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WHAT IF JEFF BEZOS RAN MEDICAID?

I. The Bezos Playbook | 5 Principles

- ❑ **Principle #1:** We start with the customer and work backwards
- ❑ **Principle #2:** We are stubborn on vision. We are flexible on details.
- ❑ **Principle #3:** Most Innovation is incremental and low risk.
- ❑ **Principle #4:** Invent frequently and be willing to fail.
- ❑ **Principle #5:** We are willing to be misunderstood for long periods of time.

II. CCO 1.0 Founding Fathers | 4 Strategies

- ❑ **Strategy #1:** Deploy a hard-cap budget as a forcing function (versus an actuarially-sound model)
- ❑ **Strategy #2:** Increase practice model flexibility
- ❑ **Strategy #3:** Accountability through transparency (publish KPIs)
- ❑ **Strategy #4:** Bring the community together

III. CCO 1.0 Results

- ❑ **Summary**
 - ❑ Mixed results
 - ❑ Maybe marginal change. No fundamental change.
- ❑ **Resources**
 - ❑ [Oregon's Medicaid experiment put to test, as costs outpace budgets](#)
 - ❑ [Kitzhaber on what's worked and what hasn't in Oregon's Medicaid experiment](#)
 - ❑ [CareOregon, major Medicaid player, approaches \\$100 million in losses](#)
 - ❑ [CCO 2017 Final Report](#)
- ❑ **Situation**
 - ❑ Fundamental change requires healthcare providers - delivery systems - to change their product.
 - ❑ think: blockbuster to netflix, yellow cab to lyft, random house to kindle,
 - ❑ CCO 1.0 does not force delivery systems and their providers to ask hard questions, to change the way medicine is practiced, to change the consumer experience, and to change the underlying operation.
- ❑ **3 Big Lessons**
 - ❑ **1.** The hard-cap budget does not impact a large enough share of the delivery system (provider) financial performance to compel change
 - ❑ **2.** Status quo regulatory -and institutional forces continue to make delivery system change painfully difficult

- ❑ 3. CCO 1.0 relies on 19th and 20th-century behemoths and monopolists to reform themselves. ***Candlemakers never invent light bulbs.***

IV. CCO 2.0

A. CCO 2.0 Framework

- ❑ **Concept:** Exert intensive pressure on delivery systems (providers) to innovate in response to the right societal signals - cost and quality.
- ❑ **Strategy**
 - ❑ **#1** Double-down on hard-cap budget and extend it to a critical mass of market - cannot be limited to Medicaid - so that delivery systems and providers have nowhere to hide.
 - ❑ **#2** Shift from bureaucratic accountability through private reporting to consumer accountability through radical public transparency
 - ❑ **#3** Establish Healthcare Innovation Zones
 - ❑ **Healthcare Innovation Zone Concept:**
 - ❑ Usher in a new era of innovation
 - ❑ Welcoming authentic innovators from around the world to enter the Oregon market.
 - ❑ They will bring fresh models and catalyze change from the old-time players.
 - ❑ The Carrot:
 - ❑ Access to a large market
 - ❑ Pro-Innovation regulatory and administrative framework
 - ❑ Zoom has drafted and advanced a portion of the Pro-Innovation Framework for the 2019 legislative session:
 - ❑ The Primary Care Workforce Expansion Act of 2019
 - ❑ The Team-Based Care Act of 2019
 - ❑ The Digital Care Act of 2019
 - ❑ The Stick:
 - ❑ Must be responsive to an explicit hard-cap budget and requirement for radical public transparency

V. Potential Outcomes of CCO 2.0

- ❑ **Background**
 - ❑ **Beyond Oregon the best and brightest and billions of dollars of smartish money are looking to:**
 - ❑ build next-generation front-line delivery systems that flip the hospital
 - ❑ push the boundaries on digital and retail first
 - ❑ push the boundaries on phone and AI first
 - ❑ build health systems versus today's sickness systems
 - ❑ reinvent insurance and subscription products

❑ **New Market Entrants**

- ❑ Next generation delivery systems backed by billions of dollars of capital are looking for growth opportunities. Oregon would become a must-enter market.

