



The Innovators

Conversations

On the Cutting Edge

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Interview with Mitch Rothschild Chief Executive Officer Vitals



Mitch brings two decades of entrepreneurial experience to his role as co-founder, Chief Perfectionist & CEO of Vitals. Today, Vitals annually helps more than 150 million people make intelligent decisions about choosing the right healthcare provider. Combining deep data, millions of patient ratings, and out-of-pocket cost calculation tools, Vitals allows patients to find the highest-quality, lowest-cost providers.

Prior to Vitals, Mitch founded Raspberry Red Marketing, Awards.com, NetWorks, Tuff Rhino, RUSS CandyBears, and Time Warner Viewer's Edge. He has also been involved in the rapid growth of Popcorn Indiana, Blue Moon Mexican Café, and IT'SUGAR.

Mitch has an MBA with honors from Columbia University, and a BA from Queens College. He can be reached at mitch@vitals.com

Interview conducted by Doug Berger, managing director, Innovate LLC. doug@innovate1st.com

Mitch: Vitals is in the business of helping people buy medical care as easily as they buy almost anything else. Take, for instance, how you buy a car today. We know about dealer trade-in prices, manufacturer's invoices, dealer inventory and product reviews. With the internet, we are able to make information-based decisions.

We are bringing that degree of information into the world of healthcare. The industry calls this 'transparency.' Until now, buying healthcare has been opaque. Most people don't know how good their doctor is. They don't know how other patients review them. They don't know what the doctor costs. They don't even know what questions to ask when they go to their healthcare office. We provide all of that information. We get about 12 million people a month visiting our various websites and we are helping them make intelligent decisions.

Doug: What do you provide that others do not? What is your key differentiator?

Mitch: Vitals operates in the world of big data. In big data, the differentiator is the vast amount of information that is difficult to replicate. Nobody is becoming another Trip Advisor or Yelp. You just cannot have another Google. We have 5 million patient ratings about doctors, which is much more than anybody else. We have a database of information about every doctor, urgent care facility, hospital and other types of healthcare. That amounts to about 6 billion data points from 170,000 sources. No single data set would be too tough to replicate, but all of them together would be very tough to replicate and would take 4-5 years of being in the market. We have the trust and rankings on Google. When you do a search we are going to come up in the

top three results. We have built up relationships with many health plans and hospital systems. We have become the go-to guys in healthcare transparency.

Doug: In the early days of the business when you were just building up the initial data set, what was particularly useful?

Mitch: We hit on a pretty interesting idea based on Adam Smith's Wealth of Nations. If you remember your high school economics, he called it the invisible hand of capitalism. The idea was if everybody goes about their own selfish behavior it will help the capitalist system. If there are four street corners and four people want to put up a gas station, the first two may make money but the other two are going to figure out that they cannot make money. They will not do it and the system will ultimately self-correct.

We hit on that same idea in healthcare. Almost every doctor, dentist, and hospital has their own website. Nobody ever goes to those sites and nobody ever pays attention to them, but still most businesses today need a website as the price of doing business. So we created scripts to organize this wildly unstructured data. We paid people in Eastern Europe to map all of the information on these different sites, and to collect, structure, and standardize the data. We created these transformation and load tools that allowed us to pick up new data every time a dentist upgraded their site.

Google looks for original content. We had it and we had it pretty deeply. That elevated us in Google search. The traffic came. We added ratings. The ratings came. Ratings beget more ratings and it started to snowball.

Doug: You refer to the term 'founders mythology' as the back story for a start-up.

Mitch: When you have a young small company, people like to feel that they work for a purpose, and that the things that get people through the day are greater than just the work to be done. We are about 160 people, so we are young but not super young, and we have been around for six years. We happen to be a mission driven company since we are really helping people find better healthcare. I say all the time that we get half a million people a day on our website. If one-tenth of 1 percent get a better doctor or save some money that's 500 people we've helped in a day. That is enough to get everybody juiced to come in to work the next day.

I happened to have torn my Achilles tendon playing basketball and I went to the orthopedist for an operation. Making small talk when I was literally on the gurney being wheeled into the operating room, the surgeon says, "Ah, I'm glad you're here. I don't do that many Achilles repairs and so I'm excited to be working on you." Then poof, in comes the anesthesiologist and I was out. But afterwards, when I came to I thought, "That was probably information I should have known before I was lying on the table in the operating room."

