I’m really honored to share our story with you, but to give you more perspective around what we’re going in terms of trying to build the bridge between entrepreneurship and the traditional healthcare industry. And I’m going to keep my comments somewhat brief because I know I’m between you and drinks, even though we just had a fabulous lunch. So I’m going to try to be entertaining and keep the conversation going.

So who has a Jawbone or a Fitbit or uses an iPhone app to track your runs or what you’ve eaten today? Did anyone put their food into their phone today? That’s it? Come on, I want to see all the hands. So we’ve been overly consumed with all of these things that entrepreneurs have developed like really in the last couple of years. And it’s pretty amazing the choices that we have today and how we’re really thinking about how we consume and manage our health in different ways. And the entrepreneurs that are developing these solutions are also catching the attention of many established corporations, not just in healthcare, but across a lot of different industries.

And I think for the first time, in light of all of the financial struggles that we’ve had nationally, a lot of corporations are thinking about innovation differently, and they’re realizing that the answers don’t necessarily lie inside. I feel like every time I open the Wall Street Journal or the New York Times there’s an article about some corporation that is seeking entrepreneurial innovation, seeking inspiration and new ideas. Nike has developed a program internally; Microsoft had something. The list goes on and on. And so we’re seeing this emergence of an interest in entrepreneurial activity, which is really exciting.

And the same thing is happening in healthcare. Healthbox was one of the first accelerators that launched in January of last year, and it’s unbelievable in the last two years how an entirely new industry segment emerged in a very short period of time to really bring innovation to the forefront and bring new ideas into healthcare. So the concept of the business accelerator is known in the tech industry, and in Silicon Valley there are plenty of them. But in healthcare for a new concept to emerge so quickly is really unbelievable. So in the last two years, in 2012 alone there were eight new accelerators that formed, and this
year I think we’re to nine. And it will be interesting to see how this model continues to emerge in the industry.

And they’ve typically popped up in healthcare hubs around the country. So Healthbox, I’ll tell you in a little bit has a couple of different locations here in the US, but there are accelerators in Texas, obviously in California, over on the East coast as well as in Florida. And so we’re seeing these programs emerging in high-density healthcare areas. And so you’re probably wondering why is all of this happening and what does the investment community think about what accelerators are developing and all the activity? Well, the investment community thinks that all of the change that’s happening in healthcare is a huge opportunity, and there were actually quotes more recently in the news about what do investors think of Obamacare, and do they think that all these companies that are coming out are going to be viable? And so they’re investing at a higher rate than we’ve ever seen before, which is great for entrepreneurs, and we hope that there’ll be more sustainable businesses coming about.

So does everyone know what I’m talking about when I say a healthcare accelerator? Is everyone familiar? We have great examples through the Entrepreneur Center here in Nashville. But the model is essentially to choose high-potential entrepreneurs, to give them some seed capital, to provide a network of expertise and some programming to help them really think about the business models that they’re developing, and to help them think through some customer relationships and how they can potentially raise money. And so in a very short period of time these entrepreneurs are taking ideas or prototypes or even businesses that have been created and they’re growing them very rapidly.

And what’s really interesting about this model is that when Healthbox actually decided to think about this model for healthcare, we went out to the venture community to raise money because these are micro funds that are set up, and the capital is raised to then be used to invest in companies. And so when we went out to the venture community and said we’d like to start a healthcare accelerator and we’d like you to invest, and we talked on the East coast, on the West coast, a number of different VC’s. We actually came to Nashville as well and they said, “It’s never going to work.” We said, “Why not?” And they said, “Healthcare is so complicated; you can’t have an entrepreneur with a business that’s going to accelerator in four months like you do in tech. And the tech incubators have been around for a long time and we’ve seen the highs and lows of even people building businesses in consumer tech, so it’s never going to work.” And we said, “No, it has to work.”

So we went and had conversations with the healthcare industry, and what was interesting is that individuals in the healthcare industry – and we talked to payers, providers, foundations, large physician groups, med device, and then said, “Hmm, this is actually interesting.” Maybe they hadn’t been burned before and were willing to take a risk. And so they said, “This is an interesting concept, and we don’t have a way to tap into the entrepreneurial community, so maybe we’ll try.” And that subsequently led to Healthbox getting some early adopters in this model and we were able to partner with eight organizations that allowed us to get our programs up and running pretty quickly.
So in Chicago we launched our first program last year as I mentioned, and we partnered with organizations like Ascension Health, Ridgeview Medical Center, the California Healthcare Foundation, Walgreens, a couple of venture funds that did say yes that were from Boston, the Blue Cross Blue Shield Venture Fund, Sandbox Industries. So we got enough momentum around the first program, and that subsequently led to this explosion in this whole new movement as I mentioned that was created. So our launch in Chicago then led to us launching in Boston last year, as well as London, England. And this year we grew the platform to two new cities: Jacksonville, which is a partnership with Florida Blue, and we came to Nashville.

