



Second Chances and how I got “back here”....By David Newton

I graduated undergrad from an extremely small liberal arts school in Southern California called Pitzer College with a degree in Sociology and Third World Politics. I was an idealist with a desire to make a difference in a world I felt was plagued by greed, fear and capitalism. After a year of working for a non profit in Los Angeles making no money and not getting very far in trying to change the world from the outside, I got scared, I pivoted and shortly thereafter I took a job in the direct response business selling and buying commercial print. This move was the farthest thing from changing the world but I needed income and I made the choice at the time to sacrifice my ideals for what felt like a reality I could not change.

I went back to the EMBA program at Kellogg at 44 years old, recently remarried and with two kids and another on the way, mostly because my 25 year career selling and buying commercial print was nowhere near what it once was, and I badly wanted to find a new professional path. I was hopeful to find something not only challenging and fun but also something true to my “Pitzer” roots. Admittedly, it all felt like a dream but I was willing to chase it nonetheless. Little did I know I would get exactly what I had hoped for three years later! Today, one year post graduation, I am two months in to what is currently a self funded start up working with my wife in running an outpatient treatment center for people who suffer from substance use disorder, eating disorders, mood disorders and related trauma. Not only are we offering something unique from a clinical perspective but the alternative business model is a combination of what I have learned in 25 years of industry coupled with tools to apply this all learned straight out of a healthcare class I took at Kellogg. Further and probably best of all, being a part of helping people who suffer from these deadly and costly diseases is something that actually means something to me. I grew up in a family full of addiction, my family has been broken apart twice by addiction, I had an eating disorder myself as a teenager, my wife has had similar experiences and has been treating people with these diseases for over a decade and therefore we both know how broken and in dire need of a new model the current care system is.

Arbitraging print requires a lot of strategy, marketing and selling and buying. It requires very little finance, operations, statistics or compliance. Running a self funded healthcare company that we hope to optimize and then scale across the country, I have learned very quickly, requires a lot of strategy, a lot of marketing, an understanding of the venture capital and private equity world, a lot of very complex operations on all sorts of levels, a lot of finance and an insane amount of compliance! There is no chance I would have the confidence nor the ability to do what we are doing at SunCloud had I not had the classes and the experience I had at Kellogg. Zero chance!

Things really came together for me in my second year at Kellogg during electives, and it was in part pure luck that got me where I needed to go as I really began this journey. I had planned to take the new tech

ventures class in India but at the last minute I got ill and couldn't make the trip. Thus, I had a semester essentially with no courses and I felt this was a massive waste given the classes available and the fact that I knew school and therefore my ability to take advantage of these amazing classes was quickly coming to an end.... I tried to get myself in to a statistics course but wasn't successful. I saw a healthcare course offered by a professor I had never heard of called "US Healthcare Strategy". My wife is an MD who specializes in treating addictions, and she and I had informally talked on and off over the years about starting our own medical business. Taking this class, I thought, might help and if nothing else I could learn about her profession. So at the last minute I jumped in to the class with the support of the EMBA program and although it was "just" a "strategy course", I very quickly learned that I knew almost nothing about the business of healthcare. Admittedly I struggled even with basic concepts such as "self insured" and "product hopping", and in the early days I wasn't sure I would stay in the class. Most of the students were MD's or in the insurance industry. I was a print broker... However, things turned quickly once Professor Dafny shared with the class how, maybe ten years ago, she and a courageous group of professors from Northwestern publicly questioned the benefits of a hospital merger that involved Northwestern despite the fact that she was working at Northwestern. I knew right then and there that this was a class for me if for no other reason than I felt relieved and totally comfortable learning from someone who is actually doing something to change the world for the better, and not afraid as she does it. As a sociologist turned print broker who spent many hours in business school staring at the clock wishing I was learning about how to solve the world hunger crisis, this class suddenly felt right very quickly and from that moment on I was fully engaged.

By the end of the course I had learned just how out of control the US the healthcare industry is, and what really bright and inspiring people such as Professor Dafny are doing to try and change the system. I was so inspired that I did something not too many EMBA students do; I asked professor Dafny if she would support me in doing an independent study with her exploring a topic my wife and I had been discussing at home which was covered briefly in professor Dafny's class. The topic I wished to explore was an alternative and sustainable reimbursement model in mental health. The current model of fee for service, which rewards providers for volume, inherently creates a system where patients receive sub optimal care at a cost much higher than it needs to be. Fee for service does not align the interests of payers and providers but rather creates an adversarial relationship which ultimately hurts patients. Fee for service leads to massive amounts of waste caused by fragmentation and lack of coordination and integration of care. In a world where providers are rewarded based on volume and not on value, it made perfect sense to me as to how and why this would and does lead to massive amounts of waste and sub optimal care. In my career as a print broker, I would never get paid for a job if I didn't perform according to expectations. I always had to provide at least an estimate to my clients before I was given approval to do the work and I was always held accountable in some way or another for the quality of work as measured by specific outcomes that were standardized throughout the industry and made clear to me and my customer before I would do anything. This was standard and customary trade as far as I always knew, and yet it was not being applied in many areas of healthcare.

