

CHAPTER 4

HEALTH CARE IS STEALING MILLENNIALS' FUTURE, BUT THEY WILL TAKE IT BACK



If we can't slay the health care beast, millennials will see their future stolen from them. As the largest generation in history and now the largest chunk of the workforce (see Figure 8), they will make their presence felt.

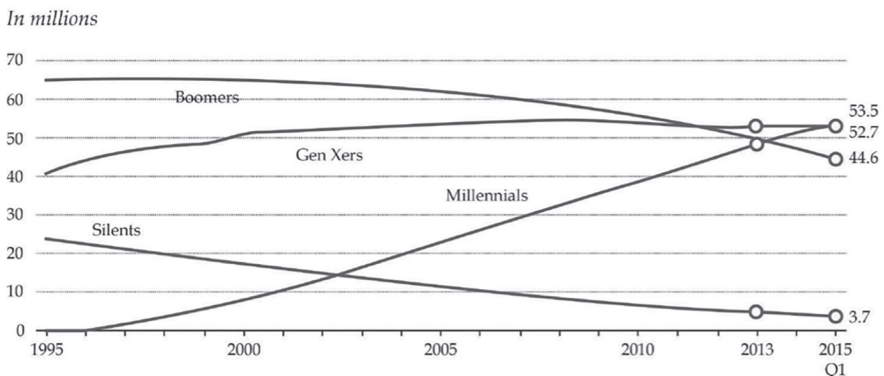


Figure 8: Richard Fry, "Millennials Surpass Gen Xers as the Largest Generation in U.S. Labor Force," Pew Research Center, (July 4, 2016).⁴⁰

Whether through government favoring the largest special interest groups (e.g., hospitals, pharmaceutical companies, and

insurance companies) rather than the people or through self-inflicted mistakes (e.g., the HMO “gatekeeper” and denial of care debacle), health care has been remarkably resistant to forces trying to disrupt it for decades – forces that have driven change in virtually every other sector from financial services to retail to travel. Millennials will bring this disruption to health care.

Becky and Her Biggest Expense

An influential book I read is David Goldhill’s *Catastrophic Care: Why Everything We Think We Know about Health Care Is Wrong*. Goldhill is co-founder and CEO of Sesame, an online marketplace for discounted health services serving uninsured patients and other direct-pay customers, and chair of the board of directors of the Leapfrog Group, an independent national employer-sponsored organization focused on hospital and medical safety. But in 2009, he was CEO of The Game Show Network when he lost his father to a hospital-acquired infection, complicated by numerous errors. This experience caused him to bring his financial acumen to bear on health care instead.

If he didn’t break it down with well-sourced figures, Goldhill’s conclusions would be unbelievable. Who could imagine that during their adult lives, one out of every two dollars earned by millennials will go to a health care system that is the polar opposite of what they want and value? If, that is, the current trajectory is not altered. Keep in mind that while well over 80% of health-related spending goes to the “sick care” system, which only drives 20% of health outcomes.

Figure 9 tells a terrifying story, but more shocking is how conservative the assumptions behind the numbers are. The narrative of Becky that follows is drawn from Goldhill’s book.

Share of Lifetime Earnings of a Millennial That Will Go to Health Care Unless We Change Course

