

The Daily: What the Big Tech players are doing in healthcare, and who's primed to be the most disruptive

Audio



On today's episode, we discuss the significance of Amazon buying a primary care network, how ChatGPT did when it took the US Medical Licensing Exam, and what an Apple mixed reality headset could do to treat pain. "In Other News," we talk about health information being shared for advertising purposes and what to make of CVS buying Oak Street Health. Tune in to the discussion with our analysts Lisa Phillips and Rajiv Leventhal.



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Episode Transcript:

Marcus Johnson:

Hey gang, it's Thursday, February 23rd. Lisa, Rajiv and listeners, welcome to the Behind the Numbers daily, an eMarketer podcast made possible by Tinuiti. I'm Marcus. Today I'm joined by two folks. First of all, let's introduce our principal analyst on our digital health desk based out of Connecticut. It's Lisa Phillips.

Lisa Phillips:

Hello, Marcus. Great to be here.

Marcus Johnson:

Hello. Also joined by one of our digital health analysts on that very desk. He is based in New Jersey, it's Rajiv Leventhal.

Rajiv Leventhal:

Hey Marcus. Thanks for having me.

Marcus Johnson:

Hey, of course. Welcome folks to the show. Today's fact, this is so good. Well, it's not good, actually. Maybe. We'll see. Eating chocolate can make your skin look healthier. But hold on, don't get too excited because it has to be dark chocolate. I know you Americans love you some dark chocolate. It's awful. But if you do like dark chocolate, you're in luck.

Because according to a 2014 study published in Nutrition Journal, dark chocolate has many beauty benefits, including the ability to reverse sun damage and prevent wrinkles. That's

because antioxidants in dark chocolate called flavonoids promote the production of collagen, thereby improving skin elasticity and moisture. Do you guys like dark chocolate?

Lisa Phillips:

I did until I read consumer reports recently that showed how many heavy metals like cadmium and lead are present in a lot of brands of dark chocolate.

Marcus Johnson:

Oh, all right. So maybe dark chocolate's not the place.

Lisa Phillips:

I don't think that is a very good study, whatever it is.

Rajiv Leventhal:

I'm a milk chocolate fan personally.

Marcus Johnson:

Yeah, let's just stick the milk chocolate to be safe. It tastes better. And based on what Lisa just said, it's the safer option.

Lisa Phillips:

[inaudible 00:02:32].

Marcus Johnson:

Yeah, it's just so much better. Or white chocolate.

Lisa Phillips:

Death by chocolate.

Marcus Johnson:

I'll take a bar of white chocolate any day. Anyway, today's real topic: what the big tech players are doing in healthcare, and who's primed to be the most successful. So in today's episode, we'll first cover how each of the tech giants are disrupting healthcare. That's the lead for

today. And then in other news, we'll discuss GoodRx sharing customers' health information with third parties, what's going on there, and why CVS is buying Oak Street Health.

We'll start with the lead, and what each of the big tech players are doing in healthcare that's most disruptive. Because they're each doing varying amounts, but it's not just one thing. But we're going to pick the most disruptive thing or what we think is/is going to be the most disruptive. So we're going to start with Amazon. What are we talking about, folks, with regards to Amazon and how they might disrupt healthcare?

Rajiv Leventhal:

Well, their big disruptive move last year was an acquisition, an agreement that they reached to acquire One Medical, which is a national primary care provider that serves about 800,000 patients. The reason I say they haven't acquired it yet is because the FTC is still scrutinizing the deal. So we'll see if it goes through. But taking a step back, Amazon, as a provider of care, is kind of crazy to think about.

But they won the bidding for One Medical. They paid nearly \$4 billion for them. And it's disruptive because Amazon, like many outside entrants of healthcare, are coming in to try to deliver a more personalized omnichannel experience that combines in-person care and virtual care. They know that some patients are not satisfied with what the status quo is in healthcare, and they want to make things more convenient and more accessible.

