

4sight Health Roundup Podcast

How to Break Bad Digital Health Tech Buying Habits

10/8/26

[Intro and outro music by C. Ezra Lange]

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, October 8th. Four more weeks, people. That's when you cast your vote for democracy or fascism, liberty or subjugation, rights, or restrictions. It's up to you. It's your choice for now. I hope you choose wisely. Decisions, decisions, decisions. That's what we're gonna talk about today with Dave Johnson, founder and CEO of 4sight Health, and Julie Merchants and partner at Transformation Capital. How and why healthcare purchasers decide to buy digital health technologies. Hi, Dave. Hi, Julie. How did you do this morning? Dave?

David W. Johnson:

I'm doing great. Really enjoying the fall weather here in the upper Midwest, and I'm thinking about getting a haircut.

Burda:

Oh, okay. Well, excellent. Simple things in life, right? Simple pleasures. That's great. Thanks, Dave. Julie, how are you?

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Julie Murchinson:

Well, I spent the beginning of my week with a bunch of, health system-owned health plans, so interesting crowd going through, going through a lot. And last night with, a bunch of women shaping healthcare in San Francisco, and boy, is it just AI essential here.

Burda:

That's cool. You're really plugged in. All right, before we talk about digital health purchasing habits, let's talk about the November 3rd midterm elections. Dave, I know you're gonna vote, and I wanna know how you're gonna vote. Early, in person, by mail? What's your plan?

Johnson:

Well the better question is where we're gonna vote in Michigan or Illinois, but we're still registered in Illinois. And, if history holds true to form, we will vote early. That's just the way we've always done it.

Burda:

Yeah, get it in. Thanks, Dave. Julie, how about you? Are you waiting in line on election day or are you voting early or by mail?

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Murchinson:

I have been a mail-in voter for a long time now, but , I'm sort of regretting not just walking in. Maybe I'll have to figure out if I can still do that. <Laugh>

Burda:

Yeah. I'm with you. You know, I've been voting by mail for the last few years and I've been cool with it, but, you know, why take a chance with this administration?

Murchinson:

That's right.

Burda:

They, you know, they wanna confiscate mail-in ballots and voting machines. So I'm gonna go in-person on election day to make sure my vote counts, and no stormtroopers are gonna stop me, right? I'm fired up, you know? <Laugh> There you go. It's my choice.

Johnson:

Ain't no stopping you now, man.

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Burda:

That's right. And I'm working on my No Kings poster for October 17th, so I'll be at the corner of Roosevelt Road and Naperville Road in Wheaton. So if any listeners wanna join me, that's where I'll be. So, hope to see you there. <Laugh> All right. Speaking of choice, let's talk about how healthcare purchasers choose digital health technologies, and there's your transition. The Peterson Health Technology Institute is out with a new survey of buyers of digital health tech at 321 organizations. Roughly one third were health plans, one third were employers, and one third were health systems. The survey found some interesting purchasing behaviors among the three sectors. I'm gonna toss out a few survey findings and get your reaction. Here goes. Collectively, 64% of the organizations said they are spending more on digital health solutions this year. That's up from 63% last year, but down from 75% in 2024. Collectively, the top three reasons for spending more were to improve measurable health outcomes, expand access to healthcare services, and to strengthen financial performance. For health systems, the top consideration for selecting a digital health vendor was cost of the solution. That was true for health plans. Proven track record was number one for employers. 68% of employers are using performance-based or risk-based contracts with their digital health vendors, compared with 55% for health plans and just 46% for health systems. And the number one reason for switching digital health vendors was cost for both health systems and health plans, but it was lack of meaningful engagement for employers. Dave, any big takeaways from these survey results? , Who's a better purchaser of digital health tech, health plans, health systems, or

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employers? And, how can each sector become a better digital health tech purchaser?

Johnson:

Well, I really enjoyed this report. Part of it is I hadn't realized the Peterson Institute had moved into, health technology and for its, analytics and, and commentary. They're fantastic on macro healthcare trends, both domestically and globally, and they are a constant source for me when I'm trying to figure out how the US overall system is performing. And maybe it's because they're new to health tech. I just found their approach, somewhat unusual in that they interviewed payers, providers, and employers and just lumped them under the big category of purchasers. <affirmative> It probably explains why you get some hinky conclusions going on here. So, it's broadly purchasers, and although they do break it down the groups when you get into the guts of the report. And the four categories are purchasing approach, AI adoption, contracting process, future plans. Well, on the purchasing approach and AI adoption, the conclusions there are absolutely contradictory to one another. Nearly all purchasers expect digital health tools to produce better health outcomes, broaden access, and strengthen financial performance, you know, motherhood and apple pie kind of thing. And then you go to AI adoption and it says, "Health systems have deployed AI predominantly for clinical documentation and ambient scribing." And then for payers, "clinical documentation review is the top AI use for health plans." Can you say revenue cycle management people? <Laugh> And then you get into the guts of the report. Right. and 97% of the