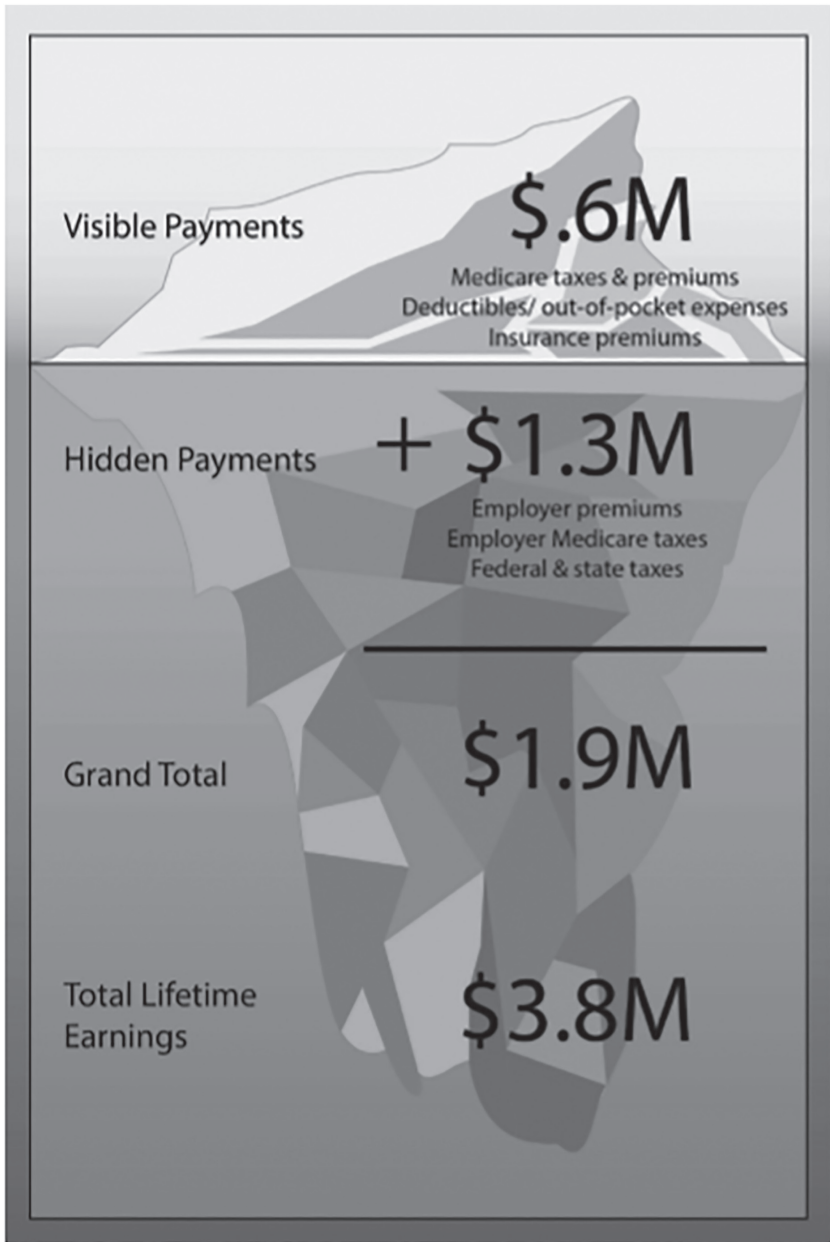


Figure 9: Numbers come from Goldhill's book and are over the course of a millennial's lifetime.⁴¹

Let's give this millennial a name, Becky, and make a few assumptions about her life. We'll say she gets married at 30 and has two children. She works until she's 65 and dies at 80. We will also assume her income grows every year by 4%, so that at retirement she is earning \$180,000 a year. To simplify the analysis, we'll have Becky's husband leave her to join an ashram when he turns 65, so she's only responsible for her own Medicare premiums. Let us also give Becky a stroke of good fortune and say that she and her dependents stay healthy, with no major health crisis requiring large out-of-pocket expenditures.

Now, allow me to make a truly crazy assumption just for the sake of argument. Let's assume that health care costs grow at only 2% a year – half of Becky's income growth. This hasn't been true for 45 years, but we can always hope. Given all those factors, how much do you think Becky will contribute to the health care system for herself and her dependents over her lifetime? I'll give you a hint: Becky will earn \$3.85 million over her career. The answer is \$1.9 million! If she has a working spouse, the two will contribute \$2.5 million into this system over their lifetimes.

How has this happened? Remember that Becky is almost certainly unaware of how many ways she is paying into the health care system, even though she'll probably put more into that system than she spends on anything else over her entire life.

