

A large circular graphic on a dark blue background. The circle is composed of a solid dark blue outer ring and a dotted white inner ring. Two thick, light blue curved lines are positioned at the top and bottom of the circle, partially overlapping the rings. Inside the circle, the words 'Innovation' and 'Methodology' are written in a bold, black, sans-serif font, stacked vertically.

**Innovation
Methodology**

Quarterly updates presented to Hearst Health Advisory Committee *(examples)*

October 2013 update: Pivot to new content model

- 24 client interviews, visits
- Q4 focus on XXX solution development
- Other innovation work on hold
- New hires, new space

March 2014 update: content model validated

30+ customer and technology partner interviews to date

3 onsite content deep dives with partners

3 developers, 2 clinicians hired

Market research

- Blind survey of potential customers

- Choice-based conjoint analysis

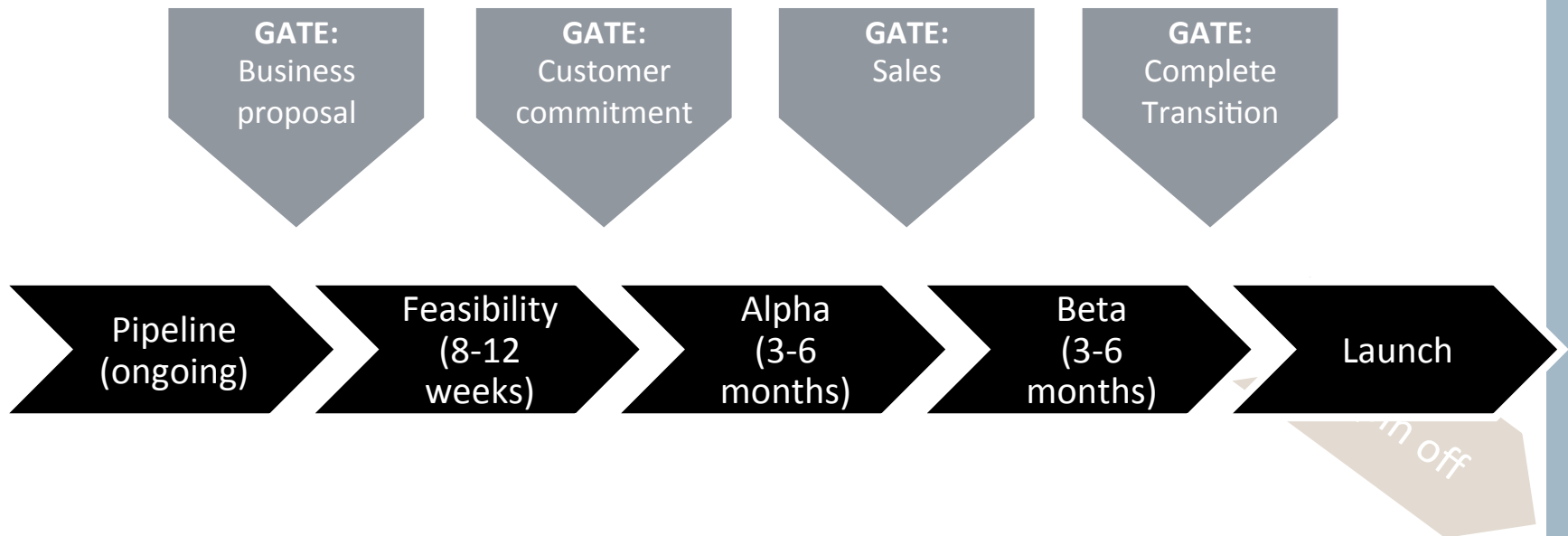
- Customer segmentation

- Determine perceived value and willingness to pay

Initial development contracts

- 1 PBM; 1 Health Plan; 1 channel partner

Agile / Lean Methodology



CURRENT STAFFING— 12 FTE

Newly hired for transition to new company → 5 FTE

- 2 Rails developers
- 1 QA Engineer
- 2 full time, and 2 part time pharmacists

Core Innovation Lab staffing → 7 FTE

- Scrum master
- Product owner
- Chief Innovation Officer / MD
- Development team
 - Chief Architect
 - Clinical Analyst
 - UX Designer
 - Pharmacist

Challenges and Lessons Learned

Innovation prototyping and robust software development require very different skill sets!

