4sight Health Roundup

Podcast Transcript

Thursday, October 19, 2023

[Music by C Ezra Lange]

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, October 19th. Monday was national boss's day. That was a landmine just waiting for you to step on if you gave your boss a gift and no one else did. You looked bad if you didn't give your boss a gift and everyone else did, you looked bad. There's no return on investment either way. Maybe the best strategy was to call in sick is there were return on investment and value-based reimbursement models. There's your segue in case you missed it, the Congressional Budget Office issued a report that attempts to answer that question, and that's what we're going to talk about on today's show, the ROI of VBC to answer that question. For our growing audience of healthcare revolutionaries are Dave Johnson, founder and CEO, 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi Julie. How are you guys doing this morning, Dave?

David W. Johnson:

I'm still basking in the afterglow of this year's remarkable Chicago Marathon World Record in the men's race. Kevin Kimpton ran two hours and 35 seconds, just shattered the previous record, and we also had the second fastest woman's marathon time in history, two hours, 13 minutes, 44 seconds. It goes by either end of my street and I couldn't have been happier riveted to the TV screen for the finish.

David Burda: No, sorry, I missed it, Dave. Julie. How are you?

Julie Murchinson:

Well, well, but I'm in the middle of a graduate school, WhatsApp disaster as 500 of us try to debate what's going on in Israel over WhatsApp text, which is turning out to not be a good idea on anyone's part. And seeing some friends in New York this week who, what's happening over there is just, it's crazy. Took my kids to nine 11 world this weekend and I tried to explain to them how what's happening in Israel is like they're nine 11. It's intense here, that's for sure.

David Burda: Scary times. Now before we talk about this new CBO report, let's talk about National Bosses Day. Dave, when you worked in Corporate America, was that a thing? National Bosses Day? Did anyone ever take it seriously?

David W. Johnson:

There was a lot of sucking up, but nothing on National Boss's Day. Never was a big thing for me. Still isn't. I've got the worst boss — myself — I've ever had. Constantly on my butt to do more.

David Burda:

Thanks Dave. Julie, did you ever give or receive anything on National Boss's Day?

Julie Murchinson:

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It's funny. I didn't really even realize it was a thing until one day, a few years ago at Health Evolution. My team surprised me with amazing Cupcakes for National Boss's Day. And I thought to myself, wow, that's a thing. So no,

David Burda:

Well, you're doing something right. That's great. I never gave or received anything on National boss's day, but I did witness some over the top gift giving by salespeople when it was the publisher's birthday, the publisher decided who got what accounts and territories assigned to the sales staff. Those assignments decided their potential income for the year. One salesperson gave the publisher two birthday cards at one office party and it caused quite a stir because no one else had thought to do that. It was out of the box thinking and the publisher noticed she got quite a return on our investment for spending a few extra bucks on a second card. I mean, it was brilliant. And that was more than 30 years ago, and I remember it to this day, and that's why I'm not in sales.

Okay. Let's talk about this new CBO report. The CBO looked at the budgetary impact of the work of CM S'S Center for Medicare and Medicaid Innovation, or CMMI. The CBO looked at the first 10 years of CMMIs operations from 2011 through 2020 in the cost and savings of 49 different value-based care initiatives launched by CMMI over that time period. Here's what the CBO found. CMMI spent about 7.9 billion to launch operate those programs. The programs reduced Medicare spending by about $2.6 billion. That means CMMI raised Medicare spending by about 5.4 billion over its first 10 years. Things got a little better over the next 10 years from 2021 through 2030. The CBO projects that CMMI will spend $8.3 billion, it will save $7 billion and the net increase in Medicare spending will be just $1.3 billion.

Dave, what's your reaction to what the CBO said? How will the report affect CMMI's work moving forward? And if you can make one policy move, what would you do to up the ROI of what CMMI does?

