

The New Competition:

What new entrants mean
to traditional providers
of healthcare

by:

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“It took AOL nine years to get its first million customers and just nine more months to get the second million customers. What really drove us from 1 million [customers] to 2 million to 30 million was [AOL] became the easy way for most people to get online.”

Steve Case, former CEO, America Online

In 1985, the vice president of marketing for a small computer services company changed the company’s strategy and began offering an online service called Quantum Link. In 1991, the former vice president – now CEO – changed the company’s name to America Online.ⁱ That CEO, Steve Case, built America Online into the first Internet-based juggernaut, helping to usher the World Wide Web into millions of homes around the world. For many people, AOL was the Internet, and Case was credited with many innovations in making it all possible.

“It took AOL nine years to get its first million customers and just nine more months to get the second million customers,” said Case in an interview with *InfoWorld*.ⁱⁱ “What really drove us from 1 million [customers] to 2 million to 30 million was [AOL] became the easy way for most people to get online.”

In 1991, AOL merged with Time Warner in a \$106 billion deal, which was hailed as the ultimate conquering of old media by the new.ⁱⁱⁱ Case was named chairman of the new AOL/Time Warner.

Case and Healthcare

What does the story of AOL have to do with healthcare today? This former vice president of marketing who helped fuel the Internet boom of the 1990s has now turned his sights on healthcare. In April 2005, Case launched Revolution, a new company that “drives transformative change by shifting power to consumers and builds significant, category-defining companies in the process.”^{iv} Revolution’s first target? Healthcare. Its mission? To revolutionize the delivery of healthcare, with Case himself investing \$500 million of his own money in the venture.

Revolution represents a new breed of competitor for the traditional healthcare organization. For the past decade, health systems and hospitals have increasingly been battling each other for market share and volume. The rise of physician-owned clinics and surgery centers has created another front in the battle.



“The global competitive playing field was being leveled... As I came to this realization, I was filled with both excitement and dread.”

Thomas Friedman, *The World is Flat*

Revolution represents something altogether different: an effort to build business in healthcare from outside the industry. For the first time, it seems, successful companies and entrepreneurs from outside the medical world are turning their eyes to healthcare in a major way. Given the fact that healthcare represents the largest chunk of the U.S. Gross National Product – more than \$1.9 trillion in spending in 2004^v – it’s really no wonder the industry would attract attention.

Perhaps more importantly, Revolution seeks to build that business starting from the consumer’s perspective and work backwards. This is a common theme among many of the new competitors, and that, apart from anything else, should have traditional healthcare providers very concerned. Most people would agree: traditional healthcare has not always been built with the best interests of its consumers in mind.

In this paper, we’ll explore three representatives of the new competitors: Revolution, Best Buy’s new *eq life* venture, and MinuteClinic, another entrant with a different model. We’ll explore what makes these new competitors especially threatening to traditional healthcare providers, and why those providers are saddled with some sizable disadvantages. Finally, we’ll look at how traditional providers can begin to address these new entrants, and consider three organizations that are on their way to figuring it out.

This paper should serve as a wake-up call to traditional healthcare providers: change, innovate, or else. The new competitors featured here are well positioned to eat the shrinking margin you may (or may not) enjoy. But they’re really just the beginning. The onset of overseas competition is a storm cloud gathering on the horizon. As Thomas Friedman warns in his book, *The World is Flat*, upon his realization of the potential impact of globalization on America, “The global competitive playing field was being leveled... As I came to this realization, I was filled with both excitement and dread.”

But first things first...

“Health care is monumentally complex, confusing, inefficient and inconvenient. Meanwhile, it’s the biggest industry in the country and everybody hates it.”

