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Advice as of the 2009 HBS case

Plaz

Dan Palestrant, M. D.

CEO and Founder

Sermo, Inc.

Dear Mr. Palestrant,

The case study conducted by the Harvard Business School stated your intention to enter the consumer market with a “fee-for-service” scheduling application. However, I have significant concerns about the applicability of this new business model to your existing business model. In short, how does your current experience elevate you about other players in this new market? While your push to move into core “need + vocational” services is smart, the proposed product appears to operate completely separate from your existing social community and analytics businesses.

Getting into the health IT industry is a good idea. The US Government is offering $17.2 billion in incentives to help encourage “meaningful use” of information technology as part of the American Recovery and Reinvestment Act. The market is growing rapidly as companies are rushing to take advantage of the money. However, Nancy Fabozzi, a senior industry analyst at Frost & Sullivan thinks that health IT will have a growth future, solely because the future is not “fee-for-service.”[[1]](#footnote-1)

*“Everybody thinks that fee-for-service is doomed and we have to have a new system of reimbursing physicians for the quality of care instead of the quantity of care because costs are exploding.”*

In addition, medical providers will be looking for a comprehensive system that meets the Government’s “meaningful use” rules. Such a system would be very costly to develop, and Sermo has not demonstrated how its current strengths will translate in this new market. Perhaps Semo can integrate its information inside a third party’s comprehensive health IT system though a licensing agreement.

Although the market for Health IT is growing rapidly, Sermo should only enter the market if it is able to utilize its existing strengths, namely its vast store of community contributed information.

–Michael Plasmeier

1. <http://www.informationweek.com/news/healthcare/EMR/showArticle.jhtml?articleID=227200057> retrieved 9/12/2010 [↑](#footnote-ref-1)