Cautious versus optimistic revenue estimates

Transition planning is hard when the receiving party is unknown

Remote versus local project staffing

Contract versus permanent hires

It's tough to hire into an uncertain future

Keeping up the ideas pipeline while 100% focused on one product

Collaborative design sessions

- ★ Good ideas can come from anywhere
- ★ Builds a shared understanding of the problem space and the different perspectives individual team members have of it
- ★ Speeds up the design timeline in a project
- ★ Builds a shared sense of ownership and collaboration in the creation of the solution
- ★ Gives non-designers an opportunity to understand the ramifications that various decisions have on aspects of the design

Sample design agenda

	Present Research	60 min	
	Assign Teams	15 min	
It. 1	Sketching	5 min	
	Presentation and Critique	84 min	<i>7 min/person (2 min presentation + 5 min critique)</i>
It. 2	Sketching	10 min	
	Presentation and Critique	60 min	<i>10 min/pair (2 min presentation + 8 min critique)</i>
It. 3	Sketching	15 min	
	Presentation and Critique	30 min	<i>15 min/group (3 min presentation + 12 min critique)</i>
	Review	30 min	

309 min = 5 hrs 9 min (3 hrs 39min activity + 90min Research Pres & End Review)

Innovation lab solution update

Example

INNOVATION LAB

Update on solution hypotheses

Hypothesis	Outcome
Hearst can build a better solution than what is on the market	We still believe this to be true
XXX is a major pain point for payers and providers, and there is willingness to pay for an automated solution	Validated
No dominant XXXXX solution exists in the marketplace	True for XXXX structured content; Untrue for XXXX processing where competitors have 3-4 year head start
State regulations will drive XXX adoption	Assumed- as yet unproven
High quality reference XXX content has value to customers	Validated

Market evaluation-> opportunity for an XXX processing system smaller than originally thought

- **Original market estimate for transaction automation and rules engine: \$2.9 billion**
 - 150 million US XXX's annually and \$20 processing fee per XXX
- **Reduce likely opportunity to \$80 million**
 - Large PBMs have in-house solutions, reducing target customers to 39% of XXX
 - Automation/competition reduces the likely value per XXX transaction to less than \$3/XXX¹

Month 3:

Pivot to a new business model and focus

Progress, plan, and investment

■ Progress

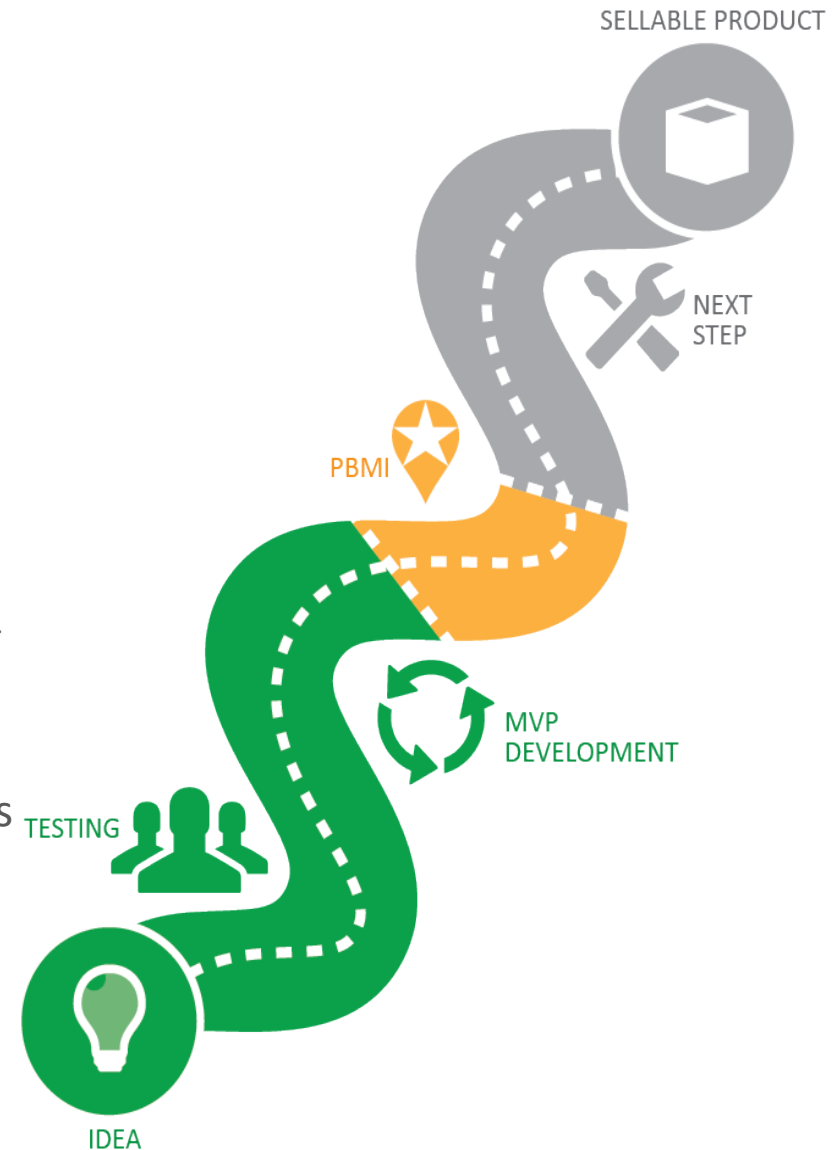
- 25+ focus groups and customer interviews
- MVP development
 - UX: Wireframes and prototypes
 - System architecture
 - Sample content