Steve Case, Founder, Revolution



The New Competitors

Revolution's Revolution

Steve Case is considered an icon of the Internet age, and his success at AOL was nothing short of spectacular. As history unfolded, of course, the merger with Time Warner proved to be less than a glowing success. As a result of the struggles at AOL/Time Warner, Case resigned from the company in 2003, and recently has flown mostly under the radar. That is, until his announcement in early 2005 of the founding of Revolution and its healthcare arm, Revolution Health Group (RHG). Case found inspiration for RHG from his brother's fatal struggle with cancer. Daniel Case III was an influential investment banker who died from brain cancer in June 2002. Steve Case watched his brother's experiences in the healthcare system and saw first-hand how the system can fall far short of meeting patients' needs.

“Health care is monumentally complex, confusing, inefficient and inconvenient,” said Case in a 2005 interview.^{vi} “Meanwhile, it’s the biggest industry in the country and everybody hates it.” Case had found a new passion for his entrepreneurial talents and experience.

RHG seeks to change healthcare through investments in technology, wellness, resorts and more. Some ideas already floated include online data regarding doctors'

prices and quality, high-end personalized health coaching services, and low-priced clinics housed in Target stores. As of this writing, the organization had raised more than \$800 million for the initiative, with \$500 million coming from Case himself.^{vii}

In addition to financing, Case provides RHG with an incredible entrepreneurial spirit. Visit the website for RHG and you'll begin to understand the fundamentally new philosophies Case brings to healthcare:

“Consumer needs are often not being met, usually because the incumbent companies are risk adverse, looking to defend the status quo, and reluctant to embrace new approaches. Opportunities for innovative new products and breakthrough ways of doing things are thus left undiscovered, under-financed, or undone – and consumers are left under-served.

We seek to build the leading brands in each sector we target, so we can achieve broad, mainstream appeal. We don't play it safe - we play to win.”^{viii}

Lest we think Case is simply on a personal crusade, one only need look at some of the people he's bringing along with him: Directors for RHG include Colin Powell, former Secretary of State; James Barksdale, former CEO of Netscape; Frank Raines, former CEO of Fannie Mae; and Carly Fiorina, former CEO of Hewlett-Packard, among others.

“Imagine that by some magic of origami, 'O' magazine could be folded out into an eighteen-thousand-square-foot retail space.”



The Rake magazine, Minneapolis

A retail giant dips its toes

In Richfield, Minnesota, across the street from one of the original Best Buy stores, stands a non-descript strip mall. One of the newest tenants in the mall is *eq life*, a new venture from Best Buy. Most everyone in the country has heard of Best Buy, if not frequently visited one. As the nation's largest electronics retailer, Best Buy has more than 930 stores and 120,000 employees, and its sales in fiscal year 2005 were \$27.4 billion, with a profit of \$984 million.^{ix}

Not only is Best Buy regarded as one of the most successful retailers around (even Wal-Mart has a hard time slowing it down), it is heralded for completely reshaping its business model around a concept called “customer-centricity.” Customer centricity is an idea developed by Larry Seldon, a professor emeritus of finance and economics at Columbia University Graduate School of Business and outlined in the book, *Angel Customers & Demon Customers*. In a nutshell, the concept proposes that companies can achieve maximum shareholder value by moving away from structuring their organizations around products, services or geographical territories, and instead reorganizing around the more profitable customer segments. Best Buy has employed this model in a significant way. Instead of organizing stores (and the internal divisions that support them) around appliances, car stereos or computers, the company has focused on key customer segments, such as suburban moms or technology enthusiasts, and designed departments or entire stores just for them.

The model is a vast departure from traditional big-box retailing, and it appears to be working. In December 2004, Best Buy reported that those stores that employ the customer centric model had comparable sales twice that of other U.S. stores and produced higher gross profit.^x (More recently, Best Buy took a hit to its stock price after it missed analysts' expectations due to higher-than-anticipated costs stemming from customer centricity, but the company stated it remains firmly committed to the strategy.)

So, here's an incredibly successful retailer that's undertaken a massive effort to re-engineer itself around its customers. That, in turn, led it to healthcare.