David W. Johnson:

I'm not surprised at all by the CBOs reports findings. It's been known for quite a while that CMMI coming out of the box had way too many programs. They were too incremental in scope, too small in scale, too shortened duration, too complex, too lenient on providers. When Brad Smith was running CMMI, he did a review of the programs and discovered only five of them had a positive return and only one of them had a positive return at scale, which was the Maryland program. More on that in a second. And my guess is the societal cost overall was probably much higher. Just think about all the consultants and the conferences and everything else that people have attended to participate in these programs, evaluate them, apply, administer. So it's probably an even bigger negative.

And I got to say, many of these alternative pavement programs contained my favorite economic expression of all time, moral hazard, otherwise known as heads, eye win tails, you lose corollary upside only. So they were really only in it to win it. And I just wonder how hard many tried when doing this. But let's get back to Maryland. The CBO report doesn't include Maryland, and I have no idea why that is because Maryland in and of itself, the waiver signed under CMMI in 2015 and then renewed in 2019 or 2014, signed in 2014 and renewed in 2019 has saved at this 0.2 billion plus in counting. So I don't know if that's in the CBO number or not. If it's not in, I don't know why it's counted out. But that to me so far is clearly the biggest win that CMMI has had. They've also learned a lot of lessons along way what works

and what doesn't work. And clearly they're on record now as saying their programs need to be bigger, longer, simpler to understand, allow a lot less maneuvering when in them.

So let me deviate here for a second and tell you why what CMMI is trying to do is so hard and why we need to give them a little more time to figure it out. I've already told you my first favorite economic term moral hazard. I get to use my second one here, which is tragedy of the commons. For those of you don't know what that is, it's when individual behavior works against a broader societal purpose. So if you've got a free grazing field and individual farmers overuse it to the point where it can't be used anymore, that's what's known as a tragedy of the commons where individual behaviors trump and overwhelm the public good. Well, healthcare's got a very unique version of this. Payers and providers both say they really want to do more care management, they want to invest more in population health.

They understand the importance of social determinants of health, healthy multipliers as I like to call them. And yet they don't invest it anywhere near the amount they should given the potential for these programs to drive better health outcomes at lower costs. So why does that happen? Well, from the provider's perspective, they feel any investments they make in these types of programs that ultimately cut hospital admissions actually hurt them economically and benefit insurers. So they don't do it. The payers, the insurers look at their members who can change plans annually and say, well, if I make investments in their long-term health, they're just going to switch plans on me. So they don't do it either. So even though everyone agrees that we should have more of this type of ProHealth investment, it doesn't happen because of this kind of quirky tragedy of the commons problem. So what CMMI needs to do is to create payment programs that are long enough and strong enough that they align ultimately both the payers and the providers incentives to invest in ProHealth policies.

I'm intrigued by the initiative that CMMI just announced. The ahead program. It's got some ridiculous acronym associated with it, but it's basically an attempt to try to expand the success of Maryland to as many as eight other states. So all payer global budgets focus on primary care, focus on population health metrics, focus on equity, and it's way too early to tell, but that is the type of program, if it gets a big uptake, that could dramatically change the payment payment model and deliver dramatically improved outcomes at lower cost.

It's a little bit like venture capital, which of course Julie is expert on. You just need a home run every once in a while to offset all the losses. So maybe the ahead program will be CMMIs home run. And you asked about upping ROI, Dave, what I do, I would do everything in my power to get some of the big pay-viders like in Intermountain and Utah to participate in this program, promise 'em the world, get 'em in, learn from 'em, and then try to replicate that in other states. And then one last point, those projections going forward that is going to lose a little bit of money over the next 10 years, don't take those to the bank. That's just more kind of dumb straight line forecasting in a dynamic market environment. So CBO take it for what it's worth, CMMI, keep trying. I think they're going to get there at some point.

David Burda:

Got a tragedy of the commons. I'm going to try to use that on my fishing trip when we try to catch fish out of an overfished lake,

David W. Johnson:

Right, exactly. It's the same

David Burda:

Principle, right?

David W. Johnson:

Exactly. Tragedy of the commons.

