4sight Health Roundup Podcast

Re-Imaging Employers' Role in Healthcare

May 2, 2024

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, May 2nd. This past March I celebrated my sixth anniversary of being self-employed. It was one of the best decisions I ever made. You should try it. The scariest part was the loss of my employer-based health insurance, which covered me and my entire family at the time. Thankfully, my wife was still working and we all switched over to her plan, but not everyone has that option. On today's show, we're going to talk about the future of employer-based health insurance with Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi Dave. Hi Julie. How are you two doing this morning, Dave?

David W. Johnson:

May the second bring you joy. Julie, you too, our immediate family has five birthdays between May 1st and May 10th. This includes my wife, Terry's birthday on May 9th. And that I can say from experience is way too much tourists for any family grouping,

Burda:

A lot of gift cards in your future. Thanks Dave. Julie, how are you?

Julie Murchinson:

Well, I am in New Orleans at my, I think 23rd jazz fest. I sort of lost count.

Burda:

Wow. That's great.

Murchinson:

Staring at the Mississippi. It's a beautiful day. Wow. Happiness.

Burda:

Alright, we'll get you out of here soon. You don't want to miss a set. That's great.

Johnson:

Well, she hadn't gone to bed yet, so this is the other…

Burda:

Okay.

Murchinson:

Don't tell everybody that.

Burda:

Okay. All right. Now before we talk about employer-based health insurance, let's talk about your employment history. Dave, were you ever self-employed? And if so, where did you get your health insurance?

Johnson:

Well, 4sight Health is going to have its 10th anniversary in June, so next month. And I guess I'm technically been self-employed since the creation of 4sight Health. Fortunately, my wife Terry has been at the University of Chicago. So we've been on the Chicago Health Plan, which has its ups and downs, but at least hasn't forced me to go out into the open market, which as we all know is pretty treacherous.

Burda:

Right. Great. So you're covered. Thanks Dave. Julie, any self-employment gigs listed on your resume? And if so, where did you get your benefits?

Murchinson:

Oh yeah, when I was a young pup, early thirties and went on a limb and left my company and started a new company, I had Cobra, and that was the first time I really realized what this whole health insurance thing was all about and the price tag. So yeah, it's real.

Burda:

Yeah. Yeah, firsthand experience. That's great. Thank you. [00:22:30] Like I said, switching over to my wife's plan was easy, so I didn't have to find a full-time job with health benefits. And then next year it's on the Medicare and I can't wait to see what that's like after writing about it for 40 years. I'll finally be an insider, Dave.

Johnson:

Right.

Burda:

Okay, let's talk about employer-based health insurance. The idea for this show came from an announcement by the Commonwealth Fund that it's launching a national task force on the future role of employers in the US health system. The Commonwealth Fund said half the US population or about 157 million people get their health benefits through their employer. The group will come up with recommendations in three areas. One, market incentives and regulatory changes needed to enhance health coverage in the workplace. Two, ensuring access to affordable healthcare and three, improving population health and care delivery. The task force has 18 members, many familiar faces and healthcare luminaries, and it's scheduled to release its final recommendations sometime next year. Dave, you're a healthcare luminary and a healthcare revolutionary, but I didn't see your name on this list. If you were on this task force, what market incentives and regulatory changes would you recommend to enhance health coverage in the workplace?

Johnson:

Yeah, it hit me where it hurts Dave.

Burda:

Yeah, sorry.

Johnson:

That's okay. Well, I love the task force's focus on employer-based healthcare purchasing. My biggest frustration as a policy analyst in healthcare is that these self-insured employers are paying premium prices for largely commodity services that they historically haven't demanded more value for their healthcare purchasing. Hopefully this task force will figure out some ways to improve that. The truth of the matter is though, because of monopsony and monopoly pricing power by healthcare payers and providers, most self insurers are at the receiving end of price setting, not able really to use their market leverage to drive better value-based purchasing. At the same time, there are many big companies that conceivably have the leverage to drive better value-based purchasing, and for lack of a better term, I just think they're chicken shit. Let me give you an example from my own experience. So the last part of my banking career, I led healthcare and higher education investment banking at BMO. And BMO was the largest employer in Milwaukee. So in and around 2012, GE announced that they were going to do narrow networks in Milwaukee, Pittsburgh, and Connecticut. And I took that announcement to the president of the bank and said, Hey Mark, what don't you like about lower prices, better outcomes, and a better employee experience? He goes, oh, I like all those things. And I was telling him about GE and the Narrow network and their arrangement was with Aurora Healthcare. This was before they merged with Advocate, and I knew Aurora pretty well. So with the head of hr, we went up to Milwaukee and heard the pitch, and it was a pretty great pitch. They said, if we used our internal pricing to shift about 25% of our Milwaukee workforce over to Aurora, over a three year period, they would guarantee us 10% overall savings on our healthcare spend. And they were willing to take that risk. That was pretty cool. They also thought they could reduce absences or losses to related to employee absences by 10%. They couldn't guarantee that, but that was their

