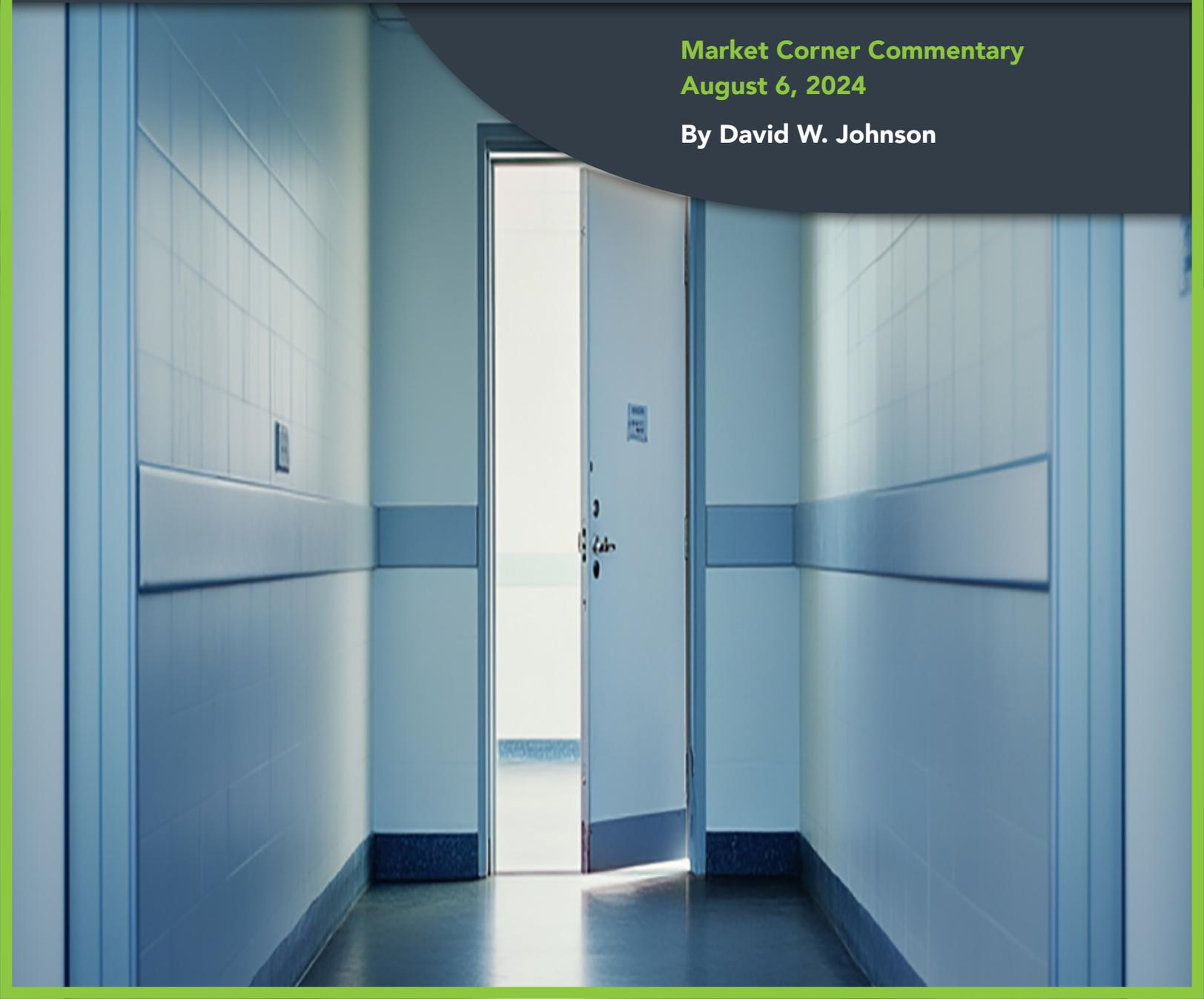


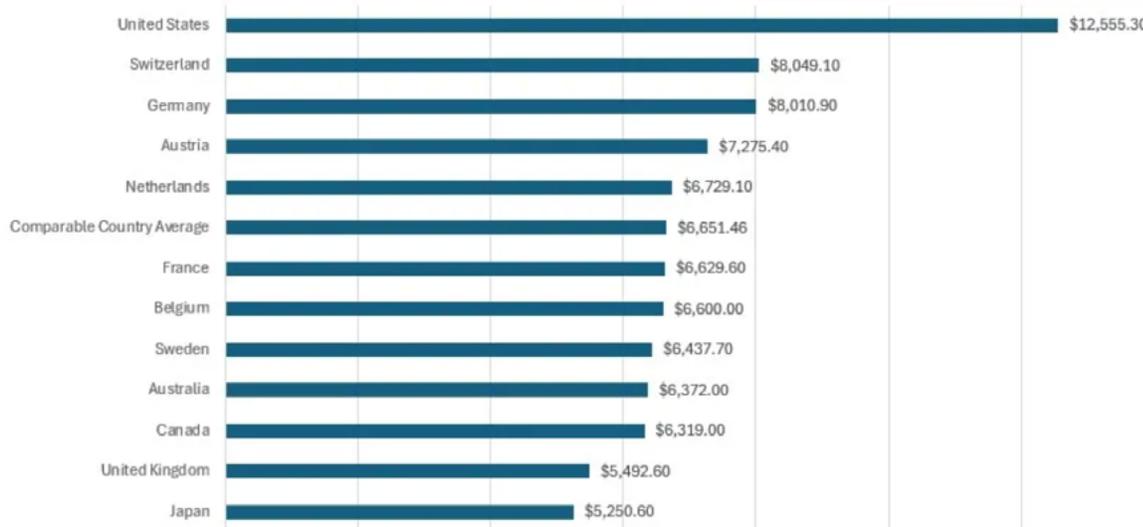
A Healthcare Revolution is at Our Doorstep

Market Corner Commentary
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By David W. Johnson



U.S. per capital healthcare spending is almost twice the average of other comparable countries

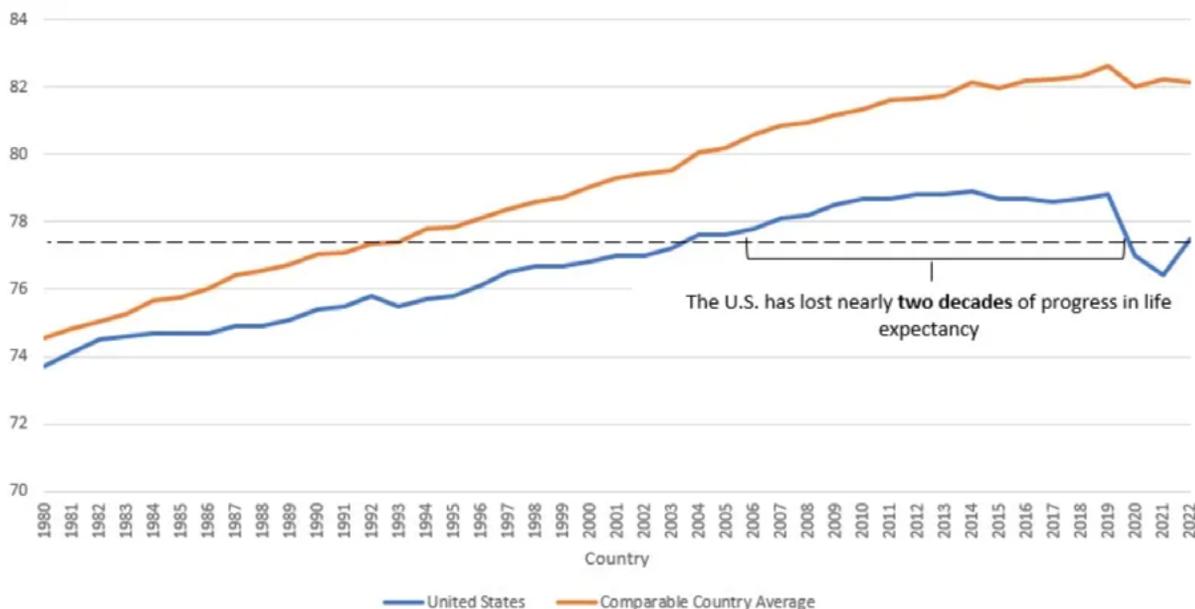


Source: KFF analysis of OECD data

The U.S. healthcare system operates in much the same way it has for the past 100 years: always hospital-centric, physician-centric, disease-centric, treatment-centric and transaction-centric. Providers deliver and receive payment for the specific treatments they administer. There is limited care coordination, little emphasis on prevention, inadequate provision of mental health services and woeful chronic disease management.

The result is an exceptionally high-cost, hierarchical and centralized delivery system with inequitable access that is riddled with perverse economic incentives and bloated administrative costs. Even worse than its financial profligacy, U.S. healthcare underperforms other national systems on broad population health metrics. Americans pay more for healthcare and die younger. Unique among high-income countries, life expectancy in the United States has actually declined over the past 20 years. [1]

Life expectancy at birth, in years, 1980-2022: United States and comparable countries*



As dismal as these performance statistics for the U.S. healthcare system are, they are neither new nor surprising. U.S. healthcare is, in aggregate (accounting for hospitals, insurance and pharmaceuticals), by far the largest U.S. industry. And by that fact alone, it can lay claim to being the largest industry ever created by human beings. [2]

U.S. healthcare's industrial complex ("Healthcare Inc.") of providers, payers and pharmaceutical manufacturers has tentacles that reach deeply into every U.S. community to shape

the business of healthcare in ways that benefit its incumbents at the expense of greater American society.