The first *eq life* opened in that Richfield strip mall in early 2005. The store offers a spa/salon, pharmacy, retail shop and Caribou Coffee. You can get your prescription filled, make an appointment for a pedicure, and browse the latest iPods, all while sipping a vanilla latte. A local Minneapolis magazine, *The Rake*, describes *eq life* this way:

“Imagine that by some magic of origami, 'O' magazine could be folded out into an eighteen-thousand-square-foot retail space.”^{xi}

The concept is aimed specifically at women, helping them access technology and resources to manage their family's health. The experiment has been successful enough that Best Buy announced the opening of its third *eq life* in August 2005.

For patients seeking a quick, convenient alternative to what can be a maddeningly long wait at an urgent care clinic, or to see a doctor, MinuteClinic’s model makes perfect sense.



Healthcare in aisle five...

In retrospect, it may seem obvious to place small clinics in grocery stores, given the ease of use and convenience for shoppers, and the number of these clinics popping up across the country in any number of retail outlets. According to the *Minneapolis-St. Paul Star Tribune*, there are at least a dozen “fast-serve” clinic businesses across the country.^{xii} (The concept is still so new, however, that according to an article on MSNBC.com, analysts can’t agree on the total number of such clinics in the U.S.^{xiii})

But when the first MinuteClinic opened in a Cub Foods store in Minneapolis in 2000, the idea (known then as QuickMedx) was far from the healthcare mainstream. Like many entrepreneurial ventures, MinuteClinic offers a great story. According to the company’s website:

“On a wintry weekend in 1999, (Rick) Krieger took his sick son to an urgent care center in Minneapolis. The boy needed a strep throat test and, after a two-hour wait, finally got one. After that, Krieger knew there had to be a quicker, more convenient way. A year later, Krieger and partners Douglas Smith, M.D., and Steve Pontius had founded QuickMedx (the retail health care centers that became MinuteClinic).”^{xiv}

With 70 clinics around the country, and plans for rapid expansion^{xv}, the concept behind MinuteClinic is fairly simple. A kiosk stationed in a retail environment such as pharmacy or shopping mall, at a corporate headquarters, on a university campus or in another convenient location, is staffed by a nurse practitioner.

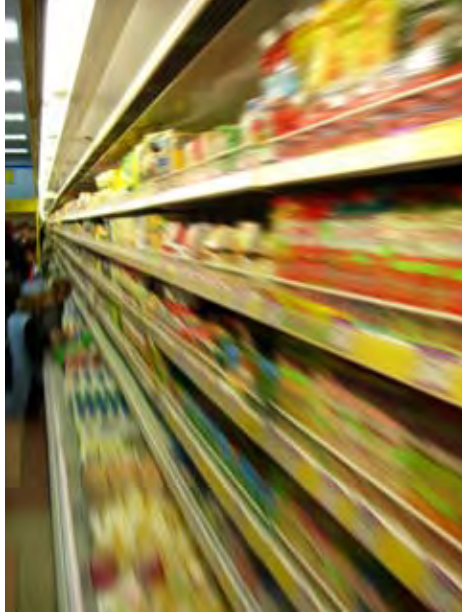
The practitioner can provide diagnosis and treatment of common ailments such as strep throat, sinus infections or ear infections, and can also provide vaccinations. This service provides two key benefits for patients:

One is the cost, which is usually about half the cost of a visit to a doctor’s office or urgent care, and is often covered by insurance. This benefit will become more and more valuable as consumer-driven health plans force more patients to assess the true cost of their care.

But the key benefit is convenience. Usually, there is little or no wait to see the nurse practitioner thanks to the short process needed to diagnose and treat common ailments. But when there is a wait, it’s in a place where patients can make productive use of their time, such as picking up a few groceries. This aspect is the true attraction of MinuteClinic – it brings the care to people. MinuteClinic rightly points out that their services aren’t a replacement for a family doctor or regular medical care:

“Our services are a complement to primary care providers,” Dr. James Woodburn, M.D., chief medical officer for MinuteClinic, explains in the company’s press release announcing their expansion into the Atlanta market, “and our nurse practitioners make it a point to stress the importance of a regular medical exam with every patient they see.”