And what has been amazing is that we’ve been so well received in all of these locations. And you think, well, what’s the rationale behind being in all these different cities, and what are you trying to accomplish? And the healthcare industry is so receptive. Our first partner in Boston was Blue Cross Blue Shield of Massachusetts. And they called us shortly after hearing about the work we were doing in Chicago and said, “We need something like this in Boston.” And we were kind of scratching our heads, thinking, “There’s a great entrepreneurial community in Boston. Why should we go to Boston?” And they said, “There isn’t a community around healthcare IT. We have great bio tech. We have some great investment firms. There’s pharma, but there’s nothing really bringing this community together around IT and connecting payers and providers together.” And so we said, “Sure, we’ll go.”

And I almost said the same thing about coming to Nashville. Michael Burcham called us early on in our process and said, “You know, it’s cute what you’re doing in all these other places, but you really need to come to Nashville.” And I was kind of saying the same thing. There’s a great services industry here and a great entrepreneurial community, and he really wanted Healthbox to be here in order to connect the dots in a way that hasn’t been done through some of the other work.

And so we’re honored to be spreading our model across the country to different cities where there are the variables we need, which includes an existing entrepreneurial base, a strong healthcare community, some investor activity as well as local universities that can bring talent and new ideas forward.

And so, as I’ve said, we’ve grown really quickly. We’ve launched seven programs. So the industry has really accepted the model, and I think for the first time is really hungry for innovation from the outside, is really hungry for new ways of collaborating. The recognition that the answers don’t all exist on the inside is evident, and we’re on the receiving end of that feeling. And so we’re honored that we have incubated 48 companies.

And you may be wondering – I’m going to give you some examples in a little bit about what types of companies are we talking about that can go through a 4-month process. They’re very capital efficient businesses. They tend to be in the healthcare IT space, so anything from medication adherence to care management to tele-medicine to disease management to health and wellness, so a range of things. And I’ll give you some examples in just a minute.
Those 48 companies have developed customer relations in this short period of time with 130 organizations. And that is really important because in healthcare we know that it’s very complicated, and getting your first customer is really hard. And some of you may get phone calls from entrepreneurs and think, “I don’t have the time to talk to a company that hasn’t developed a solution yet.” And so for entrepreneurs to get early traction in the industry is vital to their success.

Those entrepreneurs that we’ve worked with have touched a million lives, so their devices, their apps, their tools have been used by healthcare professionals or consumers, more than a million of those individuals or organizations. We’ve partnered with 18 organizations that are early adopters of this model, and we have a network of more than 250 people around us that are supporting this whole new idea and this new movement around innovation and entrepreneurship.

And we need all these variables to align, so it’s not just about finding great entrepreneurs, because what we learned early on is that if all we did was bring together a community of entrepreneurs without bringing the industry around us, we weren’t going to be successful, because, again, getting that first customer relationship and that early traction is really important to building a sustainable business model. So getting this ecosystem around us, individuals as well as organizations that can support what we do was vital to our success in this short first two years of our development.

But despite all of that there’s still a lot of noise. So you think, wow, this is so great. We have this new industry segment that’s emerged and there’s all these great ideas and entrepreneurs developing things, and there’s a lot of excitement. And there’s early adopters in the industry that want to work with these entrepreneurs, but we’re still left with now so much activity in the market place and so many buzz words and things to think about. Innovation is front and center on our minds, but what does it really mean and what else is out there?

So we’re bombarded with so many other things that we need to think about: population, health management, data and analytics, the health exchanges. We’ve heard today of all these things that we need to be thinking about, so who has time for innovation? And so the market place right now is so flooded with these solutions, and we’re really trying to figure out a way to rise above the noise, and to choose companies that are solving the right problems, and find partners for them to make sure that they’re developing the right solutions for the industry.

And so why am I telling you all of this? Not because I’m trying to be boastful around everything we’ve accomplished and how we’re participating in this really exciting space, but because we’ve actually learned a lot in the last 18 months of how we’ve engaged across these different groups. And we realize that in the entrepreneurial space there are three things that we really need from industry in order for us to capitalize on how we use entrepreneurial thinking to transform healthcare.
The first is that we need to co-create solutions along side these entrepreneurs, that we cannot have things being developed in a bubble. And so it’s really important that organizations open up their doors, open up the knowledge that’s available, and help entrepreneurs make sure they’re solving big problems and the right problems.