This projection takes on added urgency when you consider that obesity rates have tripled among young adults in the past three decades, from 8% in 1971-1974 to 24% in 2005-2006, thanks to the diet of what Michael Pollan calls “food-like substances” that their boomer parents fed them.⁴² This is causing millennials to engage more broadly in the health care system much earlier than previous generations. As Figure 10 shows, only 20% of health outcomes are the result of clinical care. The areas that represent the other 80% are a good place to start to understand where millennials will likely take our health care system.

Finally, the jig is up. A do-it-yourself health reform movement is rising – and not a moment too soon. Solutions are coming from

the edges: from forward-looking employers, innovative towns, fed-up physicians, and, especially, from millennials wising up. Ask any venture capitalist whom they study to get insight into the future, and they'll give you a clear answer – millennials.

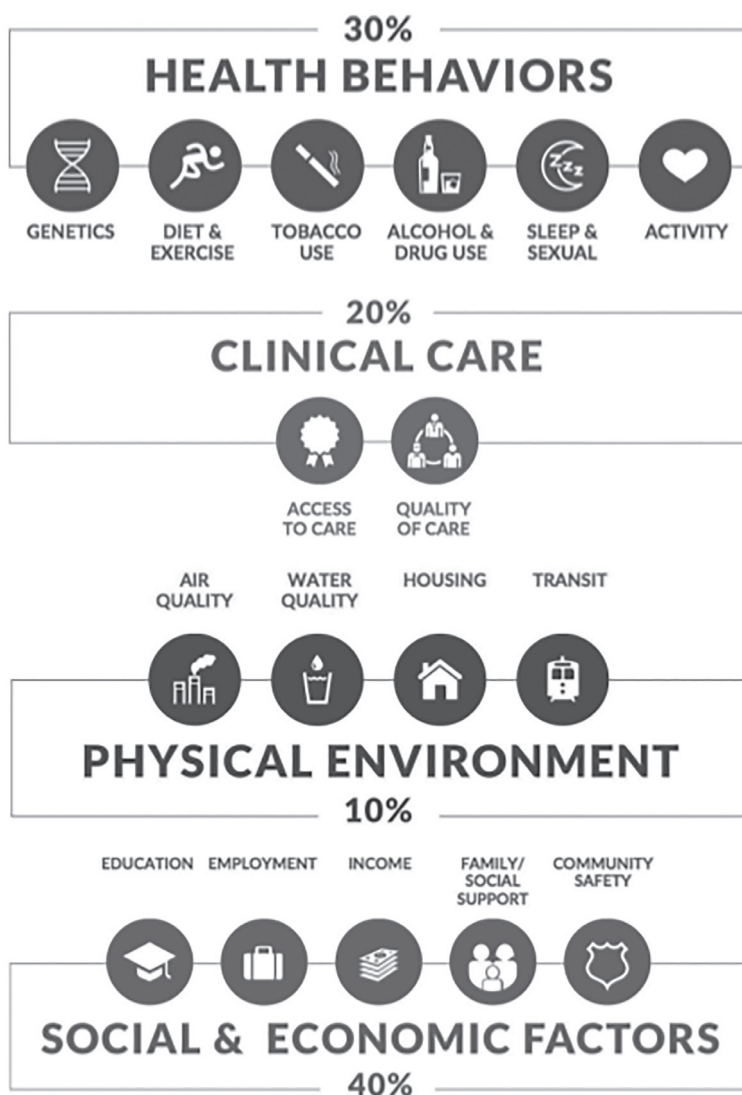


Figure 10: In the future, the health ecosystem will focus on the true drivers of outcomes, of which clinical care is only 20%.⁴³

Millennials to the Rescue

Millennials, people 24-39 in 2020,⁴⁴ have driven society-wide change in many areas. Their early adoption of technology made smartphones, social media, and services such as Uber pervasive across all generations. That row of empty storefronts in your town? That's the power of millennials.