■ Plan

- Test MVP at PBMI Conference February 3-5
- Goal: limited commercial release by Nov. 2014

■ Investment to date

- Innovation lab 100% focused for past 3 months
- 20% FDB product manager for 3 months
- 1 week of FDB editorial team time
- NCPDP conference expenses
- PBMI conference expenses





Sample Concept Pitch:

Hearst Health Price Transparency Tool

SAMPLE

Concept Overview

Although numerous stand alone healthcare pricing tools have entered the market they lack

- Comprehensiveness
- Ease of use
- Actionable next steps
- Comparisons across a unified framework of “quality” and <most importantly>, widespread adoption

An offering that ...

- Consolidates health pricing data
- Harmonizes criteria for quality
- Offers the opportunity to bid on services and pushes this information out to Providers, Payors and Purchasers via trusted brand channels

... will impact purchasing behavior, nourish the healthcare free market, and fill a knowledge chasm in the ACO competitive environment

Compelling Drivers

- Knowledge gap across multiple dimensions of the industry
For example, ~ 20B spent on Orthopedic medical implants each year, with ~ 10B going to medical device companies, and 10B going to surgeons for procedure charges, yet the surgeons “were only able to correctly estimate the cost of a medical device they used 21 percent of the time” *
- Widespread awareness of significant pricing discrepancies
- Legislation: ~ 35 states have health care transparency laws, and more in process
- Lack of actionable guidance beyond pricing and quality data
- Lack of bundled service offerings (i.e. price + quality + medical bidding + navigation)
- Aging consumer population and complex health policy environment driving the need for health business advisors
- Leverage Hearst Payor (MCG), Provider (Zynx) and Consumer (Dr Oz) trusted branding to support direct or indirect channel
- CalPERS instituted limited price transparency and reference pricing with high-quality medical centers for hip and knee replacements and **estimated \$16 million in savings in 2010** *

, * Health Affairs survey of 503 doctors at seven major academic medical centers

Potential clients

- Payors – to enhance current pricing tools, or introduce new tools to their members in order to contain costs; inform members' decisions; and reduce unknown and unwarranted price variations
- Providers – to drive revenue with competitive rate, prevent ACO leakage
- Purchasers – to effectively implement value based benefit programs, maintain competitive offerings
- Medical Tourism Networks – to ensure lower cost foreign care delivery services are promoted alongside US competitors

Financial Impact

- Large purchaser with a median health care cost trend and 20,000 consumers could expect to save \$6.7 million of health care spending over three years...based on consumer adoption rates of 10% in the first year to 50% by the third year...
- Assume ~1-200 large purchasers valuing solution at ~\$1M/year

Revenue Mechanisms

- Payors pay by member
- Providers listing fee and Purchasers subscribe monthly
- Consumers – subscribe through other Hearst offerings (i.e. Dr Oz)
- Medical Tourism listing fee

Competitive Landscape

- Castlight Health
- Existing price database tools (private and government)
(i.e. UnitedHG and other Payors, Medicare, Healthcare Blue Book, Fair Health, State All Payor Databases)
- Private services like HealthCompare.com, who represents Payors, and assist consumers with insurance plan selection
- Medi-Bid, healthcare bidding services