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2019 OVERHEARD AT JP MORGAN

Every January, thousands of health care investors and bankers and providers, oh my, flock to Union Square in San Francisco for Healthcarepalooza, otherwise known as the JP Morgan Health Care Conference. While some come bearing a golden ticket to attend the actual meeting, the overwhelming number of "attendees" are party crashers that occupy (in the literal sense) every area coffee shop, hotel lobby, restaurant, and bar to pitch, network, and schmooze the health care glitterati (and make the event what it has become today).

Here, then, are some of what we overheard at JPM. Note that the quotes are paraphrased and attribution has been left out to protect the innocent.

"The fear is far, far, ahead of the reality."

Practically blasphemous in Silicon Valley, this comment was squarely directed at the notion that Amazon and Apple are poised to do to health care what they did to books and CDs. Influence it? No doubt. But turn it upside down and inside out? Not until they merge and acquire the country. So, you know, not at least until four or five years from now.

"As social determinants of health occupy more bits and bytes of those predictive algorithms that make data scientists swoon – and payors begin to consider them in benefit design – we are going to see conflict arise regarding how invasive they can be in steering the non-medical, social aspects of their beneficiaries' lives."

With the phrase "social determinants of health" being uttered by attendees every bit as much as "this place is a zoo," the potential dark side of SDOH (it's even got an acronym) was startling in both its insight and inevitability.

"Taking a contrarian view of the sectors to watch in 2019, we're seeing a lot of investor interest in home medical equipment."

In a panel of health care investors, when the inevitable question of which sectors are likely to attract the most interest from the Wall Street crowd, each panelist, in one form or another, ticked off the **two big themes heard over and over on the Streets of San Francisco – behavioral health care and physician practice management.**

But to stir things up, the final speaker evoked a sector whose consolidation days are so old, the millennials in attendance weren't even on social media yet. After a relentless 30 plus years of reimbursement cuts, new regulations regarding competitive bidding may, dare we say it, yield payment increases. At worst, there's widespread agreement that there's no room to slice them further. Accordingly, the sector's go-forward risk profile has fallen to the point where buyers are once again seeing opportunity.

"How much did your hotel room cost?"

In an environment where hotel rooms routinely command $1,200 a night with a 4-night minimum (no refunds) and the lobby seats are often sponsored and invitation only, bankers everywhere were playing a wholly different version of Liar's Poker, one-upping each other on how little (or how much) they paid for a room.

"People underestimate how much President Trump is committed to drug pricing reform."

With all manner of pharma in full force at JPM, it comes as no surprise that drug pricing was a frequent topic of both discussion and concern. And amidst a backdrop of a record-breaking government shutdown flashing his resolve to secure $5 billion for "the wall," in a sector where the annual spend is more than $300 billion per year, this little quip cut through the fog of way too many cocktail receptions.

"The need to drive scale is creating alliances that were unheard of before; religious systems aligning with non-religious institutions; not-for-profits courting the for-profits."

That sound you just heard? The collective sighs of a generation of mission-driven administrators seeing ideology slip further and further down their to-do list.

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"One of the challenges of shepherding big deals to closure that can take a year or more to secure regulatory approvals is that while the players are in a stand-still period, the ground beneath them begins to shift. The market doesn't wait to adapt, which can not only alter the competitive landscape that informed the deal in the first place but can leave the merger partners weakened if the transaction collapses."

For some perspective, we know that in mergers and acquisitions advisory practice, nothing good can happen between the letter of intent and closing. Now add an additional 6 to 12 months to the equation. And while we're at it, publicize the deal so that all of the parties' competitors know about it. The technical term for a situation like this is "oy."

And finally,

"If we cross the bridge, we can find a place to sit down."

Yeah, we made that one up.

But it was true.

THE BRAFF GROUP is the leading mergers and acquisitions advisory firm specializing exclusively in health care services, including digital health, behavioral health, home health and hospice, pharmacy services, urgent care, health care staffing, home medical equipment, and ancillary health care services.

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