[Music by C. Ezra Lange]

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, September 21st. Well, we pulled out our Halloween decorations this week and we'll be putting them up this weekend and from the looks of my neighborhood, we're still going to be about a week behind.

I mean, seriously, where do people store this stuff? Where do you put a 12 foot plastic spider on a web in a hall closet? Another thing that puzzles me each fall is the US Census Bureau's annual reports on household income, poverty, and health insurance. I usually just focus on the health insurance part because that's what I know about, but clearly income and poverty have a direct impact on the affordability of medical care and health outcomes, and that's what we're going to talk about on today's show with Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson, Partner at Transformation Capital. Hi, Dave. Hi, Julie. How are you guys doing this morning, Dave?

Median household income dropped 2.3% to $74,580 last year compared to 2021. The biggest drops in terms of percentage were for white non-Hispanics seniors, people living in the Midwest, people living in rural areas, and people with a high school diploma who didn't go to college. The percentage of people living in poverty jumped to 12.4% last year from 7.8% in 2021 using the bureau's supplemental poverty measure. That measure adjusts the official poverty measure by accounting for various government assistance programs, geographic variations and expenses and other variables, including medical expenses. One of the biggest jumps was for children under the age of 18, that percentage rose to 12.4% in 2022 from just 5.2% in 2021, and the uninsured rate dipped to 7.9% or about 25.9 million people last year from 8.3% or about 27.2 million people. In 2021, the uninsured rate dropped across all age groups except those 18 or younger. That rose to 5.4% last year from 5% in 2021. There you have it.

Well, I'm great. This is a birthday podcast for me. If I could, I'd queue up Earth, Wind and Fire's "September." *Do you remember the 21st night of September? Love was changing the mind of pretenders, while chasing the clouds, away*. I think that is the greatest dance song of all time.

It even has its own Wikipedia page, so happy birthday to me.

David Burda:

Happy birthday, Dave.

Julie Murchinson:

Happy birthday. Dave,

David Burda:

How old are you? I'm old enough, Dave.

David Burda:

Okay. Good answer. Julie, how are you?

Julie Murchinson:

I'm doing well. I'm in your fine city of Chicago while you guys are not, and yeah, no birthday, but I do love that song, Dave. It's a good one.

David W. Johnson:

Yeah, it's, it really is. Now, before we talk about the Census Bureau figures, I wanted to get a status report on your Halloween decoration plans. Dave, are you putting up any Halloween or fall decorations this year and what's the scariest thing you're going to put up?

David W. Johnson:

Well, no Halloween decorations yet. We'll see. I think I just scared everyone enough with my singing. Julie, how about you? How are you going to scare your neighbors this year?

Julie Murchinson:

Well, we are down the end of a very dark block, so I can't say we get a lot of trick or treaters, but I always put out, anyway, my favorite, the witches boots and the hands that you stick into the ground and it looks like she's taken a dive into your garden. Loves those. So that's my, that's my go-to.

David Burda:

Yeah, that's pretty spooky for us. It looks like we're going more fall and Halloween this year with small hay bales and pumpkins. I still might do a fake grave with stolen classified government documents, so I've got two bags of potting soil left, so I think I can make it work. We'll see, my conservative neighbor will just love that.

Okay. Let's talk about what we love and what we don't love about these new Census Bureau reports. Let me give you the top line findings from each report and you tell me what they mean for healthcare. Here it goes. Dave, what jumps out at you most from these numbers, good or bad, or any other numbers in the reports taken as a whole? What do they say about how well healthcare policy is working and what one policy change would you make to make these numbers better?

David W. Johnson:

Well, I'm going to get a little wonky on you, Dave, and discuss differences between real and nominal income. You mentioned that real income was down 2.3%, and that's true Nominal median income, however, was actually up 5.4% in 2022 from 2021, rising from $70,784 to $74,580. That's actually a fairly big jump by historical standards. Here's the rub. CPI or inflation was up 7.8%, so median household income would've needed to be $76,330, 1,750 higher than it was to offset the effects of inflation. So nominal income was up quite a bit, but wasn't up enough to catch up

So why am I belaboring this? Despite the higher inflation, the real cost of commercial health insurance policies as measured by our very own affordability index actually declined in 2022 from 2021 from 31.4% to 30.1%. We're actually back to 2011 level ratios. How about that? The affordability index measures the relationship between the cost of a commercial family health insurance policy as a percentage of median household income.

Kaiser Family Foundation provides the annual cost of a health insurance policy, and the Census Bureau provides median household income. So while the cost of everything else is going up, the cost of commercial health insurance is going down on a relative basis is still way too high, but it is trending downward. And this analysis dovetails with the broader trend I've observed that US healthcare spending expenditures hit an inflection point in and around 2010, 2011, and have basically plateaued since then.

Absent the COVID funding, for example, healthcare as a percentage of the overall economy, it's percentage of GDP has largely plateaued at around 17.5% since 2011. And it's my very strong opinion that the cupboard has run dry. And despite what CMS says and is forecasting, we are not going to go to

20% of GDP by 2030 for healthcare spending. So the upshot of all this is scarcity has become a forcing function in healthcare in a way I've never seen it in my career. It's everywhere. Costs have to come down, efficiency has to improve. So big picture American society writ large is repatriating. Some of its lost wealth that it's given to healthcare over the decades. Still a long way to go.