So that has led to their acquisition of One Medical. Amazon's taking a few swings at the healthcare tree. And they've had some misses, but I think this one is really telling just because it's going after a provider organization and it's saying we're going to get into that provider market, which I think is really fascinating.

Marcus Johnson:

So do you think this is the bet that pays off? Because as you mentioned, they've messed about with some other things, they bought PillPack, there was a tie-up with Berkshire Hathaway and JP Morgan to try and create some kind of a healthcare initiative for its employees.

But this one, as you mentioned, \$4 billion. They bought a primary care network about 800,000 members, about 200 clinics across 25 states as a subscription telehealth service, as

well as some other things that they bought within that. Is this the bet that pays off? Do you think this is a smart move from Amazon?

Rajiv Leventhal:

Well, I do. But I wouldn't say it's a bet that pays off as much as it is a warning shot to incumbents that Amazon is serious. And this won't be all for Amazon. More will be coming because One Medical already existed. It's not like Amazon built this. They bought it. So that, in itself, isn't disruptive. But what's really disruptive is we're entering the provider market, we have Pharmacy, which you mentioned. We're not going anywhere anytime soon.

We're Amazon, we have tons and tons of capital. So we'll see what's next because I think that it'll continue to make further healthcare moves. But One Medical is a concierge provider. Keep in mind, as you mentioned, their subscription base, they charge \$200 a year for their membership. So unless your employer pays for that for you as a benefit, you might not even think about using One Medical services. So that scale is somewhat limited, but like I said, they're a company where it's dangerous to think about what they could potentially do going forward. And this was just that first move towards a much bigger future, I think.

Marcus Johnson:

This next question applies to all of the companies we're going to talk about, but I'll ask it upfront because it's kind of related to what you were just saying. Do we think that these big tech companies are going to be buying companies that already exist? Or doing things in the background and focusing less on having their branding front and center when people think about health services? Is that going to be their entry into this space?

Rajiv Leventhal:

That's a good question. Some have been buying, some have been building, and we've seen mixed results with both. But there's some advantages to buying. So Amazon has the money, and they started this Amazon Clinic a couple years ago, just mostly a telehealth service that they sold to employers. And then they shut that down once they bought One Medical because it was sort of redundant.

So that makes you think, "Well, let's buy rather than build. We have the money, we don't have to deal with all the operational challenges and everything with building because this company

has something that's established, One Medical. We're probably better off buying." And I think that's an important lesson learned.

Lisa Phillips:

The scale was quite different between One Medical and Amazon Care also. They were just using a Seattle-based company for their doctors, nurses and so on. But now with One Medical, they're spread out everywhere.

Marcus Johnson:

Yeah, in half of the States. I guess it's similar to retail healthcare, it seems a bit odd to go to Walmart to see a doctor. But once you get used to going to Walmart to see a doctor, and once you become familiar with how convenient that is, you get over the fact that it's Walmart. And maybe there's something to having a trusted brand just in general. And if you go to them for one thing, you will go to them for another, even if that is quite far out of their traditional wheelhouse.

Rajiv Leventhal:

And I think consumers' mindsets really changed on that, Marcus, during the pandemic. When you look at the tens of millions of tests and vaccinations administered, people previously didn't see these retailers as healthcare companies. And I think that is starting to shift a little bit or a lot.

Marcus Johnson:

Let's move to another big tech company, Google. How are they currently/potentially disrupting healthcare?

Rajiv Leventhal:

Well, this is a little bit on the back-end for Google. That's through AI-enabled search and data analytics. They've got this clinical search tool that they launched a few years ago called Care Studio. And what it does is it sits on top of EHRs, and it gives doctors a simpler and more consolidated view of a patient's medical history.

So for example, clinicians can browse and search through patient information instead of getting these massively long summaries of patient data through 100-page fax, which has been

the way to do it up until now. You only get the relevant information you need specific to that search. So it's a really interesting tool that's being deployed by health systems.

