

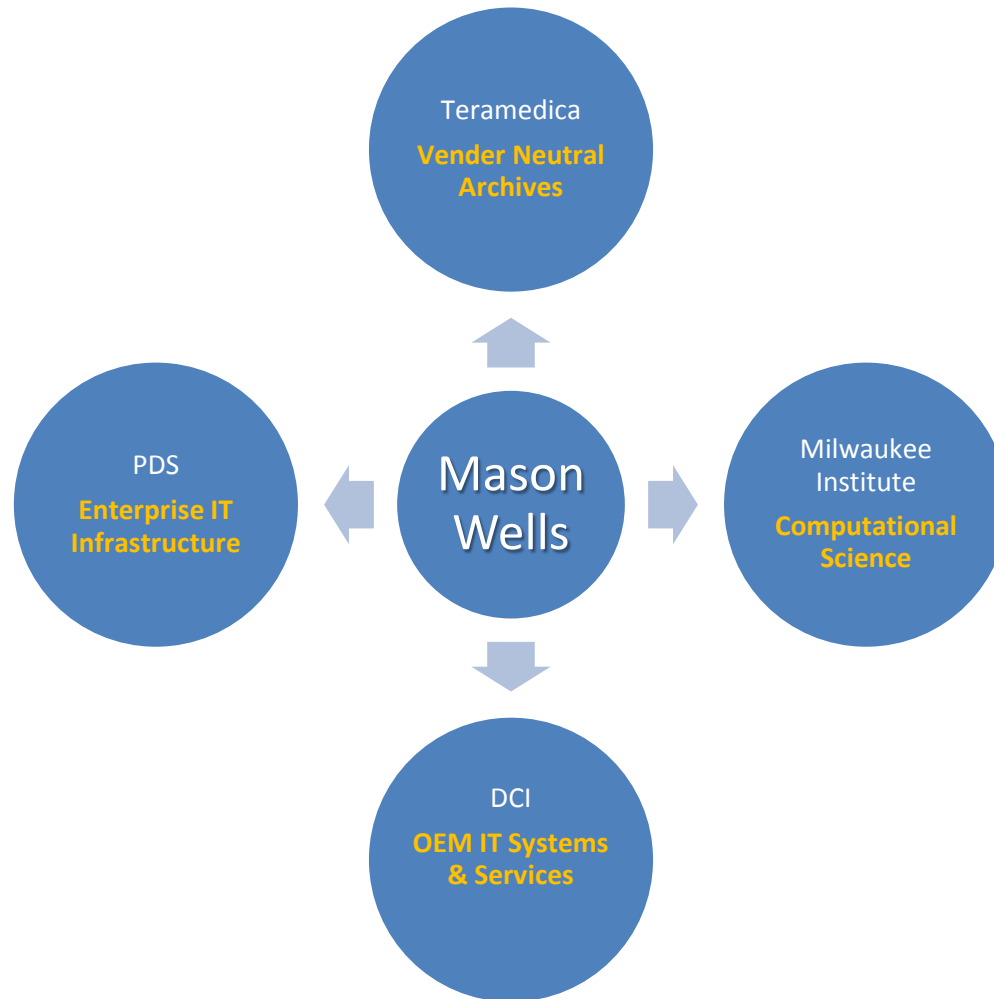
Healthcare Business Models

Digital Healthcare Conference

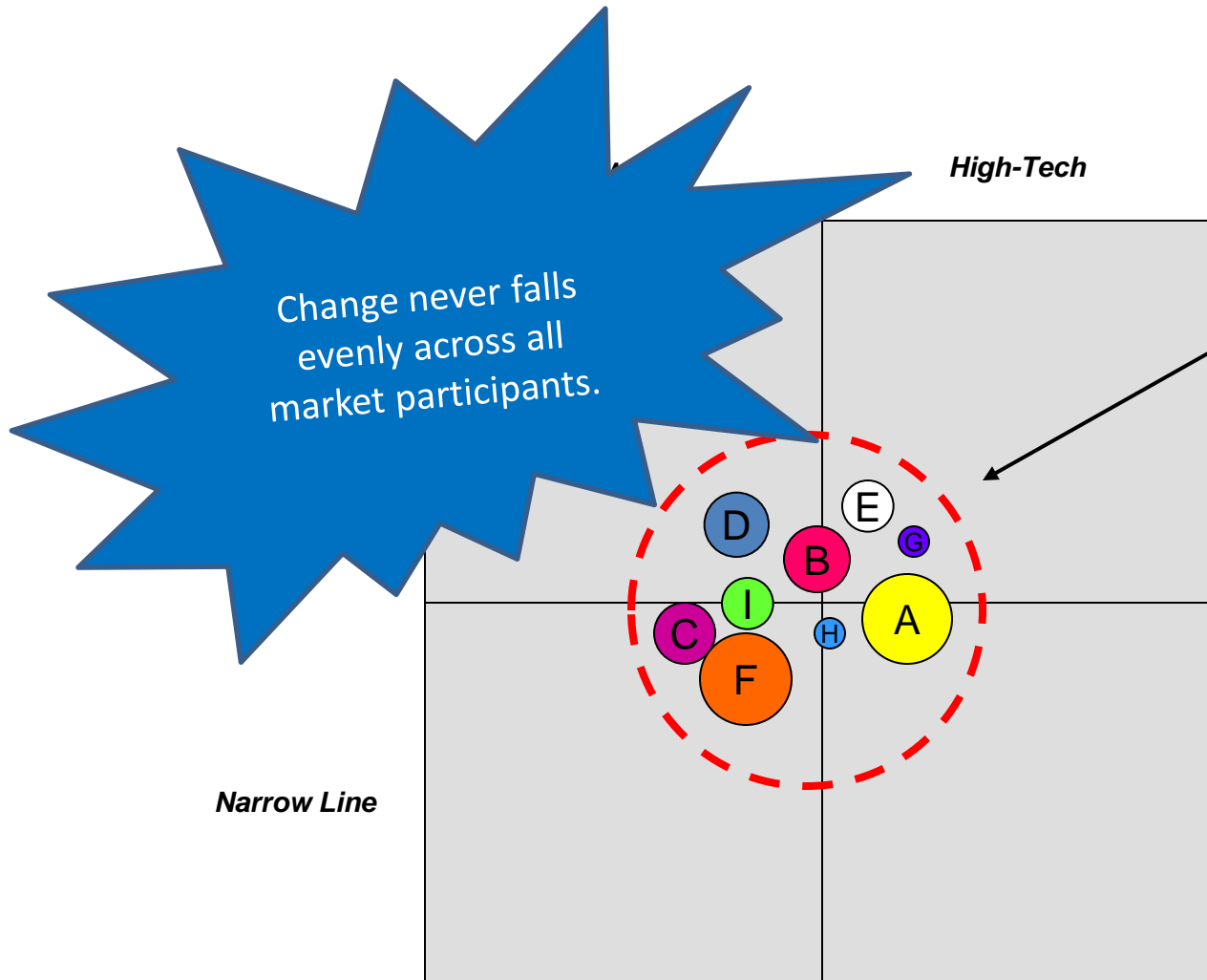
