4sight Health Roundup
Market Failures, Lessons or Opportunities?
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David Burda:
Welcome to the 4sight Health Roundup podcast, 4sight Health 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, January 30th. This didn't have to happen, but thanks to 77 million people, it did vote next time. Assuming there is a next time, there isn't a next time for hundreds of retail pharmacies and hospital maternity wards that have closed across the country in recent years, telling us why that's happening and what may come after them are Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:
Well, I'm pretty pumped up. I'm attending the first ever transparent voyages conference and I feel like I'm getting a glimpse into the future of how self-insured employers are gonna manage healthcare benefits. And it's all great, lower cost, better outcomes, much better customer service, AI facing, way finding and guidance. It's all really exciting. So I'm pretty pumped up. And happy to be with you two as always.

Burda:
Yeah, same here. Well, that's good to hear. Julie, how are you?

Julie Murchinson:
I'm well. I've been busy this week focusing on helping Travis May, the founder of Datavant, pull together the AI and healthcare community. He's gonna pull all the best minds together working in this space. And I think it'll be pretty interesting. We haven't seen a, a really big, like, not huge, but a strong convening in this area yet.

Burda:
Oh, sounds exciting. You will have to keep us posted on that. That's great. Now before we talk about retail pharmacies and hospital obstetrical services, let's talk about healthcare settings closing in your neighborhood. Dave, what have you seen shutting down by you, if anything? And you know, if so, what's replacing them?

Johnson:
<Laugh>? Well I don't know if it's still true, but they used to say all the time that Walgreens and CVS have facilities within five miles of 75% of all Americans. Where we live in the very densely crowded Lakeview neighborhood of Chicago. I think we have 75 Walgreens and CVSs within five miles of us, <laugh>. And several of them are closing, but they're like Dunkin Donuts. They're more than enough to go around. So I'm the wrong person to be asking. Although one thing that is interesting is Walgreens has a partnership with LabCorp, so you now can go into some Walgreens and get all your blood panels taken, which is really convenient for me 'cause I got one, like three blocks from me.

Burda:
Get your blood drawn first, then on your way out, pick up some candy. Right. Do it in that order.

Johnson:
<Laugh>. Yeah. Right. So the glucose doesn't spike.

Burda:
Exactly. Julie, how about you? I think you mentioned a lot of medical spas opening where you live. Is that right? And have you noticed anything shutting down?

Murchinson:
Well, the, I live on an island outside of Seattle. Right. We have two pharmacies. Walgreens can't hire a pharmacist and hasn't been able to for the last couple months. So the line at the Rite Aid is now unbearable. Like, I can't walk into the place <laugh>, but I mean, I think there are med spas everywhere. It's not just around here. And here's what's crazy. The landscape's changing quickly. I know a dentist in Northern Virginia who wants to expand into Botox services. So watch out Med spas.

Burda:
Huh? <Laugh>. Just make sure you get the right needle at the right time. Interesting. <laugh>, well, a dollar store replaced a Walgreens near my house. That's something. And I'm seeing a lot of smoke shops, vape shops, and pot shops all over <laugh>. You know, I guess after you spend all your money on cigars, vape cartridges and marijuana, you have to buy your staples at the Dollar store. You know, <laugh>, you know, all, all my parents had to worry about with me was beer. Okay. Let's talk about retail pharmacy and obstetric department closings. Thanks to two recent studies. I'm gonna share the top line findings of each, and you're going to diagnose the market disease and come up with a market treatment plan. The first is a study that came out in health affairs last month. It said about 89,000 retail pharmacies were in operation from 2010 through 2020. Of those 29.4%, or nearly one in three had closed by 2021. Retail pharmacies were more likely to close if they were located in minority neighborhoods or if they were independent rather than chain pharmacies. The second is a study that came out in JAMA earlier this month. It said 537 hospitals closed obstetrical services from 2010 through 2022. The percentage of urban hospitals without OB services rose to 35.7% from 29.7%, and the percentage of rural hospitals without OB services rose to 52.4% from 43.1%. Dave, at the risk of sounding sexist here, why don't you take the retail pharmacy closings what's the market lesson or market failure here? What's the impact on consumers and what's the market opportunity?

Johnson:
I actually don't think there's a market failure at all. I think the market's working just fine, and I probably should be more disturbed by these closures than I am because of their potential negative impact on access to basic healthcare services in low income rural and urban neighborhoods. You know, the, the term pharmacy desert is, is getting some traction, but I think to understand why I am not overly concerned about the closing of brick and mortar pharmacies, it's really necessary to go beneath the surface and isolate their core functions and determine whether or not they can pass the market fitness test going forward. And I think the answers to those questions really cast doubt on the future of brick and mortar pharmacies. So what, what do pharmacies do? They process and fill prescriptions and when asked provide guidance to consumers on taking medications particularly adverse potential adverse effects, combining

medications, that kind of stuff. It turns out though that from the consumer's perspective, that digital and mail order options can fill these basic services on average at a lower cost with higher customer satisfaction scores than the traditional neighborhood pharmacies, the brick and mortar stores. JD Power did a study that showed a 10 point drop in customer satisfaction using pharmacies because of kind of what Julie was just talking about, longer wait times more friction in the the processing and payment and insurance claims, all of that. And I also think there's less overall trust, more errors. So when you look at it from that perspective the companies that are using digital services AI are only gonna get better and faster at filling and, and personalizing drug orders. Giving needed advice since it'll be the machines dispensing most of this advice, they can do it 24 7 in any language needed. And Julie, you mentioned your local drugstore, can't get a pharmacist. That's really interesting. 'cause I think pharmacists despite their rigorous training and credentialing may be the most underutilized medical professionals in the entire country.

