

**Perverse Incentives:
Will anyone pay for a PHR?**

PCHRI '07
Business Models Track

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PHRs: The benefits are obvious

“The funding for provider-based PHRs is generally from the marketing department since PHRs are a powerful way to recruit and retain patients.”

John D. Halamka, MD, MS, in his Blog 10/30/07

**Hooray! We are at a
Patient Recruitment Conference.**

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PHRs: Are the benefits obvious?

- ◆ We are not here at this conference to recruit and retain patients
- ◆ We believe PHRs can drive better health care
- ◆ Many benefit from better health care
- ◆ Benefits mean **value** (basic VC axiom!)
- ◆ Is the value enough for anyone actually to pay for a PHR?

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We all care about these benefits

- ◆ Patients care about healthcare (quality)
- ◆ Providers care about healthcare (quality)
- ◆ (Ultimate) Payers care about healthcare (costs)
- ◆ Government cares about healthcare
 - Like it or not, it is a payer and a provider, and is accountable to lots of patients (the electorate)

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PHRs: Barriers and Enablers

| | |
|---|--|
| Barriers <ul style="list-style-type: none">◆ Immature standards (for portability of data)◆ Difficulty reaping economic benefits where funding for PHR originates◆ Perverse incentives of the healthcare system | Enablers <ul style="list-style-type: none">◆ Desire to improve healthcare◆ Increasing cost of poor health in direct and indirect costs to business◆ Business opportunities driven by PHR infrastructure |
|---|--|

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**Perverse Incentives:
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- ◆ Yes
- ◆ Lots of possibilities
 - Logical: Payer, Provider, Risk-holder
 - Mind boggling: Citibank, NRA
 - Established players: Harvard Medical School, Microsoft
 - New players: Hdox, American Well
- ◆ Do we know how this will play out?
 - No, NO-ONE YET KNOWS!
 - Don't let anyone kid you otherwise

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Perverse Incentives: Will Anyone Pay for a PHR?

| | <i>Who will provide</i> (incl. white-label outsourced) | <i>Who will pay</i> | <i>Why</i> | <i>Possible Examples</i> |
|-----|---|--|--|--|
| 1. | Plans / TPAs | Plan / TPA | Reduce MLR risk; P4P; HRA → Compliance programs; Market Differentiator; CDHP support | UHG; Aetna etc (incl. homegrown or Trizetto etc offerings) |
| 2. | CDHP Plans | CDHP plan | P4P; Reduce MLR risk; Easing the pain of the new idea; Political acceptability; Market differentiation | |
| | | Consumer | Reduce MLR risk (!); Sense of control; Quality of care; | |
| | | Employer | Making it stick; Cost of care | |
| 3. | PBMs | PBM or plan | Leverage Rx data; business opportunity | Medco etc |
| 4. | Non-plan Data Hubs | Data Hub | Leverage data asset; Create opportunity for consumer branding; ??? | RxHub; Healtheon/WebMD; Trizetto; etc |
| | | Data poor partner | Customer loyalty; Business opportunity | Any of the other types of player noted on this chart |
| 5. | Government | Government | Reduce MLR risk; P4P; behavior incentives; health coaching; promote standards; | VA, CMS, States |
| 6. | Labor unions | Labor Union or members | Member benefit; Reduce Union health plan MLR risk | |
| 7. | Employers: individually or consortium-based (eg Dossia) | Employer | Reduce MLR risk; Reduced sick days; Higher productivity; P4P; benefit optimization; CDHP support; behavior incentives; health coaching | Dossia, Trizetto, Tangerine, Virgin Health, Subimo/WebMD, Revolution Health, etc |
| 8. | Community based Physician Practice Mgmt and EMR Systems | PMS/EMR provider | Loyalty; Upsell opportunity; Access to de-identified data for resale | AthenaHealth; Phreesia; Hdox; traditional PMS |
| | | Physician (embedded with PMS cost) | Loyalty; Quality; Accreditation; P4P; Capitation; Marketing | |
| | | Consumer | Trust factor | |
| 9. | Retail pharmacies | Pharmacies | Customer loyalty; upsell opportunities | Walmart; Walgreens |
| | | Consumer | Extension of Rx data; | |
| 10. | Pharma / Biotech firms | Pharma / Biotech | (opt-in programs, registries & clinical trials) Brand loyalty; Drug compliance; TRx! | Esp when specific drug is center of your health regimen (expensive biologics) |
| 11. | RHIOs | RHIO | Make RHIO more attractive to funders (something else seeking an economic model) | |
| 12. | Hospital systems | Provider | Quality of care; P4P; Accreditation; DRG based reimbursements (=Capitation); Marketing | Hospital systems (Partners, Childrens), IDN (Kaiser) |
| | | Consumer | Trust factor | |
| 13. | Retail clinics | Retail Clinics | Leverage visit records; upsell opportunities | Minute Clinic |
| | | Consumer | Trust factor | |
| 14. | Other health care services businesses | Consumer: subscription, or indirect through purchase of other services | Stickiness/Loyalty; Upsell opportunities | American Well; Home healthcare providers; Dovetail Health |
| 15. | Nursing homes | Nursing Home | P4P; Accreditation; Upsell opportunities | |
| | | Consumer | Trust factor | |
| 16. | Home health-device firms | Device vendors | Loyalty benefit; upsell opportunities | Glucometers; Blood-pressure cuffs; Pill dispensers etc |
| | | Retailers | Loyalty benefit; upsell opportunities | |
| | | Consumers | Business opportunity | |
| 17. | Home security monitoring firms | Consumer | Pure business opportunity | ADT |
| 18. | PHR startups | Consumer | Managing chronic complex care to reduce repeat tests, redundancy, losing thread between MDs; Desire to optimize CDHP (or MSA/HSA) | Many small startups |
| 19. | Disease communities | Ad-supported or consumer subscription | Mission driven; Use of data for community members and/or research | Patientslikeme; AMA(?); |
| 20. | Disease foundations | Ad-supported or consumer subscription | Mission: Advocacy/support-building; Fundraising opportunity; Use of data for research purposes | Lungcancer.com; AHA; |
| 21. | Media websites | Ad supported with subscription add-ons | Business opportunity | Yahoo; Prevention Magazine; Healthwise; Vimo etc |
| 22. | Microsoft / Google | Microsoft | Upsell (partner) opportunities; Targeted Ad revenue; Value of de-identified aggregate data | Healthvault |
| 23. | Intuit | Consumer | Parallel model to Quicken Choice of at home or hosted storage | |
| 24. | Financial services firms or retail providers | Consumer | Pure business opportunity; add-on service (HSA/MSA); customer loyalty | Credit card cos; Banks; Health clubs; |
| 25. | Trusted non-health affiliation organizations | Member benefit; Ad supported or subscription | Loyalty benefit; Business opportunity | AARP; Sierra Club; NRA(!) |
| 26. | Disease or Case Management Providers | DM or CM provider | Differentiated service; Better outcomes | CaseNET |

This table available at my personal website: <http://home.comcast.net/~richard.m.dale/PHRmodels.htm>

It is possible to mix and match many of these ideas beyond the specific permutations considered above.
I am NOT party to any confidential information – that which is not publicly announced is purely conjecture on my part.