

**June 7, 2021:**

# **A Day of Promise and Peril for U.S. Healthcare**

**Market Corner Commentary  
June 10, 2021**

**By David W. Johnson**



Mark June 7, 2021 as both an auspicious and infamous date in the annals of American healthcare. On this day, two revolutionary health companies, [OneMedical](#) and [Iora Health](#), announced their intention to combine operations in pursuit of human-centered, tech-powered healthcare across all stages of human life. Growth, customer engagement, improved health and value are sure to follow.

Also on this day, the Food and Drug Administration (F.D.A.) announced accelerated approval for Biogen's Aduhelm, a new, risky and extremely expensive Alzheimer's drug with scant evidence of efficacy. Disappointment, profiteering, copycatting and monumental waste will follow as surely as night follows day.

In his 1944 masterpiece *Children of Light and Children of Darkness*, Theologian Reinhold Niebuhr made this prescient [observation](#) about democracy and humanity's capacity for both good and evil,

***Man's capacity for justice makes democracy possible.  
Man's inclination toward injustice makes democracy necessary.***

I applied Niebuhr's logic and phrasing to healthcare in the introduction to [The Customer Revolution in Healthcare](#) as follows,

***Healthcare's capacity for innovation makes value possible.***

***Healthcare's proclivity for waste makes value necessary.***

Never have healthcare's light and darkness been so concurrently on display as they were on June 7th. OneMedical's acquisition of Iora creates an expansive, scalable, member-centered health services company that delivers better outcomes and lower costs with better consumer and caregiver experience. Their innovations, cultures and business orientation make healthcare better.

Biogen's ability to use political maneuvering to pressure the F.D.A. into approving Aduhelm exemplifies how the Healthcare Industrial Complex™ wreaks havoc on American society. Aduhelm will make billions for Biogen's shareholders while peddling false hope, wasting vital resources and establishing precedent for premature drug approvals. This is just the latest example of how a self-dealing Healthcare Industrial Complex oppresses the American people and causes grievous harm.

Given the crass opportunism embodied by the F.D.A.'s decision to approve Aduhelm, it's difficult to avoid becoming cynical. All is not lost. The OneMedical-Iora combination offers real hope for a brighter healthcare future. Let's explore their enticing value proposition before returning to healthcare's darker side.



## REVOLUTIONARY HEALTHCARE AVAILABLE TO ALL

A joke I like asks “What English Majors are good for?” The surprising answer is “Wait and see!” I can’t wait to see the magic that OneMedical and lora will create together. I know each company well, believe in their customer-centric business models and greatly admire their CEOs, OneMedical’s Amir Rubin and lora’s Rushika Fernandopulle.

I’m a OneMedical member and even featured them in the 4sight Health song “My Digital Front Door,” a parody of Credence Clearwater Revival’s “Looking Out My Front Door.” As UCLA’s COO, Stanford’s CEO and Optum’s EVP, Amir always wore suits. Now, As CEO and Board Chair of a cutting-edge, tech-heavy services company, he sports a jeans-black-t-shirt-sneakers look as OneMedical “disrupts healthcare from inside the ecosystem.” Who says healthcare executives can’t change their stripes?

I honored Rushika in my first book, *Market vs. Medicine* as one of an elite eight “Healthcare Rebels with a Cause” and made a short video last year to celebrate lora’s tenth anniversary. Rushika’s affable demeanor belies an incisive mind and absolute commitment to “restoring humanity to healthcare.” He launched lora to disrupt healthcare in the same way Southwest Airlines has disrupted the airline industry — by offering higher value services. Through lots of ups and downs, lora always delivers holistic, person-centric care that emphasizes well-being.

OneMedical and lora share many cultural, organizational and business model features. Started ten years ago, both companies

align their service offerings with member needs to drive better health outcomes. Each relies heavily on per-member-per-month revenues, a salaried staff and purpose-built technology to build trusted, long-term relationships with their members. They succeed by advancing health, not by churning healthcare transactions.

With their high-touch, high-tech platforms, both OneMedical and lora engage their members deeply and regularly. Each company has a 5-to-1 ratio of virtual “touches” to in-person meetings. That’s incredible. Exceptional member engagement drives high net promoter scores. It enables more effective chronic disease management, results in many fewer acute interventions and generates superior health status metrics.

