

## Flipping the Page on Healthcare 2023

[Burda]

Welcome to the 4sight Health Roundup podcast, 4sight Health 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, December 21st. Santa is taking off from the North Pole in just three days. Have you been naughty or nice? It's not too late. And that's what we're going to talk about on today's show. The biggest healthcare stories of 2023, good or bad to share their thoughts on the past year in healthcare 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?

[Johnson]

Well, yesterday was the first day of winter. You can imagine how I feel about that. But it was also the winter solstice. That means the days are going to get longer and brighter from here on out. At least that's what I keep telling myself while it's still getting dark at 4:30 in the afternoon.

[Burda]

Ever the optimist. That's great, Dave. Thank you, Julie, how are you?

[Murchinson]

I am great. We have a new driver and a new adult and voter in the house all in the same week. It's been a week here and I don't know, we have some voter education to do, that's for sure.

[Burda]

Wow. Wow. Congratulations on both counts. Now before we talk about the biggest healthcare stories of the year, let's talk about your holiday shopping. Dave, are you done shopping or are you one of those people who waits until the last minute?

[Johnson]

Well, all the gifts are done, but we still have to go to the grocery store to get food for Christmas day. So buying pecan pie is in my immediate future.

[Burda]

Yeah, you're just going to pass over the pumpkin pie, right? Julie, you're a planner. I'm guessing you're done shopping. Am I right?

[Murchinson]

I don't know about all you out there, but there is no way. Christmas is in four days period. I am a planner, but somehow my little daily planner failed me this year.

[Burda]

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Well, you better get shopping. So we're done here. And I don't think I bought one thing that wasn't delivered to my front door. I love home delivery. It's like pizza, right? What an invention.

[Murchinson]

Totally.

[Burda]

I may not even go out of the house in 2024. We'll see. Now let's talk about what you loved from healthcare in 2023. Dave, tell me your pick for the biggest healthcare story or trend of the year and why. And feel free to throw in a runner up.

[Johnson]

Well, this is going to be a fun with dates discussion. There're going to be three of them, so pay attention. Here we go. So legend has it that just after midnight on April 18th, 1775, Paul Revere rode his horse north from Charlestown, Massachusetts shouting to arms to arms, the British are coming, the British are coming. Revere's warning enabled American patriots to ambush British soldiers later that day as they marched toward Concord and the American Revolution was underway. Today we celebrate April 18th. As Patriots Day, another type of revolution is underway. Now Gen AI technologies are reshaping economies in real time at an accelerating rate. GPT launched just over a year ago on November 30th, 2022. It had over a million users within five days, and this spread geometrically since. Unlike other technological breakthroughs such as the personal computer and smartphones, gen AI requires no hardware. Its capabilities manifest through already. Well-developed consumer habits in search with no learning curve. Gen AI provides an immediate boost to worker productivity. What's truly amazing about it is the ability of large language models like chat GPT-4 to employ machine learning and natural language processing within deep neural networks to think and create like human beings. They're already solving math word problems. AI art generators like Dali 2 use prompts to fashion original works. If that's not thinking and creating, I don't know what is. And also, unlike other technological revolutions, the ability of the machines to conduct non-routine cognitive tasks threaten the livelihoods of knowledge workers far more than manual laborers. Goldman Sachs report suggests that gen AI technologies could affect two thirds of all occupational tasks and fully substitute for a quarter of them. The transition to AI supported work will generate enormous productivity improvement in wealth creation. A McKinsey analysis suggests that AI can boost annual productivity worldwide by as much as \$4.4 trillion. That's the equivalent adding a Japan with the world's third largest GDP to the global economy each year. Just incredible and sitting directly in gen AI sights is US healthcare. It is the largest industry ever created by human beings and still largely operates the way it did in the 1970s. It is an industry riddled with intermediaries, inefficiencies and inferior outcomes. Healthcare also generates 30% of the world's total data. Most of that data is disconnected and unstructured. It's begging, begging for effective application. We need the machines to help us make sense of it all. So I'm not riding a horse like Paul Revere, but I am proclaiming that the machines are on a shores and

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coming to revolutionize America's broken healthcare system. The machines are coming, the machines are coming. Many current healthcare jobs will evaporate in the process even as outcomes improve. So here's the third date. Star Trekkies celebrate April 5th, 2063, 40 years from now as first contact day. And on that day, Zephyr Cochrane traveled at warp speed for the first time, which led to the first contact between Vulcans and humans. The future world changed for good that day. I wonder if we'll be celebrating November 30th, 2022 at some point in the future as the first real contact day between human and machine intelligence and whether we'll think the world got better or for the good that day or not.

