

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, June 25th. Today is National Work From Home Day. Every day has been national work from home day for me since 2012. Was quite an adjustment as I had been working in an office or newsroom setting for the previous 30 years. I went from an hour and a half one-way commute in the morning to less than a minute and a half, and that includes coffee. By the time the pandemic hit and everyone had to work from home, it was old hat and I didn't miss a beat, and I'm still working from home. That has nothing to do with our topic today, and that's whether artificial intelligence and healthcare will drive up healthcare costs rather than drive them down. To tell us what they think is gonna happen are Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi, Dave. Hi, Julie. How are you two doing this morning, Dave?

David W. Johnson:

I'm in Boston for one of Amitab Chandra's Health Policy Confabs. It has loads of economists and life science executives. Always great discussions, among my favorite gatherings of the year, beautiful weather here in Boston, staying in an old boarding house turned hotel that dates to the 1860s. My room has a name, Sonnet, but no desk, so I'm recording this from a very comfy stuffed chair. <Laugh>

Burda:

Oh, that's great. Well, , knock 'em dead today, Dave. <Laugh> Julie, how are you?

Julie Murchinson:

I am filled with so much World Cup joy. It's overflowith. Oh. Like, is it bringing you guys joy in the same way? Oh, okay. I think I'm, like, actually so deep on the social media on this. It's, it's scary.

Johnson:

Cape Verde is my new favorite team.

Murchinson:

It's amazing.

Johnson:

Unbelievable. Yeah.

Burda:

I'm not watching games, but I'm watching the fans-

Murchinson:

Yes. ...

Burda:

-Online, and they are inspiring. Oh. Because I, I just-

Murchinson:

The tartan army? Love them.

Burda:

<Laugh> It's just, it's just something else. Yeah, yeah. Very, very upbeat. Thanks, Julie. Okay, before we talk about AI as a potential cost driver, let's talk about working from home, which I guess could be a cost saver. Dave, when did you make that transition and how did you handle it?

Johnson:

Well, like you, I was an early adopter by necessity, , to work from home. When I launched 4sight Health in 2014, our global headquarters was my office on the third floor in our old house. <Laugh> great, yeah, great ambiance with a beverage station and a couch to take naps. Could never go back to a traditional office, never.

Burda:

It was a right fit. Thanks, Dave. Julie, when you're not on the road, do you work from home or do you still go into an office?

Murchinson:

I work from home when I'm on the road. I used to rent a WeWork, like, once a week just to get out and to get to see people and da, da, da, but now, of course, I travel way too much. But I have to say, embarrassingly, when I was at Health Evolution, I was one of those super old, cranky holdouts who wasn't really sure that we should have Fridays from home and this was, like, 2019. So I'm embarrassed by that and I'm just ... It's amazing to see the entire world transition. It's incredible.

Burda:

I do miss a newsroom. There's a certain dynamic there if you're a journalist-my only suggestion for those who haven't started working from home yet is this, the house always wins just like a casino, your home has a natural rhythm to it, whether that's because of spouses, significant others, kids, pets, school, doctor's appointments, you name it, and you have to fit your work schedule into that ecosystem. <Laugh> The ecosystem is not going to bend to your will, and I tried that and I was defeated the first week, you know?

Johnson:

Oh, come on, Dave. You get to go to your basement and wear shorts and disappear for hours at a time.

Burda:

Well, that's how it started, Dave. I said, "I'm gonna go downstairs at 7:00, and no one bothered me till 3:00." I think it was, like, 7:05 when the door knocked.

<laugh> it was, it was <laugh>-

Johnson:

And Julie, I can't ever think of you as cranky, so, I'm gonna erase that comment from my mind.

Murchinson:

<Laugh> Okay. Maybe not cranky, but stick in the mud.

