4sight Health Roundup Podcast

Predicting the Outcome of Betting on Clinical Trials

11/5/26

[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, November 5th. How's everyone feeling today, two days after the midterm elections? Well, the dust is settling. We still have a show to do, so let's get on with it. We're gonna go deep on something we briefly talked about on an earlier show, and that's whether we should be gambling on the results of clinical trials. Not gambling in a clinical sense, like whether you should take the drug or not to see if it helps you live longer, but gambling in a monetary sense, like placing a bet on whether the FDA will approve a drug or not. To walk us through the odds are 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:

Oh, I'm doing great. It's been in the 70s this week in Chicago. I'm regretting putting my shorts away for the winter, but Dave, I bet you haven't.

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Burda:

They're not going in the drawer till January. I'm good. <Laugh> Julie, how are you?

Julie Murchinson:

I am home, trying to adjust my head to our new time, you know, the darkness. Yeah. But all good.

Burda:

All right, before we talk about clinical trials and prediction markets, let's talk about the election results. Dave, give me your hot take.

Johnson: (31:01):

Well, I'm still wrapping my head around Tuesday's election results, not only the outcomes, but the scope of the victory. You know, when was the last time Democrats won a Senate seat in Texas? Just a massive shift in votes away from historically Republican candidates to Democrats. Turns out Americans of all stripes really don't like corruption.

Burda: (31:56):

Go figure. Go figure.

Johnson

Yeah.

Burda:

Julie, any top-of-mind thoughts on the election two days later?

Murchinson:

I just woke up yesterday thinking it wasn't real. Like have it possibly been? <Laugh> And I've continued to pinch myself. And I guess two things. One, we all have friends who have, tried to temper our or other people's vitriol for Trump over the years and, give him a break, he's not that bad, da, da, da. And, I mean, look at the people who just stood up and declared like how bad this really is. So I love it when, at the end of the day, you're sort of right. Makes me feel good. And I'll also say that all the social media from, for, like, from non-U.S. people who are so proud of us <laugh> and so amazed, like, it's, it's incredible to watch people from outside this country react. I mean, it reminds you, like, how much damage we've done.

Burda:

Yeah, decency was a common thread throughout the whole election.

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Murchinson:

Yeah.

Burda:

Well, people have spoken, and for me, the question is whether the current administration will listen. And, not to get all survivalist on you, but I'm glad I did. Okay, let's talk about how much stock we should put into this business about betting on the results of clinical trials on online betting platforms like Polymarket and Kalshi, and there's your transition. What I'm gonna do is ask you to comment on someone else's commentary. It's actually a perspective in the New England Journal of Medicine by three authors, one from Harvard, one from Memorial Sloan Kettering, and one from Brown University. It's not like they work at Caesars Palace or Bellagio, not that there's anything wrong with that. The three said there's nothing intrinsically wrong with waging on human health outcomes. We do it right now when we buy stock in a company with a promising new drug. They said some features of clinical trials make them ideal for prediction markets. Those features include public probabilities that would reflect the collective rather than fragmented knowledge of doctors, scientists, investors, and other experts, and public probabilities that could steer patients away from clinical trials whose results aren't worth betting your life on.

But they acknowledge that betting on clinical trial results could, in their words, invite mischief and create the potential for manipulation. They recommended that the US Commodity Futures Trading Commission work with the FDA to set up regulatory guardrails, including the requirement that the agencies review all clinical trial contracts before you could bet on them. One guardrail could be requiring contracts to identify all people who have access to non-public information about a trial and bar those people from betting. They ended by saying, quote, "The potential promise of better forecast for clinical trials is real, but markets designed to predict clinical trial outcomes shouldn't compromise the integrity of those trials."

Dave, what does this piece get right? What does it get wrong? And are there any guardrails strong enough to prevent gambling on clinical outcomes, from going off the rails?

Johnson:

This piece gets it all wrong, as far as I'm concerned. To, to quote Nancy Reagan, we should “Just say no” to making prediction bets on clinical trials and approvals. But before I get into my reasons for making this rather declarative, judgment, do either of you happen to know who Emmanuel Classe´ is?

Burda:

I do not.

Murchinson:

No.

