4sight Health Roundup Podcast
Transcript
Jan 18, 2024

ACA Enrollment and Digital Health Technology Funding

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, January 18th. Within the past six months, I've had car dashboard temperature readings of 105 degrees and of minus 12 degrees. What goes up must come down, I guess, and that's what we're going to talk about on today's show. A record high in a CA plan enrollment and four year low in digital health technology funding. To tell us what these contradictory trends mean for healthcare are Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi Julie. How are you doing this morning, Dave?

Johnson:
What a difference a week makes. Last week I was bragging about the fact that it hadn't been below freezing and I hadn't shoveled snow. And oh my God, we've been in the deep freeze since then. Shoveled a ton of snow, and we are just getting back to like double digit temperature. So it's been below zero most of the last five or six days

Burda:
I've been inside. So you're a real, you you were a real jinx for us, huh? Dave <laugh>. That's right. I'll remember that next year, <laugh>.

Johnson:
That's right. It's my fault.

Burda:
Julie, how are you? It is your fault, Julie. How are you?

Murchinson:
I'm well. I've escaped the US both for maybe politics, but also just for warmer weather now. It's a hundred degrees where I am. So sorry, Dave. Wish you were here.

Burda:
We are talking about extremes, so this was timed perfectly. Now before we talk about a CA enrollment and digital health technology funding, let's talk about your health insurance coverage this year. Dave, are you enrolled in, how did your open enrollment season go this year?

Johnson:
Well, I'm still enrolled on Terry Terry's Health Insurance from the University of Chicago, which is a high deductible plan. So from that perspective, very smoothly. What's a little bit interesting is

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we are tentatively planning to go on Medicare the beginning of 2025 and figuring out how to do that. And it turns out that we have to stop making contributions to our HSA six months before we enroll in Medicare or face some pretty significant tax consequences. What genius thought that up? And no wonder Healthcare creates full-time employment for intermediaries.

Burda:
Yeah, we're gonna need a an explanation for that somewhere down the line. Thanks Dave. Julia, how about you? Did your health plan change or stay the same this year?

Murchinson:
Well, we kept our health plan the same at work, but I know that we you know, we are watching things creep up all the time. And I'm an avid AJ HSA user, and I'm glad I'm not necessarily as close as you are, but that's a really good fact to know. That's crazy.

Burda:
We have one less child on our family plan this year, and our premium still went up. And I still don't get why the number of dependents in a family plan doesn't affect the premiums. One kid, 10 kids, it doesn't really matter. So if there's an actual reason for that please let me know. What I do know is a record number of people signed up to enroll in an a a health plan for this year. According to CMS, last week, CMS said more than 20 million people chose a health plan through either the Federal Health Insurance exchange or a state-based exchange. 3.7 million of those people, or 18% of the total are new to the exchanges. Enrollment through the Federal Exchange ended this week. Enrollment for many state-based exchanges runs through the end of the month. Dave, give me your list of winners and losers from the record enrollment and a CA plans this year.

Johnson:
Well, it turns out that Americans want affordable health insurance. After all, who knew? You know, obvious winners are the, the plans or the health insurance companies offering plans on the on the exchanges. And probably the exchanges themselves, the more robust they are the more business they attract. And I think that's all for the good. But I'm gonna go a little off script on you, you, Dave. And then come back to insurance. And as you both know, I've had my head buried trying to finish the manuscript for the book. Paul Kusserow and I are working on hoping to get that manuscript done by the end of the month. And the title is “Gradually and Then Suddenly: 10 Macro and Market Forces Revolutionizing US Healthcare.” And we're, we're done with the first half of the book and deep into the second. And I've discovered that it's a lot easier to write about macro forces than market forces. So our, our macro forces demographics, funding fatigue, chronic disease, pandemics technology imperatives and pro market and consumer reforms fall into pretty discreet buckets. The only place there's really overlap is between demographics and chronic disease. The older you get, the more susceptible individual's heart a chronic disease. So those if you choose to look like a comet in the sky, you