experience and based in part on the fact they were going to put clinics in our biggest locations in the area. And then last but not least, they said they'd been trying to develop a credit card mechanism that would incorporate all available healthcare data, so clinical claims, potential social data and so on. And they'd to a bunch of banks and all they were getting were offers for affinity cards and they were willing to split the cost 50 50 with us to essentially develop what I now call an app that covers the map. –Well, so how did BMO react? Because I went back thinking we'd hit a home run. The head of HR basically said, well, I love narrow networks. Why don't we wait until all of the health systems in Milwaukee have a narrow network and then let our employees choose? And I said, well, that's idiotic. I'm a markets guy. If you want to send a signal, cut a deal with Aurora. Anyway, I wasn't getting there. And then it turned out our list of it things was so long we couldn't take 'em up on the idea to do a joint investment. So the whole thing just fell apart. I concluded that BMO and I really did like the company, but BMO was not going to be on the leading edge of healthcare reform. So we need to prod employers to use their market leverage where they have it. Regarding the task force, it leans a little academic to me. Two of the members, Ben Elito and Leemore Daphne are part of my egghead group at Harvard, and I liked them a lot. But micro economists or practitioners of microeconomics tend to look for incremental solutions, and that's tough to incremental solutions in the face of a fundamentally broken system aren't terribly effective. And I do worry that this task force will be too incremental in its recommendations. Are they going to help accelerate this trend toward individualized whole person health and everything that implies because ultimately it means less healthcare and more health, which is good for the country, or is it going to just play around at the margins with various types of a CO programs and not really move the needle anywhere and wait for the overall marketplace to come crashing down on the healthcare industrial complex? You can probably guess where I come out on that question.

Burda:

If that response was a word cloud, I think the biggest cloud would be the word chickenshit.

Johnson:

Okay, I'm standing by it. I'm standing by it.

Burda:

That's the thread. Julie, any questions for Dave?

Murchinson:

Alright Dave, how about you put your money where your mouth is and [00:30:30] tell us the best example of healthcare purchasing that you've seen by a large self-insured employer?

Burda:

There you go. Okay.

Johnson:

Yeah. Well thanks Julie. Well, I'll tell you one CEO that is not chicken shit is Jamie Diamond at JP Morgan, and he was the one that was the energy behind haven. So he convinced Bezos and Buffett to come in and he was the only one that really tried to make it work. And of course it collapsed in magnificent fashion. In January, 2021, Jamie Diamond dusted himself off and three months later, four months later, launched Morgan Health, which is a venture fund with a big platform. Hired Dan Mendelson to run it, who we all know. And their first investment, Julie, as you know, was in one of your portfolio companies, Vera Whole Health, which does whole person health for commercial enterprises. And while this was going on, JP Morgan HR looked at its marketplace, diamond realized he had to do it alone. He couldn't do it with others based on the Haven experience. And the place where JP Morgan has the most leverage market leverage is Columbus, Ohio. And so JP Morgan HR has contracted with Vera Whole Health to provide whole person health to all of the 40,000 employees and beneficiaries of JP Morgan in and around Columbus, Ohio. They've partnered with a very large independent primary care group, central Ohio primary care to guarantee that the individuals inside the plan get the right care at the right time in the right place. And Vera Whole

Health, as you know, has merged with Castlight to become Apre, and that's a company I like a lot. And there are no intermediaries. I mean, JP Morgan is contracting directly with Apre to provide the care. They get a per member per month rate. And then incentives are based on whole population metrics. So not just those that receive care, but the whole 40,000. And I'm willing to bet just about everything that a managed population does better than an unmanaged one. And because JP Morgan is so big, they're actually benchmarking their Columbus experiment against an equivalent population in another part of the country. And guess what's going to happen? Workforce is going to be healthier. They're going to catch diseases earlier. They're going to promote health and wellbeing as well as doing earlier diagnosis. It's all going to be good. And that is the type of purchasing that can really move a marketplace.

Burda:

Yeah, cutting out the middleman. That's great. Thanks Dave. Julie, you're also a healthcare revolutionary and a healthcare luminary, but you missed the cut too. If you were on the task force, what would you recommend employers do to improve population health and care delivery?

Murchinson:

Well, I won't make my joke about how old I am.

Burda:

Well, I was going to say you'd be the youngest person on the task force.

