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the ‘disruptors’ move into health care

In the first of several announcements that rattled the stock market early this year, Amazon, Berkshire Hathaway, and JPMorgan Chase announced they would work together to disrupt health care as we know it.

The companies’ press release indicated their initial efforts will focus on simplifying the use of health care for their own employees, with the aim of lowering costs and improving employee satisfaction. Most people assume that, if either Amazon or a joint venture involving the three is successful, healthcare products and services will be more widely available. Lacking any details, various pundits have been guessing what the new venture will do.

Amazon’s Objective

The three companies have 1.1 million employees, with Amazon accounting for more than 500,000. Together, they represent a large block of employees plus dependents, although employers and sponsors of health care do exist that are almost as large or larger—CalPERS has about 700,000 health plan subscribers and, along with a slightly larger health-plan-dependent population, is known as a very activist purchaser on their behalf; and Walmart has 2.1 million employees, including 1.4 million in the United States.

However, it is the three companies’ combined experience in disruptive technologies, online sales presence, and access to capital along with the substantial employees and dependent base that makes their proposed venture so intriguing.

Amazon already had been making moves to enter the pharmacy distribution business by securing necessary licensing in several states, presumably to extend existing offerings and take advantage of its power as a distributor with a large customer base. Guessing what else Amazon and its prospective partners might do has generated great interest, while also affecting the share prices for several of the largest pharmacy benefit managers and insurers.

Most middle-sized and large employers self-insure. Typically, these companies contract with third-party payers for many supportive services for their employees—helping guide employees to designated clinicians or institutions in their networks, making online appointments or providing lab or diagnostic test results, providing wellness information and chronic disease management services, and so forth.

Amazon, with Berkshire Hathaway’s and JPMorgan Chase’s assistance, may believe it can build a more consumer-friendly, easier-to-navigate online healthcare site than currently exists to help its employees make various types of medical appointments and purchases. Employees and dependents would be able to identify conveniently located primary care physicians and other healthcare specialists as appropriate to their healthcare needs, and to obtain relevant pricing information in accordance with their insurance plans. Such a site also could provide available appointment options along with best prices for medical devices and drugs and other related purchases.

Objectives Beyond Precedents

Online sites already exist that offer many of these functions. Some larger insurers allow their enrollees to book appointments on-line or view lab tests and diagnostic results on-line. Many major medical centers also offer this service to their patients. More focused sites such as Zocdoc allow patients to schedule appointments with a range of specialists in a limited number of cities. The reviews of these sites are mixed, and they seem to work best for 18- to 35-year-olds in larger cities that have competitive medical markets. Other sites that provide physician profiles and reviews include Health Grade, Rate MDs, Vitals, and Yelp.

What a joint venture involving Amazon, Berkshire Hathaway, and JPMorgan Chase may be able to do most easily is provide a broader array of choices with more information on more aspects of the healthcare experience than has previously been available. The companies' experience in changing the consumer experience in their other areas and forcing change on long-established retailers has been as impressive as it has been dramatic.

However, other companies that have previously attempted forays into health care have encountered difficulty in getting people to use their tools. In 2016, IBM offered its employees a healthcare app that contained a symptom checker, an overview of care options, a map of facilities available with the person's insurance (along with the prices the person would pay), and a free 24-hour video consultation with a physician. The app is no longer available because not many used it. And Castlight Health is another health navigation site that has found changing behavior more difficult than anticipated.

Nonetheless, the Amazon joint venture could succeed where others have not by developing better apps and the more consumer-friendly digital experience that is part of Amazon's Alexa platform.

The proposed venture's other objective—lower prices and lower spending—is more complicated. The purchasing power of the three companies combined is substantial, with coverage of more than 2 million employees and dependents. The joint venture could succeed if negotiations in the areas of pharmaceuticals, devices, lab tests, and imaging for all these employees and dependents were to produce significant savings, especially if those savings were to go directly to the three employers.

Challenges

The Amazon venture faces at least two challenges, however, in attempting to lower healthcare spending more broadly.

First, most healthcare spending occurs for hospital and physician services, many of which involve complex procedures, such as bypass or heart valve surgery, joint replacements, and oncologic care. Insurers have found it very difficult to place values and provide appropriate information on such complex services offered at many different sites, and the three companies have no experience in this area. In addition, the delivery of health care is highly regulated, both at the federal and state level, in ways the retail supply chain is not.

Second, healthcare spending is very concentrated. The top 5 percent of spenders account for 50 percent of healthcare spending, while the 50 percent of lowest users account for only 3 percent of the spending. Although some of the highest and lowest users are constant from year to year, many others churn in and out. Unless something changes to manage the use of the highest spenders, overall healthcare spending will not change dramatically. This is not an area of expertise for the consortium.

The enthusiastic response to the Amazon joint venture reflects the frustration of so many users and payers. If Amazon and its partners can deliver, the venture will be successful and the rest of the country will be grateful. But it is hard not to be skeptical. ■

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