

4sight Health Roundup Podcast

5/1/25

Putting Together the Pieces

David 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, May 1st, API May Day everyone. A special shout out to my good friend Dave May, who I worked with for years. He always insisted that Mayday was about him. Who am I to argue on today's show? We're gonna talk about who large, vertically integrated healthcare corporations are for. We're gonna figure that out with Dave Johnson, founder and CEO of 4sight Health, and Julie Murchinson partner at Transformation Capital. Hi Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:

Doing all right? I'm feeling pretty good myself, clearly channeling my inner and modified Joe Cocker this morning.

Burda:

Very good. Very good. I caught that. Julie, how are you?

Julie Murchinson:

I'm great. I've just had a gorgeous week in Boston this week, and last week was in Scottsdale, hanging out with a bunch of health systems and I gotta say, I'm starting to feel some movement, like something is happening there for sure. And I got to sit next to Judy Faulkner at dinner. It was very interesting, <laugh>,

Burda:

And I'm sure you were very polite.

Murchinson:

I was very polite.

Johnson:

Good for you. Did you get an invitation to stay overnight in one of their tree houses? Outside Madison?

Murchinson:

I did not. <Laugh>.

Johnson:

Next time. That's on my bucket list. I gotta figure out how to infiltrate and stay in a tree house.

Murchinson:

We should honestly take a field trip, <laugh>,

Burda:

It means we have to go to Wisconsin, you know,

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Murchinson:

I can handle it.

Burda:

All right. All right. All right. Before we talk about vertical integration, let's talk about mayday. Dave does May 1st hold any significance for you, other than it being the first day of the month?

Johnson:

Birthdays, it means birthdays in the next 10 days, including two. Today I've got a wife, a sister-in-law, a niece, a grand nephew, and a grandniece that have birthdays. Way, way, way too much in our family.

Burda:

<Laugh> A credit card's gonna get a workout. Julie, how, how about you? Any takes on being May 1st?

Murchinson:

I mean, other than the fact that it's almost Cinco de Mayo? No, not really. <Laugh>

Burda:

<Laugh>? Well, for me, it means I could start planting things outside with the chance of frost being pretty slim. More importantly, in the Burda household, next week is National Nurses Week. And if I forget that frost will be the operative word. Okay. Let's talk about vertical integration in healthcare. And like our April 17th episode, I'm going to ask you to comment on someone else's commentary. In the April 9th issue of the Journal of the American Medical Association, two former Justice Department antitrust officials published a viewpoint entitled The Rise of Healthcare Platforms. The two authors are Jonathan Cantor and Martin Gainor. I know Marty for my days covering antitrust as a healthcare legal reporter. By platforms they mean large conglomerates that operate previously independent and competing healthcare segments under one corporate umbrella. So one corporation runs health plans, retail pharmacies, pharmacy benefit managers, medical practices, home health providers, long-term care providers, data companies, hospitals, and more. The authors pointed out a number of negative effects of platformization, such as limiting competition, creating conflicts of interest and gaming business regulations. They said it quote, undermines the ability of healthcare markets to function adequately making the US healthcare system even more expensive, unresponsive and inaccessible. Not surprisingly, they called for more aggressive antitrust enforcement to prevent platformization list. We have a private profit seeking single payer without oversight or competition to constrain it. Pretty scary. Dave, what's your reaction to this commentary? Is it overstating or understating the issue? And what would you do to make vertically integrated companies work better for the market and for consumers?

Johnson:

I'm schizophrenic on this article really of two minds. So I'll, I'll talk about each side of the brain here and, and what separates them. First is the authors are absolutely right. These massive companies with the vertical integration, even without vertical integration, have sufficient market