And these incumbents use their political and market leverage to maintain the industry's status-quo business practices. They have been remarkably effective. As a consequence — and despite significant legislative, regulatory and market-based reform attempts — U.S. healthcare has been remarkably resistant to progressive change.

Until now.

IRRESISTIBLE TRANSFORMATIVE FORCES

Paul Kusserow, Board Chair and former CEO of Baton Rouge, La.-based Amedisys, and I have identified 10 macro-economic and market forces that are working in combination to disrupt and rewire U.S. healthcare. This transformation will be more outside-in than inside-out, and it will be messy. When the dust settles, the American people will receive kinder, smarter and more affordable healthcare services that don't bankrupt them or the country.

Individually, the market forces we identified are powerful. Collectively, they are irresistible. A revolutionary transformation of U.S. healthcare is now underway. For industry incumbents, it's time to adapt or die in response to these irresistible forces. Value-creation and consumerism will be the defining characteristics of

post-revolution healthcare companies. Here's the punchline: U.S. healthcare will change more in the next 10 years than it has in the past century — 2034 U.S. healthcare will bear little resemblance to our current system.

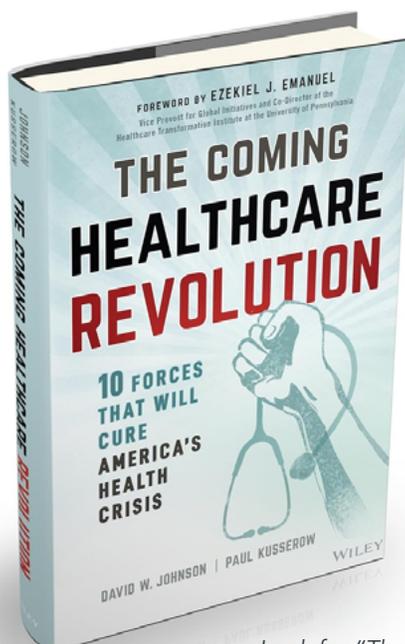
Dismantling Healthcare Inc. is long overdue. Maintaining the status quo means accepting the reality of ever-higher spending to treat an ever-sicker population, with lower productivity, greater inequity, worsening individual and community wellbeing and less happiness. That is a future no one wants for the United States.

Moreover, clinging to status-quo business practices also is a perilous strategic mistake for incumbents. It risks their long-term sustainability. As management guru W. Edwards Deming is often quoted as saying, in so many words, "No one has to change. Survival is optional..."

Besides, our nation already spends more than enough money to provide affordable health insurance with appropriate access to everyone in the country. We must spend healthcare dollars more efficiently and effectively. This requires shifting resources out of acute and specialty care into democratized and decentralized distribution of whole-person health — or 3D-WPH for short.

The operating and economic realities of delivering healthcare services on an outdated and clunky chassis are already causing the ecosystem to devolve in fundamental ways. Its dysfunction will widen and deepen as the top-down on bottom-up pressures on status-quo business practices magnify. Healthcare Inc. will oppose and delay logical payment and regulatory reforms but it cannot forestall them forever.

As healthcare approaches 20% of the U.S. economy and Americans fear paying a healthcare bill more than contracting a serious disease, the creative destruction of U.S. healthcare has never been more necessary or imminent. Consider the ten macro and market forces driving this impending upheaval.



Look for "The Coming Healthcare Revolution," a megatrends book by David W. Johnson and Paul Kusserow.

MACRO FORCES

Five powerful macro forces are at work disrupting the status quo in the U.S. healthcare industry.

1. **Demographic determinants.** The aging of America and the disease burden that accompanies it is placing greater strain on current delivery models as provider organizations struggle to find and pay caregivers. Concurrently, an aging population will place even greater financial demands on a shrinking workforce (as a percentage of total population) to fund the current system's increasing costs.
2. **Funding fatigue.** Healthcare expenditures have reached an inflection point that makes it impossible to continue subsidizing healthcare from other segments of the economy. Going forward, healthcare will need to fund its activities at current or lower percentages of the aggregate economy.
3. **Chronic pandemics.** U.S. healthcare has largely ignored its biggest challenge: the growing prevalence of chronic diseases and mental health conditions that are destroying

the lives of countless Americans. Continued avoidance is not an option.

