



## What's Your Moonshot?

A Podcast Series Where World-Class Healthcare Leaders Seek To Solve Big Problems

### Morgan Health Seeks to Improve the Quality, Affordability and Equity of Employer-Sponsored Health Coverage

#### Transcript

**[00:00:01] Dan Mendelson:** Our mission is to drive innovation in employer-sponsored healthcare. Yes, there are aspects of quality, affordability, and equity that we are focused on. We have very specific metrics that we are tracking in all of those different areas which will define whether or not we are successful. This is really an opportunity to help employers raise their expectations. To enable them to say what we have now is not good enough, and for 150 million Americans, we can do better.

**[00:00:52] Peter Urbanowicz:** Welcome to A&M's *What's Your Moonshot* podcast. My name is Peter Urbanowicz. I'm the Managing Director and Co-Head of Alvarez & Marsal's Healthcare Industry Group. I'm joined by Dr. David Shulkin, former Secretary of Veterans Affairs, who currently serves as Senior Advisor to our Healthcare Group. It's my pleasure and David's pleasure to welcome to the podcast, Dan Mendelson, who is Chief Executive Officer of Morgan Health at JPMorgan Chase. As CEO of Morgan Health, Dan oversees Morgan Health's mission to accelerate the delivery of new care models that improve the quality, equity, and affordability of employer-sponsored healthcare.

Prior to his current role, Dan was Founder and CEO of Avalere Health, the healthcare, research, and advisory firm based in Washington DC. Soon after its founding, Avalere became the go-to firm for businesses trying to navigate the complexities of healthcare, especially government-run programs. Dan also spent several years as an operating partner at private equity firm, Welsh Carson. During the Clinton administration, Dan served as Associate Director for Health at the Office of Management and Budget. Let me tell you the title belies its significance. That person is literally the president's eyes and ears on the entire healthcare budget for the United States. Dan, I'm so happy that you were able to join David and me today.

**[00:02:19] Dan Mendelson:** My pleasure. Looking forward to the conversation, Peter.

**[00:02:22] David Shulkin, M.D.:** Great. Dan, let's just jump into it. With your background and all the things that you've done, I think people were fascinated to hear that you ended up going to work to try to help the employees of JPMorgan. That's clearly an important mandate and one that's steep with lots of history, but it's broader than that because there are 150 million Americans who have employer-sponsored insurance and that's really the foundation of a lot of our healthcare system. What made you want to choose to do this and what are your hopes, what are your aspirations of the impact that you might be able to have, not only for JPMorgan employees but really for the healthcare system at large?

**[00:03:11] Dan:** Maybe I should say temporary insanity or something like that but no, I'll give a serious answer. Look, our mission is to drive innovation in employer-sponsored healthcare. That's the simple version of how Peter queued up at the very beginning. Yes, there are aspects of quality, affordability, and equity that we are focused on. We have very specific metrics that we are tracking in all of those different areas which will define whether or not we

are successful, and we can talk a little bit more about the performance metrics that we carry but they won't be strange to you, David, having spent so much time in population health because that's what we're trying to drive is to align population health measures with our own performance objectives so that that's how we will see that we've been successful.

It's interesting, for me personally, it's a great opportunity to be addressing employer-sponsored because I've spent so much on my career in Medicare and Medicaid and related issues and doing research, and this is really an opportunity to help employers raise their expectations. To enable them to say what we have now is not good enough and for 150 million Americans we can do better. That's really the way that we're orienting all of our activities.

**[00:04:43] Peter:** Specifically, you separated out areas of focus for improvement in employer-sponsored coverage as quality, affordability, and equity. Most employers, certainly the ones we work with, are usually focused on cost, cost, and then cost. How will a more holistic focus on quality and equity as well as cost get you to cost savings?

**[00:05:12] Dan:** To me, look, these are all interrelated. Our work, the work of Morgan Health is not a cost-cutting exercise for JPMorgan Chase, that's not the goal. What I will say is that the sustainability of employer-sponsored healthcare is on the line. With cost increases and a period of inflation that's coming in healthcare because we haven't really started to see the 9% inflation that we have nationally expressed in healthcare, but it's coming, it always lags, and so we're anticipating that. We believe fundamentally that the best way to approach improvements in employer-sponsored healthcare is really to align incentives and to focus on accountable care, which is by the way, as you and your clients know, very much a part of what Medicare has accomplished over the last decade.