But for patients seeking a quick, convenient alternative to what can be a maddeningly long wait at an urgent care clinic, or to see a doctor, MinuteClinic’s model makes perfect sense.



The impact of the new competitors

What do these new competitors mean for the traditional providers of healthcare: health systems, hospitals and clinics? The implications are far-reaching, and potentially profound. Here are a few ways in which Steve Case, Best Buy and the rest might shake up healthcare as we know it.

More choice means more demanding choosers

For starters, more competitors in the market mean more choices for consumers. Not only do these new competitors offer alternatives to traditional healthcare providers, they do so with a superior experience.

Healthcare consumers are much more educated now thanks to the Internet and other media outlets, and have become more empowered to understand and direct their own medical care. This results in higher expectations for the level of care and experience they receive, and the new entrants will only heighten those expectations. Adding even more pressure, consumers increasingly are being asked to spend more of their own money due to the trend toward consumer-driven healthcare. It's safe to say that with consumers now spending more of their own money (instead of being shielded from the actual cost of healthcare by traditional insurance plans), they will become more informed, more empowered and more demanding.

An understanding and belief in marketing

Because competition and the resulting need for marketing and branding are relatively new to the healthcare scene (having only really come into play in the last couple of decades), healthcare as an industry is generally behind when it comes to marketing and branding. While the level of marketing leadership is more and more sophisticated, the issue lies with those in power. For C-level leaders and clinical personnel at many organizations, marketing is at best misunderstood and undervalued, and, at worst, dismissed altogether.

Marketing often is thought of in surface-level ways, such as communications or advertising, rather than as a discipline that can drive an organization to succeed through understanding and meeting the needs of a market. Many of the new competitors, however, bring some of the best marketing and branding expertise in the world to the table. They employ the sophisticated techniques needed to understand and reach core audiences, they have years and years of data allowing them to see what works and what doesn't, and they have the technology in place to shape, test and perfect their strategies. Perhaps most importantly of all, they value marketing, providing ample funding and talent to their marketing departments. Undervaluing marketing's role in the success of healthcare organizations will place many providers squarely behind the eight ball when it comes to fending off the new competitors.

An innovative spirit

Steve Case, one of the greatest entrepreneurs of our time, is now charging full steam ahead into healthcare. Best Buy took an already successful business and completely reshaped it with customer centricity. These new competitors have an entrepreneurial zeal that lends new energy to the industry, pushing them to find new and better ways to serve consumers. Traditional healthcare providers, on the other hand, often lack the spirit of innovation. Sure, there is innovation in clinical treatments and procedures, but rarely is innovation applied to the business model, or applied in a way that changes the consumer's experience with healthcare. Partly that stems from the nature of traditional healthcare delivery. Partly that stems from the stagnation cited on the Revolution website:

“Consumer needs are often not being met, usually because the incumbent companies are risk adverse, looking to defend the status quo, and reluctant to embrace new approaches. Opportunities for innovative new products and breakthrough ways of doing things are thus left undiscovered, under-financed, or undone – and consumers are left under-served...”

...and partly it's from a lack of imagination. So many healthcare organizations are focused on incremental changes in clinical quality, patient satisfaction or process

improvement that they don't lift their heads up, look around and ask, “What can we do to really shake things up?”

Cherry-picking

Most of the new competitors have another advantage: for the time being, they're cherry-picking the easiest healthcare dollars. They're going after those consumers who can afford to choose, who are looking for new alternatives for care, and who will spend money for a better experience. Of course, those are the most profitable consumers as well. Until they move deeper into the delivery of care, they won't face the safety and clinical regulations and protocols that so many traditional providers of healthcare face. An *eq life* that offers prescriptions and iPods is one thing. A hospital that is forced by law to provide 24-hour emergency care is quite another. But that freedom from regulation allows them to provide a better experience, to provide more choice, to provide more value. These new competitors may never enter into secondary or tertiary care – but they don't have to. Just in nibbling away at the edge of the market, they will slowly but surely erode the profits of traditional healthcare providers, while raising the expectations of the consumer.

