

AMAZON, BERKSHIRE HATHAWAY AND JP MORGAN HEALTH VENTURE: WHAT DOES IT MEAN FOR THE EMPLOYEE BENEFITS INDUSTRY?

At NFP, we're fans of the ABJ initiative and share the sentiment and responsibility of helping consumers control cost, while improving employee satisfaction and healthy outcomes.

At NFP, we understand what's important to our clients: their employees, their customers and their companies' continued growth and success. As a leading insurance broker and consultant, we listen to our clients' needs, providing the best solutions available on the market while considering new models that employers and health care delivery systems can leverage.

The newly announced joint health venture by Amazon, Berkshire Hathaway and JP Morgan (ABJ) can only help these goals. Under the leadership of ABJ's new CEO, Atul Gawande, the venture's top minds and money will be focused on possible solutions.

But what is this venture, what is its goal and why does it matter?

WHY THE ABJ VENTURE MATTERS

The U.S. health care system is like a large, slow-moving ship at sea. Prescription drug spending alone tops \$450 billion annually, with 5.8 billion prescriptions filled across 64,500 retail pharmacies nationwide.¹ And according to Forbes, employer health costs are nearing \$15,000 per employee.² Because of the system's massive scale, any improvement upon it demands an all-hands-on-deck approach.

The ABJ's initiative seems to be up to the challenge of guiding that ship into fairer winds. Gawande recently clarified the new venture's mission: "figure out ways that we're going to drive better health outcomes, better employee satisfaction and lower costs of care with new models that can be incubated for all."³

That's a tall order. Let's unpack areas the ABJ initiative is expected to or has already made headway on.

WHAT ABJ MEANS FOR THE INDUSTRY

ABJ seems to think that a leaner industry is a good place to start in solving for these goals. According to Gawande, "One source of waste is our very high administrative costs. There are a lot of middlemen in the health care system, such as PBMs and wholesalers, and there have to be solutions that either cause them to prove value and success or it is likely that ABJ will focus on simplifying those solutions by building and buying rather than partnering."⁴

Amazon's recent acquisition of PillPack, a pharmaceutical distributor that specializes in easy-to-use packages designed for consumers with chronic conditions and multiple prescriptions, has enabled the online retail giant to license and sell prescription drugs in all 50 states. While it's not typical for Amazon to sell in a highly regulated market such as pharmacy, this new capability could launch the company into the retail pharmacy space or beyond. We'll have to wait to see how ABJ pivots in the pharmacy area, but with over a million employees across ABJ, Amazon and the rest of the venture has the opportunity and leverage to begin driving pharmaceutical pricing down.



That millions of employees are under their influence means ABJ is also in place to radicalize high-performance networks. By developing direct contracts with high-performing, high-quality and high-value providers, ABJ can introduce competition into the marketplace, further driving down costs while pioneering and implementing technologies — and actually helping employees make more informed health care decisions.

In an April 2018 episode of the popular *Freakonomics* podcast, Gawande shared that he's a big believer in primary care and feels that high-deductible health care plans are detrimental to that care, so a focus on telehealth and making primary care available through onsite clinics is expected. Whole Foods, acquired by Amazon in 2017, could even step in to provide the physical space and national network needed to make huge waves — their already successful brand ethos as “America’s Healthiest Grocery Store” is likely fostering an immediate trust in consumers.

On the health care decision-making front, ABJ will likely pioneer new or implement existing innovations in transparency, advocacy and care navigation services. Thus, they will be able to help not only their own employees to make informed health care decisions, but foster competition – and therefore innovation – in the industry to help sail health care to a more prosperous position across the board.

WHERE NFP STANDS

Gawande’s greatest strength is being a great communicator. He’s successfully articulated complicated health care stories in a way that both professionals and the general public have found compelling. If ABJ follows through on their stated purpose and goals, the venture’s employees, clients and consumers at large will be encouraged to seek the right care at the right time — in the right place at the right price, with a creative mix of financial and health-oriented incentives.

At NFP, we’re fans of the ABJ initiative. We believe in, and share responsibility of, helping consumers control cost, while improving employee satisfaction and healthy outcomes. We hope they’re successful and provide models that other employers and health care delivery systems can leverage. Improving the U.S. health care system demands an all hands on deck approach — having ABJ minds and money focused on these issues can only serve the greater good.

¹ Jonathan Rockoff and Joseph Walker. “Amazon’s Pharmacy Deal Threatens Retail Drugstores.” [Wall Street Journal Online](#).

² Bruce Japsen. “Health Costs Hit \$15K Per Worker as Employers Look to Amazon for Help.” [Forbes Online](#).

³ Zachary Tracer. “Amazon-Berkshire-JPMorgan Health Venture Takes Aim at Middlemen.” [Bloomberg Online](#).

⁴ *Ibid.*