that happened, believe it or not, just two weeks ago. It already feels like you know, that's a milestone in the healthcare industry. To put it in perspective, I went back and reread a book I liked a lot called Ubiquity by the physicist Mark Buchanan. He published that in 2000. And in it, Buchanan applies the physics concept of complexity theory to all manner of phenomenon, including human history. Complexity theory often gets distilled down to the observation that a butterfly flaps its wings in Brazil and it triggers a typhoon in Japan. I'm sure you've both heard that. Essentially this means we live within remarkably interconnected systems that move in and out of equilibrium. And when in disequilibrium, small changes or events can trigger upheaval the interconnected complexity by its very nature makes it almost impossible then to predict the future. So Buchanan uses the onset of World War I to illustrate the point; the carriage carrying Archduke Ferdinand from Austria makes a wrong turn, and that this leads directly to his assassination. That event historians all agree triggered what became World War I. World War I lasted five years and killed 10 million people. No one saw this coming innumerable numbers of theories after the fact identify the cause. But there's no real clear explanation. Buchanan argues that after more than a century of calm, of equilibrium, Europe had morphed into a period of disequilibrium, essentially a broken state.. essentially a critical state like the

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point where water turns to steam. And in critical states, small changes can trigger transformation. Buchanan calls this historical physics. My own opinion is that the US healthcare industry has now entered into an equivalent period of disequilibrium where seemingly small events can trigger upheaval and potentially transformation. My query and why I picked the Thompson assassination as my number one event is whether his death could become a trigger event, you know, pardon the pun, for wide scale system transformation. In the same way Archduke Ferdinand's assassination triggered World War I so disequilibrium the assassination and what's gonna lead to the upheaval of the US healthcare system. And of course, Paul and I have just written our book *The Coming Healthcare Revolution*, where we say more change in the next 10 years than the last a hundred years. So we're looking for trigger points, maybe that's one of them. And then briefly on the GLP one drugs they are the most visible example of a shifting emphasis toward disease prevention and health promotion make America healthy again. The Robert Kennedy movement, crunchy moms, Scientific Wellness, which I mentioned earlier, are other examples. And this mind shift, I believe, contributes to the industry dislocation and disequilibrium that's, it's undergoing right now. It makes it more difficult for status quo healthcare to justify continued over expenditure on disease care. So lookout 2025.

Burda:

Complexity theory, thank you. Julie, any questions for Dave?

Murchinson:

Dave, that was excellent. And I tend to agree with you on, we are at a kind of a point in time <laugh>. We're at, things could change in material ways. I'm curious about your thoughts on Chevron deference. We talked about it intensely for about a week and a half <laugh>, and then didn't hear about it again until Trump was elected for the most part. And then we talked about it intensely again for about a week and a half. But it feels to me like there's something there. Like what, what do you think about Chevron deference ?

Johnson:

Well, this, to me, is another potential trigger event. I'm actually surprised by my reaction because I'm generally not a fan of the current Supreme Court. But as I thought at a deeper level about Chevron, and I think we talked about this on, on one of the podcasts Chevron essentially says that judges and courts don't have to rely on the administration for their understanding of how to apply a law. And that feels dangerous to me because judges are gonna be less informed, generally speaking, than administrators that dedicate their time and energy to specific problems and policies. On the other hand, and this is where where, where I surprise myself a little bit, it is so clearly evident that our regulatory and even legislative processes are captured by special interests that I don't believe we can rely on the administrative state to always be acting in the best interests of the American people healthcare consumers in our specific area of focus. So while it's dangerous and introduces an element of instability into the ecosystem, the fact that judges going forward, can act independently of regulatory agencies when they are misbehaving is a potential

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source of good news, of good outcomes. But it comes with some pretty wide variation attached to it. And it kind of gets back to the disequilibrium that I was talking about earlier. It's, it's just another factor that makes predicting the future of healthcare in the U.S. almost impossible, except for the point that something is gonna happen that triggers a chain reaction that will lead to surprising results. Nobody saw World War I coming and and kind of marveled afterward at its impact and talk about evil forces and malevolent forces and that type of thing leading to it. Well, we're in the same state of play right now.

Burda:

You know, I went to a healthcare conference in September and heard a healthcare attorney speak, and she was joyous over Chevron being eliminated. And I've never seen a happier person because in front of her and her, all the healthcare attorneys across the country or opportunities to challenge healthcare regulations. Full employment act, right, is what they used to call this for healthcare attorneys? Okay, Julie, it's your turn. What's your biggest story or trend in 2024? Why did it top your list and what finished a close second on your list?

