



## Uber's Largest Lessons for Healthcare

*By Stephen W. Kett, Senior Program Director, The Governance Institute, and President and CEO, Stephen Kett & Associates, LLC*

In recent months, I have been leading groups of health system CEOs, directors, and others in discussions of Uber—the less-than-decade-old ride-hailing service with an astonishing estimated market value of over \$70 billion. These conversations have gotten me thinking about what some of Uber's most important lessons might be for healthcare. While these lessons are not likely (ahem) to be found in the realms of management or leadership, the lessons around consumerism, the sharing economy, and disruptive innovation are likely to be highly relevant to us today and well into the future. Further, reflecting on these lessons as well as the forces driving Uber's business is crucially important for health system leaders today. These lessons are not only here to stay, many are gaining strength and growing in importance to *our* industry every day.

### Three Lessons for Health System Leaders to Consider

Perhaps Uber's most enduring lesson is that once consumers get a taste of a radically improved customer experience, it is impossible to get them to accept anything like what has come before—their expectations reset, literally, instantly. Although Uber is certainly not the first business to teach us this lesson, it has shown—and rather emphatically—that no legislators, regulators, or legacy service providers will be able to “turn back the clock” once consumers have experienced the innovation. Rather, existing players are forced to respond with their own dramatically improved customer experiences or be left behind. Imagine asking the former executives at Blockbuster Entertainment, the myriad competitors of Southwest Airlines, or, most recently, any of the bricks-and-mortar retailers how putting the improved experience “genie” back in the bottle has worked for them.

Beyond this foundational lesson, though, I believe that there are three other larger lessons that are vital for every system CEO and board to be considering now. And given the often lightning speed of disruptive innovation, it would be wise for health system leaders and their directors to think of themselves as already well behind.

The first Uber lesson is how the millennial generation is driving our collective expectations of all service providers. Importantly, and perhaps most alarmingly for healthcare service providers, is the expectation that services will have no “hassle”—that is, no wasting time, no paperwork, no delays, and complete transparency. What has been widely accepted for many years as a “normal” healthcare experience—having to show up well before we know that we will be seen, being asked to complete voluminous, mind-numbing paperwork (and often paperwork we have completed earlier in the same episode of care), waiting for our care to begin even after we have been shown into an exam room, and all with little more transparency than experiencing commercial airline delays—is rapidly being rejected. These are precisely the kind of service characteristics that spell great opportunity to outside innovators.

The second lesson is how the sharing economy revolutionizes supply and demand. Fundamentally, Uber has connected drivers willing to “share” their vehicles with customers looking for transportation. It does this, of course, using a very sophisticated consumer smartphone application supported by an even more sophisticated IT infrastructure. The genius of Uber's idea is that it incents ordinary people to share their cars, SUVs, etc. by offering them approximately 80 percent of every fare. If the drivers are not getting any fares they stop driving, and if there are more customers than drivers at any given time, the fares themselves increase in price—Uber calls this “surge

pricing”—thereby making the 80 percent represent a larger dollar amount for the driver (and for Uber), incenting more drivers to take to the road. Although surge pricing is widely disparaged, the simplicity of the supply and demand economics it creates is elegant.

When we consider the world of healthcare, it is easy to dismiss the notion of a sharing economy out of hand; the notion of patients wanting to share their healthcare services with total strangers seems, on its face, to be absurd. That said, I do find myself wondering: if the pricing of shared services were attractive enough, just as more and more healthcare consumers are bearing a greater share of their own healthcare expenditures, might there be at least a subset of services that a large number of patients might be willing to share? Of course, patients represent only the demand side of healthcare, but what about the supply side? If we consider only the number of very expensive pieces of equipment that are not optimally utilized within health systems themselves, and across health systems within a market, across a day, a month, or a year, I again find myself wondering how a sharing economy disruption might play out. Again, perhaps easy to dismiss, but at the very least, if I were an owner of several of those expensive pieces of equipment, I would certainly want to be thinking through the implications of a radical change here.

The third and last lesson we might learn from Uber is the speed with which new and disruptive innovations can completely transform existing industries. Uber’s evolution from a local black car service in San Francisco to a \$70 billion force in “personal mobility” in less than nine years is but the most recent example. This is the lesson that highlights the dangers of either making incremental changes to our business models in the hopes of staving off the extremely hard work of transforming them, or waiting for others to take the lead and being “fast followers.” In the mid-1980s, American Airlines famously made its first cost-cutting move, in part in response to the growing threat posed by Southwest Airlines: reducing the number of olives on salads served in their first class cabins...by one. Once an industry is actively being disrupted, there simply is no time to *then* consider responses. Consumers, formerly held hostage by legacy business models, are liberated, and the fast followers are overrun by the ensuing stampede.

These lessons are worth reflecting upon by every health system leadership team and its board. Even if the specific next steps for health systems are unclear, the implications of these lessons are potentially so profound that it would be dangerous to ignore them.

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