power to exercise monopoly and its pricing power. That's true in regional markets. Increasingly true in national markets and regional markets. Any good size health system can have monopoly power. Any good sized insurance company can have monopoly pricing power. So it's not just the big conglomerates. You see it everywhere in healthcare. Devices, big pharma, market failure, massive industrial complex, vast intermediary, layer. We talk about it all the time. Julie mentioned Epic; then you see companies like Epic that really practice a form of information arbitrage where they try to control information that should be widely and publicly available, and they do it within a walled garden. So they're right. The question is, will better antitrust regulation help? I mean, it probably can't hurt, but if this were easy, we'd just break up these big companies like we broke up AT&T and the world would be a better place. AT&T Standard Oil, we have a long tradition of doing that in this country, and maybe we need to do some of that. And they draw a lot of comparisons between healthcare and the big tech companies, the, the Googles, the Apples, the Metas and so on. But I don't think it's exactly the same because those big tech companies are exercising traditional kind of market leverage in a way that and profits them, but still delivers overall value to the economy. In healthcare, we actually have these massive companies operating in ways that enrich them, that deplete from the overall economy. Luigi Zali, who's an economist at the University of Chicago, I like a lot, wrote a book in 2012 called *The Capitalism for the People*. And he identified whistleblowers and class action lawsuits as strategies that help keep the big guys in line. And I keep thinking about these fiduciary lawsuits that employees are bringing against their employers for not acting in their best interest and purchasing health insurance. And I think more than any regulatory scheme that that the authors could come up with the success of those fiduciary lawsuits could fundamentally change market behaviors and improve supply dynamics. So anyway, that's, that's half, that's the one half of my brain. Probably the logical half, the emotional half said this article should have been written in a journal called *Caveman Chronicles*. <Laugh>, you know, to think that incremental regulatory improvement can fix a broken system is just nuts. And the only thing that can get us out of this is, is platforming, but it's platforming of a kind that practices P four medicine at scale. Personalized, predictive, preventive, participatory, I mean, imagine in the not too distant future, being able to engage with a platform company that allows us to speak to our own biology with full information on us, right? Genome, epigenome, all of our, our medical tests and so on. And if you have a question, you know, ask ai. Also, we're very close to creating something called digital twins that will allow us to test out certain treatments, pharmacological, surgical, so on on a digital twin to see and predict with some degree of accuracy, which will get better over time. You know, what the impact will be, will there be side effects? Will it be beneficial and so on. So the only thing that's going to really change the supply demand dynamics and get the right balance between prevention and treatment are platform companies that are operating with the proper incentives that are focused on delivering value. Ultimately, you know, in Shakespeare's *Romeo and Juliet* Juliet says at one point, what's in a name arose by any other name smells as sweet a platform by any other name doing the right thing guarantees better health outcomes or generates better health outcomes at lower prices with great customer service. So, you know, platforms are here some are bad, some are good. Let's embrace the good platforms.

Burda:

We need the right kind of platform. Thanks Dave. Julie, any questions for Dave here?

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Murchinson:

Okay. As a former CPA, I think a lot about the geeky things that could make a difference here, <laugh>, and we're at a time where literally some of the foundational businesses of healthcare are shifting. So I was thinking about the role that just simply public financial reporting plays in these like massive consolidated models. Do you think that a more detailed look at service line or business level reporting financially could help us all understand the value that some of these scaled entities bring? And, you know, maybe help us see how some of these businesses need to morph in patient interest?

Johnson:

I think what you're really asking is could better financial reporting illustrate the damage these, these companies cause rather than the benefits they bring <laugh>? Well, yes, <laugh> I wish I could be more optimistic. I think financial reporting exists primarily to serve investors and the debt and equity capital markets and, you know, can always be better. I think it does a good job at that in terms of letting investors evaluate companies with a fair degree of, of transparency on financial performance and so on. When we start adding other reporting requirements on top of this framework it creates potential market friction without necessarily delivering the desired benefits. I keep coming back to our markets broken in healthcare, so how do we get companies incentivized the right way to so that the supply demand dynamics really do begin to deliver for the American people? And I, I really don't think we can do that without fundamental payment reform. So that's, that's, that's where I am on that.

Burda:

Yeah. Thanks Dave. I've never known a Chinese wall to work, right? <Laugh>, oh, we put up a Chinese wall, right?

Johnson:v

It certainly didn't work in China,

Burda:

Right? <Laugh>? Yeah, I don't think so. All right, Julie, it's your turn. Is this piece on target or off base and why, and what would you do to prevent any negative effects on market innovation created by large vertically integrated healthcare corporations?

Murchinson:

Well, I rolled my eyes so many times when I was reading this, and I had to remind myself that healthcare is a weird business, right? It doesn't function like other businesses. So I really took the contrarian view to say that it's largely off target. You know, they raised valid concerns about consolidation, as Dave talked about, but the aggressive antitrust perspective just overlooks the, the need for integration to simplify our crazy overly complex system. And frankly, you know, for a few decades now, we've been trying to fix the system through more federated models, right? Where everyone can remain independent, but coordinate, and that's not working either. So, I mean, integration should drive the coordination we need for care improvement. And big tech monopolies focus on data control. But in this case, I think to some of Dave's points, like we, you know, integrated healthcare entities should reduce duplication and frankly, should be in a

