[00:00:01] Jay Khosla: So my hope is because of this pressure, everybody in the sector is going to step away from this. It's your fault, it's their fault. And understand that there is a real numerical crisis here that needs to get solved. Otherwise it's going to be just across the board cuts to everyone. And so that is the one thing I really do think, at a macro sense, is very different than what's been in the past.

[00:00:48] Craig Savage: Hi, welcome to A&M's what's your Moonshot podcast series. I'm Craig Savage. I'm managing director and head of the health plans and managed care practice within A and M's Health Industry Group. I'm joined today by my co-host, Dr. David Shulkin, the ninth Secretary of the Veterans Affair. Today we're here to talk to Jay Khoslo, the Chief Government Affairs Officer of Humana. I'm looking forward to a great discussion.

[00:01:17] Jay Khosla: Me too. Thank you for having me.

[00:01:18] Craig Savage: So tell us you've got a very ambitious moonshot that brings together health policy with the cost of care and affordability. Tell us a little bit more about that.

[00:01:29] Jay Khosla: Absolutely. So I hope my moonshot is so basic. Pretty much everybody you talk to in the healthcare space shares the same moonshot, which is how do we bend the cost curve? So I spent about 15 years in the government working on health policy, tax policy, financial services policy, and then about five, almost six years in Humana. And the toughest challenge by far that I've ever come across is figuring out how do you bend the cost curve. So this whole conversation we're having right now on affordability, this has been a long time coming, but it happens in cycles where you continue to have this conversation on affordability. But I really do feel like we are at a point of no return on this conversation and it is going to be forced to be a very real conversation. And so my moonshot, which I hope all of my colleagues, no matter what part of healthcare they're in, share is, how do we collectively figure out how do you bend that cost curve? And so that's my moonshot has been a while. But moonshots are supposed to be hard, right? Right.

[00:02:43] David Shulkin: That's for sure. [00:02:44] Jay Khosla: Yeah.

[00:02:45] David Shulkin: Well, Jay, let's dig into this a little bit while you say that you hope that all your colleagues share your goal of the moonshot Isn't it that they hope that they bend somebody else's cost curve. In other words, this is the reality of what we have. We have a very siloed healthcare system. We have providers, we have suppliers, we have payers, we have government. And each one would like to try to reduce their costs, but it's usually at the expense of another person somewhere in that cycle. So is your moonshot one that actually crosses across all these different parts of healthcare? And if so, what have you seen that you think might actually work in that regard?

[00:03:35] Jay Khosla: Yeah, David has spoken truly like a seasoned hand who has seen this movie before. But that is David. I think that has been exactly the challenge so far. I think that is the lack of durability that we have had in this affordability conversation, which is kind of this cross sector cooperation and acceptance that this has to be a team effort. Everything so far has been a finger pointing exercise especially it doesn't matter, Republicans, Democrats, when you do things through a reconciliation exercise, for example, it tends to be a little bit more partisan. And I think that really has been kind of the challenge.

Now here's what I'll tell you that is very different now, having done this for 20 plus years. That is

very different now as we are kind of heading towards the end of the decade. So I think there's a macro pressure that is in our budget right now that was not as pronounced as in the past. So the big macro pressure we have right now is the net interest or debt service that we are paying. So interestingly, FY2026, the debt service on our national debt for the first time in history has now surpassed our defense spending and our Medicare spending. If I can think about my numbers right, I think debt Service is about 518 to $520 billion. And Medicaid spend so far was 508. Defense is about 420. And think about defense where we are with everything happening around the world.

And the way you think about debt service is if you step back, that is like making the minimum payment on your credit card. It's interest only. There's no choice in it. You have to make that payment. So that is not something that can be deferred. That is not something that can be argued with or challenged with. That is a real number that is coming out of your budget. So that is a pressure that did not exist at this level in my at least doing this for past 20 years. That is a real pressure. So debt service approximately over the next 10 years is going to be about 15 to 16 trillion dollars. That is a huge number. So you finally have something that cannot be argued with, that is not partisan. That is a real number that is squeezing out healthcare spending in a very real way.

So my hope is because of this pressure, everybody in the sector is going to step away from this. It's your fault, it's their fault. And understand that there is a real numerical crisis here that needs to get solved. Otherwise it's going to be just across the board cuts to everyone. And so that is the one thing I really do think at a macro sense is very different than what's been in the past.