It is astounding to me that we know more about the restaurant we go to than the doctor we go to. Somebody once said to me many years ago, "If you were 18 years old and you were given a car and somebody said, 'This is the only car you're going to get in your life,' you would say, 'I'm going to make sure I get that oil change. I'm going to get it repaired. I'm going to take care of it.'" Effectively, that's your body.

Doug: Given your particular place in the whole healthcare system today, let's talk about what you see as some of the emerging trends that are big opportunity arenas.

Mitch: Healthcare is a wonderful business to be in. It is by far the largest industry in the United States. It is undergoing rapid, gut-wrenching change which is good for

entrepreneurs. You have big lumbering entities that have difficulty innovating. There is just so much opportunity there.

The area that we focus on, which is an incredible opportunity, is in the consumerization of healthcare. In the healthcare ecosystem hierarchy of importance, number one is the payer who paid for healthcare and is typically a large self-insured employer or a health plan. They are by far number one because they are writing the checks. Number two is the provider network, the doctors and the hospitals. Then number three at the bottom of the hierarchy is the plan member. The member doesn't pick their own health insurance. They often don't pick their surgeon. That is picked for them. Essentially, consumers have been the chess pawns being pushed through the system.

Now with high deductible plans, people are buying their own insurance and there is a proliferation of choice. Here is a statistic for you: in 2011, six percent of insured Americans bought their own insurance. By the spring of 2015, after open enrollment closes, 23 percent of this country will have bought their own insurance. That's a quadrupling of the number of people buying their own insurance. It is rather crazy if you are going out of pocket to not know the price of care. I am sure we've all lived with the anxiety of opening a bill from a doctor or hospital having no idea before you open that envelope if that bill's going to be \$20 or \$800.

There is great opportunity with consumers wanting to know and consumers changing behavior. Look at the growth of urgent care centers. They have grown from 1,000 to 9,000 because they are a more efficient model than the emergency room.

A second big trend is big data coming to healthcare. If you went to a doctor ten years ago and ten people presented with a sore throat, there would be ten different ways to treat that illness. Now with evidence-based medicine, there are protocols that are helping to make for smarter, standardized care. Doctors are beginning to turn into dispensers more than they are deciders. Evidence based medicine creates a standard way to deal with medical issues based on outcome data. Companies that help collect, crunch and analyze outcome data are going to be big. Providers just don't have the time, or the expertise, to deal with data, analytics AND patients.

Doug: You are a serial entrepreneur and this is business number eight or nine for you. How many have been successful?

Mitch: In varying measures of success I would say I have probably two home runs, four doubles. Maybe one triple.

Doug: Moving to your folk wisdom, what are lessons learned from real experience?

Mitch: I would start out with three premises that have to be true. Number one, you have got to be in a rising market. A rising tide lifts all boats and you just have to know that there is a market where good things are happening. It is not enough to have a good idea if there is not a rising market. A lot of people make that mistake.

The second thing is that you need to have a very high gross margin. We are all going to make a lot of mistakes when we get started and if you're operating on 20 or 30 point margins, your margin for error is pretty thin. In Vitals we sell electrons. So we have 96 point margins. We can hire badly. We can underprice. We can overspend on product. But with 96 point margins you have a lot of leeway. People do not always look at what their gross margin is.

I would say the main thing that kills businesses is being undercapitalized. I can't tell you how many businesses are saying, "I am right on the cusp. I just need more money but I can't get more money."

Almost never is the business that you are in four years later, the business you thought you were going to be in when you started. So you have to be alert and aware to what market feedback you are getting. I was just talking with somebody last night who started a 'wisdom of crowds' news business and ended up turning it into a very successful fantasy sports betting company. He did not expect that at the beginning, but he realized that people were not buying the news. You have to be able to pivot and to smell when change is happening.

There are some people who can just right away figure out somebody else's personality. There are some people who can just look at a Rubik's Cube and figure it out. This kind of business is some variation of a Rubik's Cube and you just have to know when you've got to switch and pivot. Given two people starting the exact same business at the exact same time with the exact same amount of capital, the ability to succeed is just going to come down to the ability of one to pivot and adapt.

Doug: With that in mind, where have some of Vitals' key pivots been?

Mitch: We started out thinking that having great data was going to be the business value and we were going to be in the data leasing business. There are a number of big companies in the healthcare field like IMS, which are in the data leasing business. Once we wrapped the data in a website and we started getting Web traffic, we said, "Wait a minute, maybe there's a Web business here." Then the website just took off.

