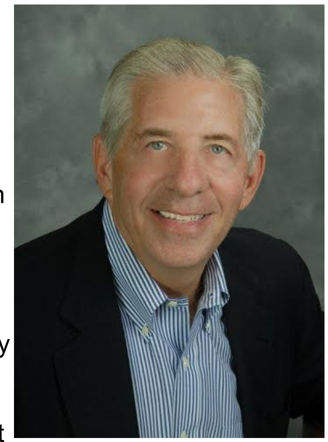
Sometimes You are Ahead of the Curve: 4 Lessons From a Failed Price Transparency Venture

Written by Andrew Simon, Partner, Simon Associates Management Consultants | May 30, 2014

4 lessons for healthcare price transparency

I recently read an interesting article in the Health & Wellness section of *The Boston Globe* entitled, "Comparison Shopping for Medical Procedures." The article talks about how patients can find out about the cost of medical procedures as they shop, which is tied into a new state law in Massachusetts. Reading that made me smile, because at Simon Associates we were working on something somewhat similar three years ago.



At that time, we helped launch a service offering called Pricecare.com. The concept was as follows: Consumers went online to find out about a procedure, and the website displayed the cost of that procedure — total cost, including professional fees as well as hospital fees. Patients could find out where to have the procedure performed and could search by zip code. Physicians' experience was even provided. In other words, all the necessary information required to make an informed decision! It was something that was rational and current with the changing nature of medical care today, in which people use the internet to make informed decisions.

But it failed! Why? Because we could not get healthcare institutions to sign up to participate in this program. You would think that because of the competitive environment facing hospitals today that this would be a natural fit. However, the thinking was so radical that they could not embrace this type of change. C-suite executives would say that they understood the concept, because Medicare was testing bundled pricing in the Southwest. They would say that they understood that this method of pricing was coming in the future, yet their ostrich mechanism would continue to exist until their institutions and their executives were forced to change. The bottom line: No one wanted to be an early adopter.

Furthermore, in meetings with CEOs and CFOs, they claimed they did not have cost data that allowed them to set bundled pricing. How can that be? Having come from outside the healthcare industry, I did not understand how arcane their financial systems were. With other healthcare providers, we are providing solutions to some of their problems. Yet with these guys, trying to calculate ROIs was impossible, because they did not have a handle on their costs.

So what did we learn?

1. You need to find a leader in the field. Someone who is committed, someone who is a risk taker and someone who is willing to publicly take a position that is either counter to the trend or a new and novel idea.

2. The project was underfunded. No one anticipated how difficult it would be to take this seemingly great concept to market. We certainly did not embrace "Lean startup" theory. The website was fully developed and significant funds had to be spent to make revisions to ensure that it was consistent with consumer behavior. Early prototype testing was unheard of. Consequently, because of the significant dollars invested in the website, there were limited dollars available to obtain adequate distribution, and even fewer dollars available for marketing. But as everybody knows, new projects require marketing funds. How else are you going to create demand? Particularly demand around a new concept or a method of behavior? What about public relations? And creating an incoming effort via social media?

3. Changing behavior is difficult, both for the "buyer and seller." Not everyone is cut out to be an early adopter. It takes an average of 10.5 years for healthcare professionals to change how they do things, even in the face of hard data, so why would we expect leadership to quickly adapt to changing conditions.

4. Marketing doesn't come naturally to many providers. Below is a quote from Family Practice Management's Jan. 9, 2002 issue. Unfortunately, attitudes towards marketing have not changed markedly:

"Marketing is something of a dirty word among many physicians. Mention it, and they immediately picture that used-car salesman peddling his lemons on late-night television. True, that's a form of marketing, but it's marketing gone wrong. Done right, marketing is not synonymous with trickery. Instead, it is nothing more than influencing choice by demonstrating the real value of a particular product or service — in this case, healthcare."

When I reflect on this failed opportunity, I think back almost 20 years ago to another failed market launch. This one was in the education field where I was running an assessment company. We had a reading assessment that could predict what a child was capable of reading, and we launched a product called Bookmatch.com. The purpose was to allow families to select books for children and allow them to take quizzes on these books and win prizes.

Today it is tough to believe, but consumer web use was low in the mid-'90s, and there was little application software available for building websites. Only about 3 million consumers were using the internet on a regular basis.

Similar to finding a lack of advocacy in the healthcare field, I found little advocacy within my organization. Unless I was focusing on Bookmatch.com on a daily basis, little got done. No one wanted to be on the leading edge. Again, too far ahead of its time. With few resources to make things happen and as our other businesses began to grow, this consumer offering died a quiet death.

So what did we learn from both experiences? If you truly believe you are right, keep pushing on. But, somewhere along the line you need to build advocacy, because it is difficult for you to carry an 800-pound weight around by yourself for an indefinite period of time. This means that commitment and resources are required, because significant breakthroughs often take longer than planned, and the reason they eventually succeed is because people have both an absolute belief in what they are doing as well as the funding to carry them through.

Andrew L. Simon is a partner and member of the Simon Associates Management Consultants professional consulting staff. He specializes in working with startups and early stage companies, as well as in helping established companies open up new markets. Mr. Simon joined SAMC in 2011 after building Questar Assessment Inc. from a startup in 1994 to a highly successful competitor in the K-12 educational assessment space.