Burda:

Oh, that's great. Okay, let's talk about whether AI is going to defeat healthcare costs or whether AI is going to increase healthcare costs. That was a hot topic of conversation last week because of a few new developments. I'm gonna go over what happened and you're going to give me your reaction. What got tongues wagging last week was PWC's annual medical cost trends report. The report said medical costs will rise 9% next year, the highest annual increase in 17 years. One of the major drivers of the big increase is provider adoption of AI-enabled revenue optimization tools. 70% of health plan executives surveyed for the report cited AI as a top three cost driver. Then a few unrelated commentaries added fuel to the fire. A commentary in Med City News said AI is scaling healthcare costs because the system is built that way. A blog post in health affairs said AI will speed and scale the healthcare system's perverse financial incentives. And a white paper from McKinsey said

healthcare organizations are looking at AI with a "bolt on" close quote mindset rather than a "transformational" mindset. In other words, if we're not careful, AI will supercharge all the things that make healthcare more expensive improve PWC's prediction right. Dave, what do you make of all this? Are the AI as a cost driver warnings real? And if so, what can we do from a leadership perspective to avoid this fate?

Johnson:

Dave, I'm on a personal crusade, a personal crusade to encourage people to hold contradictory thoughts in their head at the same time. It's liberating. Try it. So will AI raise costs? Yes. PWC's analysis is compelling. AI enabled documentation and coding tools allow providers to capture greater specificity and reimbursable severity, without proportionate increases in care intensity, getting paid more for doing the same thing, basically. PWC's exactly right. Will AI lower healthcare costs? Yes. Blake Madden has an equally compelling analysis out this week that the supposed healthcare labor shortage is fiction. He sees the fragmented healthcare ecosystem as a massive greenfield opportunity for automation and optimization. He describes labor management in healthcare as a data problem wearing a staffing costume. How great is that language? And then he has this observation, from a, from a section called The Pop Out Heard Round the Shift Med Transformation Summit. He goes, "I asked a version of this question to a lot of leaders and never got a straight answer. If you could automate your entire revenue cycle function end to end and fire 2000 people tomorrow, would you? What does that mean politically for your organization?" And here's, here's what he says, "The response is all rhymed. We have plenty of roles. We'll re-skill them." <laugh> End quote. And look, I understand why a CEO says that on the stage, but it's a cop out and the fact that nobody has a real answer to that question is itself the real story. So AI is gonna destroy hundreds of thousands of healthcare jobs. We gotta stop pretending that it won't and, start to deal with that reality. So yes, AI will raise costs. Yes, AI will cut costs. The real question is, which will it do

faster? And I guess the answer is we'll see, but the long arc of the marketplace bends toward value. It's impossible to bolt new technologies onto an existing business model and create transformation. As Boston has proven, you can't pave over cow pass and create efficient street grids. As Chicago proved, you need a fire to get parallel streets and adjacent alleys. <Laugh> Fire's coming. So that's the battle that's underway now within healthcare. It's an epic one. See what I did there? For better outcomes, lower costs and superior customer experiences.

Burda:

There is nothing like streets that go east, west, and north and south, is there? <Laugh>

Johnson:

There isn't, which is why Wacker Drive screws me up on a regular basis because it goes north, south, east, and west, , as it follows the river.

Burda:

Absolutely. And I'm gonna have to look up that Blake Madden piece. That sounds interesting. Thanks, Dave. Julie, any questions for Dave?

Murchinson:

Love Blake Madden, by the way. So Dave, I worry a lot about leaders here, honestly. What's the on skill or capability that we could teach today's health system C-suite, health plan C-suite, and then, you know, down the ranks that might change the course of this doomsday scenario, like, really thinking about it from the inside. <Laugh>

Johnson:

