

4sight Health Roundup

Podcast Transcript

Thursday, October 26, 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 26th. If you live where I live, it's tulip planting season. You heard me right, tulips, you put new bulbs in the ground and new tulips pop up in the spring in your tulip bed.

The problem is I can never remember where the old tulips are. I have a general idea, but nothing exact, so I won't win any awards for my tulip bed in the front yard. I guess you're supposed to dig up all your bulbs in the summer and then replant them all again in the fall, along with any new bulbs. I'd rather spend money on new bulbs, and I guess I'll be spending more money on health insurance premiums. That's according to the Kaiser Family Foundation's. Much anticipated and closely watched annual Employer Health Benefits Survey released last week. We're going to talk about the implications of the survey findings today with Dave Johnson, founder and CEO Foresight Health, and Julie Merchants and partner at Transformation Capital. Hi Dave. Hi Julie. How are you guys doing this morning, Dave?

Doing great. Dave raring to nerd out on the KFF survey, one of my favorites. And who says healthcare isn't fun?

David Burda:

That's the spirit. Julie, how are you?

Julie Murchinson:

Well, I spent the week between Boston and Dallas, which couldn't be two more different places, but I just had the most fun experience at lunch, dining by myself, listening to these two people from healthcare clearly in our business, trying to really decipher what do they do and who do they work for, and they're talking about a bunch of companies. I know. It's super fun and sleuthy

David Burda:

The dropping special. That's great. Thanks, Julie. Now, before we talk about the Kaiser survey, let's talk tulips. Dave, Have you ever gone to the Tulip Festival in Holland, Michigan? I know you like to go to Michigan, and do you have any tulips around your house?

David W. Johnson:

Well, we do go to right near Holland, but I've never been to the Tulip Festival. It's definitely on our list. I think it's a two week long celebration of tulips and everything else, Holland. But regarding tulips, we had a few at our old house and a squirrel or squirrels we think took to moving one of those to kept blooming in a different part of the garden each year. So Dave, if a squirrel can replace tulips, you can too.

David Burda:

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Yeah. For some reason that is just really funny to me. Right. It just pops up different places. That's great. Yeah,

David W. Johnson:

It was the same fricking tulip. It moved around the garden.

David Burda:

That's excellent. Thanks Dave. Julie, what's the tulip vibe in the Pacific Northwest? Is it a big deal there as it is here?

Julie Murchinson:

Well, this brown thumb does not deal with tulips, nor does really Seattle proper, but there is a place called Skagit Valley about, I don't know, 90 minutes north of Seattle that is Tulip Central and in the spring miles and miles and miles. So yes, of course they have a festival and it sounds amazing.

David Burda:

Thanks Julie. I actually have a special drill bit that drills holes in the ground specifically for tulips. That's how much I'm invested. Are you guys impressed?

Julie Murchinson:

Yes,

David W. Johnson:

Always.

David Burda:

I could hear it in your voice.

Okay. Let's talk about what impressed you from the Kaiser survey of more than 2000 non-federal, public, and private employers with three or more employees. Here are some of the top line findings. The average annual premium for family coverage rose 6.7% to \$23,968 this year compared with last year. Last year's increase was just 1.1%. The average annual premium for individual coverage rose 6.6% to \$8,435 this year compared with last year. Last year's increase was just 2.2%.

Two other things that grabbed headlines last week were coverage for abortion services and for gender affirming surgeries. Two very hot issues. Today, only 32% of large employers defined as companies with 200 or more employees covered abortion services in most or all circumstances, and only 29% of large employers covered gender affirming surgeries. Oddly, 40% of large employers said they didn't know if they covered abortion services. I think they just didn't want to answer the question, and 19% said they didn't know if they covered gender affirming surgeries. Anyways, let's talk premiums.

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Dave, what do you think of the premium increases? Is this a market correction of some kind and what do you expect next year and why?

David W. Johnson:

Well, Dave, those are three questions. Let me take them individually. So the first one, what do I think of the premium increases? My first reaction was they took my breath away a little bit. It was a big steep increase, almost 7%. But the more I thought about it, the less concerned I became. In many respects, this is a lagging indicator in the marketplace of what's been going on generally with inflation and workers' wages. In the report, they made a note saying that the five-year rates increase of 22% was almost consistent with inflation at 21% and workers' wages have gone up 27%. So in that context, this is sort of right in line with general inflation with maybe a little bit of uptick because workers comp is going up even higher than inflation. So you know that I pay a lot of attention to the relationship between this increase in premium inflation or the premium inflation and then what happens with median household income.

