Disruptive Innovation in Health Care: Identifying Areas of Future Growth

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The Disruptive Innovation Model

- Incumbents nearly always win
- Entrants nearly always win

- Pace of Technological Progress
- Performance that customers can utilize or absorb

Disruptive innovations
Sustaining innovations
Disruption is driven by an asymmetry of motivation.
The growth of angioplasty

Estimated Inpatient Cardiovascular Procedures, 1979-2002

000s of procedures

Source: United States Centers for Disease Control and Prevention National Hospital Discharge Survey; Innosight analysis.
“Asymmetries of motivation” in angioplasty

“When angioplasty was introduced, it captured the imagination of cardiologists and surgeons differently. Surgeons were skeptical about this new procedure. They were used to seeing small arteries in the operating room and questioned how one would be able to introduce a small catheter into the femoral artery, negotiate it via the left main coronary artery into a distal vessel, and dilate it. Cardiologists saw this as an incredible opportunity to treat patients with ischemic heart disease.”

—Chief, Division of Cardiothoracic Surgery, Miami, Florida
Centralization followed by decentralization: Computing
Centralization followed by decentralization is common

Long-distance telecommunication
Higher education
Music recording & distribution
Movies / video
Retailing
Decentralization is disruptive, and is hard to catch.
The decentralization that follows centralization is only beginning in healthcare

Non-consumers: Targets for New Market Growth in Health Care? In Pathology?
The pursuit of profit and differentiation in head-on competition among similar business models adds functionality and cost

Disruptive decentralization is the mechanism that reduces cost and spurs widespread adoption
Information as a Disruptive Technology

Disruption is not just about minicomputers, steel mills, and vacuum tubes
Disruption is facilitated when historically valuable (and expensive) expertise becomes commoditized.
Electronic Health Records and the Medical Home

- Specialized solution shops (fee for service)
- Employer-negotiated pricing
- Focused value-added process clinics (fee for outcome)
- Retail clinics (fee for outcome)
- User Networks (fee for membership)
- Pharmacists
- Primary care physicians
- High-deductible insurance & health savings accounts

Personal electronic health record
Electronic Medical Records: Organizing Principles

• Must help users do a job that they’re trying to do. Records themselves create no value – they sit on a disk drive instead of in a file drawer.

• Patients and providers need to pull the records into use. If EMRs are pushed upon them they will not be used.

• Data must be open-source, readable by all. Proprietary applications that help patients and providers do the jobs they need to do can then be built upon the data.

• Problems must surface before the problems can be solved. Interoperability problems, in particular, will be resolved only after they are encountered.
Market Understanding that Mirrors how Customers Experience Life

“The customer rarely buys what the company thinks it is selling him”  
- Peter Drucker
When jobs overlap, products and services will converge

- The jobs of cell phones and PDAs
- Why financial service firms are interested in your health
- LIS, RIS, and PACS will converge
- Radiology and Pathology will converge
The substitution of one thing for another always follows an S-curve pattern.
Past and Future Substitution of HSAs & HDI for Conventional Private Health Plans