



## 2016 Evolving Health Interview Series

**Interview Title:** *Science Outpaces Payment*

**Interviewee:** Todd Cozzens, Partner, Sequoia Capital

Well, it's a fantastic area, obviously. It's a great area for the future because the cost of sequencing is well under a thousand dollars now. The cost of running these diagnostic tests are now much more economical in the range of things that we can do broadly for the broad population. We've already entered into some great spaces that are already doing great things.

Healthcare is one of those businesses where you always have to follow the money. Yes, there's an issue right now. There's a little bit of a disconnect for several reasons. Number one, it's a young science. Even the caregivers for example, as we get into oncology, oncologists are just understanding now how to use genomic information in targeting therapies, targeting drugs. Which we all know are going to get much more targeted, much more effective, and prolong the lives of cancer patients, but in the meantime, we're still fledgling along with reimbursement. The major payers of which CMS obviously leads the charge, are still struggling with the reimbursement. Those guys want to see 5 years of interconvertible studies that show that there is going to be efficacy here. That it's going to extend lives, not that it's just months but years, that's going to be hard to do. That will take a while for them to accept, but some payers are already taking on some panels now in the cancer area. It's encouraging. We're just at the early stages and it's all going to come to fruition.

You need scale. You need incredible actuarial science behind it you need some foundation whether be claims clinical data, or whatever, to guide you. And it's not an easy task, so I think this being adopted pretty slowly,

until we fundamentally change how hospitals and doctors are paid today for their daily bread - right now 5-10% of what they do is actually value based - until that really turns into 70-80% and that's got to happen through a much deeper, fundamental change in the entire accounting system of healthcare and all the outpatient rules and inpatient rules and those that got to switch over to outcomes based. Bundles are a great start but bundles are kind of isolated silos right now and they're getting some traction and they will be our makeshift way to make it the value of based care in the meantime but this has to be broader changes.

*April 15, 2016*

*Confidential - Do not duplicate or distribute without prior written permission from Health Evolution*

I think that we have the perfect storm right now in healthcare with all these health systems and doctors now have electronic medical records so they are going to need analytic tools and all kinds of capabilities to be able to leverage those and drive the data and that's also going to help on the outcome side so there's never been a greater time to be involved in this big disruption going on. The biggest era of transformation we've ever had in healthcare is right now.

*April 15, 2016*

*Confidential - Do not duplicate or distribute without prior written permission from Health Evolution*