Financial services are a good example of millennials steering the market away from today's market leaders.⁴⁵ Wellknown brand strategist Adam Hanft, author of *The Stunning Evolution of Millennials: They've Become the Ben Franklin Generation*, could have been talking about health care when he wrote:

"[Millennials'] faith in technology is understandable. Algorithms don't act in their own self-interest. Algorithms weren't responsible for dreaming up subprime loans and nearly bringing down the financial system. Millennials didn't trust authority and conventional sources of wisdom before the meltdown. Imagine now. Wealthfront argues that millennials: '... have been nickel-and-dimed through a wide variety of services, and they value simple, transparent, lowcost services.'"⁴⁶

"Millennials have also driven the growth of Wealthfront, an alternative to traditional financial advisers who frequently steer clients toward their own firm's financial products. In contrast, Wealthfront has mimicked, in algorithmic form, the portfolio investment strategies of the most sophisticated wealth managers (e.g., rebalancing portfolios, tax-loss harvesting), traditionally available only to very high net worth individuals."

Hanft goes on to offer a word of warning to the financial industry that could just as easily be applied to the health care industry: "The giants of financial service haven't seen the [volcanic] shifts that travel, media, entertainment and home thermostats have. They will. Depending on who you are, the Ben Franklin generation is composed of 80 million Benedict Arnolds." Industry giants may want to ignore this trend, but millennials are the canary in the coal mine because the fact is everyone wants these features. As Danny Chrichton, a venture

capitalist investor at CRV – and a millennial – has said, “Consumers want to be able to manage their finances from their phones and tablets while limiting their visits to bank branches and bank tellers. Plus, everyone hates bank fees, particularly their complexity and lack of transparency. The difference is that millennials are willing to shop elsewhere, because we are simply not going to accept that these are the only products on the market.”⁴⁷

Another example of millennials forcing change is the newspaper industry. Millennials ignored newspapers as a source of news but also as the de facto place to buy/sell items. (Craigslist anyone?) Undermining classified ads, which were roughly half of newspaper profits, made newspapers a demonstrably worse product. Those profits previously supported the reporting that has declined sharply over the last 10 years. Many papers have even had to eliminate editions on some days, further accelerating the trend.

Health Care Priorities: Cost and Convenience

The health-system parallels to newspaper classified ads are profit centers such as cardiac catheterization labs – sometimes nicknamed “cash labs,” as they are also centers of overuse. Cardiac catheterization led to the development of wonderful interventions – angioplasty, coronary artery bypass grafts, stents – that revolutionized cardiology in the 20th century. Without question, this saved lives. But the fact that these procedures are grossly overused is no longer in question either.

Overuse in health care is not simply a matter of wasted resources, money, and time. It exposes patients to terrible harm – often including death. Here’s what happened to one 52-year-old woman who came into an ER with chest pain after starting a new exercise regime. Shannon Brownlee, senior vice president of the Lown Institute, described the situation at the Health Care Town Hall Meeting at the Frontier Cafe in Brunswick, Maine, on Nov. 6, 2014:

“The emergency doctor thought it was almost certainly a pulled muscle, but just to be sure he ordered a new and special CT scan of the heart. It showed a little something, as these scans so often do, and so just to be sure he sent her to the cath lab. There was nothing wrong with her heart until they perforated her aorta. They did an emergency bypass from which she recovered; but then she had graft bypass rejection and she had to have her heart replaced. This is a person who came into the emergency room with a pulled muscle.”

Cath labs are no longer the sound investment they once were. Millennials, more than previous generations, want to know all the diagnostic and treatment possibilities when they’re sick or injured and are more likely to select lower-cost, less-invasive treatment options. This is also what most people of all generations want when given full information. Again, millennials are just the drivers.

Given their insistence on new ways of doing business on every front, it’s not surprising that millennials are avoiding the ill-designed norms in health care – for example, selecting a doctor. It’s not that millennials aren’t loyal to their physicians when convenient, but they’re far more willing than boomers to “doctor shop” until they are satisfied. They’re looking for same-day appointments, online scheduling, easy access to their medical records, and the option to text or email the doctor between visits, according to KQED’s Chrissy Farr.⁴⁸

Most people who use ZocDoc – a website that helps individuals schedule doctor’s visits, some of them on the weekends and in the evening – are millennials. And in addition to convenient scheduling, many ZocDoc doctors use convenient methods of communication, like text or email, to talk to patients.