Madison, WI

June 25, 2014

About Mason Wells



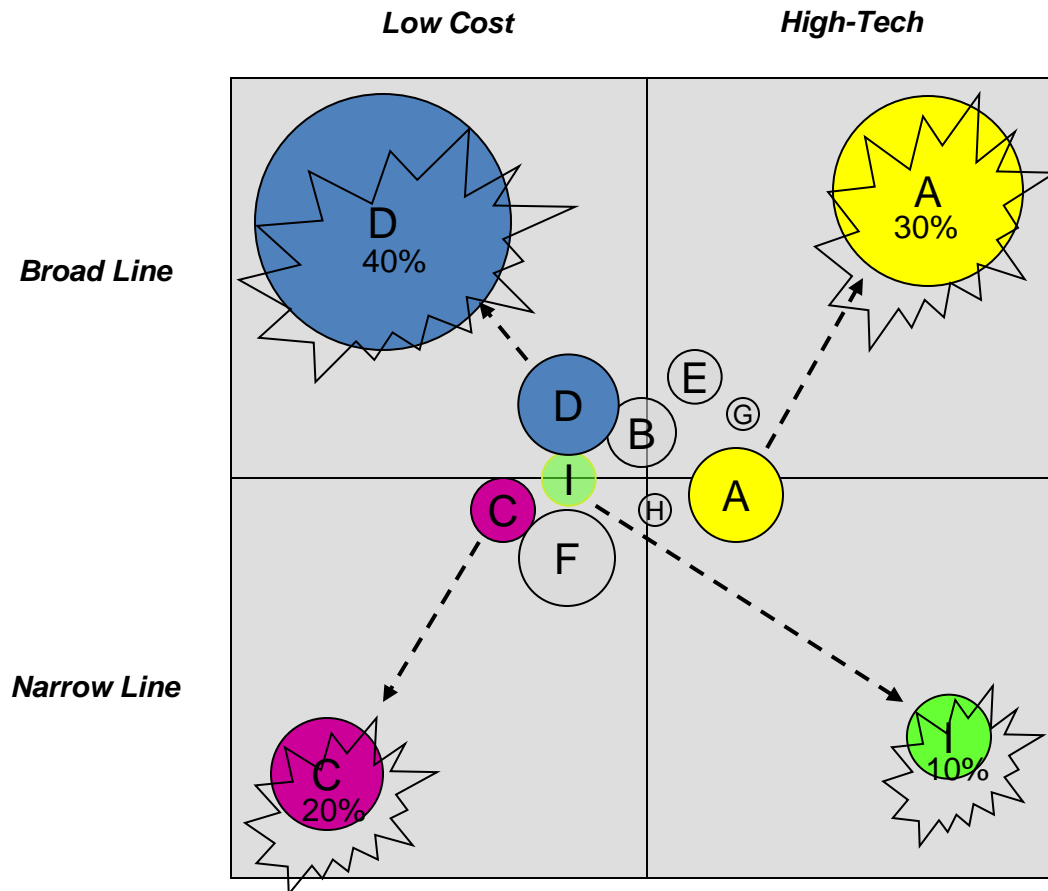
Regulated (*protected*) Markets...