Murchinson:

I'd be the youngest person on the task force for sure. First, I mean, Peter Lee is a pro, and he built an exchange business, so he might be one of the best people of his generation to lead this, given his on the ground experience. I mean, I really respect him, but for me, the of his generation is the key phrase here. I mean, the composition of this group did not go unnoticed by at least one industry observer or by me. There are no current employers on the task

force, which is quite intentional it seems. And there are a lot of retirees on the task force with deep employer purchasing benefits design experience to be able to do what they're doing, which is great. But in my estimation, some of these folks retired three plus years ago, a couple pushing 15 to 20 years. I mean, the iPhone wasn't even launched when a few of these guys retired. So the extent which technology, I mean the world has changed. So the extent to which technology and novel care service models have impacted the employer mindset since Covid alone is pretty significant. And this task force aims to be highly actionable in its recommendations. So I am a little worried about the mix of people, but I will say I do truly respect and admire, I mean almost everybody on this task force, I just dunno, but I digress. Burma, you asked a specific question and I find the big picture so interesting because on one hand, as a country, we succeeded in driving a larger portion of the build of consumers, which was certainly part of the design for many in this country. And on the other hand, consumers are voting with their wallet and not engaging at all, and perhaps they really should be. So why is this happening? Well, we haven't achieved transparency, which Dave and I talked about all the time for pricing or services. And hence, the consumer market hasn't evolved in the way that was once thought when high deductible plans were developed when the HSA was launched, all of that. So we're in a pickle, and I do think we're in a phase, I'll put it that way, but what would I do? One of the big issues beyond health plans continuing to raise prices is that consumers don't understand the coverage they have and employers don't know why they are or not accepting coverage. And employers haven't nailed how they're really engaging employees in the things they've invested over the last couple of years. So I would really be focusing, of course this won't surprise you on that third area, Alberta improving population health and care delivery. And I look at really reevaluating both the culture and the legalese around employees revealing enough about their health status and their financial circumstances to really get the coverage they need. Navigation is A number one here. And to the extent that we can be incentivizing employers and health plans to navigate employees based on the best fit the plan they need, great. This requires personalization. Personalization we can do today. I'd recommend that we not only do that, but we think about this engagement thing I talked about in a smart way. I get emails from my health plan, I have a website that I

can go to. How often does anyone go to their health plan website to figure out what benefits they have? I mean, I maybe go once a year and I find the discounted Disney World tickets. I mean, I don't know. So it's not smart in the way that we can navigate patients today to the health benefits they have based on their health status, what they should be using, remembering what they should be doing. Remember back in the day, Dave, when a couple companies were started around dynamic premiums and a different kind of health plan based on consumer action. There's a lot that can be done if you really think about the redesign there. So employers have done a lot to make a lot of options available, and we're just not utilizing them. We're just not figuring out how to make that happen. So I don't just agree that there's not an access problem and we don't need some kind of regulatory tweaks to really help fix the market of ever increasing costs, but we've got to do a better job of really getting employees what we're paying for.

Burda:

Right? Member education, employee engagement, right. Are the keys. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Well, I'm going to ask Julie the same question she asked me, you both endured listening to me wax on about JP Morgan in Columbus, Ohio. Julie, give us your best example of employer-based purchasing of healthcare benefits where they really did use market leverage or are using market leverage to drive better value for their covered employees and beneficiaries.

Murchinson:

Well, I would point to the godfather of all of this work. Sean Levitt, who unfortunately passed well before his time, he was at Safeway early on, but really made his name at Comcast and he was, I guess he followed a bit in Bob Galvin's shoes. And Bob Galvin is on this task force. He focused on connecting product innovation with workforce strategy and was driving personalization and navigation before it was actually a thing. I mean, they were really progressive in how Comcast looked at it on Sean's watch. I will

note that really within months of Sean's passing, Comcast kind of unraveled everything Sean was doing, and it always made me wonder, gosh, was Sean just doing things that didn't make sense for the company, or was there no one who had the vision and leadership capability to really drive that through? I'm not quite sure what the right answer is there, but I haven't seen many employers really, really drive that level of integrated thinking around health benefits.

Burda:

I'm going with the lack of vision answer. He had it. They didn't. That's always the story.

Johnson:

So we're back to chicken shit, right?

Burda:

Then we’re back to chickenshit, right. Exactly. Alright, thanks Julie. Now let's talk about other big news that happened this week. It wasn't all bad, was it Julie? What else happened that we should know about?

Murchinson:

Well, I'm sure everybody saw this, but I mean Walmart shuttering all of its health clinics. Wow. That's a strong retail statement. Did you see that?

Burda:

Yeah. Yeah. That was big news. Dave, what other news is worth mentioning?

Johnson:

The payers are coming, the payers are coming. I'm sure you both saw the announcement that Elance is joining with the Nashville based PE firm, Clayton Dubaliere and Rice, to create a 4 billion. That's with a B advanced primary care company. Cd and r is contributing a pre that we just mentioned.

They're a big investor in a pre that we just mentioned regarding Columbus, Ohio and JP Morgan and their Millennium Physicians Group. Ance is contributing Caron, and they are moving in the same direction as United UnitedHealth Group, Humana, CBS, and Cigna in making huge purchases in advanced primary care. And if you're looking for market evidence of why democratized and distributed delivery of Whole Person Health is going to ultimately bring down the healthcare industrial complex, look no further than what these big payers are doing. So it all swings back to where we started, which is how do we help become better buyers of healthcare?

Burda:

Right? Advanced primary care, right? They make DNA testing the same as drawing blood, right? Routine blood work routine, DNA testing. That's the future. 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. You also can subscribe to the roundup on Spotify, apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening, I'm Dave Burda for 4sight Health.