Retail clinics, typically found in national pharmacy chains like Walgreens and CVS, are another innovation being embraced by cost and convenience-conscious millennials. The number of retail clinics in the United States grew from 200 to 1,800 between 2006 and 2014, while visits grew sevenfold to 1.5 million.⁴⁹

A PNC health care survey found that 34% of people ages 18 to 34 prefer retail clinics – about double the rate of 17% for baby boomers and 15% for older seniors.⁵⁰

New Benefits Choices for Smart Communities

Millennials may be more interested than their parents in getting the most for their health care dollar, but nearly three in four of them are confused about their benefit options, according to a 2016 Harris Poll. And almost half would rather clean out their email than research those options.⁵¹

Why is this important to you or your client's company? Because that same survey shows that 76% of millennials say health care benefits strongly factor in their decision about where to work.⁵²

Millennials are now the biggest portion of the workforce and will be 75% of it in 2025.⁵³ The time has come for benefits brokers to fulfill their promise and guide their clients toward developing new benefits programs optimized for millennials.

For example, smart employers can shift their workforce to a higher-performing benefits package through tiers that introduce changes. Under this strategy, the old “get less, pay more” status quo package becomes “Tier 2.” The new benefits offering is “Tier 1” and is the default package for new employees.

Freelancers now make up 35% of U.S. workers and collectively earned \$1 trillion in 2016.⁵⁴ That translates to 55 million people. While these aren't all millennials, the newly named CEO of the Amazon – Berkshire Hathaway – JP Morgan Chase health organization spoke to the imperative to fill this need. During an interview with PBS's Judy Woodruff, Dr. Atul Gawande stated:⁵⁵

“Tying how you get your health care to your place of employment is going to become less and less tenable as fewer and fewer people are getting coverage through employment. We miss this important statistic ... Over the last 10 years (data was from 2005-2015), 94% of net new job growth was in forms of employment

that had no health care benefits. It was alternative work forms. It was gig employment, independent contracting, temporary workers. That's the world my kids are now walking into. When they get their employment, they are most likely to be in that category."

Gawande, of course, was speaking even before the COVID-19 pandemic highlighted the perilous nature of health insurance tied to your employment.

As outlined in Chapter 2, forward-looking mayors are embracing the Economic Development 3.0 mindset. Increasingly, millennials are choosing where they want to work geographically, before they choose the specific company or job they'll choose. Mayors, such as Lauren Poe of Gainesville, Florida, are actively working to make their communities more attractive by ensuring there are great health benefits options that go beyond typical ACA plans, which leave many people functionally uninsured at a time when the majority of U.S. households have less than \$1,000 in savings. This is because, if you have a bronze or silver plan, the average deductible is \$5,873 and \$3,937 respectively.⁵⁶ In other words, even while technically being insured, you are a bad stubbed toe away from financial ruin.

This is the millennials' moment. They're not alone, but they will suffer the devastating consequences of an out-of-control health care system more than anyone. When millennials rise to the occasion, I believe they will be remembered as the Greatest Generation of the 21st century.

I also believe in the enormous potential of community-driven change from the bottom up. Central governments have largely reached the limits of what they can achieve. Increasingly, community-level change is where the action is.

The good news is that slaying the health care cost beast is straightforward, as I explain in my TED Talk⁵⁷ and as the case studies in the last chapter of this book demonstrate.

Paradoxically, the best way to slash health care costs is to improve health benefits. The effects are far-reaching, improving whole communities and working to solve one of the greatest public health crises of this century: the opioid crisis.

Key Takeaways and Things to Think About:

- On the current path, millennials would become indentured servants to the health care system, spending half to two-thirds of lifetime earnings on health care. Millennials will ensure that never happens – in the process driving tremendous change in health benefits unlike we have ever seen.
- We all ultimately desire what millennials desire, whether it's smartphones, better food, social media, or better health care.
- As health care change will happen in phases, millennials are natural early adopters of greatly improved health care.