A focus on the consumer

Perhaps the greatest advantage these new competitors bring is an almost religious dedication to shaping their business from the perspective of the consumer: from Best Buy's customer centricity model, to MinuteClinic's strategy of bringing care to where people want it, to Revolution's mission to “give people more choice, more control and more convenience...”

This most definitely is not the model found at many traditional healthcare providers. Walk into nearly any hospital, and you're immediately hit with how little the patient's perspective was considered. From confusing wayfinding to cramped waiting rooms to seemingly disconnected departments, the typical hospital is a maze of *un-consumerism*. It's not that traditional healthcare providers set out to create such unfriendly services, but one might say it's simply in their DNA.

“Consumers, for the most part, assume a level of quality of care. Though reality may be different, that perception makes it very hard to compel consumers to come to you for clinical quality alone.”

Pam Lux, healthcare marketing and public relations consultant, and former vice president of communication and advertising, HealthPartners, Minneapolis

According to Pam Lux, healthcare marketing and public relations consultant, and former vice president of communication and advertising, HealthPartners, Minneapolis, there are many reasons traditional providers may lack a consumer perspective.

“It starts with medical school,” says Lux. “Doctors are taught in medical school that they are responsible for the quality of care, and they take this responsibility very seriously. But there’s not a lot of focus on the patient experience, or emphasis on involving patients in their care and in decisions about their treatment options. Although this is changing – with medical schools placing a much greater emphasis on the concept of team-based care and engaging patients – many physicians practicing today still carry an ‘I know what’s right for the patient’ mindset into the exam room. Therefore, it can be hard for healthcare to really view the experience from the patient’s perspective, and to be innovative and creative in changing that experience.”

Lux also observes that the current reimbursement system doesn’t directly reward providing good service or a great experience. Although healthcare professionals are highly trained and very skilled, the reimbursement system is still primarily based on units of production (relative value units) or procedures. “Healthcare is really paid on almost a manufacturing basis – payment for widgets produced. The healthcare payment model does not provide good incentives to support change, so it’s difficult for providers to find ways to make changes – such as education or better facilities, or more patient involvement – financially viable. Lux notes, healthcare providers are rightly focused on clinical quality and safety, but those assets rarely translate into differentiated value for consumers. That opens the door for the new entrants in healthcare, the Best Buys of the world who are focused very sharply on consumers and their experiences.

“Consumers, for the most part, assume a level of quality of care,” she says. “Though reality may be different, that perception makes it very hard to compel consumers to come to you for clinical quality alone.”

A new mindset

It is certainly possible that the new competitors highlighted in this paper and others like them will end up amounting to a more trivial threat than posited here. While the financial investments of Case's Revolution and Best Buy are potentially huge, they still represent a small portion of the giant healthcare pie. But betting against them would be a risky decision indeed. Even if they fail, others will follow. An industry known for its poor service and bloated costs – and one with so much money at stake – is ripe for change.

Even if the financial impact of these new competitors is relatively small, their impact on consumers should not be misjudged. There is a perfect storm building in healthcare, and the two greatest fuels are competition and consumerism. To thrive in the healthcare market, traditional providers must find a way to break through the debilitating habits of the past and look for new and better ways to deliver care.

How can this be done? Change on this order of magnitude does not come quickly or easily. As the famous saying about addiction goes, “admitting you have a problem is half the battle.” With that in mind, here are some suggestions for traditional healthcare providers who are ready to begin reshaping how they deliver care in the face of new competitors and new consumers.

Opening your eyes

What can be amazing is the frequent response of traditional providers to the topic of new competitors and the threat they pose: denial. Many leaders seem to dismiss talk of Best Buy or MinuteClinic as not worthy of real concern.