And Google, of course, is the search king. So I think that type of AI search capability could really be disruptive to what we've seen as a lot of dissatisfaction around current electronic health records and their ability to pull up relevant information and how long it takes and how laborious it could be.

Marcus Johnson:

So has Google developed something themselves that they're planning to sell the service? Or are they buying someone to get into the game?

Rajiv Leventhal:

Yeah, this is a software that they developed. It's called Care Studio, and they're piloting it at health systems. And it's still pretty early, but because of the way that it... And this talks at tech companies as a whole because of their ability to develop tools like this that perhaps, pure-play health tech companies and provider organizations don't have that ability to do. That could be disruptive because they have that established position of developing those types of tools.

Marcus Johnson:

This let's move to Microsoft. What are they up to?

Lisa Phillips:

Well, there's this little thing called ChatGPT that has really disrupted-

Marcus Johnson:

Tell us.

Lisa Phillips:

... Yeah, I'll tell you all about it. Well, actually, it's not something they built. It's something they've invested in from a company called OpenAI. Of course, it's now getting into every industry, but it made headlines when the researchers tested it out on the US medical licensing exam last December. And it actually passed the exam, all three sections.

Marcus Johnson:

So ChatGPT took the exam and passed all three sections?

Lisa Phillips:

Without any training.

Marcus Johnson:

Oh, wow.

Lisa Phillips:

On the medical exam itself. But to qualify that, and I'm sure there's some listeners screaming, it barely passed. And they didn't score all the questions where they really were looking for more specific information. So it's kind of a, "Yeah, it did pretty well enough to pass." But at the same time, like I said, they didn't train it. And if they trained it, what I've read is that medical students have to take this exam. The medical residents spend hours, months just trying to get through the first section of this test.

And medical graduate students are the ones that take the third section. So there's time in between and more learning and all this. And this AI just went right through and managed to do a decent job. That to say, of course, there's all kinds of headlines too as your doctor's going to be a robot and so on. But that's not where this could revolutionize healthcare in the next few years.

This is where a conversational AI can triage patients as they call into a doctor's office, "And what do you need?" Talk to them instead of, "Press one for this, or do that." Really find out how immediate is your problem, who is the best person to talk to. Anyway. There's an awful lot of ways that conversational AI can really unburden a lot of staff in medical practices, at least, and hospitals.

Marcus Johnson:

Well, one way, Rajiv, you were kind of talking about this with Google as well. Dan Primack of Axios was saying one benefit of ChatGPT type technology in the health space is incorporating it into patient's medical records. And with physicians only having a certain amount of time to scan through those records, these types of artificial intelligence could scan through that quickly and spit out an answer.

Or not even an answer, but they could flag any relevant issues within the data. And you could say, "Okay. Well, I don't want that just to be the thing that looks at my health data." But it could be in addition to. So you could have a doctor go through your health records, but then you could also have an extra check by something like a ChatGPT type device, so it doesn't have to replace the initial human check.

And then the second thing, Lisa, you mentioned triage, Dan Primack of Axios was saying once the technology moves beyond just text, it could incorporate data inputs like vocal tone, body language and facial expressions as well. It's interesting. Let's move to our final one, Apple. What are they up to in the health space? How are they going to be disrupting things?

Lisa Phillips:

Well, at the end of this summer, supposedly, they are going to officially make their mixed reality headset available to the public. They're supposed to debut it at a developer's conference in June. And you think, "Well, mixed reality is already used in healthcare, medical students use it to practice on cadavers. Surgeons use it in surgery to find their way around and do the right thing."

And you think, "Okay, Apple is not aiming for healthcare." But everybody uses their... Well, I'll say Apple iPhones are the leading brand. Everyone knows Apple. They start playing with these headsets. And one of the chief uses for them, outside of Xbox and gaming, is exercise. People use them for... And with augmented reality, you can see your pace, how fast you're going, your respiratory rate and so on. Your heart rate. And people are just so into self-quantification now.