Well, what healthcare leaders lack most is not a skill but an attribute. What do I mean? I love the Cowardly Lions song in The Wizard of Oz, you know, when he's singing in the forest. It ends with these lines. What

puts the hot in hottentot? What puts the ape in apricot? What do they got that I ain't got? Courage. <laugh> Come on, people. We know what to do. It's just time to do it. , I'm growing so tired of quoting Upton Sinclair, you know, it's impossible to get someone to understand something if you're paying them not to understand it. And 50cent who says, <laugh> "Don't hate the player, hate the game." It's a lousy game. We need a new game. So I spent a big chunk of yesterday with Rashika Fernanda Poulet, learning about his new company, Liza. And Rashika's always inspiring to me. The name Liza is a tribute to Eliza, which was the first medical chatbot developed at MIT in the 1960s. And the company uses AI not to document a better primary care visit, but to orchestrate a better care plan between patients, clinicians, and the machine, the AI, to ultimately drive better health outcomes, you know, fixed fee per month payment, focused on driving better outcomes so, it monitors everything and when you need human intervention, human intervention comes. Isn't this ultimately what it's all about? How do we drive better health outcomes? How do we let people lead healthier, more productive lives? You know, way to go, Rashika, as Steve Jobs said, and I mean this in the most kinda passionate and complimentary way, it's the crazy ones like you that changed the world. So keep on doing it, man.

Burda:

Yeah. Courage. I wonder, was the yellow brick road east, west, north, south, or was it kinda...? <laugh> I gotta look that up. Thanks, Dave. All right, Julie, it's your turn. , What are your thoughts on AI as a cost driver rather than a cost reducer and what can we do from a market innovation perspective to use AI for good and not evil?

Murchinson:

Well, listen, every CFOs and actuary probably are up late at night thinking about 9%, which is our projected commercial trend for 27, right? Mm-Hmm. And that's the highest in nearly two decades. So, you know, I, we're, we just had a round table of health plans a couple weeks

ago and I don't know, we're seeing stats like 60, 70% of them are now pointing directly to AI as one of the top three cost drivers. Like, that's not great. So for context, you know, , these trends are not out of whack with what we saw in 2026, but I think numbers are still being revised upwards, so it's not great. Listen, here's the thing. I agree with Dave, I guess, like, maybe I don't know you've really said this, Dave, but the headline's correct and it's super misleading. And what AI is doing is enabling providers to document more completely and more consistently. And in a fee-for-service environment, unfortunately, that just means higher acuity codes and higher reimbursement and payers are paying more per claim. So these are real problems, but the reality is <laugh> AI isn't changing healthcare. It's just scaling the economic logic that we talk about all the time that's actually, like, totally logical. So we really have more of a policy problem coming our way as it relates to rates, right? And I think the RCL market is the, the best example, just crossed \$20 billion and is on track to triple by 2030. Like, it's insane, but also where these head-to-head wars between payers and providers are really, I think, what most people are kind of starting to pile on now without really looking at the bigger issues. So what do we do? You know, McKinsey's been pretty blunt here. Like health systems aren't struggling to adopt AI. They're thought of as being ahead of health plans, but they are struggling to get value from it because, you know, let's say half of them have implemented GenAI, right? Less than half of them certainly have quantified any of the ROI because they're bolting AI onto legacy workflows instead of, like, redesigning the whole operating model. Dave, this gets back to my question to you as a leader in an operating environment and a health system, that is hard to do, honestly. You know, you just get a faster version of the broken process. And I think the McKinsey prescription's pretty interesting, but hard to do. You get real value when you pick one or two domains and you redesign them end-to-end. Right. So think things like we're not counting pilots, we're not just counting AI activity, but we're counting things that really matter when it comes to rev cycle from claim submission to posting, supply chain from,

you know, when we see demand all the way to the case part. Like redesigning a few things end to end gets you a lot farther. But Burda, I think the, you know, you asked about market innovation opportunity. The real innovation here is to deploy AI inside of incentive structures that really work, the kinds of things we talk about here all the time. And I'm getting really tired of talking about value-based care because it just has such a, a negative connotation in so many rooms today. But, you know, if you look at some of the direct primary care data that Milman found, you know, cutting overall healthcare demand by 13%, cutting ED use by over 40%, like there are real numbers there and that's structural cost deflection before a claim is ever generated. If we could actually deploy AI in, inside those models, like even thinking about, again, the rope cycle, pre-submission of the claim instead of paying and chasing the claim, like, that would just be so much more efficient. Now, granted, everything I just said has a, a twang of insider baseball healthcare's, you know, current structure thinking. My personal concern is that the uptick we're seeing on the consumerism side will either accelerate the confusion around all this or it'll actually bring, you know, pretty quick focus to what kinds of business models are actually gonna work in healthcare in the future. So we'll see. Maybe somewhere in that concentric circle, so there's opportunity.