Johnson:

I didn't think you would. He was arguably the best closer relief pitcher in baseball for the Cleveland Guardians. He got suspended in 2025 for tipping his pitches to betters who would wage on the speed of his pitches or whether it was a ball or a strike. He was using words like chicken and rooster to hide what he was doing. And I mentioned this because Classe´ and a fellow Guardians pitcher, Luis Ortiz, went on trial this week in Brooklyn for conspiracy accepting bribes and wire fraud. Classe´ was making millions, and getting peanuts, relatively speaking, you know, five to 10,000 bucks for every pitch that he telegraphed. The combination of chance, easy money and human greed lead to this type of nefarious behavior across all human endeavors. If we could, I'd sweep the betters entirely out of the sports temple. Gambling in sports causes far more harm than it does benefit to society. And why do we think the outcomes would be any different with prediction bets on clinical trials, therapies, and so on, devices? But let's get to the commentary. The authors have, in my opinion, a cold-blooded, utilitarian, almost Spock-like perspective on clinical wagering. I mean, they capture it here in this

quote. Some commentators have argued that wagering on human health outcomes is intrinsically wrong. Although we understand this perspective, we don't share it. The ethical issue in our view pertains to what trading accomplishes and at what cost, purely utilitarian. So get into the pros and cons. I though the pros were very thin. They centered on the ability of markets to synthesize and interpret, information from fragmented sources that would allow better predictions and allow society to make better investments, clinical investments. They employ a wisdom of the crowd's, perspective. You know, when you ask a bunch of people how many jellybeans are in a jar, the average is usually better than the individual predictions. And it's not much more than that on the pro side. The cons, on the other hand, are much greater in risk and far more worrisome. Clinical trials are remarkably complex. They involve legions of individuals that are involved in, the data collection, the trials themselves, the regulation and so on. The potential for data and timing manipulation is great. There's not even a guarantee that the wagering will actually generate better information in the marketplace. The challenges of trying to regulate all this, whether pitchers can bet on their pitches and, basketball players can bet on their shots. There's also the risk of accidental or too early deployment if the market gets all excited about one particular drug or device or so on. And their conclusion is equally cold-blooded. The potential promise of better forecast for clinical trials is real. I don't think it's material, but it is real.

But markets designed to predict clinical trial outcomes shouldn't compromise the integrity of those trials. It's, you know, on the one hand, on the other hand, I'm sorry, this is an ethical question. We don't allow

bets on terrorist threats or assassinations. We shouldn't allow them on clinical trials.

Burda:

Cold-blooded, right? That's an interesting description. Thanks, Dave. Julie, any questions for Dave?

Murchinson:

Dave, this is just such a, to me, such a, a difference in how these regulatory bodies think and the depths of what they understand. So the CFTC understands markets, but not trials, and the FDA understands trials, but not markets. So which one do you trust here?

Johnson:

<Laugh> Neither. I think the markets are always gonna be smarter than the regulators. The CFTC, regulates sports betting as well, and there are clearly lots of holes in that. More worrisome. We've seen evidence of insider trading on some major consequential decisions within the Trump administration related to the Iran war, tariffs and so on. So I've got concerns there. The FDA, is, you know, it's going through its own issues. But I've always, you know, sort of big picture, the FDA ultimately, weighs in on whether or not drugs cause harm, not on the efficacy. And then it allows the manufacturers to set their prices. We basically give, monopoly pricing power. We should just, you know, pause and look at

basic human nature and what we're trying to accomplish, how we spend the money, how we regulate. And I think we should be doing far less of this kind of game-like way of, of figuring out our future than, than relying on, more classical understandings of how to manage, the pros and cons of human behavior, the, the better and lesser angels of our nature.

Burda:

Thanks, Dave. All right, Julie, you were the first to mention this on an earlier podcast. So what does this perspective get right? What does it get wrong? And if you ran a drug company, are you cool with betting on the outcomes of clinical trials? Why or why not?

Murchinson:

Well, first of all, I guess what they get right is that they move the debate away from whether betting on health is icky toward what can practically be manipulated. So that's good. They flag the worst contract on the table the idea of betting on how many adverse event reports get filed with the FDA, because anyone can file those reports, so it's not really a forecast. It's more of an invitation, I guess.