Marcus Johnson:

So it could be a killer application in the wellness space, potentially.

Lisa Phillips:

Yeah, to start. Yeah, for sure. And the price, it's supposed to be maybe under \$3,000. Well, everybody understands Apple is going to come out with a very expensive product. They are not the cheapest.

Marcus Johnson:

Maybe Peloton has reset things where expectations in terms of how much people are willing to pay for a piece of expensive exercise equipment with their bikes.

Lisa Phillips:

Yeah. This one though, doesn't sit in the corner of a room and collect clothes.

Marcus Johnson:

True.

Lisa Phillips:

This one will do other things. And other people can pick it up and play with it.

Marcus Johnson:

Very true. I was doing a bit of research because you were saying that headsets could be used or people are using them for health purposes. And you mentioned a wellness example. But there was some research, because I couldn't figure out how virtual reality, augmented reality, mixed reality could be used for healthcare. And the US Chamber of Commerce has an example. They were saying VR has proven to be an effective tool for treating and diminishing pain.

Lisa Phillips:

Yes.

Marcus Johnson:

Cedars-Sinai Hospital found VR experience can reduce pain by 24% or more. VR applications can also be used to help women in labor, patients suffering from acute and chronic pain. And more often, VR treatment can reduce or remove the need for pharmaceutical therapies.

And then one other thing they pointed out, a study from the University of Washington, found that burn patients reported experiencing significantly less pain when distracted with VR. I thought it was fascinating. All right, folks. The last big tech company people might be thinking of is Meta. We've not talked about them yet. What are they up to in terms of disrupting the health world?

Rajiv Leventhal:

They're late to the game, for one. All these other big tech companies have come into healthcare long ago and Meta really hasn't. But just in terms of the VR, I know that Meta is

obviously in this world. But I still wonder how much of a need there is for doctors, or how much of a desire there is for doctors to use a headset and provide patient exams in that virtual world. I don't see that taking off in healthcare anytime soon.

Marcus Johnson:

So Meta, not so much yet. Maybe in the future. They have other things to worry about, I'm sure. A lot of other properties to get back to their core competencies, a lot of focus on the Metaverse and then a lot of panic when people thought that they weren't focusing on things like developing the ad products of Instagram and also trying to monetize WhatsApp.

And so maybe more of a recommitment to what it was doing and less of a focus on future applications. That's it for the lead. Time for the halftime report. Lisa, you're up first. This is normally a takeaway section. But instead, I'm going to ask you which of the tech companies that we talked about that would be Amazon and One Medical, that would be Google and using AI-enabled search and data analytics, Microsoft and ChatGPT, and then Apple with their impending mixed reality headset. Which of those tech companies do you think is going to be the most disruptive?

Lisa Phillips:

Long-term, I would say Microsoft.

Marcus Johnson:

And that's purely because of this tie-up with ChatGPT?

Lisa Phillips:

Yes. But it's being used everywhere. I'll say this, I just saw a social network that works with doctors, Doximity. They incorporated GPT, they call it DocsGPT, and they have it as a little AI tool to help doctors send faxes to health insurance companies, which I think is a very sad use of AI to use for a fax machine. But there's so many applications here and it's being adopted everywhere. I think Microsoft has the footprint to really make this a big deal.

Marcus Johnson:

In terms of getting rid of some of those menial tasks, it seems like a perfect use because I'm sure they hate sending faxes.

Lisa Phillips:

A lot of doctors would love it.

Marcus Johnson:

It's quite ironic that they're using such advanced technology to send something that is such a prehistoric technology.

Lisa Phillips:

That's not the only thing but that's what caught my eye. It's ironic.

Marcus Johnson:

All right, Microsoft for Lisa. Rajiv, how about you?