Competitors

- *Cluster in the middle attempting to be all things to all people by imitating what everyone else is doing.*
- *When industries evolve quickly, change never falls evenly across all competitors.*
- *Signs of stress show first in the financial statements and later in the defection of key people resources.*
- *The end always seems to come quickly, but not really.*

...Competitive Markets

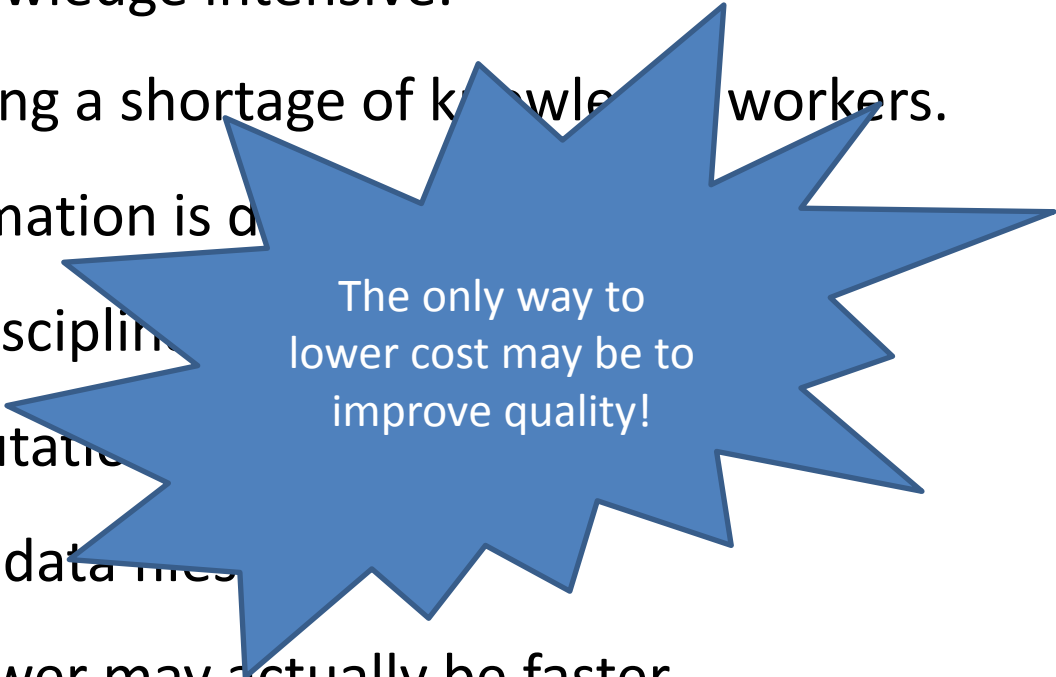


Competitors

- *Winners adopt differentiated strategies that create sustainable competitive advantages.*
- *The long term defensible positions are in the corners.*
- *70% of market goes to top 2 broad-line positions.*
- *There may be multiple winners that pursue narrow line strategies.*
- *Those who stay in the middle are acquired or fade away.*
- *New entrants start with single point solutions and grow from there.*

Healthcare Strategic Issues

1. Healthcare is knowledge intensive.
2. Healthcare is facing a shortage of knowledge workers.
3. Healthcare information is data intensive.
 - a. More interdisciplinary
 - b. More computational
 - c. Much larger data mes
4. In Healthcare slower may actually be faster.
5. In Healthcare more may actually be less.

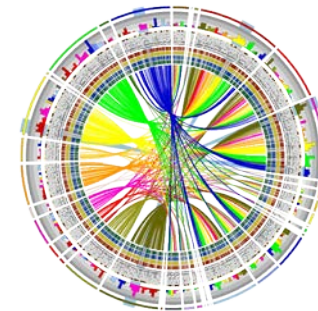
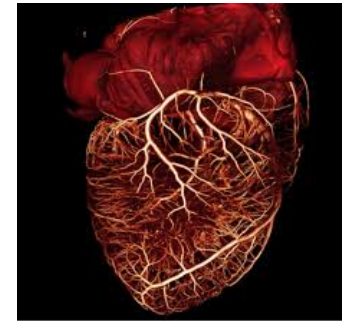
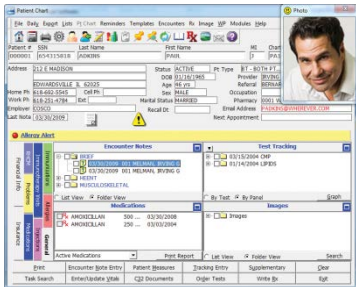
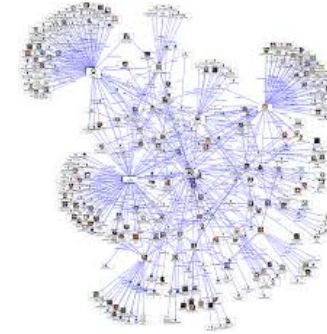


The only way to
lower cost may be to
improve quality!

Healthcare IT



- Accounting Systems
- Billing & Collection Systems
- Regulatory Reporting Systems
- Personnel Records Systems
- Telephone & Email Systems
- Patient Medical Records
- Image Display & Archival
- Laboratory Systems
- Technical & Scientific Systems
- Network Management



Knowledge Gap

Reductionist Thinking

- $1 + 1 = 2$ (Linear, Zero Sum)
- Anything can be reduced to the sum of its parts
- Newtonian physics
 - Calculus
 - Optics
 - Motion
 - Gravitation
- Accounting & the Law of Diminishing Returns

Complex Systems

- $1 + 1 = 2+$ (Non-Linear)
- Complex systems exceed the sum of their parts
- Modern physics
 - Quantum Mechanics
 - Uncertainty & Event Cones
 - Effect of initial conditions
- Networks: The Laws of Accelerating Returns & Cascading Failures

Wake Up Call ...



