Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

Welcome to the 4sight Health [00:05:00] 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 Tuesday, November 21st. Thursday is Thanksgiving, so we're serving you a plate of podcasts today. If you're in healthcare or anywhere near healthcare, you can't take a breath without another big development about artificial [00:05:30] intelligence in healthcare or as everyone calls it, healthcare ai. That's what we're going to talk about on today's show. We're going to take a breath and take stock in some of the big healthcare AI news over the past few weeks to tell us what it all means for healthcare and healthcare Consumers are Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson and partner at Transformation Capital.

([05:55](#)):
Hi Dave. Hi Julie. How are you guys doing this morning? Dave,

David W. Johnson
Doing great. Gearing up for my favorite holiday in the long weekend. That accompanies it. The pilgrims knew what they were doing.

David Burda ([19:26](#)):
They did get it right. Thanks, Dave. Julie, how are you?

Julie Murchinson ([19:29](#)):
I [00:19:30] am desperately trying to get away from my computer to wind down for the holiday. It's been a little challenging, but we're getting there. All

David Burda ([19:38](#)):
Right. Keep working on it. Thanks. And there is so much happening in healthcare ai. We're going to skip our usual icebreaker and get right to the topic. I'm going to run down some of the big healthcare AI stories of late, and you're going to tell me which one was the biggest and collectively what they mean for healthcare AI moving forward. Are you ready?

David W. Johnson ([20:00](#)):
[00:20:00] Yep.

David Burda ([20:02](#)):
All right. Here it goes.

On October 26th, GSR Ventures released a survey of healthcare technology venture capital firms. 62% of the firms said that generative AI is changing their investment strategy somewhat or significantly. [00:08:00] Also, on October 26th, a health IT consulting firm called Stenberg Consulting released a survey of healthcare CIOs. They said AI and machine learning are the biggest topics in health. It today cited by 32% of the respondents. On October 30th, the Biden administration issued an executive order on the safe, secure, and trustworthy development and use of artificial intelligence.

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

([08:29](#)):

The executive order [00:08:30] includes a lengthy section on healthcare ai. Also, on October 30th, Medscape released a survey of physicians. 65% of doctors said they are very or somewhat concerned about AI driving diagnosis or treatment decisions. On October 31st Halloween, all of ai, the ones high flying healthcare AI company, said it was shutting down operations. And on November 10th, a healthcare IT consulting [00:09:00] firm called Healthcare IT Leaders released the results of a survey of CIOs and other health IT executives. 64% said their organizations are planning one to three AI projects within the next two years.

On November 16th, the Deloitte Center for Health Solutions released the results of a survey of more than 2000 US adults. 53% [00:01:00] said they believe generative AI could improve access to healthcare, and 46% said it had the potential to make medical care more affordable. On November 17th, OpenAI, the company that created chat GPT and released it just one year ago, fired co-founder and CEO Sam Altman. Then two days later on November 19th, Microsoft said it hired Altman to lead a new advanced AI [00:01:30] research team. Ian, I'm sure I missed a few other big healthcare AI stories along the way.

.

Dave, I'm going to ask you specifically about the executive order. Why is that important? And collectively, what does all this healthcare, AI news mean for the industry and for consumers moving forward

David W. Johnson ([20:44](#)):

Better late than never on the executive order, but let's discuss that in a minute. First, I'm marveling at the speed with which generative AI is integrating into society and the broader economy. There's a well-established [00:21:00] doctrine in economics term of productivity paradox, where the introduction of new technologies actually lowers productivity near term as individuals and businesses adapt to using the new technology, whatever it might be. This was very true with personal computers. They came into the marketplace in the mid 1980s, but took over a decade to boost national productivity. I know this firsthand. [00:21:30] I started working for the Port Authority of New York and New Jersey in 1984, right out of graduate school. They actually bought me the first ever compact portable computer at a cost in today's dollars of 12,000 or over $12,000, weighed 30 pounds, had a small screen and very little memory. I carried that thing around all over New York and loved it.