In mental health fee for service really shows its ugly head in the massive amount of time spent and wasted in what is called "doc to doc" medical necessity utilization review calls between provider and payer. Unfortunately many don't consider mental health as "medical". Thus, there is constant tension between whether or not and how much treatment is necessary. Basically these are calls where the provider argues more time is needed to treat the patient and the payer of course argues less time is

needed. Without standardized and transparent outcome measurements and with incentives not aligned, ultimately these calls result in a waste of time for the provider and payer and more importantly sub optimal care for the patients. My research paper sought to find a solution to this.

In my research I came to understand that there is actually a movement in healthcare away from volume based reimbursement and toward value based reimbursement where value is a function of outcomes per dollar spent. Large hospital systems such as Cleveland Clinic, Mayo and MD Anderson are all doing this with both acute and chronic diseases and illnesses and the government is requiring more and more of its providers to adjust to this new reimbursement model. Given my experience in business this all made perfect sense to me and yet nobody in mental health is really doing it. My research focused on why this isn't happening and in fact I learned there are some nuances to mental health that make this adjustment arguably more complicated and difficult than say a knee replacement. There are also economic reasons why this isn't happening; namely, in an industry that is unfortunately growing, incumbents are making a lot of money in the current model and they are naturally afraid of change. That said, I finished the research paper confident that a change in this regard is desperately needed in mental health and I was beginning to formulate an interest in entering the business with a badly needed disruptive model. Accordingly, post-graduation I felt compelled to continue my growing passion in this regard and hopefully find a way to implement some of what I had learned in some form or another.

When doing a research paper under the direction of a professor such as Leemore Dafny as a Kellogg Northwestern student, it's truly amazing how easy it is to connect with people of influence. I recall one day reading about an innovative reimbursement model being piloted by a major insurance company in behavioral health. As I was walking in to Kellogg one Friday at noon I sent an email to an executive Vice President at this insurance company (from my Kellogg email address, of course!), telling her who I was, what I was working on and asking if she would be available to talk. By the time I got upstairs, settled and in to one of the group study rooms this woman's assistant had already responded to me! It was less than one hour and this woman ended up helping significantly as I wrote the paper and explored the topic! The best part is she is now being extra supportive of what we are trying to do at SunCloud Health.

Professor Dafny introduced me to several people while writing this paper to include a few extremely bright and inspiring leaders who work directly with Professor Michael Porter at Harvard Business School. Professor Porter is a leader in the field of applying a value based approach to healthcare. Through this network in Boston I applied for and attended a select class at HBS in January of 2016 on the value based approach to healthcare taught directly by Michael Porter and team. The class was transformative in its message that there is hope for the so very badly broken healthcare system in the US, and I walked out even more committed to being a part of this revolutionary and badly needed reform in healthcare, particularly in mental health.

This all lead ultimately to Kim and I finally having the confidence in our vision, our network and ultimately our model to open SunCloud Health. We opened in May of 2016 and although it's too early to say whether or not we will "make it", I am pretty sure we will! At SunCloud Health we focus on treating these deadly diseases using an integrated and holistic model where we seek to improve and be measured by the value we create for our clients as opposed to the volume of services we provide. We create our integrated care teams around our patient's conditions and we are passionate about improving outcomes while at the same time reducing cost. It makes sense, it's the right thing to do, its disruptive, nobody else is really doing it, its' straight out of Professor Dafny's and Porter's book and it's

extremely challenging. We do not claim to have the details worked out in full but the needle is definitely moving and already see some very large incumbents paying close attention and watching what we are doing. We love that most don't think that our goals are attainable. We love this because we are confident they are. Meantime and as we seek to prove our concept, we are already providing some of the best and most integrated care in the industry, we are measuring outcomes and we are seeking to be held accountable for our portion of the results we claim we can help our clients achieve.

Had I not gone back to school none of this would have happened. I am incredibly grateful first to my wife for all her love and support in helping me find my way "back here", to my study group at Kellogg for helping me get through the first 1.5 years of the program and then to Professor Dafny for helping me see the opportunity in front of me to not only have a chance to achieve my goal of getting a second chance at a new career but even more importantly helping me find a way that I believe I can make a meaningful difference. This has always been important to me and today I finally get to do it every day. I am incredibly grateful for this second chance, and more importantly our patients will be grateful in the end because we will be providing better quality care at a lower cost for them, their families and their payers.