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know, look up, you can see them turns out on the market forces side, and we've got five of them care migration, care redesign, less healthcare, more health, aggregators advantage and engaging caregivers that companies are often participating in 1, 2, 3, and sometimes even all five of those. So it was a little harder to isolate individual companies and talk about that kind of thing. And it got to the point where I decided I needed to have a separate introduction for the second part of the book. And as part of that, I came up with this acronym that I'm calling CCB two E two, so C-B-B-E-E. And it stands for cheaper, better balanced, easier and empowering. And those, I think are the five strategies underlying all of the activity that's happening within the marketplace as companies jostle back and forth and try and find or create competitive advantage, differentiate from the crowd, earned market share, all that good stuff that capitalism encourages. As I sort of step back and look at all this activity surrounding insurance coverage and payment, and from put on the consumer's perspective in our jobs to be done, how do we make it cheaper, better, more balanced so that, you know, I'm spending as much time and effort getting healthy as I am treating disease and illness when [00:19:30] it presents itself. How can it be easier? How can it be empowering and in some way or another, I think we talk about all of those things. And I hope, you know, kind of coming back to the, the top of the top of the remarks that what we're starting to see with the more activity at the exchange is people getting better information developing more confidence in their healthcare purchasing. I still think we have a long way to go on the delivery side as, as key story illustrates, but the more and more we can focus on those five things, making it cheaper, better, balanced, easier and empowering across the board the more progress we're gonna make toward a healthcare system that really does solve the problems the American people have and get ourselves on the way to a happier, healthier, more productive country.

Burda:
[00:20:30] CB two, E two. Yeah. that's, that's better than CB squared. E squared.

Johnson:
Yes. I think so.

Burda:
Okay. Good job on that. <Laugh> abbreviation, Dave. Thanks. Julie, any questions for Dave?

Murchinson:
I, for one, need some sort of glossary of Dave's creation. So, my question's a little bit more specific as a drill down around some of this a CA data. I loved your analysis, however but this has to do with something that someone from Centine said around one of the biggest factors driving a CA growth is ICRA or those individual coverage, health reimbursement arrangements, another acronym but that, that allows employers to give their workers tax-free monthly allowance to shop for the health plan on their own, including obviously the a CA market. So

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sounds like IRA enrollment, today's only in like the low hundreds of thousands, but by 2032 could be a couple million. Do you agree that the IRAs are and will be a big driver going forward?

Johnson:
I actually do. I like the IRAs a lot. I mean, all it really is is just the fancy HSA right, where a company puts dollars into an account and then you as an employee can spend those dollars. With ICRA, you have to go out and find a health plan. It can be Medicare, it can be on the exchange, a lot of flexibility there. It does have to meet all the benefit requirements. And then as the employee has expenditures, healthcare expenditures, they need to present their receipts to their employer and get reimbursed. So it works the same way as an HSA. What's fantastic about it is all the flexibility it can reward different types of employee groups, full-time, part-time, so on and so forth. You can gradient by salary levels. And quite honestly, Julie, I I do think these types of plans enshrined in individual choice should become a lot bigger.

Burda:
Thanks Dave. Julie, I'm going to ask you about another number, and it's a number heading in a different direction. Rock Health last week released its closely watched year-end report on venture capital funding of digital health technology companies. It said funding dropped to $10.7 billion last year from 15.3 billion in 2022. That's the lowest level of funding since 2019. And well off the record high of $29.2 billion in 2021. Julie, give me your list of winners and losers from the drop in digital health VC funding.

Murchinson:
Well, as I've said before this is the market normalizing itself, right? And we shouldn't expect that in a week, overall financial market, that digital health funding will continue accelerate at rates like we've never seen before in 21, 20, even part of 22. And we're kind of back to 2019 levels for the most part. And, you know, unfortunately, there were some companies that just didn't live up to the promise for a variety of reasons. And some were just too early or didn't have the right go to market, shouldn't have gotten public perhaps. Some of these business models are based on the fundamentals of getting the right set of approvals or complex alignment, or are continually dependent on an evolving incentive structure, which is really challenging. And, you know, one of these that I think has fallen a little too far because of a public company situation is prescription digital therapeutics. I personally think there's a lot of value in this approach to therapeutics, and there is evidence that they can show outcomes, but the payment structure's been tough. And, you know, certainly the public company situation didn't help. And those timeframes, you know, these companies aren't quite ready for that. And then there's others that simply couldn't deliver on the ROI. And I've been thinking a lot about this, you know, like in biotech and drug development, we do a great job of validating those technologies because of the infrastructure we've built around approvals. And we just haven't forced the same kind of discipline. Digital health and covid just blew the door open on digital health. So now that we're seeing health systems in particular really put demands on ROI,

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whether those demands are realistic or not I think we're likely gonna see more emphasis on companies that not only deliver a strong value proposition, but do it sooner in the adoption process. And fortunately, you know, there are many digital health companies that have been able to generate strong outcomes, you know, positive ROI. So I suspect that some of those companies will really grow through this next period, while those that haven't been able to really demonstrate that with their model are gonna have a tough time raising, they're gonna be, you know hopefully assumed in some way by other competitors in the market to roll up some value. You know, every company should have been conserving cash. So a lot of these companies will look more attractive financially, and you'll see some of that small on small to make bigger acquisitions. And it'll just be an interesting year to see if some of the larger m and a that was predicted for 2023 comes to fruition. And maybe we'll see an IPO or two, maybe in 25. We'll see.

