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Newsflash: Heavyweights to shake up US healthcare sector



Amazon, Berkshire Hathaway and JP Morgan Chase have revealed plans to collaborate in order to cut healthcare costs and improve services for US employees.

The three influential behemoths will team-up to create an independent company that will be "free from profit-making incentives" offering healthcare services to their US employees more transparently and at a lower cost with initial efforts concerted around building 'technology solutions'. In pre-market action across the pond, some key healthcare players suffered injuries to their share price of more than 5%.

The move is a response to soaring healthcare costs which have in turn pushed up the cost of subsidising employee health insurance. According to data from the Kaiser Family Foundation published in the Financial Times, the premium for a single person rose 4% in 2017 to \$6,690, and is up about 50% over the past decade. The average worker contribution towards the premium in 2017 was \$1,213.

Bloomberg reports that in the US, healthcare spending was estimated to account for about 18% of the US economy in 2017 – much more than in other developed nations. Further, Bloomberg reports that in a survey of physicians' perspectives published last year in the journal PLOS One, the average estimate was that 20% of medical care was unnecessary, including about 25% of tests, a fifth of prescriptions and more than one in 10 medical procedures.

JP Morgan CEO Jamie Dimon commented: "The three of our companies have extraordinary resources, and our goal is to create solutions that benefit our US employees, their families and, potentially, all Americans."

Berkshire Hathaway CEO Warren Buffett said in a statement. "... we share the belief that putting our collective resources behind the country's best talent can, in time, check the rise in health costs while concurrently enhancing patient satisfaction and outcomes."

It seems that the Amazonification of pharma-distribution which the healthcare industry has been nervously anticipating for months could actually just be the tip of the iceberg. The move could signal the beginning of what could be an even more disruptive shake-up in the sector, squeezing profit margins and putting the weakest players on life-support.

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