([21:56](#)):

But people at inside the agency used to look at me like I was some [00:22:00] kind of wizard because I built a massive spreadsheet called the Motherhood Model to analyze the agency's entire transportation network that included airports, bridges, tunnels in the past, subway. The rest of the agency had no idea what I was doing. It was great for me, but they took a long time to get on board. So around that time, in 1987, economist Robert Solo observed that you can see the computer age everywhere, [00:22:30] but in the productivity statistics. But that just doesn't seem to be the case for generative ai. It's come into the mainstream very quickly and is already in the process of redefining work and raising productivity. Perhaps even. I saw a recent prediction **[flub here not picked up in transcript]** into the five to 7% annual range, and I do think we're going to look back at this decade as the time when human machine collaboration really came [00:23:00] of age.

([23:01](#)):

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

This, of course, has huge implications for healthcare, which has traditionally lagged other industries and technology adaptation. And even when it does implement technologies uses it primarily to advance revenue generation, not to lower costs and not to improve outcomes. But let's get back to the executive order. The Biden administration is playing catch up as it tries to balance [00:23:30] AI's many risks and its many rewards. The administration's goals are laudable and necessary control bad actors to minimize harm and unsafe practices, develop standards for applying AI tools more efficiently in the marketplace, accelerating innovation and reducing discrimination. Given the speed and adoption of the new AI tools, though [00:24:00] it's going to be hard for the Biden administration to get the regulatory formula right, not too loose. So bad behavior prevails and not too hot. So innovation falters, my guess is they're going to be too loose just because they're playing catch up already.

([24:17](#)):

A stat report found that MA plans are using AI to deny claims at an accelerating level. Health systems are going bonkers about this already, beset [00:24:30] by high labor costs. They're sounding the alarm and setting the stage for what will undoubtedly be another massive shootout at Gucci Gulch as the lobbyists face off against one another. I do wish the Biden administration well, but my sense is that the marketplace more than the regulators will be the arbiter of how AI shapes the healthcare economy. Long-term, I'm optimistic that generative AI will transform US healthcare [00:25:00] for the better. Shorter term, it's going to be messy.

David Burda ([25:04](#)):

I just have an image of you walking around New York with a huge backpack and no one knowing what's inside of it. I'm surprised you didn't get arrested. I'm glad you're here.

David W. Johnson ([25:17](#)):

It didn't even have a shoulder strap. I had to carry it with a handle. That thing, it killed almost a few people on the subway. But I loved it, man. I felt like I was at the edge of creativity, and [00:25:30] honest to God, I got it because I could do a spreadsheet on Lotus 1, 2, 3. I got into all kinds of things that I shouldn't have been given how young and inexperienced I was, but it was fun.

David Burda ([25:43](#)):

You're an early adapter. Great job, Dave. Julie, any questions for Dave?

Julie Murchinson ([25:49](#)):

Oh my gosh, I don't even know where to start, honestly. So great. Dave Biden's executive order calls for [00:26:00] all federal agencies to create a chief AI officer position and directs the agencies to guard against bias. So as someone who invests in the private markets, I'm stumped about what this is going to do to the pace of market innovation. What do you think of each agency having their own AI officer? Is that efficient and necessary to help ensure the government appropriately leverages ai? [00:26:30] Or is it creating potential for misalignment across agencies and just another notch in bureaucracy?

David W. Johnson ([26:38](#)):

Yes and yes. I actually unbalanced Julie. Like the idea, to me, it's the equivalent of having an office of the inspector General in each agency, healthcare, transportation, commerce, go down the line, agriculture,

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

these are massive [00:27:00] ecosystems, really complex. AI is broadly going to come into each of them in a big way. And I have a hard time believing a centralized agency could have domain expertise to operate effectively in those individuals spheres. So I think on balance, it's a good idea. Just like it's a good idea to have an office of the OIG in each agency. Now, having said that, is there potential for conflict, [00:27:30] overlapping jurisdiction duplication? Absolutely. We should probably expect that. But on balance, when I put my policy hat on, I think the benefits outweigh the costs.