Thanks Dave. Julie, any questions for Dave?

Julie Murchinson:

Dave, you and I see this very similarly, and I saw something, I saw a couple things recently. One is earlier this year, Republicans are putting a lot of pressure on CMMI. And second years ago when the CBO O estimated that CMMI would save 34 billion over 10 years, a former CBO and Medicare official from the American Enterprise Institute came out and said that it was a total shot in the dark and it was an extrapolation from historical CMMI and not the future

CMMI, that no one at the time knew what the plan was going to be. So it makes it sound like any savings there were calculated off the Pioneer a c o program. And frankly, this is all basically trying to rewrite history. Is that what's happening here? Are people coming down on them for political reasons that really aren't based in true fact?

David W. Johnson:

What's the old Mark Twain line that figures lie and liars figure? I think there's definitely some political shenanigans going on. I'm not sure where that 2016 projection came from. Julie, I'm going to speculate here in a second, which I'm very comfortable doing. But the original projected savings for that 10 year period of time from passage and enactment in 2011 or 2010 to 2020 was for $2.8 billion. Obviously they didn't save money. So I don't know how you get a number like 35 billion in their five years later when they're really just off and running. They like to say the CBO is a non-political organization, but 2016 was a strange year, right? Trump was elected. So that was Obama's last year. The Cubs won the World Series and now you got this wacko CBO forecast and you do have to wonder if the pressure, you remember in 2016 the pressure to outlaw Obamacare by the Republican Congress, which actually almost happened, but for John McCain. So it wouldn't surprise me if the Obama allies in Congress somehow trumped up this number and said, no, you got to hang with us. We're going to save tens of billions of dollars. I have no idea whether that's true, but it sort of tracks with what your aei friend is telling you. And certainly that individual would probably be of a political mindset to believe that those kinds of shenanigans are going on. So figures lie and liars figure.

David W. Johnson:

Numbers. Thanks Dave. Julie, what's your reaction to what the CBO reports said?

David Burda:

Is

David W. Johnson:

This the right way to measure the performance of CMMI and will this somehow

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Impact how investors measure the

David W. Johnson:

ROI of the companies they invest in?

Julie Murchinson:

Well, first I'm with Dave. They're not measuring everything into this number. The Medicare Shared Savings Program wasn't measured into the savings, and that's arguably was informed by CMMI activities and accounted for a lot of savings. So when you're not going to play with all the numbers that CMMI has impacted, you're going to get a different read. And I think that's a lot of what's happening here.

To me, like the CBO does not have enough healthcare death or it's just not following the money all the way through the system because it said that it didn't realize that the CMMI models would contradict within health systems creating conflicts for providers as well as payment policy changes. So really, I mean transforming

David Burda:

Industry. Yeah, it's kind of the point, right? That's the point. That's exactly

Julie Murchinson:

The point.

David Burda:

Yeah.

Julie Murchinson:

So that's one of the three things that CBO O didn't realize we're in trouble. They're not quite analyzing this to its fullest extent, but I thought Liz Fowler was pretty eloquent when she talked about this is the first 10 years of testing and learning and we've laid a strong foundation for innovation all to support now where they're headed with broader, more equitable health system transformation. And that each model that's been tested has yield some sort of important policy or operational insight, which is helping them further target, target, where are the costs and where's the quality to be had? And they're learning a ton. And as many of us working to transform this industry know we're undergoing a massive tectonic shift in market incentives and payment approaches. And CMMI is key in the design, but C M S and Congress, frankly are critical to making the payment reform happen.