And that's our affordability index. And honestly, and this maybe gets us to your second question, is this a market correction of some kind or not? I actually think it's more of a market adjustment, and let me put it in even bigger context than the five-year rate that Kaiser Family Foundation put it in. I think healthcare expenditure overall a nation hit an inflection point somewhere in the neighborhood of 2010, 2011. And one of the primary indications of that is what's been happening with the year over year increases in commercial health insurance premiums as measured by the Kaiser Family Foundation. So from 1999 to 2010, the year over year rate of increase was 8.3% pretty high. And the affordability index, which measures that ratio between the cost of a health insurance policy for a family commercial health insurance policy for a family grew from 14% to just over 30%.

So it's very clear to see that the rate of increase in health insurance premiums was far greater than the rate of increase in terms of workers' compensation as measured by median household income and inflation. So healthcare was growing at much faster than the rate of inflation, which we all have known since 2011. The year over year increase, including the big jump this year has only been 3.63%, so less than half of it what it was prior to 2011. And so overall the industry is I think coming to terms with a new period of time where to the extent that premiums grow, they're going to grow in relationship to inflation or perhaps even less. Now, how much should we be about this particular jump because it is pretty big, but it does come on the heels of a very mediocre increase in 2022, so only up 1.1%.

And that was looking at it, that was a year when median household income was up 5.4%. So interestingly on this affordability index, as I said, it was just over 30% in 2010, 2011, and then it got up to 32%. But last year, which is the last year or this year, which is the last year we could calculate because median household income just came out last month, we were back down to 2010 levels for this median. So what do I think is going to happen going forward it's next year and why I doubt we will get premium increases that are greater than inflation. Inflation is running at 3.7% year over year through the end of September. So I think we're looking at a jump potentially in the 4% range or lower, and that will be a function of this greater inflection point that I mentioned. We are sort of holding firm at 2010 levels and growing with inflation as an industry.

And then there are so many things working against price inflation in the healthcare marketplace right now. The new transparency rules which are fueling an increase in narrow network purchasing the transparent model, which we talked about a few weeks ago, that's created this national independent competitive pricing marketplace that Glenn Tolman is pushing pretty hard, that's got Mark Cuban's Drug

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plus company as part of it. I think CEOs and CFOs have woken up to the issue of healthcare costs as something that's really affecting their profitability. So I don't see these health insurance premiums growing at greater than the rate of inflation going forward and maybe even growing less.

David Burda:

Got it. So big picture as the economy goes. So go health premiums. Julie, any questions for Dave?

Julie Murchinson:

So Dave, I guess I'm going to needle into something specific about where I think employers should really be focusing, which is on how do they actually drive value? And I noticed that nearly all employers offer telehealth services to one extent or another as part of health benefits. And 41% of companies with 50 or more workers said they believed telemedicine would have a very important role when it came to delivering behavioral health going forward, but said that it's only true for 27% of primary care and 16% of specialty care. And I found these numbers both encouraging and odd. Do you think employers get the role of telehealth in general and is this a potential lightning rod they can use to control their costs?

I think the answer lies just in how the services have unfolded. There's been such a scarcity of behavioral health providers that I think just in the marketplace in general, there's a much greater behavioral health usage of video consults. And to some extent that goes along with particularly individuals suffering from different types of anxiety disorders where it's hard for them to even go have an in-person visit.

I expect these numbers to keep going up. I mean, if the outcomes are better and the cost is less or as good or better and the cost is less, why wouldn't we move in that direction?

David Burda:

Got it. Thank you. Julie, what's your reaction to the results on abortion coverage and benefits for gender affirming surgeries? Are they what you expected and how can the market respond if those numbers don't change or may even drop next year?

First, let me get on my soapbox and say that this really gives us a questionable read on leadership of companies in our country. Years ago I planned a Health Evolution comm FB discussion on how leaders of healthcare organizations, CEOs choose to take a stand on issues that are not part of their core competency or part of their core business. And not surprisingly, corporate leaders find this very challenging with issues that are even remotely political. And of course, that's all we have today are remotely political issues. So I personally feel like we're seeing a failure of leaders to take a stand or I mean maybe frankly they are taking a stand with their inaction, but regardless, I consider it a tragedy.