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purchasers say that, you know, achieving strong financial performance is their primary goal. So we once again have this, schizophrenia between what people say and what they're actually doing. You know, my term for that is MAFA, mistaking articulation for accomplishment. And I think it's now a clinically diagnosable condition because I don't think these survey respondents even realize, how contradictory they're being in their, their survey results. Now, I do like, performance-based contracting. The question always is toward what goals are we or the purchaser measuring progress? And again, if people say they're measuring it on health outcomes, but actually measuring it on how do I generate the most revenue or get the biggest profit, those two are almost always in, in contradiction with one another. And just to put a cherry on this, when you talk about future plans, the respondents, the purchasers say they plan to focus on cardiovascular conditions in the next year and that preventive care, get this, is the top clinical area that they plan, to newly explore, next year. So this sort of MAFA-like way of thinking about the world and acting in it is, is alive and well. And that, really does raise the question of who's going to carry the ball for consumers? Is it health plans? Is it health systems? Doesn't seem to be. Self-Insured employers, maybe. Government, maybe. But it's a huge opportunity in the marketplace. And then my last point is, I was just struck by how all these purchasers, make the point that they're moving, from, growth to maintenance, which suggests that we've sort of solved the digital health challenge of driving better outcomes at lower costs with better customer experience. Well, we know that's not true, but it's just yet another indication of a very mature industry kind of acting the way it always has acted and, expecting different results.

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Burda:

Yeah, maybe we need a ICD-10 code for MAFA.

Johnson:

Yeah. There you go. It's diagnosable. I see it in action all the time.

Burda:

Yeah. Yeah. Hey, then we could bill for it, right? I think that's how it works. All right, thanks...

Johnson:

You need a code. Get a code.

Burda:

Thanks, Dave. Julie, any questions for Dave?

Murchinson:

Yeah, Dave. <Laugh> wow. So this, you know, if you look at what's happened with a bunch of these, not these vendors, but this whole movement, and the, maybe the biggest statement of support has come from CMS in this administration <affirmative> with the access model.

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So, you know, it's gonna pay digital health vendors based on outcomes, but 38% of commercial buyers in the survey say they can't verify what vendors report. So either CMS knows something that employers don't, or Medicare is about to pay for vendor reported results and it can't check either. So what's happening here? <Laugh>

Johnson:

Yeah, it's a really fantastic observation, Julie, and I don't precisely know the answer, but I've got an idea. Let's see what you think. My guess is that the government, CMS, CMMI, theoretically believes, that it should pay for care outcomes and it's designing programs to do that. It's very much a macro focus. On the commercial side, the buyers are more practical, much less theoretical, and really wanna see, performance data before they, fork out their dough. So that's a micro focus. And so I think what you're describing is some macro, micro tension on goals versus performance or goals versus execution. You know, there's real tension there, and this is what your question brings out. And you know what? I'm actually okay with that.

Burda:

Thanks, Dave. Okay, Julie, it's your turn. Any big takeaways from the survey results? And if you were a digital health technology vendor, what are your lessons learned from how these purchasers buy what you're selling?

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Murchinson:

Well, this one's a tough read. Like, the headline obviously isn't that buyers are spending more, but they've definitely stopped trusting the vendor math, for sure. And you can see this vending, like, that 64% was 75% a couple years ago, and it's headed to the mid - 50s or flat going forward. And, you know, when it talks about things like nearly half those buyers enroll a quarter or less of the eligible members and, you know, they say that less than half the vendors report results on their best engaged members, not the full population. Like, it's easy to stop there and blame the members, right? Like, it all, it all sounds bad, but of course, I'm not gonna do that, but it's not because I believe that all vendors are right. It's because the goal is to improve health and healthcare, and everyone's role is important in this. And I think it's very easy to look at the vendor stats and feel like it's all their fault. But these buyers are either intentionally or unknowingly tying vendors' hands, and I've seen it a lot. Most main vendors are most exclusively responsible for engagement, so that's hard. And when you're an employee and you're getting letters or texts or communications, emails from a bunch of different vendors that your employer uses, like, it's not a cohesive program that one understands well, right? Or by the way you might never see it in, a good form. It just ends up in your, you know, your portal somewhere that you never go visit. And then, you know, more than half the buyers require opt-in before any outreach, which restricts the channels that these vendors can use. And you can really put a vendor in a straitjacket for that, and it's just not fair. And the buyers admit that they're not staffed for this. Nearly half the health systems say that they

