USER GUIDE

Aligning Forces for Quality
Robert Wood Johnson Foundation

May 2014
Joshua Rosenthal, PhD

Context

Idea

1 %*

Prototype

1 %*

Funded

1 %*

Exit

1 %*

Exit w/
Good Multiple

*Health Care Start Ups
fail at astounding,
disproportionate rates

Alternatives

Better Odds (seriously)

Default

Noble, but hard & < 10 years left

Better Odds (w/ life insurance)

Not an Alternative (infra)

See "Default"

User Guide

Most 'Successes', Aren't

1x Rev

THE WALL STREET JOURNAL.

CENSORED Inc. agreed to acquire closely held health-care provider CENSORED Inc. for about $790 million, moving the health insurer into a new business.

Texas-based CENSORED provides services such as occupational medicine, urgent care and physical therapy at more than 300 medical centers in 42 states. The company, with annual revenue of about $800 million, also provides health advisory services and operates more than 240 work-site medical facilities.

Note: Payer buying Provider

User Guide

Engineers' Guide to Multiples

1x Rev   **4x Rev**   **8x Rev**

<--->

- Ja Ja Binks

+ Good fights

- Teddy Bears

+ Existential crises
of free agency vs.
determinism wrapped
in a fairy tale

User Guide (ALT)

1x Rev   4x Rev   8x Rev

Consultants /
Professional Services,
Providers

SaaS-based
data / analytic
platforms

Hey, what about
Social / Public Good?

You're always better off if you create market value
(even if you're a non-profit)

With finite budgets, non-profits will compete against each other;
need market reinforcement/acceleration

Can go for-profit w/ public/social good
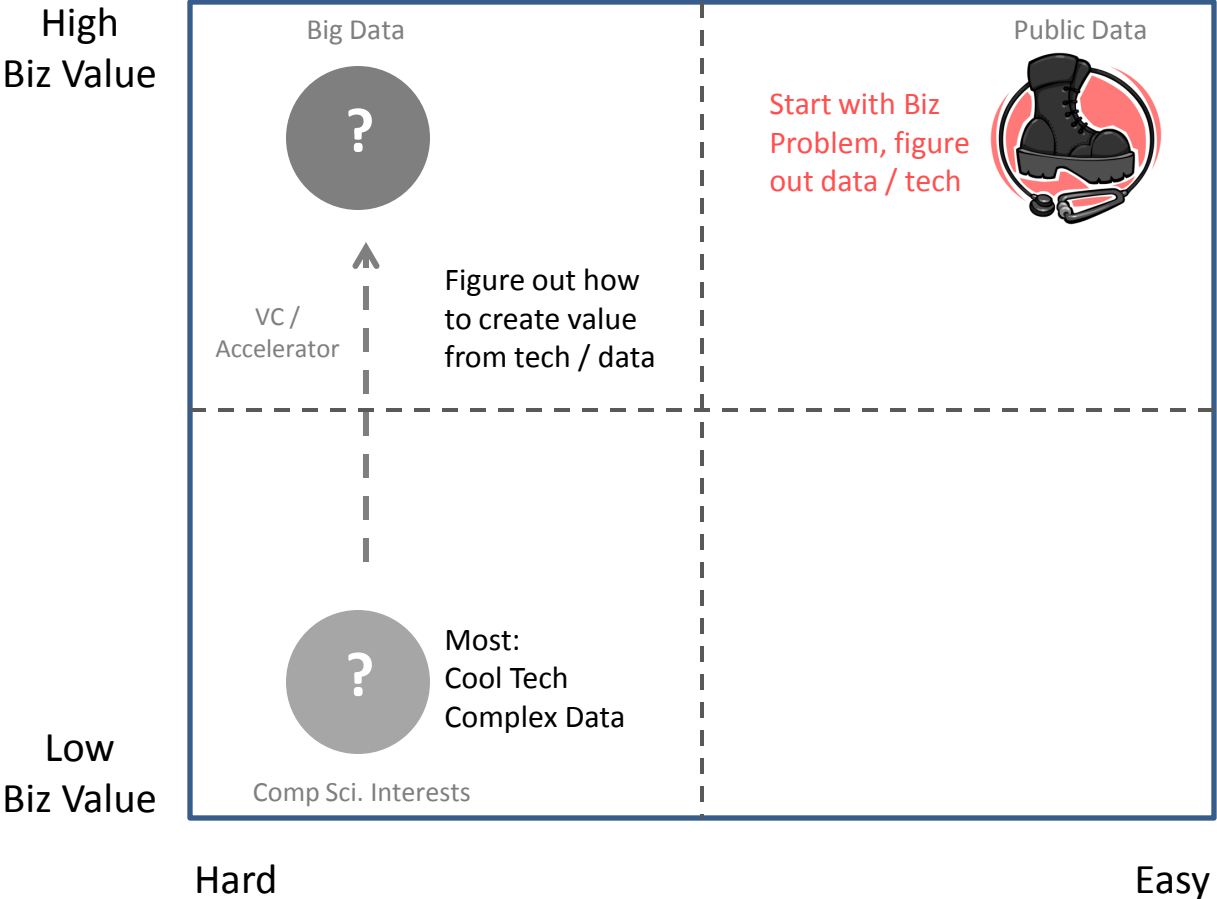for broader usage/greater impact*

