

Amazon, Buffett, JPMorgan Chase Getting into Health Care. Or Are They?



By Chuck Dinerstein, MD, MBA — January 31, 2018



Courtesy of Pixabay.com [1]

A new era in healthcare is upon us. I know this because it was heralded on the television last night in announcing that Amazon, Berkshire Hathaway and JPMorgan Chase are collaborating to provide healthcare to their employees and “an independent company that is free from profit-making incentives and constraints.” The announcement depressed stock valuations for the major health insurers and raised valuations for hospitals.

Why? Because it is innovative at a time when health insurers are stuck with a labyrinth of government rules and costs for most have gone up in the double digits every year.

There is just one problem.

It is missing actual health care.

To many, this is a dream team for health care. Berkshire Hathaway, controlled by famed investor Warren Buffett, has a long history in reinsurance, specifically insuring the insurers. JPMorgan Chase is a global leader in finance and Amazon remains the mack daddy of logistics. If health care was solely about financing, logistics, and value investing we would be in fat city. But the absence of any indication of who will direct the actual health care suggests that this is only a game changer for how we pay for healthcare, not, in the office, in the emergency department, or in the operating room healthcare. Perhaps that is why the insurance companies stocks fell and the hospital stocks rose.

Early commentary by the talking heads can be summarized in this [quote](#) [2] from a managing director at Cantor Fitzgerald, a financial services firm:

“Well, I think the inherent challenges within health care - number one, it's very fragmented. Number two, employers as well as providers are very set in their ways. It's very difficult to disrupt the status quo. Health care is a very local business. More often than not large national solutions don't necessarily work in local markets.”

Buying books was a local business also, and Amazon certainly solved that. They created an innovative free market solution to a problem local businesses could not solve; how to give local people unlimited choices in a finite space. Healthcare is also local, perhaps that is why it appears fragmented and why people used to think only Borders or Barnes & Noble could make it work for books. No small bookstore in the mid-1990s was worried about mail order books.

But Amazon allowed unlimited flexibility in buying, the challenge will be to discover if this trio can similarly support and guide but not dictate local care. As a customer-facing business, physicians are responding to the increasing desire for electronic communication, just-in-time appointments and care outside the framework of office and hospital. New efficiencies on a national scale could certainly make that easier, like iTunes did for music by allowing independent artists to bypass large record companies.

But let's not buy any unicorns just yet

No one at any of these companies got where they are without thinking about profit so for them all to declare they want an “independent company that is free from profit-making incentives and constraints” feels like they are selling us a unicorn. It would have to be a privately-held company, because Sarbanes-Oxley alone means no publicly traded company can be free from profit-making incentives; and it would have to pay all its bills. Amazon didn't turn a profit for seven years so that is some indication of financial patience. But that was a long time ago and investors won't be so patient now, if it's Amazon money. JPMorgan and Berkshire Hathaway are likely going to face the same concern.

However, politicians have made the problem worse and business is working within that framework, they are going to make money playing the hand government dealt them. So we should welcome outside companies into the fight over health care *financing*. But let's not assume the company is directly addressing the issue of healthcare. This is about finance. If it were about healthcare we'd have seen the name of a physician among the leaders, someone who understands health care as something more than a commodity.

COPYRIGHT © 1978-2016 BY THE AMERICAN COUNCIL ON SCIENCE AND HEALTH

Source URL: <https://www.acsh.org/news/2018/01/31/amazon-buffett-jpmorgan-chase-getting-health-care-or-are-they-12505>

Links

[1] <https://pixabay.com/en/drug-pills-tablets-stethoscope-1961300/>

[2] <https://www.npr.org/2018/01/30/581930199/how-amazon-jpmorgan-chase-berkshire-hathaway-could->

reshape-health-care-industry