4. **Technological imperatives.** Breakthrough innovations in digital technologies and biology (genomics, epigenomics, proteomics, etc.) are improving the diagnosis and treatment of disease in fundamental ways as well as providing the tools to deliver better health and healthcare outcomes more efficiently and effectively.
5. **Pro-consumer and pro-market reforms.** Shifting from a pro-industry legislative and regulatory environment that sustains status-quo business practices to one that promotes innovation, transparency and level-field competition will improve outcomes, enhance quality and reduce costs.

Like massive avalanches, these macro forces are indiscriminate, overwhelming and unyielding. They will devastate, disrupt and destroy calcified and ineffective business practices. Aided by an astute sense of evolving market forces, revolutionary companies will fill the void created from the collapse of withered incumbents by delighting consumers with engaging services that solve their health and healthcare needs with ease and convenience.

MARKET FORCES

The five market forces reflect how companies are organizing to attract customers with value-creating and consumer-oriented products and services.

1. **Whole health.** Health (preventive and promotive) and healthcare (invasive and curative) are not synonymous. Making healthcare delivery cheaper, better and easier is not enough. There needs to be a massive resource shift away from treatment into prevention and health promotion. Making America a healthier nation requires greater balance between activities directed at treatment and those focused on promoting health.
2. **Care redesign.** New ways of organizing and delivering care are emerging that connect patients with caregivers more organically by delivering whole-person health at lower costs with better outcomes and personalized service delivery. Concurrently, payment policies and aligned business models are emerging to emphasize health-promoting activities and reduce demand for acute care interventions.

3. **Care migration.** The healthcare ecosystem is in the midst of a great outmigration of care from high-cost centralized delivery modalities (e.g., hospitals) to more convenient and much lower-cost community, home and virtual modalities. By advancing decentralized delivery of whole-person health, the market forces of care redesign and care migration pose a disruptive threat to status-quo business practices.
4. **Aggregators' advantage.** The emergence of holistic and seamless, consumer-friendly, whole-person health platforms will enable consumers to better navigate the system while empowering them to manage their own care needs and personal wellbeing.
5. **Empowered caregivers.** At its core, healthcare is a people-centered business that succeeds when dedicated caregivers practicing at the top of their license go the extra mile for patients (i.e., customers). Optimizing human potential builds loyalty, enriches organizational cultures, drives better results and creates market differentiation. No other business strategy generates higher investment returns.

AN OPTIMISTIC VISION

While grounded in daunting reality and hard data, these ideas and perceptions are at their core optimistic. As the United States reconfigures its teetering healthcare eco-system, its economy will liberate resources to pay workers more, invest in more productive industries and fund vital societal needs.

Beyond economics, the coming healthcare revolution will make American society more equitable, more productive, healthier and happier. Who doesn't want that future for our nation?

Change is never easy, but the history of humankind suggests that societies improve by creating ever-more complex win-win scenarios that extend benefits broadly. For too long, U.S. healthcare has been a negative-sum exchange where industry incumbents have pilfered resources from an unsuspecting public.

An awakened public now demands better outcomes, superior customer service and greater accountability.

It's time to revolutionize U.S. healthcare by creating a system that serves the American people, not Healthcare Inc. The transition will be bumpy, but improved health and wellbeing for all Americans is just over the horizon. In the process, Healthcare Inc. will fade away. Like a phoenix rising from the ashes, a vastly improved whole-person health system will emerge to replace it. These are not pipedreams: The forces driving the coming revolution in healthcare are too powerful for the healthcare-entrenched industrial complex to resist.

This article was originally published for hfma.

SOURCES

1. Kaiser Family Foundation analysis of CDC, OECD, Australian Bureau of Statistics, Japanese Ministry of Health, Labour, and Welfare, Statistics Canada, and U.K. Office for National Statistics data.
2. IBIS World, "Biggest Industries by Revenue in the US in 2024."

AUTHOR



David Johnson is the CEO of 4sight Health, a thought leadership and advisory company working at the intersection of strategy, economics, innovation and capital formation. Dave wakes up every morning trying to fix America's broken healthcare system. Prior to founding 4sight Health in 2014, Dave had a long and successful career in healthcare investment banking. He is a graduate of Colgate University and earned a Masters in Public Policy from Harvard Kennedy School. Employing his knowledge and experience in health policy, economics, statistics, behavioral finance, disruptive innovation, organizational change and complexity theory, Dave writes and speaks on pro-market healthcare reform. His first book **Market vs. Medicine: America's Epic Fight for Better, Affordable Healthcare**, and his second book, **The Customer Revolution in Healthcare: Delivering Kinder, Smarter, Affordable Care for All** (McGraw-Hill 2019), are available for purchase on www.4sighthealth.com. Look for his new book, "**The Coming Healthcare Revolution: 10 Forces that Will Cure America's Healthcare Crisis**," in 2024.