MPH?

KICKSTARTER > NATIONAL ENDOWMENT FOR THE ARTS

* KickStarter.com gave more $ to the arts last year than the NEA.
  Cf. WarbyParker & eyeglasses for Africa

Context

High
Biz Value

Big Data

?

Public Data

Start with Biz Problem, figure out data / tech

VC / Accelerator

Figure out how to create value from tech / data

Most:
Cool Tech
Complex Data

?

Low
Biz Value

Comp Sci. Interests

Hard

Easy

Health care has not done so well

In this race vs. other verticals

"Just wait 'till next year Financial Services & Energy!"

Lots of Bodies

Health Care, Where Good Ideas Go to Die

Lots of failure (DTC*)

Weight Tracker 2.0

How fat are you today?

Track how
fat you are!
Only $1.99!

*Direct-to-Consumer Note:
People don't like to pay
out of pocket for something
they don't like to do or
don't want to know about

Lots of noise & fluff

"Health Care will move to performance-driven consumerism, following financial services & e-com"

Sounds good, makes sense

(Nice hair, good "Blue Steel")

Problem: He's been saying this for 20 years

Speaking at a major health care conference near you

Noise

I have better
engineering / architecture

Hmm, 'fixing the pipes'
was not the answer

Fluff

I have better
design & experience

Hmm, the pretty colors
on my social app didn't stop me

Lots of 'false indicators'

My data is bigger than yours

Silly boys

Hmm,
this fixation indicates...

Lots of market perversities

Supply-driven markets:

*

* Source: Dartmouth Atlas for Unwarranted Variation

Review

FAIL

Health Care Start Ups fail at astounding, disproportionate rates

Old Paradigm – Fee for Service

Payers aggregate –
but some have not historically been "health care"

"Actually, I make more money
off of bad drivers."*
(Read w/ accent)

* Note:
Affordable Care Act changes this
Cf. Medicare Advantage

Old Paradigm – Fee for Service

Some Hospitals/Providers may historically generated revenue by filling rooms*

Keep patients away?!?

I was trying to book you for an extra night!

* Note:
Affordable Care Act changes this
Cf. Medicare Advantage

Shift: Demographic –> Market

SHIFT | Employer | Medicare

AGE 0 | 25 | 65 | 100
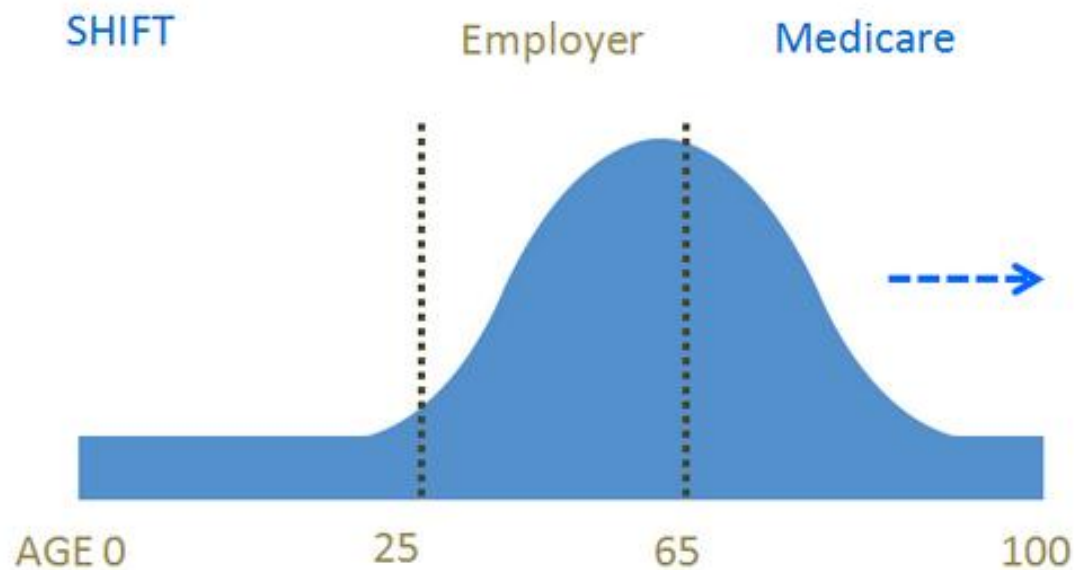
MBA test:

"To stay ahead of the game, the market I should look at is _____ ."