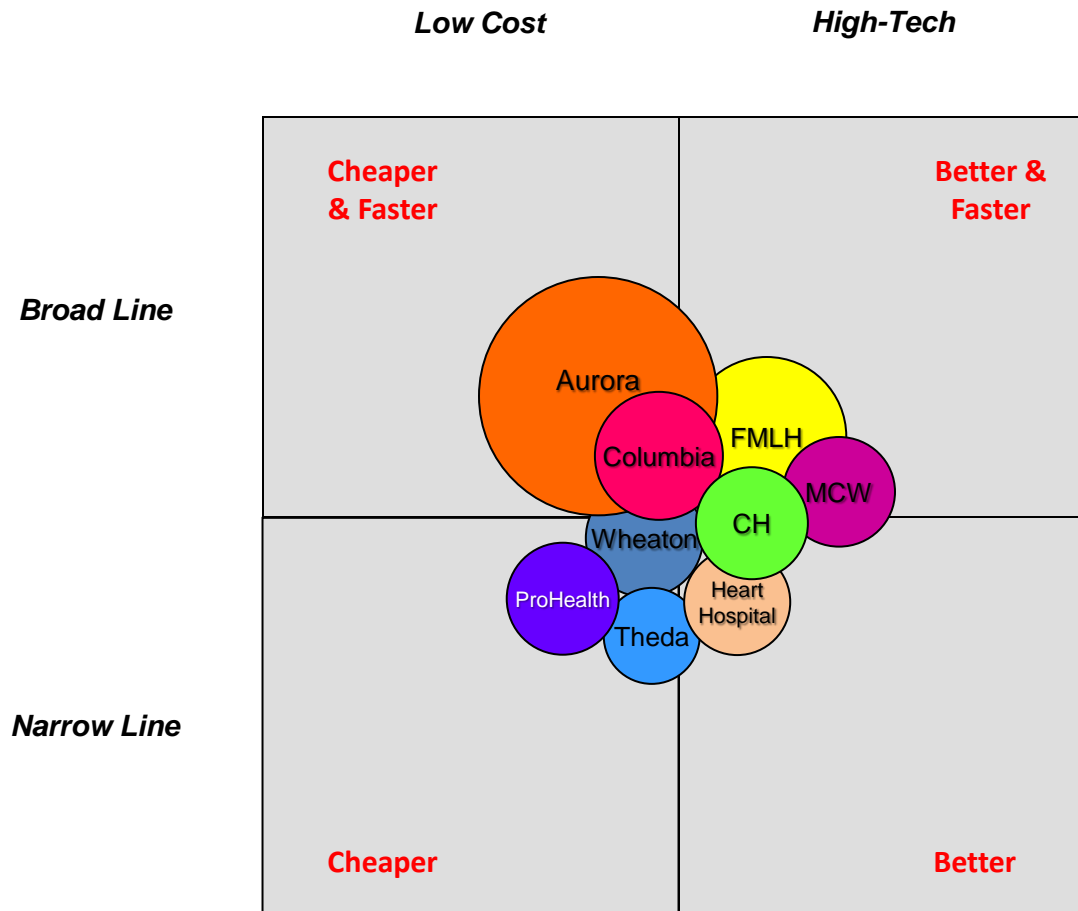
Healthcare
Doesn't Scale!

Competitive Positioning

Better, Faster, Cheaper

Pick 2 !!