[Burda]

ineffective, inefficient, and inferior. Don't think I missed that alliteration there, Dave.

[Johnson]

It was actually intermediaries, inefficiencies and inferior outcomes. Yeah, you got it.

[Burda]

Well done. Julie. Any questions for Dave?

[Murchinson]

Dave? Love it as always. So I heard a few rumblings from Silicon Valley types at the end of this year that the big thing in 2024 is going to be a voice. And I mean, I think in technology, they've been talking about this for a long time, it's never really quite taken hold. So with large language models, chat, GPT voice, which do you think is going to have a bigger effect in the next, let's call it three years voice or chat GBT on healthcare?

[Johnson]

Yeah. Well, in some ways they're part and parcel of the same thing, right? So you've got these large language models with machine learning and natural language processing that are handling ever bigger numbers of parameters and bigger attention windows, which allows the computation to figure out more of what's going on. Language just being one application. But I do think we're going to see a massive evolutionary leap in the voice models and the ability for the machines to understand what we're saying, repeat it back to us and improve it. What I keep wondering about Julie, is not really what chat GPT five is going to look like, but what's chat GPT 10 going to look like and how much further in the future is that really? It's brave new world time, I think.

[Burda]

Julie, it's your turn. Tell me your pick or picks for the biggest healthcare stories or trends of the year and why you pick them.

[Murchinson]

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Well, thanks to one of our fearless producers, Michelle, I did a little analysis of what we talked about this year. And of course, Burda, you pick all the topics, but you do pick the biggest stories in healthcare every week. And although it's not a perfect science, I signed some categories and looked at how often our topics were effectively about the government's role, private equity or investment markets, patients and consumers, providers, insurers, payment models, healthcare workers, which there weren't many actually drugs, some sort of preventative health. And then of course Dave's enormous topic technology, which included AI, RevCycle, EMR, et cetera. And then last but not least, I gave an assignment to specific disease categories, which we talked about all at once. And our topics focus most on government and least on the specific disease categories. We talked a lot about patients and consumers and providers, mostly health systems and then of course technology a lot. And we talked actually more about private investors, private equity, private markets this year than payment models, which is somewhat shocking actually. And of course it's an imperfect science, but we talked about all the rest of it, a lot less. So I had to center myself on what kinds of things are we talking about in 2023 versus what we might've talked about in 22, 21, et cetera. And I bet that reimbursement models, payment models, government were a lot bigger a few years ago than they seem to be now. So anyway, all that aside, a little fun end of the year analysis.

[Burda]

you're really taking a look into how my brain worked this year,

[Murchinson]

Berta. It's a scary place, but someone's got to see.

[Murchinson]

My two picks, one is Amazon's acquisition of one medical, and just plain and simple, I think if anyone has the opportunity to drive a consumer model, albeit more likely for those who are commercial, paying, willing to pay, it's Amazon. And I've heard so many criticisms, a million rumors, obviously a lot of aspirations, but to me it's simple. It's about convenience and consumer reach. And Amazon embodies both. And interestingly, Costco was right behind 'em this year. And they also are about, well, less convenience, but certainly about consumer reach as well. So big year in that category. The one thing I'll say when I did a search on what are the top searches on Amazon one medical, like the questions that people ask Google a lot of questions on, is Amazon one medical a health insurance? What does that say? People don't understand what Amazon's doing with the general population who's not inside baseball, may not really understand what Amazon one medical is and that it is not health insurance. So maybe Amazon one medical is actually really going to teach Americans about healthcare. We'll see, and I have a number two, the thing we didn't spend a lot of time talking about, but I believe materially shifted the market this year, was CMS's first shot at reshaping Medicare Advantage with the risk adjustment changes. And on my side of the pond, this sense shockwaves through MA plans has really messed with health plan stock prices drove a potential mega merger

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between Cigna and Humana has caused several innovators, frankly, to reevaluate their MA targeted solutions. And I think that this is just the first wave of what's probably not entirely a bad thing, which is right-sizing and tweaking MA based on the data that CMS now has, but it's having a major private and public market effect, and of course will affect the seniors.