I've been playing around with this concept that I call up Four C: universal primary, prenatal, postnatal, and palliative care. I think we should make that broadly available. We should figure out between government and commercial sources, how to fund it, even overfund it, and the logical result of that will be lower costs, and that's important. But even more importantly, we'd improve the health status broadly of the American people, particularly those in low income communities. Let's get it done, Dave. I'm on board. Thank you. Julie. Any questions for Dave?

Okay, Dave, with the Up Four C, what's one thing you would really do to make change?

David W. Johnson:

Well, the one thing I would really do of the four, I mean I think we should do all four, but I am just appalled that Medicaid now funds almost half of the births in this country, and we do a horrible job as a nation on prenatal and postnatal care. And even if you don't really care about equity and treating people fairly, 50% of the babies is our future workforce. So 15, 20 years from now, 25 years from now, if we don't start doing a better job of preparing babies and their mothers for those very important first years of life, we're going to pay an enormous price as a country.

Let's take care of the minds and babies. Yeah, exactly. Okay, Julie, it is your turn. What numbers jump out at you, good or bad? From the reports? What do they tell you about how well the healthcare market is functioning and what one market change would you do to make these numbers better?

I want to give you a couple anecdotes of if you can imagine how this is impacting everybody, certainly how we're thinking about underserved markets, rural markets, underserved populations in urban markets, and couple examples come from conversations I've had this week at Oliver Wyman. One, I talked to a health system in Idaho actually, that is growing, very proud of growing, and said, every time they open a new facility, they have a 200 day wait list, to which I immediately asked, huh, well that's interesting. Why do you open if you have a 200 day wait list? Is that really an access issue? Are you opening without enough providers? What's happening there? And as we get down deeper into the discussion, I get the answer back, but no, no, it's really, we have enough providers and it all works itself out in the end, but there's just such a rush for our brand. We don't really have the mechanisms to be able to distribute visits to the right providers for the right patients, et cetera. And I thought to myself, well, I have a couple solutions to share with you.

David Burda:

Basic small business economics, right? Be open when people want to buy something. Okay, I'm sorry. Yeah, go ahead.

We're seeing all sorts of examples of staffing and workforce solutions, a lot of requests for virtual nursing, virtual, I've talked about Joanne Strober, who's sort of MIDI before, who's wrapping a service around OB GYNs in those areas where women, getting back to women and children, Dave, women of all payer segments are sitting on wait list for OB GYNs in these states. There's just purely not enough capacity. So when someone midi comes and wraps a service around an OBGYN that allows them to just go back and deliver babies and do what they need to do in their core and shift some of the other work for women who are over 40 off the OB gyn to other sets of physicians who can deal with those issues, it's a perfect marriage. So there's crushing capacity issues that we're seeing all sorts of market responses to opportunity. Next, and we'll see if somebody answers. Thanks, Julie. Dave, any questions for Julie?

Warren Buffett's longtime partner, Charlie Munger, believes there's a direct correlation between incentives and outcomes. He frequently says, show me an incentive and I'll show you the outcome. He also says, if you have a dumb incentive system, you'll get a dumb outcome. Do you agree with Charlie? If you do, and I think he will, can you give us an example of both a smart and a dumb healthcare incentive along with the outcomes they generate?

Julie Murchinson:

Incentives are tough. Dave and near and dear to my heart, of course, are quality improvement incentives with IDIs, with the STARS program, and all of these incentives are truly based on evidence and the evidence base has to start somewhere. So we have seen a massive amount of investment on behalf of health plans and others to demonstrate that they can meet these incentives and to figure out the reporting and make that happen. And there are a number of people who will say to me everywhere I go, well, those are not truly quality incentives. Those are just process incentives. And I think to myself, but you need to start somewhere. You need to create a foundation, you need to build a base, and then you need to move the market. And when you look at what's happening in the market now you're seeing more pressure on that. Stars and HEDIS are placing on these measures to push them to make them harder. So it doesn't really exactly answer your question about smart and dumb incentives, but sometimes the dumb incentives are there for a reason.

Hopefully we'll get there. Thanks, Julie. Now, I did a little research. I know that's shocking to the show, but the 7.9% uninsured rate is the same rate that it was in 2017. So five years and nothing really to show for. So I don't think we take universal coverage that seriously because most of us have insurance. It's just not a priority.

Thank you, Dave, and thank you, Julie. Now let's briefly talk about other news that happened this week. It wasn't all bad, was it

Dave, what else should we know about?

David W. Johnson:

I attended and was actually on stage at the first ever Nashville Healthcare Sessions conference produced by the Nashville Healthcare Council this week, Dave and Julie, your friend Julie Yu, gave a very thought provoking presentation on AI and its impact in healthcare. And she observed that while other industries are suffering from a sunk cost bias with regard to technology investment, because it's been coming so fast and furiously healthcare because it has lagged in implementing technological advances, has the potential to leapfrog other industries in implementing AI because it doesn't have the sunk cost bias. And it actually has the rudimentary underpinnings of a regulatory framework for overseeing how we use AI tools in healthcare. Boy, I hope she's right.

David Burda:

Dragged our feet so long, we might end up being ahead. Julie, anything else worth a mention today? Thanks Julie. Thank you, Dave. 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. And don't forget to tell a friend about the 4sight Health Roundup podcast. Subscribe now and don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.

[Music by C. Ezra Lange]