Murchinson:

Well, I looked back to last year just to see how kind of normal last year's felt to me. And mine were Amazon's acquisition of One Medical, which feels quite, you know, normal in our healthcare world today. And CMS really is taking its shot at reshaping MA with its risk adjustment which also, you know, actually is still quite in play. So I don't know, always think it's interesting to look year to year. And I did something similar to Dave. I looked at a thread that we've pulled through a number of stories this year. That's probably, you know, a couple steps away from Dave, but not dissimilar. And that thread is around consumerism. We discussed so many topics that have something to do with empowering consumers, consumers expressing you know, opinions to their perspectives, et cetera. First is we talked about new dynamic copay plans like United Sures or another company called Coop that are empowering consumers to make good choices with their copays that hopefully bend the cost curve. And these are like taking on health plan, you know, discussions nationwide. And it's because of consumer choice. We talked about Amazon and Walmart's race to announce their same day delivery service, and that being the engagement tool effectively for consumerism and healthcare. Of course, we also talked about GLP one coverage a couple times, the uptake, the impact on health systems, everything. And the story here for me is that GLP ones are driving consumers to act outside the healthcare complex in droves. I mean, previously challenged brands, and I say challenge because they just, you know, they weren't getting like massive appeal like Amada, HIMMS and Hers Row, even Noom, you know, some of these other companies, they have been fighting for eyeballs on Facebook or Instagram or through their employer contracts now for a handful of years. But they've overnight become the go-to provider. I mean, the number of doctors I've talked to who have patients who are on some sort of ED or weight loss or other drug outside the system and are afraid to tell their doctor or tell their doctor sheepishly, I mean, these stories are rampant now. And then of course, finally, Dave, like you, Brian Thompson shooting, that's caused literally a virtual uprising of the people. And when I look back, you know, we talked about the tri report, Berta, you did a great

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job raising that and tri raised trends that, you know, they say were shaping the healthcare economy, and they could have almost predicted the reaction to Brian Thompson shooting. Mm-Hmm. They talked about how the system does not promote health and is disproportionately expensive, how health status will continue to decline. Government innovation and regulation are failing to pros produce value. And what I see is that the people are really, really feeling this, whether or not they understand anything about what the trillion report is really saying, right? Because that's such inside baseball. So, you know, similar to you, Dave, we have on our hands a consumer revolution that is either one of empowerment or one of some sort of destructive force that will really reshape healthcare going forward. That's one, two I guess my, I don't even think about this as a runner up, but I think PBMs are absolutely the story of the year between the investigation, the lawmaker threats to unravel vertical integration, the rise of better, more transparent solutions. Like course we're investing capital X the exodus of, I mean, so many self-insured employers from health systems of Fortune 100 companies. You know, not, it's not just the small employers anymore. They're, they're leaving the big three in droves because they're afraid to be left holding the bag. I mean, we're seeing, you know, big movement here. So I think we're headed in a new direction on PBMs.

Burda:

Yeah, I think your first thing about consumerism, what popped into my head was people deciding not to get proven vaccines, having that choice and choosing not to, and I've been reading a lot about people making their own prescription drugs rather than buying them through the pharmacy based on formulas they're reading on, on online. I'm a bad cook now, what am I gonna do? Try, try to make my own statin? I don't think that's gonna work. So good stuff. Thanks Julie. Dave, any questions for Julie?

Johnson:

Well, would you pass me a cup of unpasteurized milk? Sure. Thank you, <laugh>. Well, Julie, I, I'd say the theme that runs through both your observations is the massive existence of intermediaries with within healthcare. In a, in the piece I wrote on the Thompson assassination, I, I made the observation that healthcare's original sin is that it doesn't see human beings at the end of the transaction. They, they see a diagnostic, a treatment, a referral, a doctor, a bill but they don't see a real live breathing consumer at the end of the transaction. And up, and until the industry figures out how to address consumerism like we do in other parts of our economy healthcare is lost at sea. And your your point about consumers taking more control, and then PBMs, which you almost gotta, you know, <laugh> question their very existence for all the harm they do, is are we reaching an inflection point with, with the intermediaries? And what's, what's your sense of their ability to continue to basically extract resources from other parts of society that really don't improve outcomes or customer experience, or lower, in fact, they increase costs. Where are we with intermediaries in the concept or in 2024 as we move into 2025?

