

The New Healthcare (Third of a Series)

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Two years ago, we issued a special report on healthcare trends, speaking with bankers, lenders, and private equity investors [\[link\]](#). Last week we revisited one of our sources, a top healthcare investor, on the current state of affairs in the industry.

“Everyone’s an infectious disease expert now,” he told us in an interview. “We also need to change the way we look at infection. To put things in context, there are anywhere from 20,000-60,000 deaths annually from the seasonal flu, out of about 40 million cases. It affects infants and the elderly.

“Corona diseases have been mutatory. Real social change is driven by the need to solve national problems. Like seat belts. In 1968 the Federal Government mandated them for cars, but it took another sixteen years for states to begin requiring their use. With COVID-19 you need everyone to get vaccinated.”

How has government managed so far during this crisis? “The CDC made some early mistakes on testing. As with 9/11 certain people absolutely knew early on about the coronavirus. But they didn’t coordinate with other agencies. This goes to the heart of government competence.

“With COVID, we don’t know what we don’t know. For example, we don’t know if you can get re-infected. We do know washing hands and using sanitizers saves lives.”

What’s been your biggest surprise? “That entire economies and countries were shut down,” he said. “That’s because there was no plan. The plan needed to be developed at the federal level. It needed airtight restrictions, it needed to protect the vulnerable, and it needed tests. But they take time to develop.

“I was actually surprised people stayed in their houses. What we also needed was speed in taking action. This was actually a mild virus. What if, with the next one, it’s fatal regardless of age or morbidity?”

Will a successful vaccine be developed? “Dr. Fauci says by December,” he said, “but I suspect it’s next year.”

When we spoke in 2018, the future of the healthcare industry was to “control the beneficiary” – i.e. ensure end-to-end delivery of services to the customer/patient.

“Yes,” the investor said, “that’s been evolving for a while. At the time of our interview the CVS/ Aetna merger had just been announced. We said the goal was to arrive at ‘where insurance meets capitalism.’ Well, we’re there!

“A lot behind the scenes still needs to get solved,” he concluded. “Over time there has to be a significant reimbursement shift. But the current crisis accelerated this trend.”

? Next week: *How is private equity thinking about COVID and the new healthcare?*