

The Making of a Healthcare Entrepreneur—HPAM-GP 4838

SPRING, Q2, 2018

7-week course: March 20, 27, Apr. 3, 10, 17, 24, and May 1

When: Tuesday evenings, 4:55 p.m. to 6:35 p.m. [May1st will end at ~7 p.m.]

Location: Silver Center for Arts & Science, 100 Washington Sq East, Classroom 510

Professor: Cathrin Stickney

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Overview

Sobering fact: 90% of startups fail!

Whether you are a founder or working for a founder, you are an innovator and an entrepreneur. *The Making of a Healthcare Entrepreneur* is the course for current and future healthcare innovators interested in learning how to exploit gaps and opportunities in the evolving healthcare industry and launch meaningful, valuable companies as measured by customers and investors. It provides innovators with the essential steps needed to take their idea from concept to reality. By using real cases to demonstrate the various paths taken by others, students will not only understand how to start up a company, but they will gain valuable insights into what it takes to succeed with investors, how to build a customer pipeline, and how to avoid pitfalls that can derail a company.

The healthcare sector is complex. Many entrepreneurs come to their chief idea not by having a full understanding of the sector, but rather by having a specific or personal understanding of, and passion for, the problem they are trying to solve. Moving from a good idea to a real company requires not only an understanding of the issue, but also an understanding of the targeted customer(s), the product, the pricing model, funding mechanisms, board relations, customer acquisition, and much more.

Learning Objectives: At the end of this course, students will understand

- how to become a successful healthcare entrepreneur,
- how to create and launch a successful start-up from concept to exit,
- how investors make decisions to fund early stage companies,
- and how to acquire customers by creating value in the marketplace.

Prerequisite for this course is:

HPAM-GP 1830 or HPAM-GP 1831

Helpful electives to have taken prior to this course include Corporate Finance and/or Social Impact Investing.

Students lacking the prerequisite must have relevant experience in healthcare, finance, or marketing, AND permission of the professor.

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Schedule

PRIOR TO WEEK 1—INTRODUCTION TO ENTREPRENEURSHIP

PREPARE

Students bring to the first class a problem in the healthcare industry that needs a solution enabled by technology or a new approach. Your solution can be new, or it can be an improvement on an existing solution. Be prepared to present your issues and ideas for the new approach or tech solution—e.g., using Software as a Service (SaaS) or Platform as a Service (PaaS) as the engineering foundation. Create a working name for your company and answer these questions:

- a. What is your passion or personal goal for starting a company?
- b. What is the unmet need in the market? Frame the problem.
- c. What is the market advantage your idea will capitalize on?
- d. Who will benefit? Complete the following chart for each idea:
The Business Model—Who Will Benefit?

STUDY

1. **CASE: What Makes Entrepreneurs Entrepreneurial?** Darden Publishing, University of Virginia, 2015
2. **CASE: The Innovative Power of Criticism** Roberto Verganti, HBR, 2016
3. **Innovator Spotlight:** Rushika Fernandopulle, MD, MPP, Founder Iora, HBS, 2011, Galina Gheihman and Marissa Palmor
<https://primarycare.hms.harvard.edu/innovator-spotlight-rushika-fernandopulle-md-mpp/>

Supplemental Reading

- a. Why So Many New Tech Companies Are Getting into Health Care, HBS, 2014, Bob Kocher, MD, Bryan Roberts
<https://hbr.org/2014/12/why-so-many-tech-companies-are-getting-into-health-care>
- b. The Diana Project, Executive Summary, 2014 Babson College
<http://www.babson.edu/Academics/centers/blank-center/global-research/diana/Documents/diana-project-executive-summary-2014.pdf>

WEEK 1

INTRODUCTION TO ENTREPRENEURSHIP: YOU, THE IDEA, AND THE MARKET

- Introductions, Goals and Course Preview
- Case Discussion
 - What makes a great entrepreneur
 - Do you have what it takes?
 - Diversity in the field, or lack thereof
 - Ideation—critique of business ideas [breakout groups]
 - “Think big, stay focused” [John Chisholm]
 - Students share their concepts and business case
 - Customer need: is it real, unsatisfied?
 - Is there a real advantage that can be exploited?
- Introduction to Week 2: Proving the Concept

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PRIOR TO WEEK 2—PROVING THE CONCEPT

PREPARE

Now that you've decided that you have just the right solution for an unmet market need, focus on how you will test and prove the concept. The ability to communicate the concept to others is essential. 1) Write the mission, vision and value proposition for the selected company; 2) determine the business model. 3) Reflect on what, if any, regulation applies to the idea. 4) Find three subject matter experts and test the idea out on them. In class, be prepared to defend and discuss how you will get to your MVP (Minimum Viable Product). Consider partnering with one or more like-minded, passionate co-founders or innovators.