❑ **Zoom | Three 2018 Innovations**

- ❑ #1 Zoom Aetna ACO - the un-hospital ACO.
 - ❑ [Aetna, Zoom Predict New ACO Could Cut Employer Healthcare Costs by 15%](#)
 - ❑ This could be made available to a broader market beyond the ERISA market.
- ❑ #2 The Zoom Transparency Toolkit - Empowers Insurers to Pick Their Price
 - ❑ [Zoom Transparency Report](#)
 - ❑ [Zoom Transparency Toolkit](#)
 - ❑ [Transparency Toolkit | State of Reform](#)
- ❑ #3 The Zoom Medicaid Program
 - ❑ Option 1: ER Diversion and Overflow for existing CCO models
 - ❑ [Zoom Makes Pitch to Expand Medicaid](#)
 - ❑ Proposal Facts:
 - ❑ Save CareOregon \$12 to \$50 million annually. Similar savings available to other CCOs.
 - ❑ Fixed bundled rates for visits.
 - ❑ Multi-year contract.
 - ❑ Care Oregon Proposal available to all Portland area CCOs.
 - ❑ Option 2: Front-line Care Delivery System for existing CCOs
 - ❑ Same concept as Option 1 but extend access to all Zoom services including all primary care and specialists services.
 - ❑ Option 3: Standalone Delivery System e.g. the Zoom Aetna ACO

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On January 7, 2011, at an Amazon shareholder meeting, Jeff Bezos fielded an apparently innocuous shareholder question. His response was extraordinary.

Shareholder Question: “If it’s still Amazon’s philosophy to make bold bets, I would expect that maybe some of them wouldn’t work out, but I am just not seeing that. So, my question is where are the losers?”

Bezos Answer: In a way, that is like the nicest compliment I’ve ever gotten. First of all, I think we have gotten pretty lucky recently. You should anticipate a certain amount of failure. Our two big initiatives, AWS and Kindle — two big, clean-sheet initiatives — have worked out very well.

Ninety-plus percent of the innovation at Amazon is incremental and critical and much less risky. Principle #3) We know how to open new product categories. We know how to open new geographies. That doesn’t mean that these things are guaranteed to work, but we have a lot of expertise and a lot of knowledge. We know how to open new fulfillment centers, whether to open one, where to locate it, how big to make it. All of these things based on our operating history are things that we can analyze quantitatively rather than to have to make intuitive judgments.

When you look at something like Kindle, there you just have to place a bet. If you place enough of those bets, and if you place them early enough, none of them are ever betting the company. By the time you are betting the company, it means you haven’t invented for too long.

If you **invent frequently and are willing to fail, (Principle #4)** then you never get to that point where you really need to bet the whole company. AWS also started about six or seven years ago. We are planting more seeds right now, and it is too early to talk about them, but we are going to continue to plant seeds. And I can guarantee you that everything we do will not work. And, I am never concerned about that.... **We are stubborn on vision.**

We are flexible on details.... (Principle #2) We don’t give up on things easily. Our third-party seller business is an example of that. It took us three tries to get the third-party seller business to work. We didn’t give up.

But, if you get to a point where you look at it and you say look, we are continuing invest a lot of money in this, and it’s not working and we have a bunch of other good businesses, and this is a hypothetical scenario, and we are going to give up on this. On the day you decide to give up on it, what happens? Your operating margins go up because you stopped investing in something that wasn’t working. Is that really such a bad day? So, my mind never lets me get in a place where I think we can’t afford to take these bets, because the bad case never seems that bad to me. And, I think to have that point of view, requires a corporate culture that does a few things. I don’t think every company can do that, can take that point of view. A big piece of the story we tell ourselves about who we are, is that we are willing to invent. We are willing to think long-term. **We start with the customer and work backwards (Principle #1)** And, very importantly, **we are willing to be misunderstood for long periods of time. (Principle #5)**

I believe if you don’t have that set of things in your corporate culture, then you can’t do large-scale invention. You can do incremental invention, which is critically important for any company. But it is very difficult — if you are not willing to be misunderstood. People will misunderstand you.

Any time you do something big, that’s disruptive — Kindle, AWS — there will be critics. And there will be at least two kinds of critics. There will be well-meaning critics who genuinely misunderstand what you are doing or genuinely have a different opinion. And there will be the self-interested critics that have a vested interest in not liking what you are

doing and they will have reason to misunderstand. And you have to be willing to ignore both types of critics. You listen to them, because you want to see, always testing, is it possible they are right?

But if you hold back and you say, 'No, we believe in this vision,' then you just stay heads down, stay focused and you build out your vision.