[00:06:52] David Shulkin: Well, Jay, this is not a good history going down the road that you're talking about. We're at a time where part of our government still shut down, even though the reality is, is that this doesn't make a lot of sense. So I think the default position, I agree with you with this will this will turn into cost controls. This will turn into haircuts for both payers and providers. And that's actually the easier political decision. What I think that we're hoping that you may have some thoughts on, given your perspective, is let's talk about some of the solutions. But what could this alignment, where the finger pointing stops the ability to actually bend the cost curve, where is the waste in the system? Are there things that you think we as an industry need to really start buckling down and tackling at this point?

[00:07:49] Jay Khosla: Yeah. So I would put it in three big buckets. So the first bucket is, I think transparency is huge. We finally have consumers which are very different than they have been in the past. Like as baby boomers are starting to age out, you have more Gen X coming in. Soon it'll be the older millennials kind of coming into the system. And these folks are very much more adept in technology. And with AI becoming more commercialized, this information asymmetry that used to exist on the patient side specifically is much different than it has been in the past. So I really do think transparency, especially on the data transparency side, is going to play a big role because I think it is very important for people to understand what value are they realizing and being able to see what does a hospital bill look like or what do their payer bills look like? And understanding what's in it, I think that is huge in the system. I think that brings real accountability into the system.

The second piece I will say is everybody has to understand and there has to be a realization that input costs matter into our system and what is the problem when our per Capita GDP spends by the end of this decade into next, it's going to be almost 24,000. And the next highest spend in the world, it's Switzerland, which right now is half ours. So there clearly is something happening with the input costs coming into the system. There's something happening on the admin side that

everybody has to have a realistic conversation about. And that is the part, David, I will especially say, has to be bipartisan for, for it to be durable. It has to be an honest, bipartisan conversation to have durability in it. Because otherwise it's like one party did this. When the other party comes in, they're like, we don't want to do this again. And then you just do this back and forth as we were talking. There's just no durability. And the last, the bucket, I will say, is this promise of AI. What I really hope is you're already starting to see AI become a little bit more of an arms race as opposed to being a problem solver. So take one segment, right diagnosis, you're already having all of these hospital heads come out and say, this is. I think it was the NYU head who came out and said, like, it's doing a better job.

[00:10:26] David Shulkin: I don't need any radiologists anymore.

[00:10:29] Jay Khosla: I will let him explain that part. But I do think there is a lot of promise in diagnosis and more importantly, figuring out new treatments and cures that don't exist. The question is, do we take the promise of AI and put it towards more efficient care, or does it just become an arms race, for example, between providers and payers, where they're like, how are you using AI? Are you using it to maximize your P and L? So are we doing the same? And that is just not going to be productive at the end of the day. And that's where I'm hoping the consumers, with more data at their fingertips, push the system to become more accountable to everyone. To say, hey, if we are investing the money here as taxpayers and as consumers, here's the kind of value we want to kind of see in the system. And that accountability, when it comes from the consumers, it's a very different push than when it comes from players in the sector.

So that is my real hope, is that these macro pressures kind of push people to start solving it in these buckets. But the AI stuff I really do think has a lot of promise.

But it's also, like I said, you don't want this weaponization of AI where people just turn it into a P and L. I just don't think that is going to be productive. My personal opinion.

[00:11:56] Craig Savage: So Jay, you mentioned payers and providers, AI in particular being weaponizing AI. How do you ensure a alignment between payers and providers to drive greater value and greater impact and achieve your moonshot?

[00:12:10] Jay Khosla: I think that is where this affordability conversation to me is the cement in all of this. Because if you are taking steps, which is actually not bringing any kind of relief to the affordability thing, I don't think it's going to be durable because at the end of the day then at some point, and we've all seen this movie before, the government is going to step in and regulate on red.

That is the part I think the affordability conversation is coming back so strong is because in any really tight fiscal and monetary conditions affordability just becomes big. And when healthcare costs are the biggest ledger item at your kitchen table, it is going to force parties on both sides to have a very kind of real conversation about it. And the question to me personally becomes on something like AI, will the providers and payers regulate, self regulate that to make it into a more productive exercise or does it become something like I said, an arms race where then the government has to come in and mediate.

And I think it's still a little bit early in the cycle. But if you're on the private sector side, you always want to try to do the right thing in a very rational way that advances the system further without the intervention. But that will be the backstop at that point.