[Burda]

Quite the ripple effect. Thanks, Julie. Dave, any questions for Julie?

[Johnson]

Amazon sits at the intersection of two major trends. One is, and both involve consumers. One is competing on health as opposed to competing on healthcare. And the second one is the aggregator's advantage. Putting everything ultimately into a consumer friendly app that provides all the services you need in one place. And as you're looking into your crystal ball, Julie, I'm wondering if you think the bigger impact long-term will be Amazon through its one medical portal, really separating pursuit of health and prevention and just better wellbeing as a separate business? Or will it be the ability to give consumers a one-stop shopping opportunity to address all of their health and healthcare needs or both?

[Murchinson]

Gosh, you all into the rumor and aspiration categories.

[Johnson]

I'm more in the aspiration category, I think. Yeah,

[Murchinson]

That's so true. So I would say it could be both, but it will be the latter before the former, and here's why. I think Amazon has a lot of smart people, but most of them really have Amazon blood, which means they're leveraging aggregators advantage and they want to crush that. But as soon as they really crush that, that's where they know they can butter their bread, make their money, have more consumer mind share, but as soon as that happens, they're going to have all sorts of other players from the healthcare landscape come to them with revenue generating opportunities to improve health. So are they setting out to be a value-based care player? Are they setting out to improve the health of not just Americans, but globally? I don't think that's actually really their aspiration, but they're going to figure out how to make money at doing that. It's just going to be second order.

[Burda]

Thanks Julie. For me, if I had to pick one, it's affordability and everything that's rolled up into that prices, revenue cycle, medical debt, how much consumers pay for care and how they pay for it are crazy. And Dave, it's going to take a customer revolution in healthcare to fix that, right?

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[Johnson]

Yes.

[Burda]

There you go. Now let's talk about other big news that happened this past week, Julie. What else happened that our listeners should know?

[Murchinson]

Well, folks like me think that M and A can be a good thing if managed properly, but the D-O-J and F-T-C don't think, do they finalize their stricter guidelines for M and A in healthcare that's going to make it harder. And these aren't too different than the draft guidelines we talked about earlier this year, but they're getting real. And I'm not sure it's going to be in the country's best interest in the long run, honestly.

[Burda]

Yeah, they killed that John Muir deal out your way, right, this past week. That's right. Yeah, no, good point. Dave, what other news is worth a mention this week?

[Johnson]

Well, since we're at Christmas, I'm wondering if healthcare is the Grinch that stole Christmas. Gallup was out with its poll on the various healthcare players and whether they're providing excellent or good quality services. And all the numbers are down, nurses hung in there the best. In 2018, 88% said excellent or good service, it's down to 82%, so they dropped six. Doctors, dropped a pretty astounding 15% from 81% to 69%, and hospitals almost the same, 14%, but starting at a lower base. So 72% to 58%. And then we get to drug companies and insurers, drug companies, 54% to 33%. So down 21%, nobody likes the drug companies. And then health insurance, 42% down to 31%. So they started lower and then went lower than even drug companies, they dropped by 11%. That tells me consumers are desperate for somebody to come in and address the convenience and reach that Julie was talking about. We're ready for it.

[Burda]

Yeah. Beware of the consumer. Great point. Thanks Dave, and thanks Julie. That is all the time we have for today and all the time we have for this year. We are going to take a short two week break and be back with a fresh episode of the 4sight Health Roundup on January 11th. I'm sure we'll have plenty to talk about. Healthcare is the gift that keeps on giving. Until then, we wish all our listeners a very merry Christmas and a happy, healthy and prosperous new year. Thanks for listening, I'm Dave Burda for 4sight Health.