Burda:
Yeah, yeah.

Johnson:
Should we really be having these high trained professionals you know, fill prescriptions behind the counter? It's gotta be just incredibly boring for them. And pharmacies have another problem. You know, roughly 25% of their revenue comes from the front of the store where they charge, you know, two and a half bucks for a candy bar. And just like in all other retail operations, the Amazons of the world are coming in and, and challenging their ability to, to sell retail products at competitive prices. And so they aren't making as much profit on the front part of the store. So you got both parts, the, the pharmacy and then the non pharmacy sales that are under pressure. So we're gonna continue to see pharmacy closures. We need to make sure obviously, that areas that have pharmacy deserts are coming up with new and better ways to provide these basic services. The filling prescriptions and then providing appropriate guidance.

Burda:
When I think about it, I think the only question I've ever asked a pharmacist at my pharmacy is what aisle the aspirin is in after they moved it.

Johnson:
<Laugh>. Yeah. Right. Or can you validate my parking?

Burda:
Thanks Dave. Julie, any questions for Dave?

Murchinson:
Well, Dave you brought up a couple things that I'd just love your noodling on, so, sure. Which do you think could have the biggest impact on accessibility for people in quote unquote pharmacy deserts? Is it the breakup of the PBMs that'll shake up the market in the ways that, you know, you just sort of referred to, or pharma or Amazon scaling as pharmacy business?

Johnson:

Wow. What a fun question. Thank you for, for asking it. And they're related. I think Amazon just needs, Amazon just needs to keep doing what it's already doing, which is driving value to consumers through AI and better process management, digital solutions and all that. So I'll spend the rest of my answer on the PBMs. Wherever there is opaque pricing there is likely to be mischief making and profiteering. And, that's what we see in the, in the PBMs. But I, I think there's a lot of hope. There's whatever the legislation is going to do, but I think the marketplace is starting to take care of this. And there are even a couple examples here at the Transparent conference of companies that have given up one of the big three PBMs to go with no name TransCarent, because they have transparent pricing, and they have an AI model that tells employees exactly how much their drugs are gonna cost at the various places they can get them. I mean, you know, let the customer have the in information and make the decisions. And there are just tons of companies in this space. You, you know, you mentioned Amazon, their RX pass is really pretty cool. You've got the $4 drugs at Walmart, and then you've got these a hundred percent out of patient payment models like GoodRx blueberry pharmacy the much ballyhoo'd Mark Cubans Cost Plus drug company. And all of those I think are, are gonna continue to make inroads, particularly as the tech gets better. But there is one interesting aspect to all of this. Anish Chopra, the first digital technology officer for the White House in the Obama administration, was on stage talking about the lawsuits that some employees are making against their employers related to these rebates. And basically saying the companies have a fiduciary responsibility to use the rebates to lower the, the cost of insurance products for specific employees. And they're saying they've breached the fiduciary responsibility because they're paying more than they should have to because of the whole rebate mechanism. So that's an interesting twist that could accelerate the, the decline of these free PBM monoliths that dominate the industry now and provide 80% of the insured prescriptions. So we'll see. But let's keep an eye on it.

Burda:
Yeah. Fiduciary duty to the rescue, who would've thunk it. Thanks Dave. Julie, let's get your take on the OB study. What's the market lesson or failure here? How does it affect consumers and what's the market opportunity moving forward?

Murchinson:
Well, first, this is a big deal. It's not surprising, given how our health system is structured, but it is impossible today to think about relying on hospitals for birthing, which is just such a foreign concept for so many consumers. I think what's happening here is that the rural hospitals, you know, not only started with fewer obstetric services, but they've seen much steeper declines of closures. And, you know, rural residents have to travel a lot farther. Which in urgent situations is terrible. The research shows that the greater the distance between the patient and obstetric care, the higher likelihood the baby ends up in the NICU. So, you know, simply put, the system is putting mothers and babies in danger. And of course, people of color who experience bigger gaps in access and quality suffer more. But that's DEI talk, so I won't go there.

Burda:
Who's listening, who's listening?