Murchinson:

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Well, you know, I'm sure you saw earlier this week that Trump effectively like tanked CVS United Health and sign shares talking about middlemen, right. Just the, the mere mention that he was gonna knock out PBMs, you know, contributed to our, our market slide this week. Thanks Trump. But I, I have to say, you know, I think you're right, intermediaries are, are, are getting a lot of pressure on their way out. What I, what I'm concerned about, <laugh> and intermediaries come in all flavors, right? The so many intermediaries around the health plan complex you know, the fragmentation that's created creates a whole nother layer of intermediaries, of sorts, even though that feels like you have more of a direct consumer access to some healthcare services. So even the concept of intermediary it's getting more complex. What I worry about in any kind of exuberance around the role of intermediaries is that they're so ingrained in the processes and the payment of healthcare that it will take a lot to unravel. And we, you know, we might be seeing an uprising of sorts that reshapes things we, as we talked about today, but, you know, these are like really difficult bedbugs to get rid of. Like, you, they're just like burrowed in there, <laugh> in ways that are really hard to extract. So, I don't know. I mean, I, I'd like to be enthusiastic about it, but I'm not sure I am.

Burda:

Yeah, no, I love that analogy as a writer. <Laugh>,

Murchinson:

You're welcome.

Burda:

Yeah, thank you.

Johnson:

I was on, I was on the phone with Peter fine yesterday, the, the retiring CEO or just retired CEO of banner. And he had to interrupt our phone call Midway because he is fighting with his insurance company, which Banner, Aetna has a banner, has a, a partnership with that <laugh> over some medical procedure, prior authorization. And at one point, he, he's, he's calling the person at Banner who's in charge of all this affiliated with Aetna. And he goes, do you know who you're talking to? <Laugh>? So even <laugh>, even in that circumstance, CEO <laugh>, the CEO EO put the deal together is is frustrated by the level of service. And of course, Peter's not shy about expressing frustration when he, when he experiences it. So that was, that was pretty interesting.

Burda:

For me, there is only one story of the year, and that's Trump being reelected. Now, I wouldn't have made him the Time Magazine person of the year. I would've made the people who voted for

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him the people of the year, because now they're gonna find out what they voted for. Based on what we've seen this past week, and I think that's Elon Musk running the country while he golfs his election puts the a CA in play, puts Medicare in play, puts Medicaid in play, puts public health in play, puts the FDA in play, you know, every aspect of healthcare as we know it will be in play. And we have a lot to fix in healthcare. But repealing the a CA privatizing Medicare and throwing polio vaccines at the Potomac probably aren't the best ways to do it. I mean, how seriously ignorant do you have to be to question the efficacy of the polio vaccine? So we need smart people to fix healthcare, and this crew is not it. So I guess this is why I need a two week break. So, <laugh> <laugh>,

Johnson:

There, there are drugs to help you, Dave.

Burda:

Yeah. Yeah, I hope so. <Laugh>. All right. But wait, there's more, as they say on late night infomercials, let's talk about other big healthcare news that happened this past week. Wasn't all bad, was it, Julie? What else happened that we should know about?

Murchinson:

Well, someone who I have thought very highly of for years, and I know a friend of Dave's has also announced retirement. Terry Shaw from Advent.

Johnson:

Yeah. Yeah.

Murchinson:

40 years of service, did incredible things on a governance level that I think gave license to a lot of other CEOs to think creatively and do what's right. He's tried just about every business model innovation one can think of in the last 10 years to really transform a health system. And just super nice guy. So Terry, congratulations. Really impressive.

Burda:

Yeah. He will be missed. Dave, what other news is worth mentioning?

Johnson:

Yeah, I'm actually talking to Terry tomorrow. Kudos, Julie, thank you for bringing that up. And Terry's vision 2030 for Advent Health and its embrace of Whole person health and empowering the next generation of, of caregivers. It's just incredibly powerful. So kudos Terry,

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congratulations. And I hope he, I hope he stays active. We need him. That's right. For me the story of the week was that Health Affairs and CMS came out with the 2023 expenditure numbers. That was the largest increase since 1990. And again, most of it is getting funneled into acute care, disease care expenditure. And I assume most status quo healthcare organizations are, are cheering this and seeing it as a signal of getting back to the way things were, where healthcare took more than its share of, of societal resources. But I, I think this level of expenditure, since we are already in this period of dislocation and disequilibrium, just contributes to the, the vortex that we're, we're going through and makes increases the pressures for some type of trigger event like we've been talking about to lead to upheaval and, and transformation.

Burda:

I did see that right before we got on air today. We'll dig into that in one of the earlier early episodes in January. So Dave, thanks for bringing that up. Yeah. And thank you, Julie. That is all the time we have for today, we'll be back on January 9th with the first new episode of 2025 when we make our big healthcare predictions for the year. Until then, we wish all our listeners a safe and healthy holiday. Remember, without your health, you have nothing. If you'd like to learn more about the topics we discussed on today's show, please listen 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.