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can't, you know, manage the contracts, they don't have the people. And the data is a big problem. Like, they talk about the problem of merging the vendor data and the buyer's claims data. I see data restrictions in contracting all the time that I don't think the buyers understand, and the vendors are willing to take it because they think they can change it later. Like, there's just, it, the, these relationships are rife with problems. And then, we all know this, but there's the clock, like, they're on the clock. So, over 70% of these contracts run for two years or less. So, of course, like, that's just too short a time to see real outcomes. And I don't know, it just feels like, there's just a lot of lessons in here for vendors. I would say that, if I'm a vendor, I'd wanna put my fees at risk if I could. And I've seen a lot of vendors do this, and then you see buyers complain about the contingency-based models. Okay. I think vendors need to recognize that engagement is the product. Engagement's everything. And if we can all look at what our role is, buyer, vendor, everyone involved in engagement, we could actually have more success. I think vendors need to recognize that you have to be able to make your results auditable and easily auditable. And, reporting on the whole population, there's a real story there, that isn't being told when you report on only the engaged population. So it's important for everyone to learn what's happening there and why to be able to move forward., And then last, I think this is the hard part, but negotiating a deal that you can actually stand behind and deliver on is so important, and it's hard to sell business, and live by those rules. So, you know, a fair deal is shared accountability as far as I'm concerned, and I think, you know, that's how we have to look at this.

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Burda:

Yeah, I like that. Engagement is the product. That's a pretty powerful statement. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Julie, that was fantastic analysis. I mean, you bring real clarity to these sort of traps along the way in these, programs that are designed to improve health outcomes would have to operate within the real healthcare world. Thank you for that. And, very consistent with your comments last week on the Aura ring and when you have a lot of engagement and yet how does that translate into the marketplace? I just love how you think about this. I'm gonna give you a chance to go a little deeper on that because you must hear at Transformation Capital at least a dozen pitches a week from health tech vendors that want funding and believe they can make a dent in the healthcare marketplace. How do you pick out the winners from the also-rans? <Laugh>

Murchinson:

It's such a good question because the, I don't wanna say the old investor model, but the investor model, I think, in most places is like, oh, great team, big market, or strong founder, or, you know, things that <affirmative> don't really... I mean, yes, they matter in healthcare too. But of course, we have nuances, right? So, I would say one thing in this world of AI, when you look at what's happening with tech. Even though it gets compared to the digital health revolution, it is really different in

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the sense that, these AI products can target and find new revenue, Dave, as we talked about with RCM, or cost savings in a much more auditable and fast way. So this whole question around, making your results auditable, it can happen in a different way than digital, but the AI is such a commodity. So we look a lot at, like, you know everyone talks about the right to win. But what's the service model that actually lets them unseat some of the humans that allows digital to actually start to be the solution? Because that matters in terms of, you know, the enormous BPO and other middlemen that are at risk today because of the kinds of companies that are coming through. And I think when you go back to thinking about a fee model that works for a purchaser, that's not just, a PMPM, a PEPM, da, da, da, da, looking at making sure that your margins hold up when your fees are at risk and that that model works. And by the way, like, I don't know that every investor thinks a lot about this, but when you're in a market that is headed for consolidation, you have to make sure that that company's gonna survive the consolidation too, right? So it's... I don't know, Dave, there's so many things if I got into the nuances beyond just a really strong founder and a great team. But, I don't know. Couple for you.

Burda:

Really good grocery list there, Julie. Thank you. To me, the lack of interest by providers in these risk contracts is pretty telling. You know, providers just don't wanna be responsible for outcomes in any part of their operations, just like an apathetic voter, right? And we've come full circle. So there you go. Thanks, Dave, and thanks, Julie. Now let's talk

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about other big healthcare news that happened this week. Julie, what else happened that we should know about?

Murchinson:

Well, this week, you probably saw that David Holmberg announced his retirement and Karen Hanlin at Highmark is gonna take his place. And all I'll say is first female CEO for Highmark in its history. Karen has been an operator there for a long time and is incredibly strong. And congratulations, Karen. I'm excited for you.

Burda:

Yeah, shattering that glass ceiling. That's great. Dave, what's your big healthcare news of the week?

Johnson:

Well, this one's from out of left field. But <laugh> I was reading an article about Mondami in New York City, and he made a statement, that, restoring faith in institutions requires doing the basic things well. So since he's been mayor, which hasn't been that long, he's filled something like 20,000 potholes in New York City. He's just running all over the place filling potholes. And it got me, thinking about how payers and providers could start doing the basic things just a whole lot better than they currently do. How can they find pain points with simple solutions

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and fix them? I think it's starting to do the healthcare equivalence of filling potholes.

Burda:

I'd start with scheduling!

Johnson:

There you go.

Burda:

Right? I gotta make it as easy as making a dinner reservation. That's it. So you're onto something, Dave. Thanks. 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. 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.