And I think that's the missing one of the missing pieces here that's not really being talked about. It's a long-term game and I'm with Dave CMMI should be acknowledging wins and additional discovery along the way and redefining where savings lie and stones that need to be unturned and where the larger hurdles are and where there's more opportunity. And it reminds me of Rashuka Fernandopulle, the founder of IRA, that one medical acquired, and he once said to me years ago, he said, we've just got really change the timeframe we're dealing with. Everyone needs to change expectations. This stuff is

hard and it's complicated and it takes time and Rubik is right. So I don't know, will investors stop investing? No. Investors will invest anywhere where there's money to be made, whether in good to transform the industry like we believe in or in things that just make money like other investors believe in. And until CMS decides that it's going to move in a stronger direction towards fee for value, investors are going to continue to invest in the private markets in one way or the other as long as there's money there. So they need to be really cognizant of how much money now is being put to work in healthcare and how to play a role in making sure that they're putting the right incentives in place and make that money worthwhile.

David W. Johnson:

Got it. Thanks Julie. Dave, any questions for Julie?

Our late great friend Gary Bisbee, said the best advice his minister father ever gave him was, “Don't let the bastards get you down, Gary.” I can't tell you how many times he said that. Interesting advice from Gary's father, a man of the cloth. So Julie, what does CMMI need to do to not let those CBO bastards get them down the next time they audit CMMIs performance?

Julie Murchinson:

Well, they need to be, the government does not typically submit what I would call a change order form, right? You don't see Brad Smith or Adam Bowler or Liz Fowler in the CBOs office saying, oh, just wanted to check in and let you know this is a new year and this is where we think the estimates are. I don't know that that's how it works or doesn't, but my guess is it doesn't work that way. So CMMI really, as I said before, Dave, I think should be claiming wins, shouting from the hills about where some should be focused and continuing to make that tinkering known so that it's not caught with its pants down trying to prove numbers that are just not achievable.

David Burda:

Yeah, I think they've been pretty transparent and you have to give 'em credit for all the pivoting they do on different programs. So yeah, I think their heart is in the right place and I get investing for the future, but I do think 20 years is a long time to wait for your return. So in this case, I do think the market, like you said, Julie can do a better job of saving healthcare dollars than the federal government.

Thank you Dave, and thank you, Julie. Now let's briefly talk about other news that happened this week. Wasn't all bad, was it Julie? What else happened that we should be talking about?

Julie Murchinson:

Well, I have two Ws this week. Not necessarily for wins, but some of you may have seen that Tim Wentworth was named CEO of Walgreens after r Brewer was excused, and he comes to us from Express Scripts. So it was acquired by Cigna, big guy, been around for a long time. Not a retail guy, definitely a healthcare guy, but also a P B M guy. So it'll be interesting to watch how Walgreens works with that. Second is we have another healthcare I P O filed by Westar, which is Birkenstock just went out and was unfortunately for Birkenstock, whereas like me, a bit of a disappointment. So hopefully Westar is better.

David Burda:

Got it. Got it. We will definitely watch that. Dave, what else happened this week that's worth noting?

Well, I had a very interesting conversation with someone who was stuck in one of the Harvard teaching hospitals a couple of weeks ago with the most intense intestinal pain, abdominal pain you could imagine. Had five doctors look at him, tell him he didn't have an appendicitis, tried to send him home. They said it was just indigestion. And in the rare chance that it wasn't indigestion, it was a gallstone. So what does he do? He goes on Chat GPT puts in all his symptoms and it comes out that he's got a 40% chance of having a burst appendix, and just a 2% chance of a gallstone. And he knows it's not indigestion. So he stays in the hospital and ultimately demands that they do a CT scan, abdominal CT scan, and guess what? He had a burst appendix. If he'd gone home, he might've died. So the idea that these doctors can do diagnostics better than the machines, I think is just increasingly crazy. And if you need a big time economist to hold up a personal example, call him, he'll tell you chapter in verse. I mean, scary.

David Burda:

Wow, that's amazing. My symptom tracker would've killed him, right? Because mine says, you're fine, go to bed. So good for him.

Julie Murchinson:

You're a homegrown symptom tracker.

David Burda:

Yeah, homegrown. Yeah, no investors.

Julie Murchinson:

Right?

David Burda:

That's great. Thanks, David. Thanks, Julie. That is all the time we have for today

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.