Amazon, Buffett and JPMorgan join forces on health care

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This combination of photos from left shows Warren Buffett on Sept. 19, 2017, in New York, Jeff Bezos, CEO of Amazon.com, on Sept. 24, 2013, in Seattle and JP Morgan Chase Chairman and CEO Jamie Dimon on July 12, 2013, in New York. Buffett's Berkshire Hathaway, Amazon and the New York bank JPMorgan Chase are teaming up to create a health care company announced Tuesday, Jan. 30, 2018, that is "free from profit-making incentives and constraints." (AP Photos)

Three of corporate America's heaviest hitters—Amazon, Warren Buffett and JPMorgan Chase—sent a shudder through the health industry Tuesday when they announced plans to jointly create a company to provide their employees with high-quality, affordable care.

The announcement was short on details about precisely what the independent company will do. But given the three players' outsize influence—and Amazon's ability to transform just about everything it touches—the alliance has the potential to shake up how Americans shop for health care, and the stocks of insurance companies, drug distributors and others slumped in reaction.

"One of the messages they are sending is they've given up on traditional ways in which employers have tried to reduce costs or manage costs better," said Paul Fronstin, an economist with the nonprofit Employee Benefits Research Institute.

Benefits experts speculated that this new company could create a virtual marketplace that makes shopping for health care as easy as buying a shirt on Amazon. Or it could move directly into buying prescription drugs. Or it could be a system that bypasses insurance companies altogether and contracts directly with doctors and hospitals for better deals.

Employers are up for trying almost anything to control rising health care costs, which have been consuming bigger portions of their budgets for years and burdening their employees.

"The sky's the limit on where they could possibly go with this," said Brian Marcotte, CEO of the National Business Group on Health, another nonprofit that represents large employers. "We're always supportive of disruptive innovation, and health care certainly is in need of it."

The venture was announced by Amazon founder Jeff Bezos; JP Morgan Chase CEO Jaime Dimon; and Buffett, the investment wizard of Berkshire Hathaway. The three companies have an estimated 1 million employees in the U.S.

The three businesses said their new venture will be independent and "free from profit-making incentives and constraints." It will have an initial focus on technology that provides "simplified, high-quality and transparent" care.

Those involved said the idea is still in the early planning stages. It was not clear whether the ultimate intention is to move beyond the three companies. But Dimon said: "Our goal is to create solutions that benefit our U.S. employees, their families and, potentially, all Americans."

Employer-sponsored health insurance covers about 157 million people in the U.S., constituting the biggest piece of the nation's patchwork health care market, and neither companies nor their employees are happy with the system.

Health care costs—branded by Buffett "a hungry tapeworm on the American economy"—routinely rise faster than inflation. Employers have been reacting by asking their workers to pay more of the bill and to shop around for better deals, something many people find hard to do.

Insurers and other companies already offer applications or programs that help people wade through the health care system's often baffling mix of prices for procedures or prescriptions. But Amazon appears well-positioned to create a more user-friendly way to shop, Marcotte said.

"They have customer trust, they are already in people's homes, and they're already part of many people's routines in how they shop," he said.

The potential disruption from three renowned innovators in technology and finance sent a shock wave through the health care sector on Wall Street, erasing billions in value in seconds.

Several of the biggest losers on a down day for the market Tuesday were health care companies. They included the insurers Anthem and Cigna and the pharmacy benefits manager Express Scripts.

The new venture gives Amazon another industry to shake up. The company, which mostly sold books when it was founded more than 20 years ago, has transformed how many people buy diapers, toys and paper towels. And it has been blamed for the decline of department stores, toy stores and bookstores.

Last year it pushed its way into the supermarket industry when it bought Whole Foods for nearly $14 billion.