You have now half of Medicare enrollees opting for Medicare Advantage. In Medicaid, you have a very sharp focus on improvements in population health, and you have to have a focus on that in order to address the cost issues. It has to go hand in hand. You cannot go in and just say, "Hey, we're going to cut." I think that for us, the focus on quality and affordability are very linked.

Then we have the issue of health equity. Health equity is an embarrassment to this country, and it is an issue that employers need to own because what we see, and we're doing a lot of research on this, in fact, we're going to be releasing in a couple of weeks from now, a landmark study that we commissioned NORC to do, University of Chicago, focused on health equity in employed populations.

This is not just a Medicare and Medicaid issue. This is very significant. We see differential rates of outcomes in cardiovascular outcomes, in diabetes, in cancer screenings. It's all of the population measures that we care about, and this is costing the country money. I think that as we think about affordability more generally, it has to be linked into quality and equity as well.

**[00:07:38] David:** Dan, I want to go back to some of the things that you're saying. It sounds like you're saying that the rest of the country, or at least on the government programs, has been moving in the right direction towards accountability, getting people to, in some ways, take on more risk. You're trying to bring the employer-sponsored insurance into that in a greater way. Do you think with the inflationary pressures that you're talking about coming down the road in healthcare, that the pace of change is fast enough?

In other words, we've been talking about value-based payments, you've been talking about them now for decades. Are we seeing enough improvement in the healthcare system to address what looks like a freight train of ongoing cost increases? Or do you think that we

need something more disruptive, some type of bigger change to address what we're about to face with these new cost pressures?

**[00:08:45] Dan:** Look, from our perspective, it is not going fast enough and that is why we are in business. If you think about the tools that we have at our disposal at Morgan Health, we have a \$250 million allocation from the JPMC balance sheet that we are using to invest to accelerate the pace of progress of these companies. The focus of our investment is accountable care, care navigation, digital, the use of analytics in healthcare when applied to an employed population. There has been actually, a fair amount of investment activity in Medicare and Medicaid and not enough in the employer markets. That is really what we are about is investing in those areas and then accelerating the progress of the companies that are focused on the employer space. That's what we're about.

Then, in addition, JPMorgan Chase has 285,000 employees and dependents in the US. As a result of our market penetration, we are also a significant purchaser of healthcare, and in particular, in a number of geographic markets. About half of our employees and dependents are concentrated in seven geographies. For example, in Columbus, Ohio, we have a major call center operation and a lot of activity. We have about 40,000 employees and dependents in that geography. That becomes significant. We can do something real.

Our first investment, which is in a company called Vera Whole Health, and in collaboration with CD&R, Clayton, Dubilier & Rice, a private equity firm, we're focused on that Columbus market to bring accountable care models to our employees as an option in that market. That's an example of the way that we can accelerate the progress of companies that are specifically focused on the employer markets.

**[00:10:44] Peter:** Dan, I don't want to date you or worse, I'd be dating me, but you've been around healthcare policy debates for some time and I'd be remiss if I didn't use this time to get your opinion here. You've closely watched five different presidents and presidential administrations and multiple changes in Congress chase this elusive goal of getting healthcare coverage or access to all Americans at a price that they and the government can afford.

We debated single-payer, we had a major fight in Obamacare. We still haven't addressed prescription drug price increases, and yet still, the federal government is spending today about \$1.5 trillion a year on healthcare, and we still have major gaps on who's getting healthcare. We could talk for hours. We could extend this podcast for the next three hours I'm sure, and have a lot to say, but why is it an impossible goal? I know the title of our series is moonshot but have we set our sights too high as a country on what we want to achieve and what is achievable?

**[00:11:57] Dan:** Look, my moonshot right now is driving accountability in employer-sponsored healthcare. It's 150 million people, it's a system that needs more accountability. We have a model in Medicare that we can deploy. To me, that is achievable and that is our focus. The question you're asking is broader politics, and yes, you look at it and I've been at this for a long time as you and David have as well, and I don't think we're going to see some big political accommodation in the next decade that brings us towards full coverage in the US. I just don't see it given the fractiousness of politics. Not that I don't want it, not that I don't think it would be really good for the country, but I don't see it happening.