[00:13:32] David Shulkin: The ability of government to get providers and payers to work together through not necessarily regulation, but by creating a reimbursement alignment, it may be one of those ways that could help actually make what you're saying a reality. Do you see a role for public policy and government in moving that alignment closer or do you think that this really needs to happen from within the industry itself?

[00:14:05] Jay Khosla: No, I think David, that's a really good question.

I do think that is a joint exercise. At the end of the day, the government is such a big pair of health care in our system, you want to make sure the incentives are being set the right way so that it becomes a true public private partnership. And I personally truly believe that. I think the answer to the US healthcare system just the way it has been constructed, it has been evolved, it is a public private partnership. I think that is where the true success is going to lie. So I don't think you can do completely one or the other. I think there has to be a partnership for it to work. Just given the government's huge footprint in health care.

So I think to your point, that was the whole genesis, as you recall, you were there was part of the value based care push that the government and the private sector started doing was to kind of move away from this traditional notion of like how many patients are you seeing and instead focus a little bit more on outcomes. Now I think that push will become more urgent, it is going to become more hard and I think the incentives around it are going to become much more defined pretty clearly because I think that testing phase is running out of time.

And so I think the value based care push is only going to become, it's going to go faster, it's going to become harder. But I think that is where I think you're going to kind of see the movement continue to happen is the outcome based delivery is going to just. And that's going to be key because at the end of the day, it's what the patient experiences and what their outcome is. What matters in our healthcare system that has to define where the inputs are going, because if the inputs are not matching up to that, then there's something severely wrong in the system that needs to get fixed.

[00:16:04] Craig Savage: Jane, tell us a little bit about how your approach is differentiated or how your thought process is differentiated relative to other large payers out in the marketplace today.

[00:16:16] Jay Khosla: So one of the things that really kind of attracted me to Humana when I was kind of transitioning out of my government service into the private sector side was Medicare Advantage had gone through this super interesting transition. It was this big, first real public private program that came into being and it had. This is going to age me. But it was implemented about a year or two years before I started working on Capitol Hill.

So I kind of saw its transition where it had 5% of the Medicare population and today it's north of 50%. Yeah, 55. Yeah, yeah. And by the end of the decade, people think it'll be 60. I think it's going to be more. And what was very interesting to me was this was a program that had to mature.

It's like a kid. Like you're a kid, you get an allowance, but as you start to grow, you're like, all right, now you have to kind of get your own health insurance, you get your own car insurance, and MA has kind of just really kind of grown up. And part of the thing about Humana that was very interesting to me was I saw Humana was kind of transitioning from the sponsorship mentality because MA was like an up and coming program to more of a partnership mentality. And the

mentality was, listen, if our biggest pair has a challenge on the fiscal side, then it's our challenge, too. You cannot be a true partner and just keep saying, hey, just pay our bills without being able to sit down with your partner and figuring out how to do things better and in a better way.

So that was the part that really kind of was very interesting to me, was regardless of whoever is there, Humana's always taken this partnership role, especially on the Medicare Advantage side. And as we're kind of expanding our footprint in Medicaid and provider services, we were trying to bring the same mentality to that. But I just think it's so important that we all have to just kind of step out of that sponsorship mentality into a partnership mentality, because, like I said, the fiscal reality is what it is. No one's going to change that unilaterally. So you have to step in, sit at the kitchen table together and figure out how to do it, because it's not going away.

[00:18:42] David Shulkin: Yeah. Yeah. Well, you've given us a lot to think about. And these are. We're on a time clock.

I think Medicare, the solvency date is 2033 right now. But as you said, the national debt and other economic pressures may accelerate that. Yeah. And what many people don't realize is that the Medicare system, at least the trust fund, is funded off of employer taxes. And if AI begins to start impacting the workforce, that will even shorten that further. Yeah. So I think we appreciate that you're bringing these issues to us, and we're going to follow this very closely and glad that you're where you are to be able to help drive this in a constructive way.

[00:19:30] Jay Khosla: No, really appreciated the conversation. Thank you for this. And, yeah, it's going to be a team effort at the end of the day, so we'll get there. We always do.

[00:19:38] David Shulkin: Good. Thanks so much.

[00:19:40] Jay Khosla: Thank you, Alvarez and Marsal Leadership Action results.