Three Corporate Giants to Form a Health Care Company for Their Workers

The announcement by Amazon, Berkshire Hathaway and JPMorgan Chase has already disrupted the stock market. Here's why.

January 31, 2018 By Trent Straube

Amazon, Berkshire Hathaway and JPMorgan Chase & Co. plan to form their own independent health care company that will cater to their employees.

The company's initial focus "will be on technology solutions that will provide U.S. employees and their families with simplified, high-quality and transparent health care at a reasonable cost," according to a joint press release from the companies. The announcement offered few details aside from the fact that the skyrocketing cost of health care is a burden.

"Our group does not come to this problem with answers," acknowledged Warren Buffett, CEO and chairman of Berkshire, in the statement. "But we also do not accept [the problem of the ballooning cost of health care] as inevitable. Rather, 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."

Despite the lack of details, news of the partnership sent shares of health care and drugstore stocks tumbling. CNN Money offers a rundown:

- Drugstores CVS and Walgreens fell more than 4 percent
- Insurers Cigna and Anthem tumbled more than 5 percent
- Pharmacy benefits manager Express Scripts sank about 7 percent
- Insurers UnitedHealth, Aetna and Humana dropped about 3 percent

On the one hand, CNN posits, investors are worried that the new venture will disrupt the health care industry—and that this will mark only the beginning of even bigger upheavals. On the other hand, some analysts say the field will remain stable thanks to the proliferation of regulations in health care and to the fact that large-scale players already dominate the area and can hold their

own against whatever comes from the Amazon-Berkshire-JPMorgan initiative.

What does this development say about health care in America? New York Magazine's Eric Levitz puts the announcement in a larger context, pointing out that we're increasingly relying on corporations and not the federal government for solutions to health care. He writes:

> In 2013, for the first time in the post–World War II era, private entities funded a majority of all basic research in the United States. In the 1960s and '70s, the federal government bankrolled more than 70 percent of all basic science; today, that figure is closer to 40 percent. To an ever greater degree, discretion over what scientific research gets funded, and what doesn't, is moving away from federal agencies (overseen by democratically elected officials) and toward eccentric billionaires.

According to The New York Times, the three companies behind the new venture employ a total of 1.2 million people. Amazon, the online retail giant run by Jeff Bezos employs 540,000. The holding company Berkshire Hathaway employs 367,000 and JPMorgan Chase, led by Jamie Dimon, employs 252,000.

Todd Combs of Berkshire, Marvelle Sullivan Berchtold of JPMorgan and Beth Galetti of Amazon will head the partnership.

"Our people want transparency, knowledge and control when it comes to managing their health care," said Dimon, chairman and CEO of JPMorgan, in the joint press release. "The three of our companies have extraordinary resources, and our goal is to create solutions that benefit our U.S. employees, their families and, potentially, all Americans."

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