Once the transaction closes, the expanded OneMedical will operate in 28 markets with a combined population of 120 million people. That’s 40% of the U.S. population. Its offerings will cover all age groups. The company is poised for aggressive growth at high performance levels, particularly in fast-growing Medicare Advantage. The reconfigured company is well positioned to accept financial risk for managing the care of distinct populations but can operate successfully with fee-for-service as well as capitated payment models.

How will OneMedical and lora coming together transform healthcare for the better? Let’s wait and see!

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## “CRAPPY” DRUGS ARE US

Harvard healthcare economist Amitabh Chandra refers to high-cost drugs that offer little or no benefit to patients as “crappy” drugs. That’s Amitabh’s colloquial description for drugs that create negative economic value. Aduhelm certainly qualifies as “crappy” given its staggering price tag and questionable efficacy.

Alzheimer’s is a devastating and growing disease that afflicts [six million Americans and 30 million people worldwide](#). Aduhelm is the first new Alzheimer’s drug since 2003 and the first to target the amyloid plaques that clog the brains of Alzheimer’s patients.

It’s unclear that reducing amyloid plaques can slow the onset of dementia. Despite this uncertainty and desperate for new treatments, Alzheimer’s patient advocacy groups lobbied the F.D.A. heavily to approve Aduhelm for immediate use.

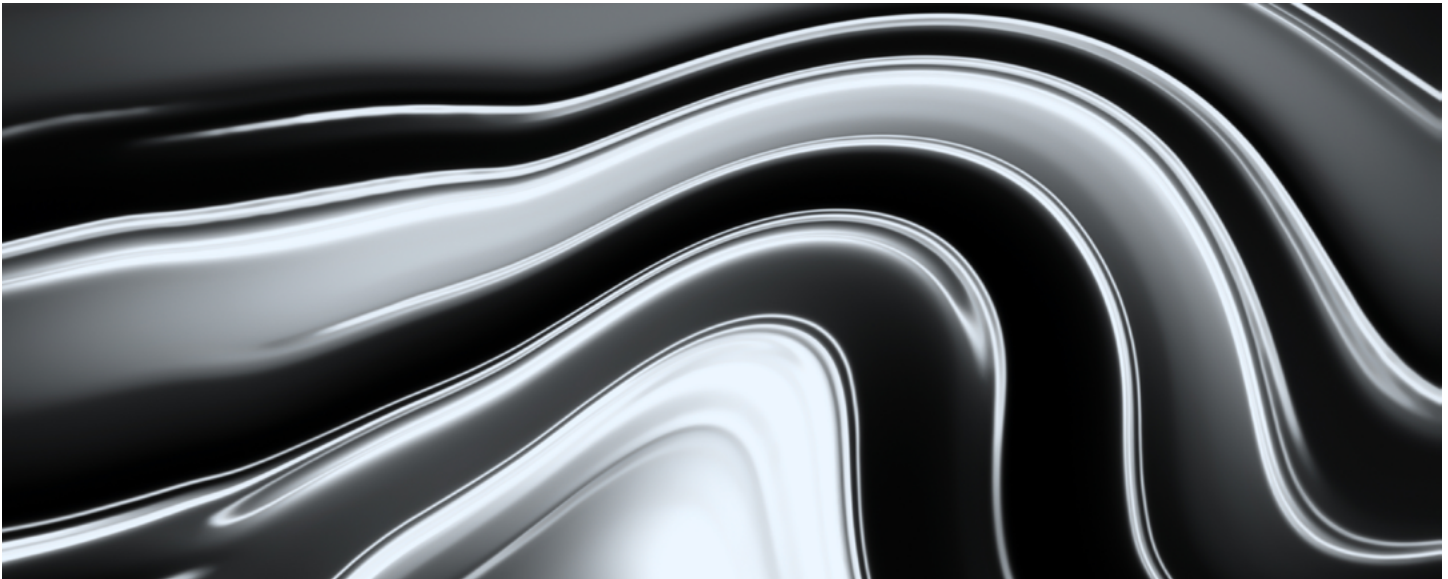
That approval was controversial and came despite limited drug trials, conflicting evidence of efficacy, a negative recommendation from the F.D.A.’s independent advisory committee, its monstrous price tag and dangerous side effects. Biogen’s stock jumped 38% on news of the F.D.A.’s approval.