David Burda (27:44):
Yeah, just have 'em have lunch together once a month. That's

Julie Murchinson (27:49):
Right. Coordinate on occasion,

David Burda (27:50):
Right? Yeah. Over lunch it would work. Thanks, Dave. Julie, it's the government, right? Yeah. Pat luck. They're here [00:28:00] to help. Julie, I'm going to ask you specifically about the collapse of olive AI in the GSR Venture survey results. What do they tell you about future investment in healthcare AI companies and the adoption of those solutions by legacy healthcare companies like health systems?

Julie Murchinson (28:22):
Well, lemme take GSR first and all them just innovators in general. Second, I think the GSS R venture surveys [00:28:30] quite telling, actually, they said that they expected that generative AI innovations to impact the digital health investment community in an outsized way. And their poll results, I think do confirm that they noted that the most potential is thought to be in health data and analytics, not shockingly and tech enabled services. And they highlighted oncology and cardiology specifically. Although obviously I think those of us on the inside can see much greater benefit when it comes to the [00:29:00] collapse of all of listen. Startups are hard, and especially when you're making a market and you're having money thrown at you in what was a major bubble to start new businesses perhaps too early. And when it comes to where we are in the innovation curve, I mean, we're definitely in a gen AI bubble.

(29:21):
I know a friend's technology VC firm, so non-healthcare currently tracking or was like, I'll say this four or five months [00:29:30] ago, tracking 400 plus AI companies globally with more popping up each week. I bet they're probably up to a thousand by now and more than 30 plus gen AI unicorns funded. And the reality is that most of these will disappear, just like internet companies created the beginning of this century. This is a normal part of the process when these explosions happen and technology platform shift, and these companies, those that die, they can play a huge role in helping [00:30:00] the companies that eventually succeed. Do you remember companies like Alta Vista or excite.com? Remember excite.com or ink to me or Ask Jeeves? Do you remember? Ask Jeeves.

David Burda (30:15):
I remember the logo.

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

Julie Murchinson ([30:18](#)):

Yeah. So when you think about these, that's like a graveyard of search engine companies, but that allowed Google and others to really learn and find better ways and to [00:30:30] actually develop massive businesses. So the bottom line is that some companies will be able to use Gen AI to disrupt an existing or create a new market, certainly as a business, but all companies are going to have to use Gen AI to transform their business operations. And everyone's mostly freaking out over this because they're redefining core white collar roles. And they're [00:31:00] starting with use cases like things that we're all familiar with marketing and customer service. So Gene AI plays a role in a lot of ways, and we're definitely in a peak part of the curve.

David Burda ([31:13](#)):

It will never be able to recreate this podcast. I'll just say that.

Julie Murchinson ([31:19](#)):

That's true.

I'm going to ask you about one of the reports that Dave, regarding physicians or the implications of it.

([32:44](#)):

How should we think about altering our approach to training medical professionals and what are the implications for the future practice of medicine when it's really humans and machines working together [00:34:00] to do this important work?

Julie Murchinson ([34:04](#)):

It's really, I'm reminded of a stat that I'm never going to be able to pull out of my brain, but of the percentage of medical school students who prior to applying to medical school had worked as or taken some courses to learn epic implementation.

([34:24](#)):

So when you think about, I mean, the stat wasn't over 50% by any means, but [00:34:30] there was a meaningful percentage of students that had gone that route. So when you think about their instinct to actually do that, there's a whole host of entry. I don't know if one would call them requirements, but entry capabilities that medical schools could first of all look for. But beyond that, certainly. So I think some [00:35:00] of the more forward-leaning and frankly, newer medical schools, Dell, Kaiser Permanente, they already have a pretty strong technology curriculum as part of their medical training. Gen AI is going to have to be something that's really about both, not just understanding the technology and how it works and the importance of the data cleanliness that goes into it, that it relies on, but also how to make decisions [00:35:30] and how to work as a team and how to think about scenario-based planning based on what you're getting back in these ways. And frankly, how to use the gen AI portion, not just the AI portion to communicate in ways that create a better experience. So there's so much about bedside manner that could come into these curriculums as well. We could do a whole podcast on that. I be,