We need to change the DNA within organizations. So it’s not just about bringing these new solutions forward and the discovery of all this really great innovation. It’s also about the implementation, and that takes a culture inside that is willing and accepting of a new way of doing things. And the healthcare industry is risk adverse for a reason. We’re talking about patient care and we’re talking about people’s health and so we need to be careful of what we’re implementing. And I’m not advocating that everything that’s out there is great, but we need to be developing a culture that’s open to trying new things, and to thinking not just about incremental changes on the inside but how do we open up to the outside and test and deliver on new things.

And the third thing is around we need to start taking small bets. So I think in healthcare we’re traditionally used to, “Well, if the two hospitals down the street have done this and they’ve used a big legacy system, then we’re comfortable and we think we’ll do it as well.” And so we’re in a new era and there are solutions that can help solve different problems whether big or small, and they don’t always have to come from the big established organizations. There are a lot of entrepreneurs that can fill the gaps and have solutions that can make a difference.

So let’s talk about what I mean by all of this – I don’t know if you can see this device that’s sitting up there because I can’t see it very well from here – but sharing knowledge, so co-creating solutions. We’ve worked with a company called SwipeSense. And I would imagine that if I asked you if you had SwipeSense in your pocket or on your coat jacket, you’d probably say no, because this is something that’s being used in hospitals today. And SwipeSense is tackling hand hygiene compliance. So these were two entrepreneurs that were from Northwestern, and one was Turkish, the other was French. They came to undergrad at Northwestern, recently graduated and joined the Healthbox program and our first Chicago program. But they met each other because they were both part of co-creating Design for America, which is about using design principles for social impact.

And so one of their assignments through this program was to tackle hand hygiene compliance. And they had no healthcare background; they were designers and engineers, but they were partnered with someone who worked for a local hospital. And the emails that had been coming through the hospital were around hand hygiene compliance and what the hospital wanted to do. So she came forward and said, “This is going to be our project. Let’s think about this over the next six weeks,” or whatever time period they had.

So they went to this local hospital and they spent time in the wards and watching what nurses did when they when in and out of rooms and how often they used the wall-mounted dispenser. And they got done with their time of observation and they said, “Yeah, this is a big problem.” But they weren’t sure how they were going to solve it. And so they continued doing more research and they kept thinking about well, how can we increase the number of
times either that people are using the alcohol gel or that people are using soap and sink, and how can we track this is a better way?

So what they ended up doing was – and I actually clicked too early so don’t read that yet – but what they ended up doing is they developed this device that’s here, and this is several iterations later, but the inspiration came because they were – in Evanston they were out on the beach and they were really struggling with what are we going to do to solve this problem? Well, one of the entrepreneurs got something on his hands and he ended up wiping his pants, so the swiping motion to wipe his pants, and they said, “Ah ha! We have something.” So they came up with this device, and essentially if you swipe your hand down it there is alcohol get that’s dispensed.

And so this clips on to a nurse’s scrubs and subsequently what they did after going through several pilots is they ended up through focus groups with nurses, through work on a couple different floors within hospitals, figured out that it wasn’t just about increasing the use of the gel, but it was about tracking how many times as nurses went in and out of the rooms this was being used. So they ended up putting a chip inside this dispenser. They ended up also adding some sensors to the wall-mounted dispenser so they could develop a full tracking system. And I don’t know if you’ve ever been in a hospital recently, but on the wall-mounted dispensers in some places there’s just this clicker, so it’s a manual process. And so by them developing this software component to what they were doing, they were providing a more holistic solution.

So if they didn’t have access to somebody at one of the local hospitals that was willing to give them the advice, willing to help them test and develop a more integrated solution, they probably wouldn’t be in business today. And they’ve grown quite rapidly. They started out in the Healthbox program with this one relationship, and by the end – and I think today they have more than 10 relationships with hospitals around the country. They’ve increased the use of antibacterial gel by 64%, and they have more than 2,000 users using the device. So for them, having access to the right healthcare professionals, given that they didn’t have a healthcare background was the key to them developing this business. And today they’re actually one of the top three for the Wall Street Journal Startup of the Year award. So we’ll be hearing soon whether they’re going to be the winners. But really focused on this solution and it’s exciting what they’ve done by having the right partners that were willing to test in such an early part of their development.