Market Shift = New Profit Paradigm

P4P to incentivize market (including payers)

The New York Times

January 30, 2012, 9:00 PM

The End of Health Insurance Companies

By EZEKIEL J. EMANUEL and JEFFREY B. LIEBMAN

Ezekiel J. Emanuel on health policy and other topics.

TAGS:

HEALTH CARE REFORM,
HEALTH INSURANCE,
MEDICINE AND HEALTH

Here's a bold prediction for the new year. By 2020, the American health insurance industry will be extinct. Insurance companies will be replaced by accountable care organizations — groups of doctors, hospitals and other health care providers who come together to provide the full range of medical care for patients.

Already, most insurance companies barely function as insurers. Most non-elderly Americans — or 60 percent of Americans with employer-provided health insurance — work for companies that are self-insured. In these cases it is the employer, not the insurance company, that assumes most of the risk of paying for the medical care of employees and their families. All that insurance companies do is process billing claims.

WRONG – This isn't the end, it's just the beginning!*

* Cf. **Bloomberg** Our Company | Professional | Anywhere |
Insurers Face $1 Trillion Revenue At Stake In Health Law

Government is releasing lots of data*

* Expertly captained by

Need market to adopt – use to create value

Cf. Weather & Geo-Location data

Thanks, government!

So?

Do Good…

It's easy to do good…

… but you are probably not profitable

If P < EHC x DWS, then 501c3

P: Profit; EHC: Employee Head Count; DWS: Dog Walker's Salary; 501c3: Non-profit

… and Create Value

It's easy to make money…

… but you are probably doing bad things

"I'll bill you."

It's tough to do good & create value in Health Care

So let's practice

together

Practice : Generalism

… Psst, not just business, but entrepreneurialism

The startup world is beating academics at their own game.

WIRED

Let's Bring The Polymath — and the Dabblers — Back

Where are all the generalists, anyway? They're not really thriving in academia; for the most part, they've gone elsewhere to find their place, and one of these places is business. In the realm of data science at least, the startup world is beating academics at their own game when we consider examples such as Google and Facebook or Bit.ly and Misfit Wearables.

Practice : Un-sexxxy-ness

Find the least glamorous pain point…
… and eventually, you'll be trendy with deep expertise ahead of the herd
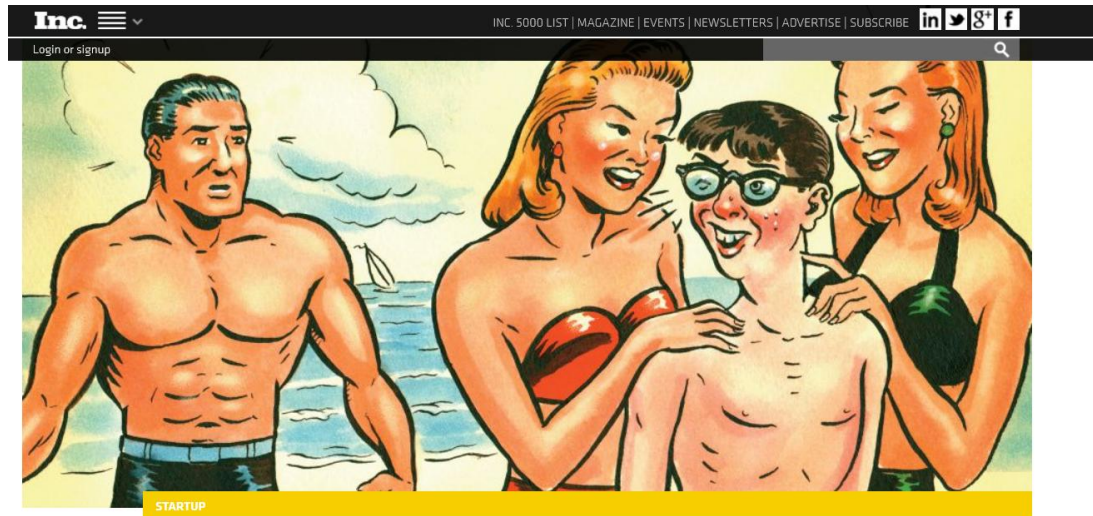
Practice : Doing the wrong thing