David W. Johnson ([35:57](#)):

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

Yeah, you don't need to know as much that the knee bone is [00:36:00] connected to the shin bone. Right? And hopefully this allows not only the better decision making you were describing, but I really liked your emphasis on better team building and communication. I would hope we get people in the medical school that maybe aren't quite as technically proficient as historically doctors have had to be, but much better at intuition, empathy, connecting with patients, communicating effectively, [00:36:30] that type of thing. So doctors aren't as much automatons, but real partners in caregiving in a way that I don't think historically the profession has really been able to do in a broad way. Certainly individuals have been able to it.

Julie Murchinson (36:48):

I'll say one more thing on that though. We're going to go through a massive period here where doctors still do need to be trained that the knee bone connects to the shin bone, [00:37:00] because you have to have enough critical thinking to question what options you're being given and how to think about them. So I think it's kind of unchartered territory. It's not as easy as the AI can just do all the work without the doctor.

David W. Johnson (37:17):

Yeah, it's human and machine. Really interesting.

All I can say is that healthcare AI has been a boon to the healthcare publishing business. I'm following at least six new newsletters on the topic, so it's keeping us journalists and business so good for us. Thanks.

David Burda (37:47):

There you go. Thanks, Julie, and thanks, Dave. Now let's talk about other big news. Julie, anything else happen that we should keep an eye on?

Julie Murchinson (37:56):

I'm realizing that we didn't connect [00:38:00] on this podcast the week that Amazon announced the Prime membership. So I just wanted to say, and Dave, you were part of this week, so many conversations going on with people about what does it mean and will they get into value-based care and the real first foray into true traditional healthcare, dah, dah, dah. I do think it's fascinating, and I think frankly, if you just break it down to business concepts, it's the first real test [00:38:30] of membership-based healthcare at serious scale. And I'm excited. We'll

David Burda (38:34):

See what happens. Right? $99 a year for unlimited telehealth visits. I mean, I spend more on lunch when I'm out with you, Dave.

Julie Murchinson (38:44):

Well, Dave should be buying you lunch for, that's the first problem.

David W. Johnson (38:48):

Can Regulators, Providers and Investors Get a Grip on Healthcare AI?

That's only when we're drinking beers.

David Burda (38:52):
That's a good one. Dave, what other news cut your attention?

David W. Johnson (38:56):
Well, this hasn't hit the presses yet, but we had our [00:39:00] board meetings last week for the HFMA and we are officially launching the Healthy Futures Task Force, which I'm actually chairing. We're defining the problem we're trying to solve as a reverse tragedy of the commons in economics, A tragedy that commons occurs when individuals overuse an underpriced or free public good, like a grazing field or fishing, [00:39:30] fishing areas in healthcare. We've got a reverse of that. Where the public good is actually investment in health, primary care prevention, chronic disease management, that type of thing. And the providers don't do it because when they invest in health, they lose volume and make the insurance companies rich. The insurance companies don't do it because when they invest in health, their premiums go up and they lose members to other insurance companies. So everybody acknowledges [00:40:00] we need to do this, so it's under use of a public good, but they don't do it. So our focus is going to be how can we create longer term contracting mechanisms that enable both providers and payers to invest in health and benefit from those investments. It opens up entirely new opportunities for partnership, which is, I think, very exciting for the HFMA and for the industry broadly.

David Burda (40:28):
Dave, you're turning around [00:40:30] a big ship, but if anyone could do it, you can. So good luck.

David W. Johnson (40:34):
We'll see.

David Burda (40:35):
All right. That's great. Thanks Dave, and thanks, Julie. That is all the time we have for today and happy Thanksgiving to you both

Julie Murchinson (40:46):
Gobble, gobble.

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. Happy Thanksgiving to all and thanks for listening. I'm Dave Burda for 4sight Health.