“Some haven't heard of these new competitors, or don't think of them as competitors,” says consultant Lux. “In mentioning MinuteClinic as a competitive threat, I've heard the exact same words from two different physicians: ‘Anyone who goes to MinuteClinic isn't really sick.’ The feeling is that the consumer



isn't that sick and they could wait to be seen until their regular clinic opens the next day, or has an open slot. Traditional providers also tend to believe that consumers value their strong tie to their regular provider and that they'll wait until they can see their own doctor. But what I see is that consumers are more willing to use what works for them at the time. Sometimes, for a quick need, a MinuteClinic works. For bigger medical issues, they will indeed still go to their regular provider. But as in other industries, it's about choice. And traditional healthcare has been a bit slow to recognize the importance of choice and service.”

Many providers are so focused on the competing hospital down the street that any other challenge is ignored. Others don't see these new competitors in their communities, or they dismiss their impact. In Friedman's book, *The World is Flat*, he notes that one result of the “flattening” of the world through globalization is the tearing down of walls between nations and cultures, both figuratively and literally (he cites the tearing down of the Berlin Wall in 1989

A hospital that achieves an overall ranking in the 90th percentile has a better satisfaction rating than 90% of all hospitals. But what exactly are you measuring against, when traditional healthcare overall receives such low grades for service and experience? How would your satisfaction rating compare with Radisson Hotels, or Saturn auto dealers?

as a benchmark in the move toward globalization). Friedman argues that trying to rebuild these walls to stem the flow – in many ways, what the U.S. has done as a response to the terrorist attacks of 9/11 – will not work: “We cannot retreat from the world.”

Traditional healthcare providers also are seeing a flattening of their industry, with the rise of consumerism and the entrance of new competition. Instead of walling themselves off from these forces – or ignoring them – they perhaps would find more success tearing down whatever walls they can find and embracing the new world of healthcare.

True change begins with admitting that these new competitors pose a real threat – if not to market share or from direct competition, then from the experiences they’re providing consumers, and how those experiences will raise expectations.

Move beyond peer benchmarking

Healthcare is notorious for only moving when others move, for looking around the table and saying “What is everyone else doing?” If your organization is only looking at other traditional healthcare providers, you’re missing a lot. A perfect example of this is the elevated status given to patient satisfaction surveys. These surveys have a number of benefits, and allow organizations to track their progress and improvements throughout time, but the percentile rankings are somewhat misleading. A hospital that achieves an overall ranking in the 90th percentile has a better satisfaction rating than 90% of all hospitals. But what exactly are you measuring against, when traditional healthcare overall receives such low grades for service and experience? How would your satisfaction rating compare with Radisson Hotels, or Saturn auto dealers?

Hold yourself up to the top companies in terms of consumer loyalty, no matter what industry. Only then will you begin to move beyond the chains of traditional healthcare delivery and break through with a better way.

Put the patient first

The one common thread among the three new competitors profiled in this paper is their passionate belief that the consumer is at the center of their universe. We've already listed a number of reasons why this perspective can be difficult for the traditional healthcare provider. Difficult or not, putting the patient first is absolutely essential to thriving in the changing healthcare market. How do you put the patient first? It starts with understanding exactly whom you are serving, and poring over patient satisfaction surveys isn't enough. One of the best ways to understand your audiences is through ethnography, or the observation of behavior, a practice that has been embraced by some of the most respected consumer-oriented organizations in the world such as Proctor & Gamble. It's amazing how much you can see when you just take the time to look.

You can hire professional ethnography researchers, but start on a smaller scale. When was the last time you spent time somewhere in a patient setting at your organization just observing? You may have walked by a clinic waiting room 1,001 times, but how often do you just sit down and watch? Try it and see what you notice. Preferably you will be able to observe unnoticed or unrecognized by the staff, so you can get a true view of how things really work. If the staff does know you, explain what you are doing and tell them you just want to watch the patients and their families. What is the behavior of patients or family members when they first enter? How does that change over time? What seems to frustrate them? What are their movements like? Their discussions? Their demeanor? It's important to try to observe for a sufficient period of time – at least 20 minutes. Less than that, and it will be hard to remove yourself from your world and really see a new one. Give yourself enough time to settle and take things in – who knows what insights you'll discover.