So how do we change the DNA of our organizations? I’m going to share a story about Blue Cross Blue Shied of Massachusetts. As I mentioned, they were our early partner in Boston when we decided to launch a Healthbox program there. Allen Maltz, who’s the CFO, decided this would be a really good initiative for them, because they wanted to be more exposed to innovation. And what’s interesting is that when we made the announcement that we were going to go to Boston and the press got hold of it, the headline in the news was, “What does a 75-year old organization know about working with startups?” And we actually have some good examples of the struggles that they went through in order to learn how to be more open to entrepreneurial thinking, because, again, a 75-year old payer organization no less.
So they were traditionally making very large investments. They do have a strategic investment group. And they had recognized that they, too, needed to be thinking about innovation differently, and they needed to be finding different solutions. And so what’s interesting is that when we first went to Boston and we got our office in Kendall Square, and they said, “We have some furniture that we’d like for you to use. You can save some money. You don’t have to go out and buy furniture for your office.” And we said, “That’s fantastic.” And on a Saturday they brought the union workers in with all this furniture and they set up a sea of 40 cubicles. So their idea was we’re going to bring our culture to you, and we’re going to have the same kind of, you know, spirit in your group. And so we said, “No, this isn’t going to work.” And I actually saw the sea of cubicles and we said, “No, you’ve got to take all this down.” So they brought the union workers back on Sunday; they dismantled everything. We ran to IKEA and we spent the night, before the companies came in, putting together IKEA desks because the whole point of this environment is that it’s open and it’s collaborative and it’s engaging.

So the other funny story about Blue Cross Blue Shield is that they also said, “We have a code of conduct that we’d like all of the entrepreneurs who are going to be dealing with us to sign.” We said, “A code of conduct? Entrepreneurs don’t follow the rules. We can’t put rules on them.” So fast forward a year and a half, and we invested in 19 companies through the fund that they supported. They engaged 10% of their workforce, and what’s amazing is that the CEO actually talks more about that statistic and how great it’s been for their workforce to be engaged, and so this means that individuals from the organization have been mentoring some of these companies. They’ve been part of a focus group to help test some of the solutions. They’ve actually implemented a pilot, so they’ve brought the solution into their department or they’ve worked with the Blue strategic accounts to make introductions, or they’ve attended events. So there’s a lot of different ways that that is measured. But that is what the CEO values the most in his relationship with Healthbox. And as you can see, 90% of those exposed to Healthbox said they understood innovation better. So changing the culture – if a 75-year old organization can do this, then we as healthcare professionals need to lead the charge to also change the environments that we’re in.

So lastly, just in terms of taking small bets, my last example, which is called Smart Scheduling, and they were trying to tackle through an algorithm the high no-show rates within physician offices. So this is a student out of MIT – not all of our businesses are students. Actually the majority of our entrepreneurs are over the age of 35 and have healthcare backgrounds, but I’m giving you a couple of examples of people that didn’t have context in healthcare, but were thinking creatively. So this is a graduate, Chris Moses is a graduate of MIT, and he was at an MIT “Hacking for Medicine” event. And he met a colleague there, who was a physician and whose wife was a physician, and he was talking about – they were trying to come up with a project they were going to solve.

And his colleague said my wife has a problem with the number of people that don’t show up for appointments. And their way of solving it is that they just overbook appointments and they hope that people don’t show up for the same slot, and if they do, then they just try to work it into the schedule and figure out a way to handle it. Well, that often leads to the staff getting very frustrated because they’re overburdened with the load. And patients
obviously aren’t satisfied because they have to wait longer. So they put their heads together and thought it would be interesting if they could develop an algorithm that would allow them to predict whether or not patients are going to show up, and then to be able to slot in additional appointments based on those people that may or may not be coming to their appointment.

And so they partnered with Athena Health in order to get the data that they needed for the pilot that they were implementing. So Stuart Medical Center was their first customer, and they implemented this with – is it 55 physicians – 55 physicians across the practice. And they tested it with different clinical specialties as well as urban and rural practices.

And so what they did was they developed this algorithm that by taking the last two years of data that they got access to from Athena Health and they created a proprietary algorithm that would predict, based on the patterns of these patients prior to them, prior in their experience with the practice, as well as how far did they live from the physician’s office, how old were they, what did they do? They got all this information. And so they successfully implemented this within these practices. And Stuart had been struggling with this for a long time, and they had one of two choices: they could have gone to Athena or one of their other vendors and said, “Solve this problem for me.” But instead they took a risk, and they were an early adopter of Smart Scheduling. And now Smart Scheduling can take this data and go to other practices around the country and continue to iterate on the algorithm and improve on what they’re doing.

So they have created a solution that’s much more nimble, requires less staffing so it’s really easy to implement, and it’s very flexible to the organizational environment that they’re putting this into, and they’ve generated positive results in a very short period of time.

So the three take aways – I hope you’ve written them down, I hope you remember, because they are so important and so vital to continuing to build this pipeline of innovation for the industry. We need entrepreneurs co-creating solutions with us, encouraging us to think differently, and encouraging us to take small bets.

So I think I’m going to leave you with one of my favorite quotes, which is, “The only danger is not to evolve.” Thank you. [Applause].

[End of keynote address].