Murchinson:

Right? Yeah. Exactly. What's sad about the drivers for this decrease is that it's really about risk and about liability and about lack of workforce. And, you know, both obs and hospitals don't want to, or can't afford to run OB services in many rural areas. And, you know, some of these closures are obviously due to rural hospitals closing, but it's a much bigger issue in OB services. Another interesting point that I saw is that about abortion. So Dems who have been pushing abortion care in rural areas have been coming up against some pretty serious political pushback because they're pushing for abortion services in areas that don't even have maternal care or OB services. So, I mean, honestly, you just can't win these days. So I'll say you know, I don't know. What we really do about this outside of what Dave just talked about is happening in the innovation world. There's so many angles that my comments won't entirely address, but one big win would be to utilize telehealth and home services, to monitor and identify issues and help triage to prevent these urgent issues that put women and babies at risk and their companies doing this. Today in rural settings, you have Wildflower Health with their digital, you know, solution focusing mostly on rural Medicaid, the VO group trying to use remote monitoring technology focused on prenatal care, baby scripts, doing this in rural and urban environments with virtual maternity care. And in the urban settings, you know, mavens doing this for Medicaid and underserved and commercial population. And it's on demand chat video around fertility, pregnancy, birth planning, mental health, lactation coaching, even extending into pediatric services, which I think is a huge win. Very sticky. And, you know, med arrive in partnership with UMA Health provides telehealth and in-home in urban areas. So you're seeing these non birthing services grow up to really help be more preventative. And there's so many efforts but you know, this still doesn't solve the problem of delivery. It's a tough nut to crack.

Burda:
Yeah the answer is, at least in part, more health when healthcare isn't available. Thanks, Julie. Dave, any questions for Julie?

Johnson:
Oh, yeah. And what a great answer. And Julie, I wanna pick up on the innovation theme a little and kind of direct you more into birthing, so midwives and, and doulas and, and that yeah. That part of the marketplace. Does this decline in hospital OB create the opportunity to reimagine birthing in America to expand the use of midwives and doulas to both improve the overall experience and deliver better outcomes while dramatically cutting the cost? Obviously we'll still need hospital and inpatient care for high risk deliveries, but isn't there a better way?

Murchinson:
Absolutely. And today, Dave, yeah. Births outside the hospital setting, make up less than 2% of US births.

Johnson:
Yeah. Crazy.

Murchinson:
It's crazy. That really surprised me, honestly. And, you know, there are companies focused on birthing quilted health, which was just a acquired by MultiCare, which says to me that Quilted

actually couldn't scale this model, which is a, a strong indication that we are broken in a couple other ways, but they're focused on making midwifery services available to really expand the ability for midwives to deliver in non-hospital settings. ULA Health does something, you know, very similar, but, you know, one of the key questions is how are we paying for births? And also, by the way, like the regulatory hurdles for non-hospital births, I mean, these are, these are the unlocks. Seriously. Some states, you know, have pretty restrictive regulations on the midwifery practice and freestanding birth centers, which really limits, you know, the alternatives. Some health insurance providers and employers are on the flip side though, starting to cover doula services, which isn't exactly the same, but, you know, Walmart started to cover or offer doula services to many of its employees in states where it can do that. And some blues plans, Aetna, Cigna, United often provide coverage for midwifery care. So you're, you're seeing employers and plans try to really extend this. The problem comes back to out of, you know, coverage for out of hospital birth centers and home births in certain areas. So, I don't know, like we, we need to be focused on the reimbursement and we need to be focused on the letter of the law. And, you know, I suspect we have some pretty significant physician association enthusiasm for hospital births, <laugh>. So we're gonna have to unravel some of that to really make this successful. But between the health solutions I talked about earlier, Dave, and this kind of non-physician access of midwives and doulas, we could do something great in this country. And I see the nuggets of how it's coming together. But we need do a little work, that's for sure.

Burda:
Yeah. I think history tells us it was doctors, right, who pooh-pooh'd deliveries by non-doctors, and that's made it so difficult for other settings in practitioners. So thanks, Julie.

Johnson:
What a surprise. Doctors.

Burda:
Yeah. What a surprise. Thanks Julie, and thanks Dave. Okay, 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:
Well, because we are, you know, in confirmation hearing season and RFK is is up, I, if you haven't watched the Caroline Kennedy video of her reading the letter that she wrote to the Senate about effectively how unqualified and, you know, fairly horrendous RFK is from her long lasting family knowledge, I urge you to go watch the video.

Burda:
I think you could make a movie out of that letter.

Murchinson:
Yes.

Burda:

Start to end. Yeah. Pretty horrific. <Laugh>. Dave, what other news is worth mentioning?

Johnson:
Well, I'm, I'm gonna get out of Washington, DC and, and go to DAVOS. Last week the Edelman Trust barometer released at the annual DAVOS Conference and listened to this quote from it. And now this is a global trust survey, so it's not just the US but said 61% globally have a moderate or high sense of grievance, which is defined by a belief that government and business make their lives harder and serve interests and wealthy people benefit unfairly from the system. And it's not hard to go from those findings to the conclusion that widespread grievance erodes trust in all four categories that Edelman measures business, government, NGOs, and media. And you know until we address these trust issues I'm not sure we can make a lot of progress.

Burda:
Good point. Thanks Dave. And thanks, Julie. 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@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.