We were pretty successful in the web business getting a lot of advertising revenue. Then Lipitor lost its patent. That cost Pfizer something like a billion dollars of profits. The whole digital advertising market for healthcare went into a tailspin. We said, "This doesn't look like a business we want to be in for years and years because everything's going to go off patent."

So we got into the transparency space. We started selling more to health plans than we did to pharmaceutical companies. That was a great pivot because transparency got really hot and we got four times as many bookings this year as last year. You have to smell when change happens. And you have to personally be totally comfortable with change.

Doug: What have been some of your personal practices to sense the changes?

Mitch: I would say that certain families and organizations are either comfortable with change or they are not. We all know families that go on the same trip every year and the same vacation to the same place. I think some of it is constitutional, but you can create an organization where change is the norm instead of the exception. For example, any time there is a news article of a company doing something interesting or something relevant someone at Vitals is going to put out an email saying, "Hey, did you see this?" People react to it.

We still do this thing in the organization where we tell people, "Just drive home a different way today than you did every other day." Just a good way to keep change rooted in the organization.

Somebody once came to interview for me. He seemed like a really good candidate for the job. He had a moustache. A moustache is not your typical facial hair fashion these days. This guy was maybe in his 40s. So I asked him, "How long have you had that moustache?" He said, "Since college." I thought, "Wow, since the Tony

Orlando and Dawn days." Things go in and out of style, and if you have stayed with one particular trend for that long you're probably not all that big on change. So we didn't hire him. A lot of hiring is based on listening to somebody's personal history. If you are a company that values change, you want to hire people who embrace change.

Doug: Given your background and track record, there are other practices that come naturally to you regarding how you operate yourself and how you operate the company.

Mitch: There's an old expression, "You can either work heads down or heads up. You can't do both." Many business heads are operating heads down. However, that does not allow you to see the horizon, to see the opportunity from a new customer, the change coming that is going to destroy you. Entrepreneurs need to operate in a heads up mode.

Successful entrepreneurs are decisive with imperfect information. Rarely do you get perfect enough information for decisions. You cannot be paralyzed by analysis. You cannot procrastinate. You have to decide and act.

Who are the people you want to hire? What can they do? How are they going to contribute to the organization? Are they going to be able to grow with you? Do they have the traits that you need to succeed beyond their functional expertise? Early hires set the culture so you have to have a good people sense. I mean, if you've got your first four people leaving at 5:00 pm every day, the next 20 will follow suit.

When I look at the hires that did not work out, rarely is it a skill gap. It is usually a culture gap from the way that individual is wired to work versus the way the company works. Decisiveness. Non-political openness. Integrity. Willingness to admit you're wrong. Courtesy for your neighbor. Passion. It is making your job description go beyond how you think about it. It is doing whatever it takes. Just checking those off, you are probably down to 3 percent of the population.

Doug: Most of our readers are people in big companies who wrestle with, "How do I make my organization more entrepreneurial, more innovative?"

Mitch: Most large companies put a high premium on predictability of revenues, earnings, forecasts. When you have an established, mature business model this is very easy to do. I would argue that is exactly the wrong way to think for a start-up. You have to foster an entrepreneurial mindset where mistakes are praised as long as they are small mistakes where everybody learns; where people are actually contradicting the boss; where you've got a flat organization as opposed to a hierarchical one. Instead of managing people to a narrow set of measurements, you make sure that the vector points in the right direction. "Are we on the right path?"

I view my title as Chief Destruction Officer. I think my job is to destroy our current business on the basic theory that if I don't destroy it somebody else will and I might as well be the guy who has destroyed our own business and created a new one. I can't say that my team loves that trait about me; it is disruptive by its nature and it probably would be a horrible trait and get me fired in a big company that makes a lot of money on something they do well.

Doug: So something senior corporate managers actually could do is to look for an area of their business that would benefit from being disrupted or destroyed.

Mitch: Yes and it is very tricky because there is a revenue stream associated with it. A lot of innovation has to do with the DNA of people. Hire those innovative folks. Back

them up. Let them innovate. Have meetings where you celebrate not just the metrics of results but new ideas. If you create these pods and protect them, give them semi-modest goals at the beginning and adequate time and budget, you will be able to do it. I think like anything else you have to look in the mirror and know who you are and who you are not. If you are an organization where reliable output is your job, then change is not what you are paid to do.

However, if your business is in distress then change is what you need to undertake. It is smarter to ask for forgiveness than for permission. Just go do something and I think that the outcomes are almost always better by boldness than they are by caution.