Burda:

Yeah. No. No, it's interesting, especially the consumer angle, right? Does it muddy the waters or does it, you know, clarify, right? Yeah. And maybe they could use that with the reflecting pool in DC. <Laugh>

Johnson:

<Laugh>

Johnson:

It was Vandals, Dave. It was Vandals.

Burda:

Vandals, yes. Vandals who impersonated the presidential motorcade when the paint was wet. <Laugh> , that was, they really pulled that off. Thanks, Julie. Dave, any questions for Julie?

Johnson:

We need a counter narrative here and so I'm gonna give you a chance to pick the on way that you think AI will be truly transformative in terms of reducing costs, improving experiencing, driving better outcomes. If you just had to choose one thing, what would it be?

Murchinson:

Dave, you always give me these really hard questions. <Laugh> You know, I mean, I wanna say- ,

Johnson:

It's only because I, I love the way you think, Julie. So I'm, I'm, and I'm blown away by your answers, so ...

Murchinson:

I wanna say moving AI upstream in a prevention and early intervention, because it keeps us from having to pay for not all of, but, you know, large chunks of these downstream, very expensive interventions. I think there, it's similar to the concept of where do you put AI in the actual current infrastructure in our healthcare system today to do a lot, which is, again, comes back to prevention if we're looking at the primary care results. But I have to say we actually need to develop a c- a counter narrative that isn't, it's just not there yet. Like all the policy pundits are piling on and, you know, the, David comes from a health economics perspective. They're all weighing in. The mainstream media frame has hardened around this and academics are adding hard numbers to this. I

mean, I'm on an advisory board for Penn's LDI, Leonard Davis Institute and they're, you know, framing this as a payment policy failure. We all know, I think, that we're gonna get to a point where rates are really in question over all this. But, you know, overall, the urgency is just, it's escalating. Like, Mickey Tripathi talks about how EHRs demonstrated, you know, massive inflationary consequences at scale and that started in 2004. That was 22 years ago. So AI's gonna do that in two years, right? I mean, we're, it's just the, the timeframe, I think, is what's really scaring people, but the bottom line- Yeah. ... Is that the pile-on's real, but the counter-narrative is not yet organized and that is the opportunity.

Burda:

Everybody's talking about AI governance and regulation right now. That seems to be the, , where, where the conversation is at the moment. So that'll be interesting, you know, AI, private equity, Dave, like you say, nuclear power, DNA technology. ... You know, it's how people use it that counts, right?

Burda:

Thanks, David. Thanks, Julie. Now let's talk about other big healthcare news that happened this week. Julie, what else happened that we should know about?

Murchinson:

Well, I'm sure you guys saw this, (by the way, I loved the Epic in your comments, Dave. <Laugh> that our friends at Epic you know, they're about to upset not only a number of small companies that are working in this space, but also a couple large ones like our friends at Oracle and Workday because they are going long on the ERP, which I think is gonna be.

Burda:

Fascinating market leverage. All right, Dave, what's your big healthcare news of the week?

Johnson:

<Laugh> Speaking of Epic, I have disturbing news from the interoperability frontlines, the empire is striking back. Epic's lawyers have been meeting with the government and threatening to sue if CMS removes the exceptions to the information blocking provisions that Epic has been hiding behind so it can strengthen its stranglehold on the healthcare marketplace. Julie, as evidenced by what you were just observing. Evidently, CMS is partially caving into the pressure.

Burda:

Well, yikes. Yeah. Well, this could be a big hit for the Envision Tech ecosystem, that we've been talking about. So that's another one to watch. Thanks, Dave. And thank you. 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](https://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.