STUDY

1. CASE: Iora Health and the New Primary Care Model

Value-Based Care Profile: Iora Primary Care Grows Quickly on Pure Value-Based Payment
<https://aishealth.com/archive/nvbc0715-09>

2. CASE: Business Model Analysis for Entrepreneurs HBS, 2014, Thomas Eisenmann

3. CASE: Theranos: Exploring the Value of Early Detection of Diseases, MDI, 2015 Sunanda Nayak, Dr Jyotsna Bhatmagar

4. CASE: The Problem with Digital Design, HBR 2012 Tucker Marion, Sebastian Fixson, and Marc H Meyer

Supplemental Reading

- a. Theranos Doomsday Clock: A full timeline of its rise and fall (Updated)
<http://medcitynews.com/2016/02/theranos-doomsday-clock-full-timeline-rise-fall/>
- b. Bill Maris Knew Theranos Was Doomed From the Start
<http://fortune.com/video/2016/07/21/bill-maris-theranos/?iid=lefttrail>
- c. Intro: An Analysis of 5 Business Models, David Skok
<http://www.forentrepreneurs.com/business-models/>

WEEK 2

PROVING THE CONCEPT

- Case Discussion
 - Getting to the MVP (Minimum Viable Product)
 - Developing and engineering the product
 - Testing your idea on the market
 - Gathering proof points
- Getting your “house” in order [breakout groups]
 - Communicating the value proposition
 - Selecting the business model
 - Regulation—the case of Theranos
- Introduction to Week 3: GOING TO MARKET, Part 1: Pricing the Product & the Competitive Assessment.

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PRIOR TO WEEK 3—GOING TO MARKET, PART I: PRICING THE PRODUCT & ASSESSING THE COMPETITION

PREPARE

You've tested your product and now have to decide on how to market and sell it while you continue to refine it. To do that, you need to 1) determine the pricing strategy; be prepared to debate two different pricing approaches. Be prepared to defend and discuss how you would prioritize both. 2) Complete a four-square comparison of your closest competitors in the market where the Y axis represents unique features or technology of the product and the x-axis represents price. Place competing company logos in the appropriate squares.

STUDY

1. CASE: Teladoc, NASDAQ, 2015

<http://www.nasdaq.com/markets/ipos/company/teladoc-inc-816414-78553>

- Teladoc loses \$1.5M Highmark contract, sparks debate on **pricing**, utilization of telemedicine, 2015
- <http://mobihealthnews.com/47345/teladoc-loses-1-5m-highmark-contract-sparks-debate-on-pricing-utilization-of-telemedicine>
- Teladoc: Why the biggest and most successful telemedicine company ultimately will lose, 2015
- <https://digit.hbs.org/submission/teladoc-why-the-biggest-and-most-successful-telemedicine-company-ultimately-will-lose/>

Supplemental Reading

- a. Sharing's Not Just for Start-Ups, HBR, 2014, Rachel Botsman
- b. The Top Ten SaaS Pricing Strategies, <https://www.inturact.com/blog/the-top-10-saas-pricing-strategies>
- c. The Power of Free by David Skok <http://www.forentrepreneurs.com/power-of-free/>

WEEK 3

GOING TO MARKET—PART I: PRICING THE PRODUCT & ASSESSING THE COMPETITION

- Case Discussion
 - Price your product
 - Subscription
 - Freemium—Premium
 - Per User Per Month
 - PMPM/PMPY
 - Debate the pro's and con's; conclude with pricing strategy [breakout groups]
- Competition
 - Competitor or Collaborator or Customer—which is it?
 - Differentiation: Improvements or Unique Features?
 - Are you disrupting or disintermediating?
 - Recognizing your advantages [breakout groups]
- Introduction to Week 4: GOING TO MARKET, Part II: Marketing & Sales; Evaluating and Valuing the Company

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PRIOR TO WEEK 4—GOING TO MARKET, PART II: MARKETING & SALES, EVALUATING & VALUING THE COMPANY