What I do see happening though is incremental improvement in Medicare, in Medicaid, and in employer-sponsored coverage. I'll say also that I'm not pessimistic about this because let's say we did move to universal healthcare, the only way to do it efficiently and effectively is if we have already adopted accountability across all of the different and disparate payment systems that we have right now in this country. To me, what I'm doing is trying to work

towards a goal of universal coverage by having a more rational system in the employer-sponsored world.

I think that if we can make improvements over this next decade, for the next generation of health policy folks who are coming along who say, I think I see the way that we can get over to make sure that every single person in this country has an affordable source of care, that they will be building on a stronger system.

**[00:13:57] David:** JPMorgan is a big company and they clearly have the right executive running Morgan Health. The question is, last time with Haven, you did this with other big employers. Do you need other employers to join you on this journey, or do you think that is the strategy that Morgan Health should prove this out and have a workable model so that others could emulate it? Or are you looking for others to join you now?

**[00:14:28] Dan:** Great question. Look, our strategy is that we are investing in companies that are built to serve the entire employer market. Those are the companies that we are seeking to accelerate. By doing that, we are effectively working with any employer who wants to come in and work with us, and we are also completely committed to sharing our results and talking about what's working and what's not.

What we are developing in Columbus is going to be available to everyone in Columbus. It's also going to be used as an operating model for variants in other markets. It is by its very nature, a scalable solution. That's how we're investing in it. What we're not doing is going out and cutting a one-off deal with an outstanding provider in that market. We're not interested in that, we are not spending time on that. We won't do that so I would say that from the very beginning, it's very scalable.

Second, we are in great discussions with a range of employers all the time and we're comparing those with them. Part of our remit is to accelerate progress in employer markets. We won't accomplish that if we don't lead and if effectively we don't help to engage. There are a number of companies, I'm thinking about Walmart right now, that have done really interesting and important things. Cheryl Pegus is great and she's doing stuff and we're in great conversations with her.

We will have partnerships but we also didn't want to slow ourselves down. I think that if there's one thing that all of us have learned in various spaces of our lives is that if you have a complex governance structure where, in order to accomplish something, you have to get consensus among a very diverse set of stakeholders, it's a lot more difficult to lead. What we did was set up a very streamlined governance structure, the ability to lead, and our every hope and expectation is that we can help American employers get to a better place.

**[00:16:36] David:** Hey, Dan, just in follow-up, many of our clients that we work with are health systems. If you're a health system and you say I get it, the world's changing, how do we think about working with employers? What I heard you say is this idea of a direct narrow network with employers isn't really the approach that you think is going to work. Do you think that there needs to be broader fundamental change among the health systems?

**[00:17:09] Dan:** Well, just to clarify what I said was that we aren't going out and trying to do a one-off contract with a provider, even if we have a lot of employees there, but I do think that narrow networks are important for driving efficiencies in the system and we're very open to a range of different options. I think that what I say frequently and what I would say to leading health systems is a couple of things. First, understand population health, understand quality, invest in IT and systems that are necessary to actually do this stuff. Understand how to take financial risk.



We will not require that our providers, the providers that we're working with, like Central Ohio Primary Care, take full risk for care. It's not a requirement for us, but there are a lot of smaller employers who cannot take risks and they don't want to take risks, and I think that some risk sharing is very healthy because it aligns incentives, so that's another thing.

Then I think that there are a range of innovative companies in the marketplace. Vera Whole Health, our first investment, Centivo, great company doing really interesting things with narrow networks. Firefly is another one. Eden is another one. There are a whole bunch of them. My advice to health systems is to go out, meet these companies, understand what they're doing, figure out whether there's an arrangement there so that you can be on the forefront of innovation.

Then the last thing that I'll say is that we have a positive and collaborative relationship with our carriers, Cigna and Aetna, and we want that to be a positive, collaborative relationship. With that said, we're not going to wait around for these accountable care products. We are going to go out and develop them because that's who we are and what we're doing.

One of the things that happened when we-- so within Vera, we acquired a public company, Castlight. One of the things that happened when we did that was we brought in Anthem as a partner into that venture. Anthem has been very positive and very proactive and is focused on bringing the Vera toolset to its customers, and I consider that a success. We aren't competing with the major insurers, we are hoping to accelerate their progress by virtue of being a fly in the ointment and to say, look, we have to move faster. That's our goal.