Biogen has set the annual price for patients receiving Aduhelm at \$56,000. Forty percent of patients in Phase 3 trials experienced brain swelling and bleeding, necessitating ongoing monitoring for those receiving the drug. Consequently, there will be tens of thousands of more dollars spent per patient for diagnostic tests and brain scans.

Aduhelm requires monthly infusions for the remaining life of Alzheimer’s patients. Given this treatment protocol, Medicare Part B will cover the lion’s share of the new drug’s cost. Medicare Part B pays physicians [six percent of the drug’s average sales price](#) for administering infusion drugs.

Easy money stimulates economic activity. Infusion payments, along with additional payments for diagnostic procedures, will create a windfall for physicians prescribing Aduhelm. This, along with intense patient demand, will speed the drug’s entry into the marketplace.

Unfortunately, Aduhelm’s approval will likely make it more difficult to conduct trials for new Alzheimer’s drugs as well as



F.D.A.-mandated, post-approval trials for Aduhelm. The slow onset of dementia in Alzheimer's patients makes recruiting trial participants and assessing efficacy difficult under the best of circumstances.

With its widespread availability, many Alzheimer's patients will be reluctant to forego receiving Aduhelm in order to enter a new drug trial where 50% of participants receive placebos. Dr. G. Caleb Alexander, a member of the F.D.A. advisory committee, [makes this point](#) using animal metaphors,

***Once the product is approved, the cat's out of the bag, the horse is out of the barn. There's no way to recover the opportunity to understand whether or not the product really works in the post-approval setting.***

Aduhelm's accelerated approval use by the F.D.A. creates a nightmare scenario for U.S. healthcare. Medicare will need to

fund the drug's enormous lifetime treatment costs for millions of people despite Aduhelm's questionable efficacy, serious side effects and potential to retard further research into future Alzheimer's treatments.

In gaining this approval, Biogen has played the F.D.A. like a Stratovarius by maximizing political pressure to gain a favorable outcome. Its gargantuan payday comes at the expense of American society, the F.D.A.'s integrity and the future effectiveness of medical research. Other Big Pharma companies will certainly follow Biogen's playbook.

Count Aduhelm's approval as a decisive win for the Healthcare Industrial Complex. Its card-carrying members are celebrating this week while America weeps.

## PLUNDER OR PROGRESS

President Dwight D. Eisenhower's 1961 "Farewell Address" is best known for originating the term "Military Industrial Complex" and Eisenhower's prophetic warning regarding the grave threat it posed to American liberties. Near the end of his speech, Eisenhower also make another prophetic warning about the risks of profligate government spending,

***As we peer into society's future, we-you and I, and our government-must avoid the impulse to live only for today, plundering, for our own ease and convenience, the precious resources of tomorrow. We cannot mortgage the material assets of our grandchildren without risking the loss also of their political and spiritual heritage. We want democracy to survive for all generations to come, not to become the insolvent phantom of tomorrow.***

The moral force of Eisenhower's warning rings through the decades. Plundering the U.S. Treasury today for an elusive Alzheimer's cure means weakening the country's wherewithal to support future generations. It makes Eisenhower's goal of "human betterment" more difficult to achieve.

That's not the case for the OneMedical-lora combination. The expanded company will be a force for greater value in healthcare delivery and increased well-being. They are modern-day revolutionaries delivering kinder, smarter, affordable care. They deserve our abundant praise and our support. Their fight is our fight.

## AUTHORS



**David Johnson** is the CEO of 4sight Health, a thought leadership and advisory company working at the intersection of strategy, economics, innovation and capital formation. Dave wakes up every morning trying to fix America's broken healthcare system. Prior to founding 4sight Health in 2014, Dave had a long and successful career in healthcare investment banking. He is a graduate of Colgate University and earned a Masters in Public Policy from Harvard Kennedy School. Employing his knowledge and experience in health policy, economics, statistics, behavioral finance, disruptive innovation, organizational change and complexity theory, Dave writes and speaks on pro-market healthcare reform. His first book ***Market vs. Medicine: America's Epic Fight for Better, Affordable Healthcare***, and his second book, ***The Customer Revolution in Healthcare: Delivering Kinder, Smarter, Affordable Care for All*** (McGraw-Hill 2019), are available for purchase on [www.4sighthealth.com](http://www.4sighthealth.com).