

A black stethoscope is shown against a dark grey background. The tubing of the stethoscope is used as a frame for a hand-drawn diagram of a brain in white chalk. The brain is depicted with a central sulcus and several gyri. The stethoscope's chest piece is visible on the left side, and the ear pieces are on the right. The overall composition suggests a connection between medical practice and neuroscience or cognitive science.

Disruptive Innovation

Healthcare Landscape 2017

Introduction

From Schumpeter to Christensen

Schumpeter (1942) – Creative Destruction
The market’s “industrial mutation”

Clayton Christensen (1997)
Sustaining Innovation
Efficiency Innovation
Disruptive Innovation

Sustaining Innovation

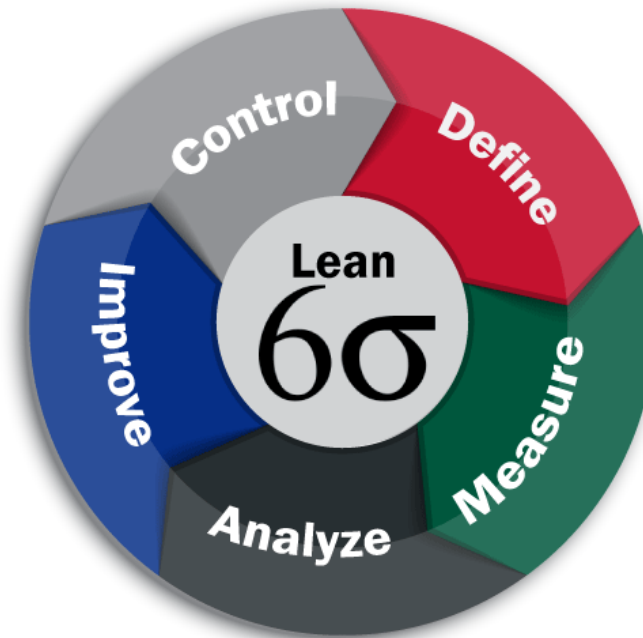
making good products better



Sold to sophisticated customers -- updated with enhanced features

Efficiency Innovation

The same product produced more cheaply



Consumer may not notice any changes other than lower price

Disruptive Innovation

cheaper – easier – convenient

- **New product initially perceived as inferior**
- **Does not appeal to high-end customers**
- **Attracts low-end or new “non-customers”**
- **Over time performance improves and meets the needs of more customers**
- **Eventually replaces the existing product**

Disruptive Innovation

From complicated to simple:

Takes something that was very expensive and hard to produce and only a few could afford

Converts it into something that is much simpler to produce, is cheaper, more convenient, more available

Disruptive Innovation



CHRYSLER



**Bigger
Faster
More Comfortable
Safer**

Disruptive Innovation



HONDA



TOYOTA

Smaller

Lighter

Less Comfortable

Less Safe

Cheaper

Reliable

Better Gas Mileage

The leaders got killed from below

Disruption Innovation

The Innovator's Dilemma

- Disruption typically comes from outside the industry
 - Once the business model is in place for the established product
 - Change in culture required is very difficult
 - Hard to focus on lower quality, lower margin product
 - Rather focus on current (high margin) customers
 - Often incumbent is driven to extinction or marginalized

Disruption Innovation

The Innovator's Dilemma



Innovation in Health Care?

Mostly Sustaining

- Most innovation in health care has been sustaining innovation
 - Making good products/services better
 - Technological change cited as major driver of cost increases

Bigger
Faster
More Comfortable
Safer



An example of disruption?

Retail Clinics



- Initial focus on LOW MARGIN minor conditions
 - Strep throat, sinus infections, sports physicals
- Focus on convenience
- Strong opposition from medical community
 - Low quality alternative to rigorous physician care
- Today they are widely accepted and used
- Looking to “move up” to more complex higher margin business such as imaging, chronic disease management


An example of disruption?



[Redacted name]

December 29, 2016 · 2

I could not get in to see my doctor until Tuesday, and my cedar allergies are killing me! I tried a "virtual visit" with a physician. She was thorough, the technology interface was seamless and my questions were addressed. I avoided a germmy waiting room and lots of wasted time driving to the office. I plan to upload a note to my PCP via their portal for continuity of care.



Dr DOCTOR onDEMAND

Had a great visit with Doctor On Demand!

"Dr. Halanski was more thorough than my regular primary care doctor! I appreciated the ability to be seen within 5 minutes and be finished in 15 minutes. I will definitely use Doctors on Demand again." Get \$10 off your first visit with code nicole864

PATIENT.DOCTORONDEMAND.COM

An example of disruption?



“Free market-loving, price-displaying, state-of-the-art, AAAHC accredited, doctor owned, multispecialty surgical facility in central OK”

TIME | Health

What Happens When Doctors Only Take Cash

Haley Sweetland Edwards / Oklahoma City

Jan 26, 2017



Why Has Disruption Been Difficult?

- Barriers to Entry
 - Need scale for payer contracts
- Regulatory Barriers
 - Tend to protect status quo
- Passive Consumers
 - Wedge between delivery of care and payment

Moving Forward – will disruption be easier?

Two Competing Forces

- Supply-Side Incentives – move to “population health”
 - P4P, Bundled Payments, Global Payment, etc.
 - Strong incentive for mergers, consolidations, affiliation
 - Potentially more regulation due to antitrust issues
 - Empower the incumbent, make entry more difficult

Less likely to see disruptive innovation – rather efficiency innovation

Moving Forward

Two Competing Forces

- Demand-Side Incentives
 - Shifting Risk Onto the Consumer
 - High Deductibles > 50% of employer plans have deductible > \$1,000
 - More than 25% with Health Savings Accounts
 - Insert WebMD joke here
 - Employer frustration
 - Narrow networks, private exchanges
 - Looking for help to be a better “shopper”

Disruptive Innovation More Likely

Which of these will dominate?

We don't know, but...

- New Administration
 - Repeal and Replace – focus on health savings accounts and other market-based ideas
 - Decreased regulations – ‘One in Two Out’ Executive Order
- Rise of Entrepreneurism
 - Proliferation of technology focused on the consumer
 - Wearables, artificial/augmented intelligence, IoT, etc.
 - Increasing transparency
 - Helping patients make better health care decisions (help with shopping)
- Behavioral Economics
 - Better understanding of what motivates our behavior

Will someone figure it out?

- Uber didn't invent anything – but “put it all together”
 - Existing technology
 - Frustrated consumers
 - Made it very simple
 - Right place at the right time
 - Ready supply of drivers
 - Skirted regulation

Will someone put it together in healthcare?