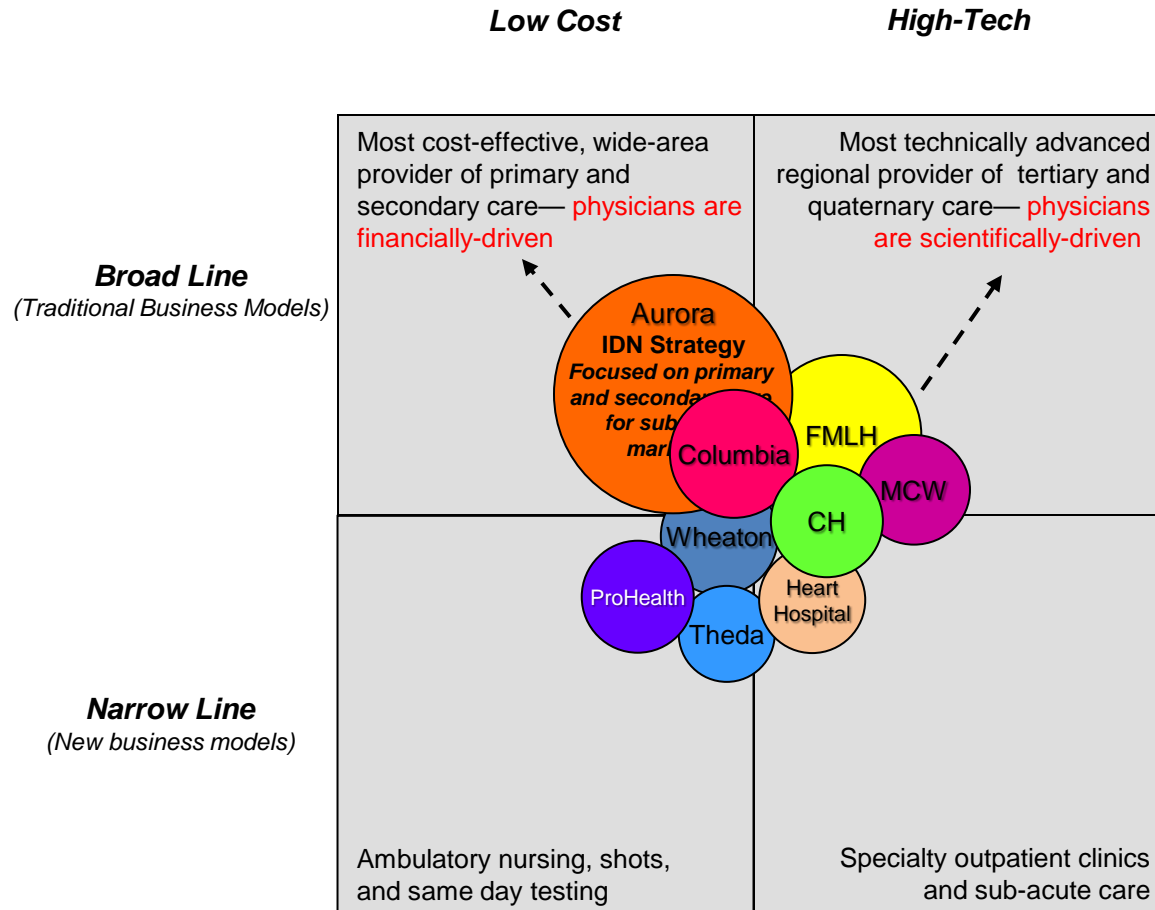
Milwaukee Healthcare Today



Competitors:

- *Undifferentiated positions.*
- *Hope to be all things for all people.*
- *Options more limited than commonly believed by leaders.*
- *Boards focused on financial measures of success.*
- *Looking outside their organizations for advise and direction.*
- *Some will succeed but many will fail or be absorbed.*

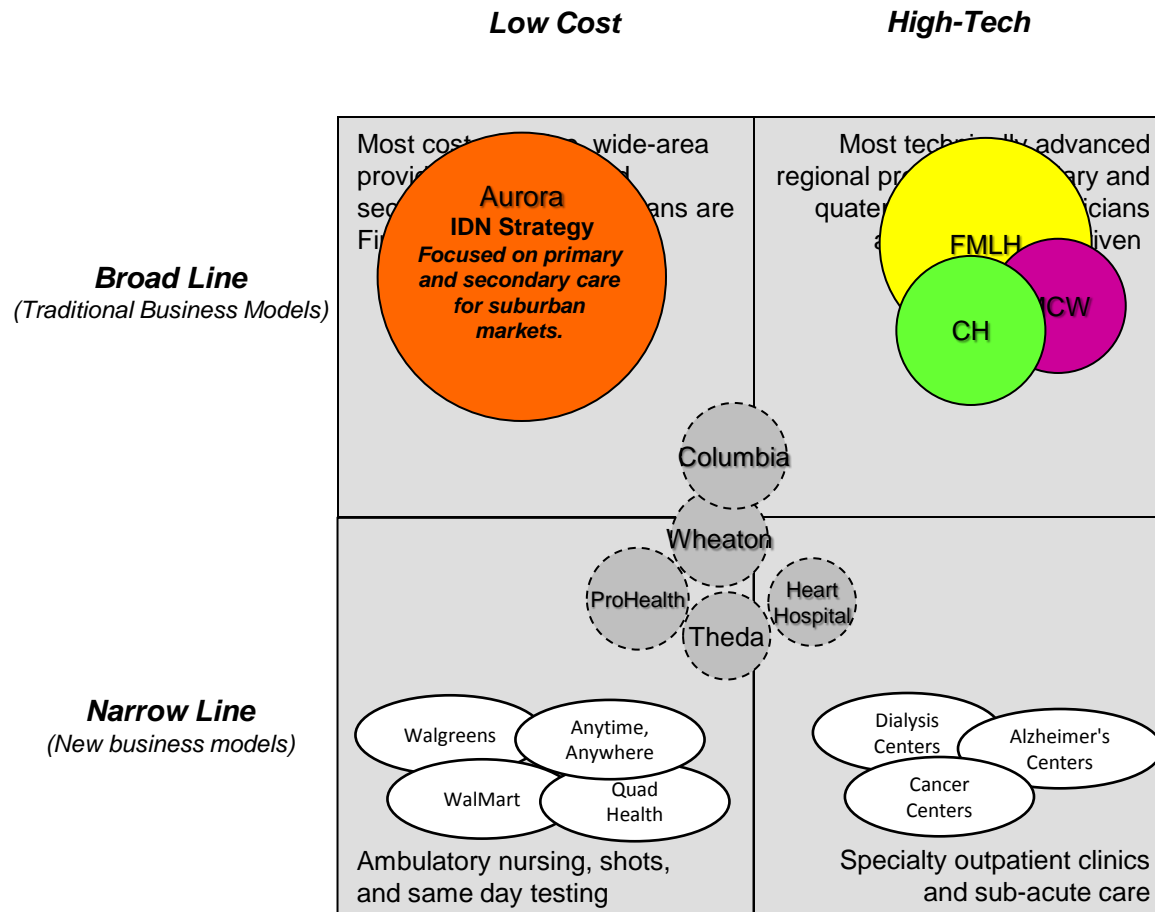
Milwaukee In Transition



Competitors:

- **Aurora is forced by present deployment of physical plant to seek #1 broad-line, low-cost position**
- **FMLH/CH/MCW is the likely winner of #2 spot as broad-line, high-tech provider.**
- **FMLH/CH/MCW success is not guaranteed and depends on careful execution of strategy**
- **All other existing organizations unlikely to succeed due to pressures from broad-line winners and highly focused new entrants.**

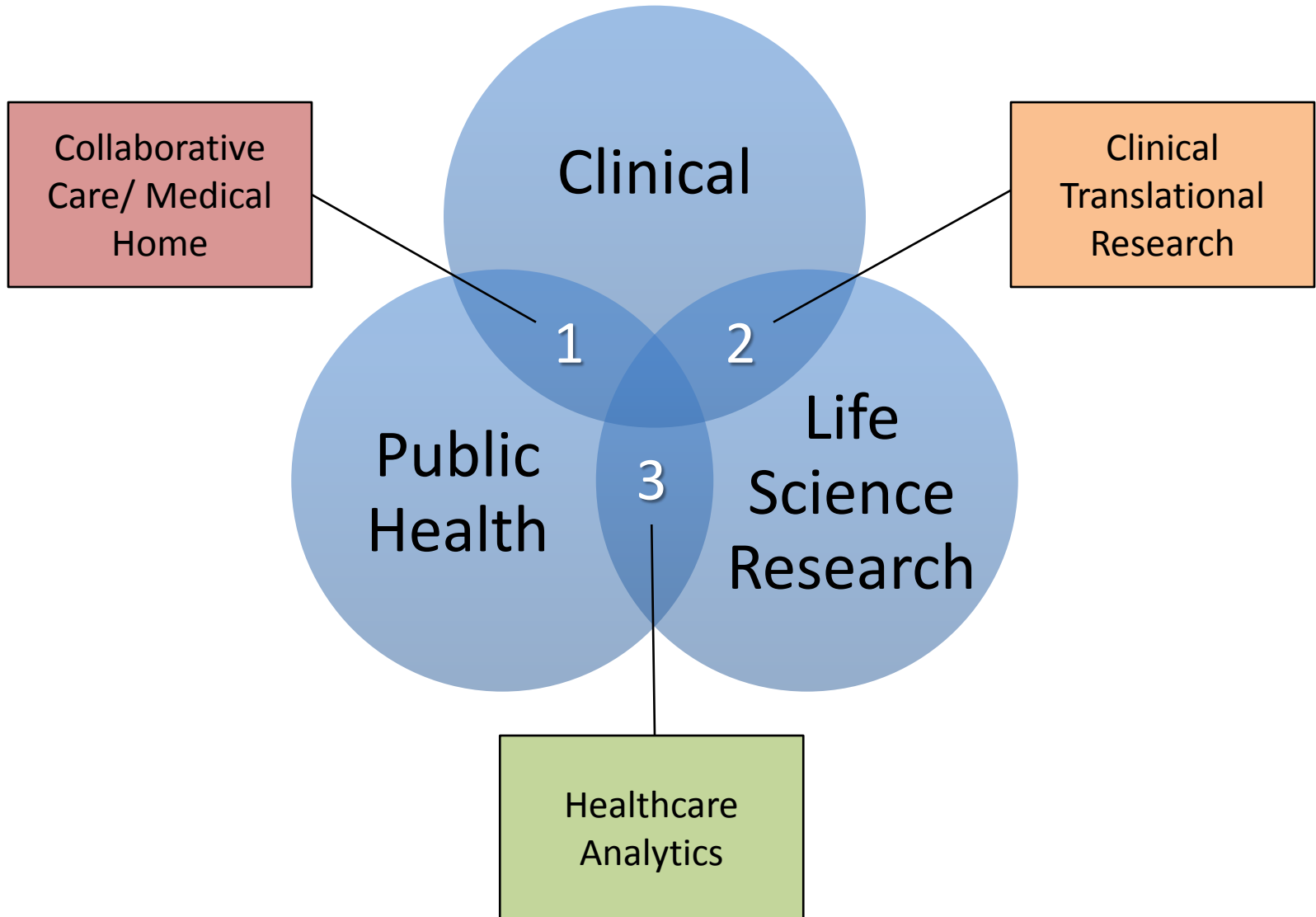
Milwaukee Healthcare Tomorrow