Use the mechanisms of another system to advance your own

Practice : Discriminating

Turning down even 'good' offers to find false indicators
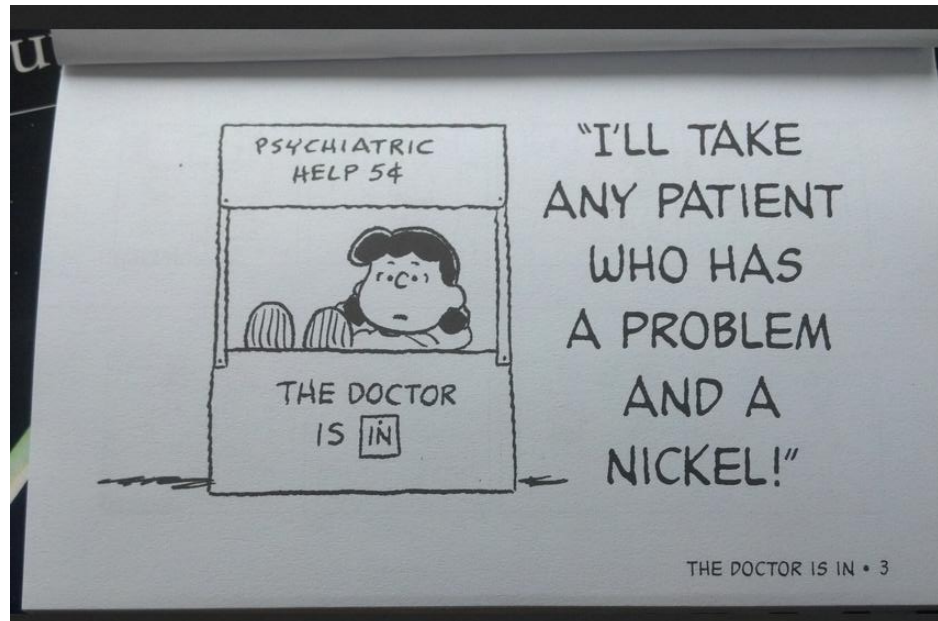
Practice : Starting, then failing

90% of the time –
it's about conquering the blank page and
just getting something out
and calling it good for now

10% it's letting it percolate –
and readiness to trash the first version
of what ever you have

Before Steve Albini produced Nirvana's *In Utero*, he wrote them a letter outlining his vision.
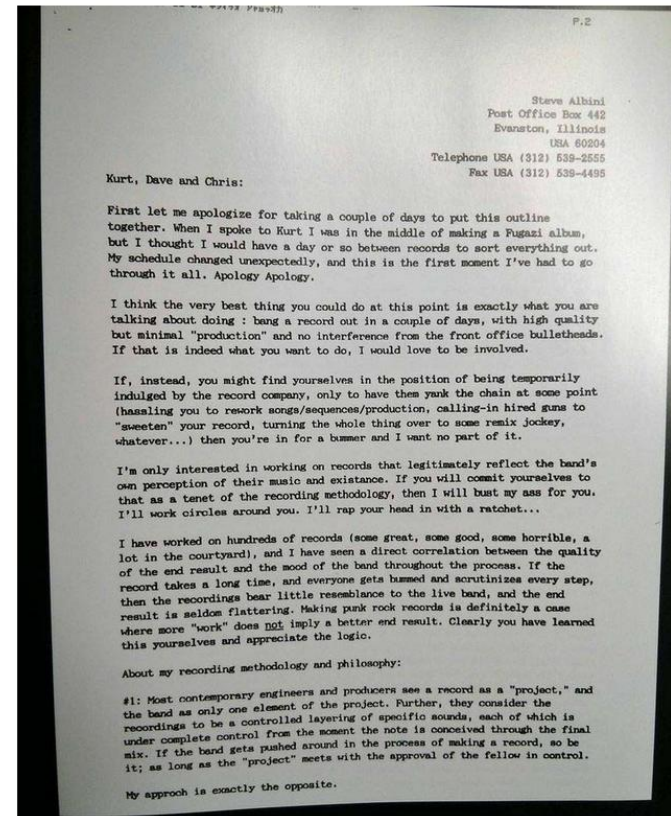
Practice : Then getting a bit further

Designing for scale means, failing until you get it right, but getting it right

Broadly speaking, I think this means startups need two skill sets as they grow: the ability to design processes and the ability to maintain/improve/destroy processes as the business evolves.

TOMASZ TUNGUZ
venture capitalist at redpoint

THE TWO KEY SKILL SETS STARTUPS
MUST DEVELOP TO GROW

Seriously... Practice!

THE existential question... who would you rather be