

OUTSIDE **THE** LINES

MOVERS, SHAKERS & HEALTHCARE CONSUMERS: ULTIMATE DISRUPTORS

This *Outside the Lines* message marks Part 8, the last, in our 2016 Innovation Series started at the beginning of this year. If you would like to review the entire set of writings, please contact [Kala Kascht](#) to request a complimentary copy of the set. Also, please stay tuned for our continued *Outside the Lines* writings, posted every two weeks throughout the year.

This final message is tricky in that it features what we call “Movers & Shakers,” disruptors in our industry who are shaking up the very foundation of healthcare and presenting the possibility of being major engines of change for our future. These are companies you know – some that are uncomfortable, *some that you do not like ... at all!* Included are 23andMe, Theranos, PillPack, Oscar, Zoom+, and others. They have taken on the genetic medicine, lab, pharmacy, health plan, primary care, and other parts of our business. They are entrepreneurial, sometimes controversial, outsiders who believe in their ability to “crack the code and provide new solutions” to move America’s health system in a better direction. Some have been – are being – closely scrutinized and penalized. For



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example, Theranos is currently hanging on by a thread (see more in the News Alert section below). It, along with 23andMe, and their founders (Elizabeth Holmes at Theranos and Anne Wojcicki at 23andMe) are being referred to as “poster children” of the healthcare consumer empowerment movement. Typically, as in other industries, these bigger, more controversial disruptive innovators are causing concern, discomfort, and opposition among “traditionalists,” hospital leaders, physicians, healthcare associations, regulators, and various other industry experts.

Whether you are ready to embrace change and innovation or not – whether you like these companies or not – we can’t avoid the signals in the marketplace. In a [June 2016 story](#) in the *SF Gate / San Francisco Chronicle*, the author noted “Healthcare in the U.S. has metastasized, threatening to take over the host economy. If ever there was a paradigm in need of entrepreneurs intent on disruption, here it is. Have at it.” The story went on to note that venture investments in healthcare are on the rise, with more than 400 deals – and \$9.4 billion in invested capital – in 2015, the highest level since 2000. Also, we can’t avoid how consumers are affecting all industries. In a *Wall Street Journal* [opinion piece about Uber in July 2015](#), it was noted: “You are dealing with a huge economic force which is consumer choice, and the taxi trade needs to recognize that.” The unrelenting reality of the on-demand economy, the gig economy, the digital economy is upon us, and our world is shifting. Our point of view at Strategy Advantage is that *the consumer is our ultimate disruptor*, demanding and forcing the change in both current and future healthcare delivery.

Take a look again at the “Movers and Shaker” companies from a healthcare consumer vantage point:

- 23andMe, started in 2006, now has more than 1 million members. The number of customers more than doubled during the November 2013 to October 2015 period when the FDA halted 23andMe's selling of genetic health-risk reports. Also, 80% of 23andMe's members have consented to allowing their personal data to be used for research.
- PillPack, an online pharmacy company, started in early 2014, had serviced more than 1 million medication shipments for customers by the end of 2015.
- Zoom+, started in 2006 as ZoomCare in Portland, has grown to 30+ clinics up and down the West Coast, providing services to more than 250,000 members annually (mostly female and young people). It recently added its own healthcare insurance system, named Zoom+, which is also catching on with consumers and growing.
- Oscar Health, a newfangled and highly consumer-centric health plan started in New York, enrolled about 150,000 customers in 2016, up from 40,000 in 2015. [It plans to grow to 1 million members within 5 years.](#)

One of our industry leaders, Michael Leavitt (a former Governor of Utah, a former Secretary of the U.S. Department of Health and Human Services, and now the Founder & Chairman of Leavitt Partners), is an expert on weak signals. In particular, he is an expert on leaders (in all industries) who have missed the signals. While not speaking specifically about healthcare-innovating "Movers & Shakers," he shared a perspective at a meeting in Chicago in March 2016 that is relevant here. He said, "Be on guard. Blockbuster, Kodak, Blackberry, and others all failed to miss the weak signals. If we miss them, we fail. This is a critical inflection point in history. You can fight it and die. You'll be overtaken by events. You can accept it and chance. Or you can lead it and prosper."

So that is it in a nutshell ... this is our [Strategy Advantage](#) viewpoint on healthcare change, innovation, transformation, and leadership. And this is why we created [ZIGZAG Healthcare](#) at Strategy Advantage: to help you stay on top of – and in front of – the new ideas and disruptive innovators (and new entrants) in healthcare, to spark your thinking during this time of great change, to help you see the world outside of your traditional lens and in turn, to help you lead and prosper.

Always Looking Ahead,
Kim Athmann King, MBA, FACHE



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NEWS ALERT! WHAT'S HAPPENED THIS WEEK

As you may know, Theranos – the “nanotainer” lab service innovator that has been referred to frequently as a “darling” of healthcare innovation – is on fire! We have been tracking Theranos for a couple of years. The ups and downs are exhaustive. Just last week, Theranos was dealt a big blow when [Walgreens officially terminated Theranos](#) services at its 40 Walgreens “Wellness Centers” in Arizona. Until recently, a Theranos innovation packet has been in our ZIGZAG Healthcare library. We have since pulled it, but we will continue to track Theranos, update the packet, and re-post Theranos if they can figure a way out of the myriad of issues that currently persist. Note that the fight for Theranos is not over. DO NOT count them out yet by any means! Theranos [still operates five centers](#) (four in Arizona and one in California, which failed a CMS inspection). It announced a new medical advisory board in April including eight nationally respected laboratory and medical experts, and it has plans to present its scientific data on August 1 at the annual conference of the American Association for Clinical Chemistry (AACC).

Interestingly (in a related story), Quest Diagnostics, following the lead of Theranos, announced a partnership last week with grocery chain Safeway to bring diagnostic testing to 12 grocery stores in California, Colorado, Texas, Virginia and Maryland.

WHO WE'RE WATCHING

Entrepreneur magazine released its [“100 Brilliant Companies to Watch in 2016,”](#) including “10 Health Companies to Watch.” Of these, we like Oscar and Livongo Health; both are in our ZIGZAG Healthcare library. Also, we will research and potentially pursue Care at Hand, Vitals, and Hometeam as new additions to ZIGZAG.

WHAT'S TRENDING

According to trade publication, *Concierge Medicine Today*, as [reported in the Los Angeles Times](#) on June 17 (LINK), there are now as many as 12,000 concierge doctors in the United States. While this still represents only a small percentage of total physicians, this movement continues to ebb and flow. Also, in the same *Los Angeles Times* story, a Southern California company – Prime Surgeons – just announced a first-ever, on-demand surgical care practice. Sixteen surgeons in the group – initially focused on orthopedic sports medicine, spine surgery, gynecology, and robotics procedures – will offer the concierge option for patients. The basic membership level, which allows patients to schedule appointments within two weeks, is \$99 a year. The concierge-level membership, which guarantees appointments within 24 to 48 hours, is \$2,500 a quarter.



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