I'm with Dave. There's a lot wrong here. First, they have this stock market, you know, defense, that they kind of fail. They say that speculating on biotech stocks is acceptable because it mobilizes private investment in drug development, but a side bet on Kalshi doesn't send a

dime to the drug sponsor. So I don't really think that works. Second, they have these guardrails that target, I mean, to me, the wrong people. Like, they're banning insiders to address leaks, which is great. But, you know, publicly visible prices could change patient adherence and dropout, and nothing in their fix stops a patient from checking the odds. So there's just so many players in these trials. It's not just corporate. And we've already seen, you know, how individuals change their behavior and so many other, you know, parts of what Kalshi and Polymarket have done. So why not here, right? And the insider, you know, they want platforms to police are like the physicians and the reviewers and sponsors and clinical research coordinators and the IRB members, like all the, you know, the more corporatized parts of this or regulator parts of this. But a father of one child in a cancer trial, I don't know if you saw this, said something so simple and seemingly overlooked, which is there are gonna be patients on the other sides of these bets. So patients are, are part of it. And they use this terminology, you know, perceived cautiously like it's a policy. And having the CFTC and the FDA review every contract, trial by trial, which is part of what they propose, like, who's gonna staff that? <Laugh>

Burda:

Right.

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Murchinson:

I don't see that that's actually, like, even remotely practical. So if I'm a drug company, am I cool with this? No. I mean, the authors say that a low market price makes, you know, ambitious projects harder to finance. And if I'm a small biotech, like, I don't want anonymous betters, like, in my shorts either, because that's gonna impact, you know, potentially me in the middle of a fundraiser or something. Like, it's just really disruptive to a market that is betting on medicines and life. And I don't know, you know, a live price, my patients can see becomes a retention risk I can't control. Every vendor I hire is an insider trading, you know, risk. And you can deal with that, right, in contracts and whatever, but legal battles would not be nice. And when the first scandal hits, like, the headline names my drug, not Kalshi. So there's really not much upside here. And I don't know. The guy from Johns Hopkins put it well, like, some things just aren't meant to be bet upon, and, you know, this might be one.

Burda:

Yeah, you could see this being a plot of a movie, couldn't you? <Laugh> Right?

Murchinson:

Oh, yeah, for sure.

Burda:

Absolutely. Thanks, Julie. Dave, any questions for Julie?

Johnson:

Julie, Kalshi’s already, you know, supporting prediction bets on when the FDA will approve Lily's weight loss drug, Retatrutide and Compass Pathways psilocybin therapy. That being the case, is the genie already out of the bottle for betting on clinical outcomes? What do you think?

Murchinson:

Well, those are bets on the kind of on a regulatory decision. So by the time we're betting on the FDA, that trial data is mostly there and kinda locked. Like, patients, if I was harping on, can't really change them. So a bet on that trial endpoint is a little bit different. You know, but they're not harmless either, I guess. They just move that kind of insider problem. So I guess the real question to me isn't, like, if the genie's out of the bottle, it's whether regulators draw the line at in-progress trials as, like, one place we shouldn't be really focusing.

Burda:

Yeah.

Johnson:

Yeah.

Burda:

Where does the betting parlor start and end, right?

Johnson: (48:48):

I don't know. I'm seeing a camel's nose here under the 10th, but... <Laugh>

Murchinson:

Yeah. No, I hear you on that. I really do. But if I just look at it, you know, for what it is, it's harder to manipulate.

Burda:

Yeah. That'd be interesting. And will you be able to walk into a sports book and a casino in Las Vegas instead of betting on the Super Bowl, you're betting on a drug?

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Burda:

Really interesting. Well, I'll just end by saying in the history of gambling, no one has ever not tried to beat the system, right? Rig the game or bend the odds in their favor. It's gambling. And why betting on clinical trial outcomes would be any different, I'm not sure.

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

Murchinson:

Well, if you've been too enamored or perhaps drowning your sorrows in the election news to see the CVS news, they dropped this new, big news in a week that maybe no one's paying attention. But CVS is splitting off its pharmacies into a separate company, so that's amazing. The more obscure headline news, Dave, is from our friends from Avia, who look like they're gonna be acquired by or merging with Redesign Health, so be very exciting to see what Redesign does with them.

Burda:

<Laugh> Yeah. I heard the, about the first, but not about that. That, that is interesting. Yeah. That interest is interesting. Thanks, Julie. Dave, what's your big healthcare news of the week?

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Johnson:

I was focused on the CVS announcement as well. I'm actually intrigued to see, the pharmacy operating on its own separate and apart from the PBM. I think that could auger for some new models for primary care and so on.

The other news of note was that the for-profit chains all came out with their earnings, this week, third quarter earnings, and they all lost money. Sort of an early indicator of how some of these regulatory changes and the Big Beautiful Bill are starting to impact, the provider side of the equation.

Murchinson:

You mean the HCA and the like?

Johnson:

Yeah. All four.

Burda:

Y’know flu seasons coming, right? That'll help. <Laugh> Hang on, hang on.

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. You also can subscribe to the Roundup on Spotify, Apple Podcasts, 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.