So off the soapbox, I guess maybe second, the market is really responding, large employers are doing more. Some companies have added travel benefits for workers who can't access abortion services where they live. And although the press loves to use the 7% number from the study, and that 7% is from companies that are 200 and more employees. But once you get into companies that are 5,000 or more employees, you start to get up to 19%. So the scale players have to answer to a larger, more diverse employee population in ways that keep them productive and frankly keep them at work. We still have a workforce issue, and these scaled players can drive benefits, which will support innovators and provide virtual mail order and other services that support not only the acute abortion issues, but also the longer term, and some might say lifelong gender affirming community interests. Those who are seeking gender affirming care are about a lot more than just a surgery. This is a segment of the population that has been abused by providers and they're seeking a supportive primary care environment. And I'm very biased

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here. We are investors in a company called Plume, and it's interesting, as the largest healthcare provider for the trans and non-binary community, they've seen a steady increase in their member base. So it's not as a demand for services has really declined. It's actually driving membership growth. All this inaction, frankly,

And interestingly, their experiences as employers are increasingly reaching out to 'em do largely to all the anti-trans activity going on in Florida and Tennessee and the like and health plans. They're still significantly prioritizing health equity and abortion and gender affirming care are both issues that are pretty key in the health equity debates. So the challenge might be finding the right entry point or engagement on some of these issues with employers and plans.

David Burda:

Yeah, it's a basic recruitment and retention thing you would think for large companies, right? Good care is good business. Well, we'll see how one would think, one would think. Thanks, Julie. Dave, any questions for Julie?

Do you see commercial coverage for abortion services increasing during the coming years as corporations catch up with the American people?

Julie Murchinson:

Could that potato get any hotter?

David W. Johnson:

That's what we do on the roundup.

Julie Murchinson:

That's what we

David Burda:

That's right.

I think it is very plausible that commercial coverage could increase for abortion services in the coming years because of the needs of these employers, the needs of their employees. I think it's still dicey in the near term, but ultimately it will become hopefully a more accepted service, a more accepted thing over time that the private market can pick up and deal with.

David Burda:

Got it. Thanks Julie. I'll just mention one stat from the survey that I found interesting, and that's the percentage of large employers that offered health risk assessments or biometric screenings. That's down to 63% this year, which is the lowest in nearly a decade. It's about health people, not healthcare. Thanks Dave, and thank you Julie. Great discussion. Now let's briefly talk about other big news that happened this week. Was it all bad. Was it Julie? What else happened this week that we should know about?

Julie Murchinson:

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Well, I have a bit of a feel good story about my favorite GLP one topic I read this week that two nonprofit foundations are the large shareholders of Eli Lilly and Novo Nordisk stock, which these are the companies selling Ozempic. And thanks to the skyrocketing sales, these foundations have surged in value and now they are giving away. I mean, just to be clear, I think the Lilly Foundation quadrupled to 40 billion. The Novo Nordisk Foundation is about 114 billion in assets. So these are big. We're talking Bill and Melinda Gates Foundation level big. Here's the feel good part. Lilly Endowment recently pledged \$85 million to fund youth programs, including \$80 million to upgrade 42 local in its backyard parks. That's 14 times the city's annual capital for parks and wait for it. They're going to build new pickleball courts and replacement of course. So playground equipment are part of the upgrades, but pickleball, so ozempic pickleball, it's all coming together.

David Burda:

Trickle down philanthropy. How wonderful. That's great. Thank you, Dave. What else blip on your news radar this week?

I'm in the philanthropy realm too. At the stat conference last week, Mark Zuckerberg and his wife, whose last name is Chan, so it's the Chan Zuckerberg Initiative, announced they were going to dedicate 50 billion over time to science investment and it included 250 million for a new biohub in New York City to go with the ones in Chicago and San Francisco. And Ms. Chan in describing the work of the Biohub, got absolutely enthusiastic two cells that can detect and snuff out inflammation before it causes diseases like cancer and Alzheimer's. I've just been hoping for earlier diagnosis so we can do more effective interventions.

So it just feels like we're on the cusp of science doing a lot of things that it hasn't been able to do before that could really dramatically improve our health in the long run. Now whether we'll be able to zap out inflammation with new killer cells, can't say anything about that. But anyway, pretty exciting.

David Burda:

Yeah, very impressive. Plus using your billions for good, not evil. And I'm thinking maybe if they could find that squirrel who knows how to plant tulips, they can give it a grant.

David W. Johnson:

Yeah, there you go.

David Burda:

That's knowledge. You need to scale right there.

Julie Murchinson:

That's the ticket for sure.

David W. Johnson:

I know it sounds squirrely to me, Dave got to say.

Julie Murchinson:

Ba bum

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David Burda:

Glad with that. Thanks Dave, and thanks Julie. Thankfully, 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.