Rajiv Leventhal:

I'll say Amazon going on the consumer side just because they are obviously the dominant marketplace for consumers. Obviously not for healthcare yet, but that could be changing. They can leverage that position and everything that they've built through Prime and e-commerce, and parlay that into convincing consumers that they can deliver a healthcare experience that's more personalized and digitized and simpler than what they've been getting.

Marcus Johnson:

Yeah. Prime is a great point, talking about consumer trust in a brand. Obviously, that being a sub-brand of Amazon. But starting to add some health-related benefits to that could be very powerful. All right, folks. That's it for the lead. Time now for the second half. Today in other news, the FTC just fined GoodRx, and CVS reaches a deal to buy Oak Street Health.

Story one. Lisa, you recently wrote an article noting that the FTC fined prescription coupon company, GoodRx, 1.5 million in civil penalties for sharing its customers' health information with third parties like Facebook and Google for advertising purposes. That's why it was sharing customers' health information.

The types of information that were being shared include prescription medications, personal health conditions, personal contact information et cetera. And you note that GoodRx will pay the fine but denied wrongdoing, which seems odd. Lisa, what's your take on the FTC fining GoodRx for sharing users' health data with third parties for advertising purposes?

Lisa Phillips:

This is just the first. The FTC was actually using the health breach notification rule, which has been in effect since 2012 at least. But they're now ramping up. This was the first case they've ever fined anyone for. And I will say GoodRx said, "Oh, this was already taken care of. All that bad stuff was done by a company that we acquired in 2018. So look the other way, everyone."

But mobile health apps are really a big wide open... They put things up called HIPAA, wear HIPAA-compliant, these badges. That means nothing. Health and Human Services does not certify anyone, even hospitals for HIPAA certification. So they fool consumers into giving them their data and then they sell it. So I have a feeling the FTC has a lot of runway ahead of it.

Marcus Johnson:

More fines are coming. Gosh. Story two: "CVS reaches a near \$11 billion deal to buy clinic owner, Oak Street Health," wrote Anna Wilde Mathews and Sharon Terlep of the Wall Street Journal. They note that the acquisition expected to close this year would widen CVS's healthcare offerings, adding 600 physicians and nurse practitioners and Oak Street's network of 169 senior-focused clinics to the COVID-19 vaccinations, strep tests and other medical services CVS provides through its pharmacies. Rajiv, in your opinion, what's the significance of this deal between CVS and Oak Street Health?

Rajiv Leventhal:

Well, CVS paid a very hefty price tag, \$10-plus billion for Oak Street. And that's one angle here. And the bigger focus, looking ahead, is how the lines are blurring between retail and health and tech and insurers and providers. CVS, which owns Aetna, bought Signify Health, a company that does home risk assessments last year.

They just bought Oak Street. They're obviously a big provider now in the primary care space. So is Walgreens. Walmart is getting up there. It's going to really be interesting to see how these moves jockey against each other because they're all coming after healthcare and they're all coming after primary care. So they paid a hefty price, but it's all part of their primary care strategy in becoming a healthcare company.

Marcus Johnson:

Well, that's all we have time for, for this episode. Thank you so much to my guests. Thank you to Lisa.

Lisa Phillips:

Oh, it's been lovely, Marcus.

Marcus Johnson:

Yes, indeed. Thank you to Rajiv.

Rajiv Leventhal:

Thanks, Marcus.

Marcus Johnson:

And thank you to Victoria who edits the show, James, who copyedits it, Stewart who runs the team. And thanks to everyone listening in. Join us on Friday, March 3rd for our next virtual summit, Attention. It's called Attention: Seizing the Retail Media Opportunity.

The half-day virtual event kicks off with an exciting keynote from our principal analyst, Andrew Lipsman, on retail media's growth, featuring a very special guest from Walmart Connect. The summit continues with deep discussions on topics like connected TV advertising, social advertising, and first-party data, featuring insider intelligence analysts and guests from brands like Ghirardelli Chocolate, E.L.F Beauty, M&T Bank, The Hershey Company, Movado Group and more.

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