PREPARE

Now its time to see your company through the lens of an investor—a view you will retain as long as you are in business. First, you will need to add to your value proposition a path to a repeatable sales process and recurring revenue. 1) Bring to class a) a customer pipeline using the Pipeline Tool provided by the professor; and b) your repeatable sales process. 2) Wearing a VC hat, students will be asked to pare up to evaluate each other’s company based on a) the value proposition, b) the regulatory “maze” required to bring the product to market, c) the pricing strategy, and d) the competitive landscape. These 4 components should be presented in slide format, no more than 5 slides. [Note: **this mini-deck is your mid-term project** and will, after refinement, be the basis for the final project]

STUDY

1. **ARTICLE: Start-Ups Need a Minimum Viable Brand**, HBR, 2014 Denise Lee Yohn
2. **ARTICLE: The Go-to-Market Approach Startups Need to Adopt**, HBR, 2016, Ron Ashkenas and Patrick Finn
3. **ARTICLE: How Sales Complexity impacts your Startup’s Viability** by David Skok <http://www.forentrepreneurs.com/sales-complexity/>
4. **CASE: How Venture Capitalists Evaluate Potential Venture Opportunities**, HBS, 2004, Michael J. Roberts and Lauren Barley
5. **CASE: Rock Health**, HBS, 2013, Robert F. Higgins and Ian McKown Cornell Digital Health Funding Report <https://rockhealth.com/reports/digital-health-funding-2016-midyear-review/>
6. **CASE: The Overvaluation Trap**, HBR, 2015, Roger L. Martin and Alison Kemper

Supplemental reading

- a. Transcript: Vinod Khosla at Post Seed 2015
Silicon Valley investor talks VC strategies with Semil Shah of Haystack
<http://vator.tv/news/2016-01-06-transcript-vinod-khosla-at-post-seed-2015>
- b. An Emerging Trend in Early-Stage Company Financing? – After Years of Growing Ubiquity of Convertible Notes, a Return to Priced Equity Rounds, 2016, David Sorin, Jared Sorin
<http://www.jdsupra.com/legalnews/an-emerging-trend-in-early-stage-92806/>

WEEK 4

GOING TO MARKET—PART II: MARKETING & SALES, EVALUATING & VALUING THE COMPANY

- Case Discussion
 - Financing your business:
 - Venture Capital & Private Equity
 - Bootstrapping
 - Seed, Series A, B...
 - Angel Investors/Angel List
 - Convertible Notes
 - Incubators, Accelerators
 - Marketing & Sales
 - Establishing your repeatable sales process
 - Frictionless sales so you can “land and expand”
 - Getting to monthly recurring revenue (MRR)
- Introduction to Week 5: SCALING THE COMPANY

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PRIOR TO WEEK 5—SCALING THE COMPANY, PART I: BUILD, BUY or PARTNER, THE PRODUCT ROADMAP

PREPARE

If you are among the 40% of entrepreneurs who make it to a priced investment round, you are on the road, albeit an uphill road, to success. You will need to think about how you use the trust and money invested in your business to grow, and grow rapidly. Not every company can or will become a unicorn, but much can be learned from them—good and bad. For this week, students will 1) create a product roadmap, not at the granular level (which you'll eventually want to do) but showing a quarterly view into how you will take your initial MVP and expand it through capabilities and features; and 2) consider how partnerships or integration with other applications might allow you to grow quicker. Know your core competencies and don't reinvent the wheel.

STUDY

1. **CASE: athenahealth's *More Disruption Please Program***, HBS, 2015, Robert Higgins and Erin Trimble

Supplemental Reading

- a. Is athenahealth CEO Jonathan Bush in a bubble? Fortune, 2014 by Jen Wieczner
<http://fortune.com/2014/12/29/athenahealth-ceo-jonathan-bush-bubble/>
- b. How athenahealth is trying to be the Amazon of health care, Yahoo Finance, 2016, Seana Smith
<http://finance.yahoo.com/news/athenahealth-changing-healthcare-industry-digital-tech-jonathan-bush-electronic-medial-records-204434273.html>
- c. How Unicorns Grow, HBR, 2016, Idea Watch
<https://hbr.org/2016/01/how-unicorns-grow>