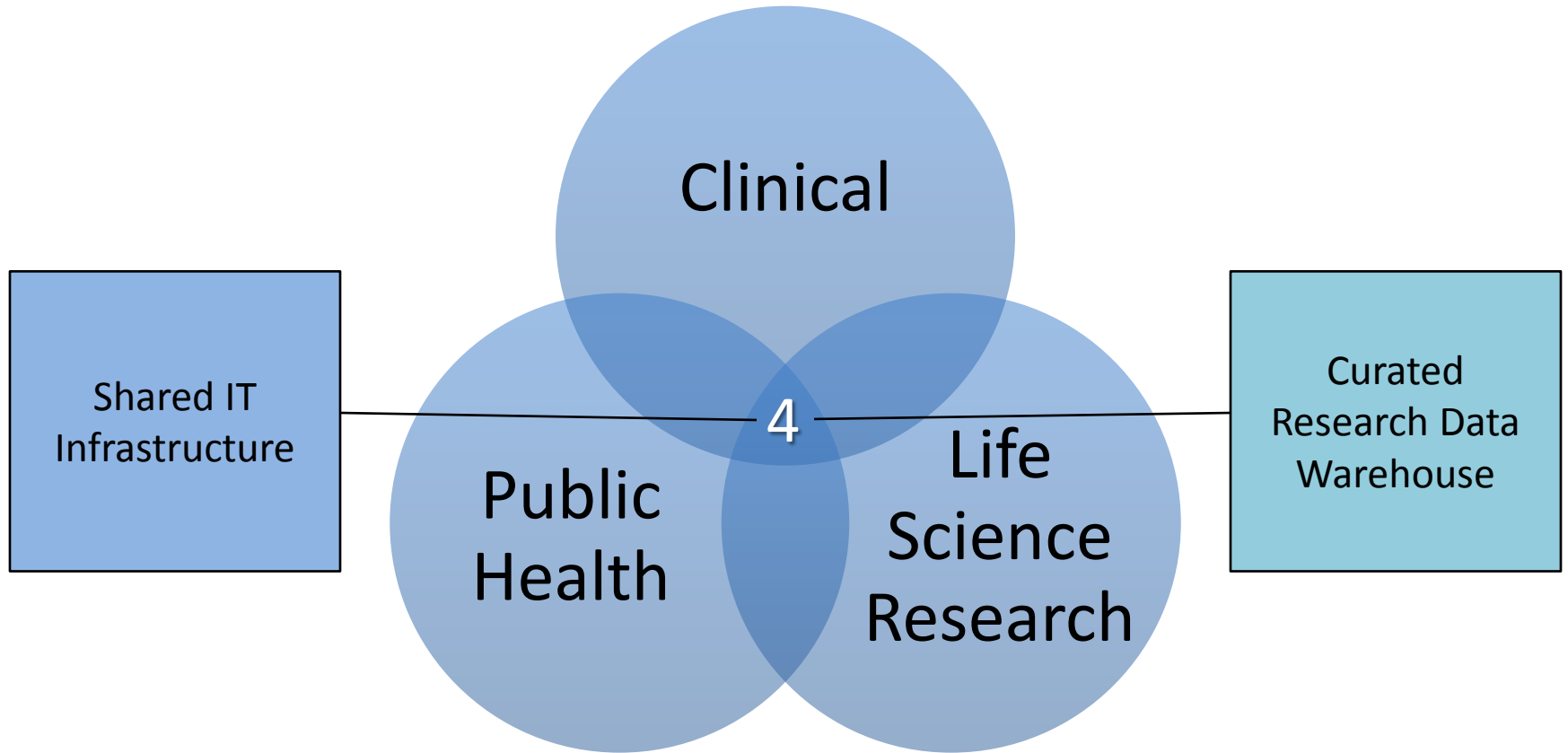
Competitors:

- **Aurora will get bigger but struggle with maintaining profits as it tries to satisfy the cost conscious customers**
 - **FMLH/CH/MCW success will depend on ...???**
1. **its ability to combine research and education with clinical mission**
 2. **its ability to attract and retain the best and the brightest people.**
 3. **Its ability to provide access to patients both physically and electronically**