position to help patients and people through better communication the, like, I personally think that scale's critical for innovation. Like if you look at just the, the, you know, data infrastructure needs, large healthcare platforms can invest in those things where smaller entities can't. And I don't know, this whole antitrust angle just feels like they're focused on the wrong thing. Antitrust should focus on where's the harm to patients and payers, and not just the presence of large integrated firms that are frankly behaving as one would expect. You know, in capitalism, I also I thought it was funny there, the abuses like gaming MLRs and upcoding, I mean, valid, right? And, I frankly think they can be addressed without breakups. Like structural separation doesn't help MLR gaming necessarily, or doesn't help upcoding, it's still gonna happen. I think that's stupid. <Laugh> and I think, you know, we're making progress in some of these models, and now I don't think now is the time to actually pull this card if we're gonna pull it. I think there are other things that we can do. So what would I do? I would of course wanna preserve innovation and protect market entrance and keep that competition up and let scale sort of do its thing. You know, Dave, I think you'll like some of my thoughts, but <laugh> probably will transparency. I know I'll, yeah, for sure. I think transparency is everything here. You know, transparency and data access and interoperability as well as platform neutrality. So let's enable startups and these niche players to build the tools, tools that they need to, even within the big platforms without the bias of, you know, the big platforms. And let's talk about transparency and price and performance, and enable the choice of higher value providers, even if those providers are outside the large platforms. Like transparency goes a long way here. You know, I would try to deal with any competitive self-dealing behavior. Let's make sure there's fair competition for the independents and innovative providers. And I guess I'd think a lot about the best of breed mentality here. Like, let's encourage diversity of ideas and allow alternatives to some of the vertical integration to flourish, right? That's how markets evolve. And I, it probably goes without saying, but you, you need to constantly push against the conflict of interest and strengthen that oversight because platform behavior is platform behavior, and we have to keep it in check. And I frankly think keeping it in check also engenders trust, and we need more trust and, you know, some of the emerging models. So for me, it's really about guardrails and not roadblocks.

Burda:

Yep. People and behaviors, right? I think you said the word behavior, you know, half a dozen lot times in there. Yeah. Yeah. No, it's important. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Well, Julie, I wanted to ask you how tariffs could help the situation, but then I caught myself and <laugh>. Yeah, good.

Murchinson:

How much time do you have <laugh>? Yeah.

Johnson:

I wanted to get your favorite example of a healthcare platform, the right kind of platform that is capable of scaling nationally. I bet you've got a few favorites tucked away in your pocket.

Murchinson:

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What would I scale? Yeah, there probably are a lot of things I'd scale, actually, maybe. But if I'm pressed for one, you know, I think a lot about cost and quality and frankly, who has or has the potential to be a really strong clinical brand that people believe in. And I guess it depends upon what kind of model you're thinking about scaling. Would, the one I have in mind as I'm saying this is different than perhaps other examples where, where they would spike. But I think I've mentioned here Baylor Scott and White is kind of my new favorite example, but the retooling they've done around what does quality care look like? How should care be delivered in certain service lines in a way that's highly digitally enabled. They're figuring out how to deliver care at much lower cost. And there's something there that they're doing, and I don't know if it's because they're in a market they're in and, and how they're doing it, but, their HMO star ratings are high. Their PPO star ratings I think are a little bit lower, which might demonstrate that it's harder to, you know, build a more integrated platform in an open model way. But I frankly just think that's probably the schizophrenia of our current reimbursement system. But they're doing something special there. And I don't know, <laugh>, if you could try it outside their market, I think it'd be very interesting.

Burda:

Yeah, it's people doing the right thing, right? So right now I think it's all about controlling each step along the production line. No matter where a patient stops along that line, the company gets a cut by limiting patient choice. And what are they singing? 16 tons. Dave <laugh>, I owe my soul to the company store, right? You know that one? And this is why we need a customer revolution in healthcare. So no better time to start than mayday, right? And that brings us full circle to what else happened in healthcare this week that we should know about Julie, what else happened in healthcare? What's worth mentioning?

Murchinson:

Well, I'm sure that folks have seen over the last week or two United's numbers were not what the market expected. So we've seen this week a turnover. Heather Gianfranco has stepped aside, and our friend Patrick Conway is now the new Optum, CEO, big news.

Burda:

All right. Wish him well. Thank you, Julie. Dave, what else happened this week that caught your eye?

Johnson:

I write for the HFM magazine and they've got a new feature called Fast Finance. And so I'd encourage everybody to check that out. But they are reporting that the Republicans in the Senate and inside the Trump White House are moving fast on changing the three 40 B program in ways that will hurt hospitals. They're also beginning to look at modifying, maybe even eliminating the Medicaid match programs. If these changes go through, they will have a major impact. So if you're looking for a disruptive force look no further than three 40 B and Medicaid match programs.

Burda:

Right? They are big pieces of the current business model.

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Murchinson:

Dave, I just wanna say, I have heard that they're gonna go after site neutrality before anything, so the rumors are just rampant.

Johnson:

Yeah. Well, that, that's another big one, right? <Laugh>?

Murchinson:

Yeah.

Burda:

Well, like, we don't have enough to talk about on this show. <Laugh>. 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](http://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.