WEEK 5

SCALING THE COMPANY, PART I: BUILD, BUY or PARTNER, THE PRODUCT ROADMAP

- Case Discussion
 - Build, Buy or Integrate (e.g., APIs)
 - Potential of the product; the wow factor for customers and investors
- Land and Expand
 - XYZ business growth
 - New customers
 - Upselling existing customers
 - Price adjustments
- Introduction to Week 6: —SCALING THE COMPANY, PART II: KEY PERFORMANCE INDICATORS, TALENT & GOVERNANCE; EXITING

PRIOR TO WEEK 6—SCALING THE COMPANY, PART II: KEY PERFORMANCE INDICATORS, TALENT & GOVERNANCE; EXITING

PREPARE

You can't manage what you don't measure; or, if you didn't measure it, it didn't happen. Either way, measurement is key to your success. Whether you are measuring results of your products effectiveness (proof points) or KPIs (Key Performance Indicators), metrics are important markers of your success—not only for you as the Founder (and CEO) or company innovator, but for your customers and investors. Students will 1) create a set of 4 financial KPI's that are particularly relevant to the very early stage of the start-up and give consideration to an additional 6 KPI's (3 financial and 3 non-financial) that will be relevant as the company grows; and 2) decide what skills you will need for your advisory board and identify candidates you will pursue to join your board; consider how you will compensate them for their time.

STUDY

1. **CASE: How Serial Entrepreneurs Build and Manage a Board of Directors in a Venture-Backed Start Up**, 2008, Michael Roberts, William A. Sahlman, and Sasha Novakovich
2. **CASE: Zenefits: “the board has a duty to (provide) oversight and to minimize risk”**
 - Weak boards hurt unicorns
<http://www.sfchronicle.com/business/article/Weak-boards-hurt-unicorns-6857413.php>
 - Zenefits Was the Perfect Startup. Then It Self-Disrupted
<http://www.bloomberg.com/features/2016-zenefits/>
 - Zenefits Scandal Highlights Perils of Hypergrowth at Start-Ups
http://www.nytimes.com/2016/02/18/technology/zenefits-scandal-highlights-perils-of-hypergrowth-at-start-ups.html?_r=0
 - The New Zenefits – Becoming the Compliance Company
<https://www.zenefits.com/blog/new-zenefits-becoming-compliance-company/>
 - Zenefits Strengthens and Expands Board With Three New Directors
<https://www.zenefits.com/blog/zenefits-strengthens-expands-board-with-three-new-directors/>
3. **CASE: Scaling a Startup: People and Organizational Issues**, HBS, 2014, Thomas Eisenmann and Alison Berkley Wagonfeld

Supplemental Reading:

- a. SaaS Metrics 2.0 – A Guide to Measuring and Improving what Matters by David Skok
<http://www.forentrepreneurs.com/saas-metrics-2/>
- b. 16 Startup Metrics, 2015, by Jeff Jordan, Anu Hariharan, Frank Chen, and Preethi Kasireddy, Andreessen Horowitz
<http://a16z.com/2015/08/21/16-metrics/>
- c. How Unicorns Grow, HBR, 2016, Idea Watch
<https://hbr.org/2016/01/how-unicorns-grow>
- d. Start-Ups That Last, HBR, 2016 Ranjay Gulati and Alicia DeSantola

WEEK 6

SCALING THE COMPANY, PART II: KEY PERFORMANCE INDICATORS, TALENT & GOVERNANCE; EXITING

- Case discussion
 - Execution
 - Lean and mean operations
 - Life style business or Unicorn?
 - IPO or bust? Exit strategies
- Review Shark Week expectations and logistics

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WEEK 7

“SHARK TANK” WEEK

- Student Pitch to Investors

FINAL DELIVERABLE—“SHARK TANK” WEEK

Students may work independently or form teams of 2-3. Entrepreneurs must formulate their concept and prepare an investor pitch deck to present to potential investors during the last week of the term. Innovations may include:

- **Aging in place. How can we use innovation to allow seniors to improve their quality of life and live more independently at home?**
- **Social determinants of health. How can we improve overall health and outcomes by creating innovations that reflect a population’s socio-economic status?**
- **A low-cost, high-quality solution to a personal area of interest in the healthcare sector—either an improvement on an existing product or service, or an entirely new, game-changing idea.**
- **An independent proposal approved by the professor by Week 2.**

Presentations must tell the product story and contain persuasive arguments that compel an investor to invest. Pitches will be 90 seconds plus 2 minutes for Q&A. The final class may be extended by ~30 minutes to accommodate the number of presentations—please plan accordingly. Pitch decks will be handed in for final grade.