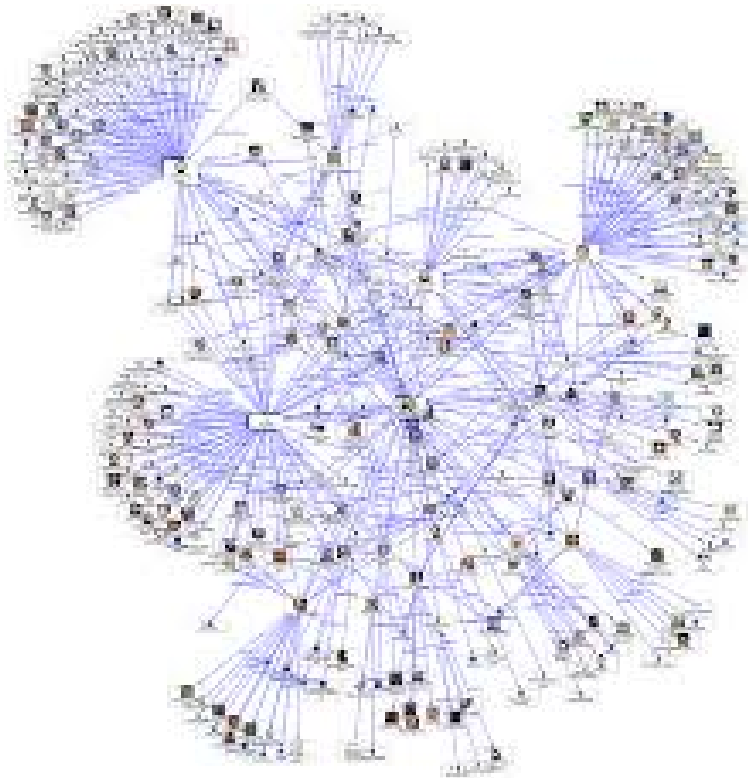
Strategic Synergies



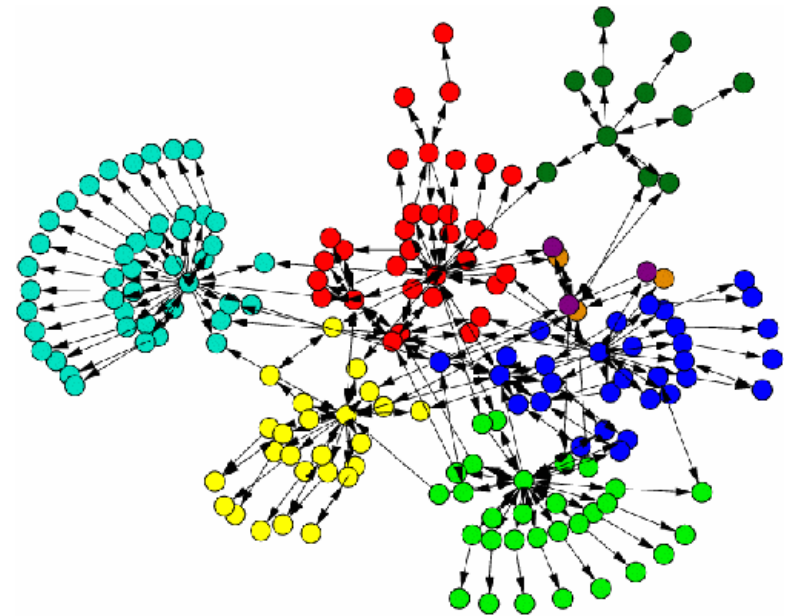
Core Competency



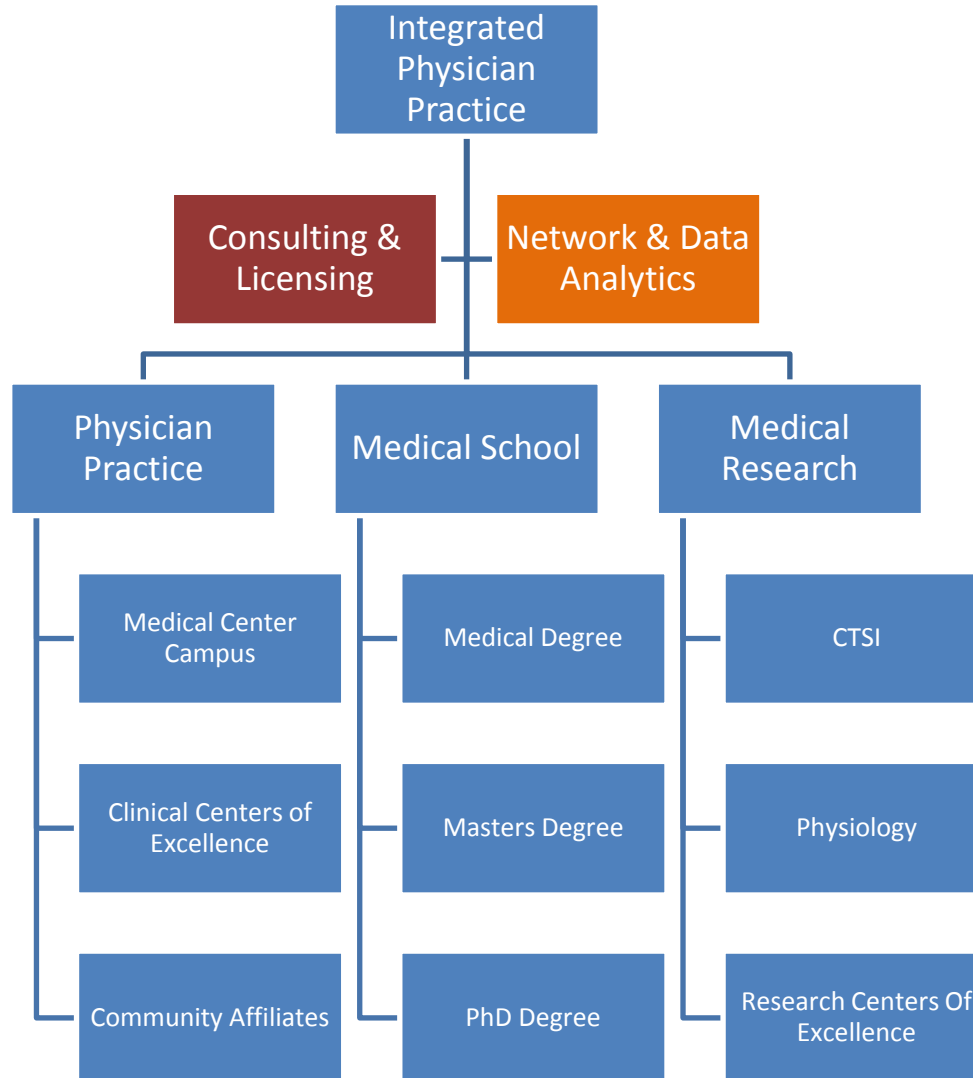
Physician Care Networks



- Private Clouds
- Collaborative Care Networks
- Regional Patient Data Bases
- Regional Genomic Data Bases
- AI & Expert Systems
- Emotive Avatars



New Physician Practice Model



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