Complement the incremental with the bold

As mentioned earlier, so much effort in healthcare is exhausted on incremental improvement in the area of care quality, process, safety and more. The problem is a focus on improvement instead of innovation. The following quote by Richard Tanner Pascale, a leading international business consultant and best-selling co-author of the book *Surfing the Edge of Chaos*, nicely sums up this idea:

“It is impossible to get to a distant and higher fitness peak (discover radical breakthroughs) by climbing still higher on the peak one is already on (optimizing).”^{xvi}

This doesn't mean organizations should abandon efforts to improve the quality of care. Without great outcomes, high quality, safe environments and smooth processes, failure is nearly inevitable. But these are merely requirements for entry in the game – they do not guarantee success. The greatest leaps of success come from innovative change.

“Everybody is aware that health care is in a shambles. It’s a nonsystem. We want to generate a new set of ways to meet the needs of patients.”

Dr. Victor M. Montori, Endocrinologist, Mayo

Success Stories

For many, the threat posed by new competitors, and the resulting impact on consumers, may feel daunting. The proposed strategies in the previous sections merely scratch the surface of what needs to happen for traditional healthcare providers to change for the better. But there is hope, and it can be found in a select few of your peers who are taking the steps necessary to compete in the new world of healthcare.

Experimenting with change – Mayo/SPARC effort

The Mayo Clinic has arguably the most widely known and respected healthcare brand in the world. Perhaps it’s not surprising that they would take the lead in innovation through the creation of the SPARC Innovation Program (with SPARC standing for “See, Plan, Act, Refine and Communicate”).

“Everybody is aware that health care is in a shambles. It’s a nonsystem,” said Dr. Victor M. Montori, an endocrinologist at Mayo and director of research and education at SPARC, in a recent article in *BusinessWeek*. “We want to generate a new set of ways to meet the needs of patients.”^{xvii}

Developed with the help of world-renowned design firm IDEO, the SPARC lab is where Mayo experiments with ways to improve the patient experience. Recognizing that true innovation most likely would come from outside healthcare, the SPARC team looked at leaders from Bank of America to McDonald’s in conceiving their innovation lab. Once the SPARC lab was finalized in 2004, they began experimenting with many aspects of the patient experience, from the positioning of the furniture in an exam room to the paper used on exam tables. They explored different forms of doctor-patient interaction and communications, testing and adjusting dozens of variations. They reviewed technology, treatments, communications – everything. Techniques employed to spark innovation include rapid prototyping, ethnography and traditional design philosophies.

“It’s about the total interface between the health care deliverer and the patient,” said Dr. Alan Duncan, M.D., SPARC’s medical director, and a general internal medicine specialist, in a recent article. “The overarching principle here is patient-centered design.”^{xviii}

How is SPARC making a difference? According to the *BusinessWeek* article, the team began testing computerized systems to alleviate the wait when patients check in. Patients use the new system – similar to touch-screen electronic ticket dispensers in airports – to announce their arrival at the clinic. The self-serve systems have been so popular that they’re being actively assessed for broad-scale roll out across Mayo’s operations.^{xix}