**[00:19:47] Peter:** Dan, I really want to thank you for spending some time with us on our podcast today. Your experience in the payer world and the provider world, and the government world I really think is a unique combination for JPMorgan. I know David and I and many others are going to continue to watch you with great interest as you take this powerhouse of a company and employer that you have and try to make some real changes in the way that healthcare is delivered and paid for in this country. Thank you so much, Dan, for joining us for our podcast.

**[00:20:25] Dan:** Peter, thanks. No, I appreciate it. I just have one more thought that I'd like to leave with. We are collaborative by nature and every project we are doing is a collaboration. We will collaborate with health systems, with insurers, with private equity firms. We're always a minority investor and so what I would say is that, to the extent that you or your clients want to engage with us, our door is open.

**[00:20:53] Peter:** We will definitely take you up on that and I'm sure they will as well.

**[00:21:30] David:** Well, Peter, it was really interesting to have a chance to talk to Dan Mendelson today. I think it's been one of the mysteries about what happened to JPMorgan's intention to change healthcare with the downfall of Haven. Now we see Morgan Health arise and it really is a different strategy.

**[00:21:51] Peter:** It is, but look, an organization the size and scale of JPMorgan, the employer size that they have as being an employer, you really can make a difference. You just look at the size of an employer they are, that's the size of a small health plan, not small, a pretty decent size health plan in a number of communities. They're spread across the country, I think on their own, they can really drive some value here.

Sometimes it's easier to do things on your own than having partners but as they prove up results, I think there'll be a lot of people who want to join them and certainly interested in what they're doing, and if they're successful in some of this stuff, how other people could do it.

**[00:22:42] David:** Yes. I think what's interesting to me is it sounds like their strategy is to really work with private sector companies that are committed to their thesis, and their thesis being that there needs to be much greater accountability over populations of patients. They're using what sounds like a \$250 million investment fund to not only provide financial resources but also use the Morgan Health family and the employees as a real testbed to demonstrate that this is working. I think that makes sense to me that that's a way to really drive this type of change in healthcare.

**[00:23:30] Peter:** Right because you think about all the tools or other companies that you might want to have access to, to manage your employee population. One is they have all of this data. Think of the rich data set they have from all of the claims experience from all of these employees, how do you get into that to make sense of it and get some intelligence from that, the whole artificial intelligence, data mining thing that so many companies are trying to do. What if you help sponsor some company that wanted to do it and then you say you come in here and provide services to us and as you provide services to us then you can go out to any number of large employers? There's that.

Other care models that maybe are not quite as advanced as they should be, something you and I have talked about a lot, Hospital at Home, for example, providing a higher level of care to individuals so that they don't need to be in the hospital which might be better for their overall mental health and just their healing processes. What else needs to be done in that area?

Do you need someone to invest in a model like that or an intermediary for you? We talk about these people who could help be your advocates in the healthcare system, not a doctor, not a nurse, but some kind of community health worker for you who could help you out. Maybe that's another area for them to invest in if they find out that that's going to drive both value and better care to their employees.

**[00:25:15] David:** I think those are really good points, Peter. I think that this is why it's important that health system leaders pay attention to people like Dan Mendelson because he clearly believes in working with provider systems. He's not against, he doesn't want to disrupt the hospitals and health systems, but going deeper into what those care models are is something that I think is still worth exploring further with him.

He talked about digital, but he didn't talk a lot about the impact of virtual care. He talked about equity and social determinants, but he didn't talk a lot about how behavioral healthcare needs to get integrated more into these systems, but you know that those models are there, and with his approach of collaborating with health systems and providers and companies, I think this is really a platform in which you can build off of.

**[00:26:17] Peter:** Oh, I absolutely believe that. All of those things I'm sure Dan is thinking about right now. For those who don't know, I know you've known Dan for some time, I've known him for some time, his background is just so impressive. What he built at Avalere was really a stellar research and advisory firm. I would often look forward to an Avalere study on something because I knew it was going to be just a very high-level, very actionable report or advice that they were putting out there.

Having that, having private equity background, and then more importantly, having the government background as well too, he just brings all those things together. I think JPMorgan is really lucky to have him because he covers the waterfront on so many issues with his depth of healthcare policy knowledge.

**[00:27:23] David:** Oh, I agree. A really interesting podcast today. Thanks so much.

[00:27:28] **Peter:** Sure. Thanks so much. Always a pleasure being on these things with you, David.

## **ABOUT ALVAREZ & MARSAL**

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