

StanfordSOCIAL INNOVATION^{REVIEW}

Sponsored Supplement to *SSIR*

Framing the Issue

By Mark Smith and Barbara Lubash

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Framing the Issue

Innovations for better care at lower cost.

BY MARK SMITH AND BARBARA LUBASH

Health care in America has increasingly priced itself out of the reach of customers. Consumers and employers have long complained about the system's lack of affordability. And the payer of last resort—government—is now facing the same reality.

Indeed, the current debate over how to manage the country's deficit has produced a striking milestone in American politics: Bipartisan agreement essentially exists on the need to dramatically rein in government health spending. The argument is not about *whether* to cut costs, but *how*.

Some see innovation as the principal problem in health care, concluding that the hunger for the latest new technologies and devices, without regard to value, has brought the nation to this point. Although there is no question that high-cost, low-value products and services have been created in the name of innovation, we believe that bold new clinical and business models, often aided by technical breakthroughs, are instead a vital part of the answer.

At the California HealthCare Foundation (CHCF), we have collaborated with academics, philanthropists, investors, and entrepreneurs to support innovations that provide better care at a lower cost. And we have had some successes—such as a low-cost, technology-enabled program that screened more than 53,000 diabetics who otherwise wouldn't have access to eye specialists, and saved the sight of more than 1,400 Californians.

But too often we have seen the paradox of a “successful” pilot that has failed to gain wider traction. Numerous challenges face innovators during the early development of new care models, perhaps the greatest of which is bridging the gap from testing and early adoption to mass adoption. Crossing this chasm requires extraordinary leadership, entrepreneurship, and collaboration among creative talent of all kinds.

Our experiences in the field have led us to create the CHCF Health Innovation Fund. The initial \$10 million fund is dedicated to identifying and investing in both nonprofit and for-profit companies developing technologies and services that have the potential to create a dramatic impact on the cost and accessibility

of care. As we developed the fund, we paid close attention to the creative approaches of other health care foundations in this area. Although most “impact investing” in health care to date has been from foundations working internationally, we see a growing interest among social investors and entrepreneurs in tackling health care costs and inequities *inside* the United States.

This sponsored supplement to the *Stanford Social Innovation Review* explores the challenges of investing for lower-cost devices, services, and technologies in health care. The topic is ripe for inquiry, given the pace of innovation in health care and the significant funds that flow from traditional investors into the sector each year.

The report begins with an article by Stefanos Zenios and Lyn Denand at the Stanford Graduate School of Business that explores the challenge of funding innovations for the health care “safety net,” or those providers

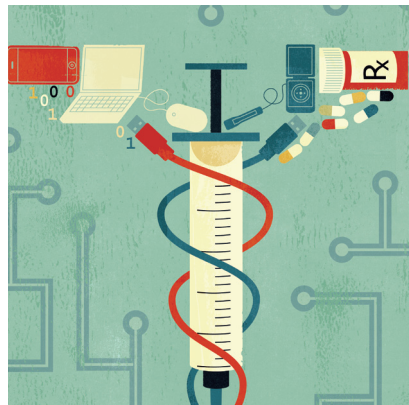
who care for low-income populations. To follow this piece, we invited two investors and an entrepreneur to offer their perspectives on the challenges and opportunities in health care innovation.

In addition to new technologies, new models for service and care delivery also will have to be invented if the United States is to meet a growing need for health care within a shrinking budget. Arnold Milstein, MD, explains what he is hoping to achieve in this area through the work of the Stanford Clinical Excellence Research Center.

Because the government pays for nearly 50 percent of the nation's health care costs, we have included a piece from Carleen Hawn about how Todd Park of the US Department of Health and Human Services is trying to infuse the innovation culture of Silicon Valley into the largest of bureaucracies. And for a perspective on cost-lowering innovation in the developing world, we have Jaspal S. Sandhu's examination of how global initiatives in mobile health might inform care in the United States.

In the final article, John Goldstein, co-founder of Imprint Capital Advisors, and Margaret Laws, director of the Innovations for the Underserved program and the CHCF Health Innovation Fund, describe some of the ways that foundations are using their capital to support emerging market-based approaches to health care innovation.

We hope that this collection captures the creativity and excitement we see coming from innovators, investors, and providers who are joining together to take on the formidable challenge of innovating for high-quality, lower-cost care. ♦



MARK SMITH is president and CEO of the California HealthCare Foundation.

BARBARA LUBASH is managing director of Versant Ventures and a board member of the California HealthCare Foundation.