Burda:
Yeah, good prediction. The great analysis. Thanks Julie. Dave, any questions for Julie?

Johnson:
Maybe it's because we've been spending so much time on gen ai and the fact that I think we all agree that these large language models are something of a commodity, and the, the benefit from the new technology will accrue to incumbents that have access to proprietary databases. I'm wondering if there might be some paradigm shifting going on here as well, that the health tech which historically has been the arena of disruptive upstaging companies that that balance is shifting to some extent to the incumbents with the databases if they're able to be nimble enough to exploit them. And one, if that's true could that be a dampening having a dampening effect on, on valuations and investment and, and just the digital healthcare startup environment in generally? And if you agree that that's potential, how ominous signal is it?

Murchinson:
You know, AI's, it's so interesting in many ways for healthcare because it can help us in such unique ways. We have a lot more middlemen than other industries who've worked those middlemen out, and those middlemen and women create massive number of transactions that don't need to exist between the major parties who are just trying to get information from one point to another. Right? So this is potential gold for ai In ways that another industries may not be right. Also, in healthcare, we're so far behind on data analysis, so this is your point, right? AI can help us leapfrog, but we need the big data sets. And yes, it should be able to give us more lift here, but this may be, you know, incumbents will be able to deal with this next few years of AI more easily. Yes, because they have the data, Dave, but also because we're in the phase, I think if you read what people talk about with AI of easy ai, where incumbents don't have to do a lot to kind of redact or redesign their technology to take advantage of what's possible today. But when you hear people talk about my favorite new subject, which is voice technology, they talk about the fact that you actually have to really start over building your technology with

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voice in mind. You can't actually go back and kind of redesign the system system back into making voice work in a scaled way. So I feel like the incumbents might win in the short term, but the, you know, the smaller innovative companies will have the ability to leapfrog and will, you know, frankly get acquired by the incumbents at some point. So I'm not answering your question except for the fact that yes it could be having a dampening effect.

Burda:
Thanks, Julie. Those two worlds a CA plans and digital health especially health navigation tools will collide for me next year when our Cobra coverage runs out and we have a year gap until we're eligible for Medicare. So should be fun and I'll let you guys know what happens. Now let's talk about other big news that happened this past week. Julie, what else happened that we should know about?

Murchinson:
I have two this week, Dave. First quickly, I just read like 10 minutes ago that General Catalyst is buying Summa Health in Ohio, so this is gonna be their hospital that they're gonna privatize. So that's big news.

Johnson:
No kidding.

Murchinson:
Yeah. so read more about that, that's for sure. And second and likely a little bit more perhaps thought provoking than normal. I read this New York Times article last week about billionaires like Michael Dell and Breyer, who was early at Facebook and also one of the owners of the Celtics. Many billionaires who are really frustrated with the bureaucracy and the lack of outcomes, frankly, of all the donations they're making into their alma maers for medical research. So they've come together and funded something called Arena Bioworks. And the first lab of Arena Bioworks is tucked in between Harvard and MIT and they are paying like seven figures to tons of researchers pulling them out of academia and privatizing research to try to help accelerate breakthroughs. And, you know, I, I read this and I had to really stop and think like, do I like this? Do I not like this? And well, I want their success to you know, to help all of us. It certainly rebalances, you know, the home and the beneficiaries of innovation, so be on the lookout for more on that.

Burda:
Interesting. Dave, what other news happened that caught your eye?

Johnson:
Just briefly on Agilon they announced on their earnings day this month, they fired their CFO and announced a dramatic downward revision in their earnings. And they're revoking their outlook

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for 2026. And it turns out that this company that prides itself on helping primary care physicians with its total care model get into capitation and, and Medicare advantage, so on, really did not have a handle at all on utilization increases. And that its data lags as much as six months behind, so they, they can't adjust in real time. Kind of a cautionary tale as we talk about all of these, these digital technologies that we think can revolutionize the industry they still at the end of the day have to deliver, and they're dependent on good, accurate, and timely data. Agile on lost 30% of its valuation and on the day on its earnings day. So they went from being a $5 billion company to being a $3.2 billion company. That's not a good day.

Burda:
Wow. Thanks Dave, and thanks Julie. 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.