Exploring new opportunities – Park Nicollet Health Services

Based in the Twin Cities, Park Nicollet is a full-service health system, providing primary, secondary and tertiary care through a system of clinics and hospitals. For starters, Park Nicollet is well-branded with consistent messages, images and designs – a somewhat rare accomplishment for such a large system. But it is Park Nicollet’s openness to new opportunities – outside of the traditional business of providing inpatient care – that serves as a model for other organizations. In 2000, they launched a comprehensive retail effort that included kiosks, vending machines, an online store, in-clinic stores, and the Jane Brattain Boutique for breast cancer patients. By 2003, the company reported annual retail sales of \$69 million with \$5.5 million in controllable margins.^{xx} In 2005, the organization announced a \$7.5 million benefit from the adoption of lean manufacturing techniques – the same philosophy successfully employed by Toyota. This year, it partnered with two orthopedic groups to open Tria, an orthopedic clinic and separate brand punctuated by a \$60 million, 100,000-square-foot, cutting-edge facility in the Twin Cities. And remember *eq life* from Best Buy? Park Nicollet is also a strategic partner in that venture, helping to train and staff employees at the stores, as well as assisting with health education events and other activities.^{xxi}

A culture of innovation – Memorial Health System

In South Bend, Indiana, Memorial Health System has gone beyond experimenting with innovation. They’ve built it into the fabric of their culture. President and CEO Philip Newbold spoke at the Society for Healthcare Strategy and Market Development’s 2005 Annual Conference in Chicago. He outlined the organization’s bold move toward constant innovation. He used phrases such as “toxic creeping sameness” and “flesh-eaten margins” to describe ailments typical in the provider business model. He promoted learning from innovative companies (such as 3M and Nike), research universities (such as Northwestern or North Carolina), venture capitalists, and literature from outside healthcare (such as *Inc.* and *Wired* magazines). Working with renowned consultant Tom Peters, Memorial created Innovation Everywhere!, their program to instill innovation throughout the organization. Working with IDEO, they created the Innovation Cafe, a place for employees to go to brew new ideas. They created an imaging center designed with a lighthouse and a seafront motif, a Bariatric Center designed around a bridge metaphor, and a HealthWorks! children’s museum to promote healthy lifestyles for kids. Memorial even partnered with Wal-Mart to introduce Medpoint Express, their own version of the MinuteClinic model.

During Newbold’s presentation, he touched on a number of key learnings from Memorial’s dive into innovation. The one that stands out the most? The realization that failure and risk are not only part of innovation, they are necessary elements that need to be accepted and embraced.

Conclusion

No matter how threatening you or your organization may consider the new competitors highlighted in this paper, it's difficult to argue that they don't bring a number of new twists to the healthcare market. Certainly, we've just skimmed the surface in exploring examples of these new competitors, as well as the impact they have and how traditional healthcare providers may begin to respond. But as we've seen, a number of organizations have already begun to break free of the constraints of the traditional healthcare model and look for innovative ways to deliver care and better serve the needs of consumers. And the more providers who adopt the philosophies and approaches of the new competitors, the farther those stuck in a traditional mindset will fall behind.

About the Author



Chris Bevolo

Chris Bevolo is cofounder of the healthcare marketing firm GeigerBevolo Inc., in Minneapolis, Minnesota. Founded in 1995, GeigerBevolo has gained a national reputation for its leadership in bringing the value of design to the healthcare industry.

Chris Bevolo's 15 years of experience includes leading the development of patient experience strategies, marketing and advertising plans, and branding campaigns for healthcare clients such as Woodwinds Health Campus, North Memorial Health Care, Foote Health System, Hudson Hospital, BlueCross and BlueShield of Minnesota, and the Minnesota Hospital Association. He has been a keynote presenter and featured conference speaker for the Minnesota Health Strategy and Communications Network, Wisconsin Forum for Healthcare Strategy, the Minnesota Medical Group Management Association, the Nebraska Hospital Association, and other organizations on patient experience, branding, strategic design and positioning. Chris has served as a judge in local and regional design and marketing competitions, and has published a number of articles and white papers. He is a member of the Minnesota Hospital Association, Minnesota Health Strategies and Communications Network, the Society for Healthcare Strategy & Market Development, and the International Association of Business Communicators. Chris received his bachelor's degree in journalism and mass communications at Iowa State University and currently is pursuing an M.B.A. at the University of St. Thomas in Minneapolis.

End Notes

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