Castlight Health Case Study Analysis

Castlight Health is a web-based platform that provides consumers with price and quality comparisons of tests, procedures, and other services provided by various healthcare providers. Castlight followed the **Business-to-Business** model:

- **Revenue streams:** Castlight's major revenue stream is from the subscription fees and PMPM charges they received from their customers - mainly self-insured employers. Also, from professional services which included implementation and communication of the products to the customer's employees.
- **Costs:** Operating expenses are the major costs to Castlight. Sales and marketing (own sales force) being the highest, also included research and development, and general and administrative costs. They also incurred costs from subscription (agreements for data sharing, cloud usage) and professional services.
- **Key Activities:** Reference-based pricing model – a reference price was set for certain services. Castlight Pharmacy – provided pricing comparison of the drugs across various pharmacies and encouraged consumers to opt for lower-priced medications as alternatives. Castlight Rewards – Incentives were provided to the employees to direct them to high-value care providers.
- **Value Proposition:** Fully integrated comparison tool and personalized information about providers and prices to consumers.
- **Customers:** Included large, self-insured employers and medium-sized employers who were breaking even.
- **Key stakeholders:** Included Providers, Insurers, Employers, and Consumers.
- **Channels:** Large self-insured employers.

Reference-based pricing initiative: A reference price was set for medical services. When a consumer chooses a service below this cap price, the insurer would cover the cost, but if it was over the cap price, then the consumer would pay the amount above the cap price. This encouraged the consumers to go for providers below the reference price, decreasing the overall healthcare expenditure.

- **Castlight**: Already had a working platform and analytics tool, so venturing into a new model was a good move and could be a potential revenue stream. Helped in attracting more breaking-even employers. But they also need data which is expensive.
- **Employers**: Benefitted from this model as they were saving costs.
- **Consumers**: Might frustrate as the services are now restricted and are forced to choose services below cap price. Also, some consumers viewed lower-priced services to be of lower quality. It would be difficult to change the perception.
- **Insurers**: Saved costs but the relationship between the insurer and provider could now be at a risk.
- **Providers**: These are losing out on the extra money that they could have made without this model. Also, now there is increased competition among the providers for quality and price due to transparency tools. Lower-cost community hospitals are now at an advantage as they could be viewed on par with bigger hospitals.

Main Customers: Currently, self-insured employers are the major customers. Insurers and providers are potential customers because they greatly need transparency tools as well. Castlight could target the providers and come up with exchange agreements with them. For example, providers could share their claims data with Castlight and in return Castlight could provide them with a price transparency tool, helping them be ahead of the competition. Another target could be employers who have a tie-up with other insurers. This segment could be converted to self-insured. Hence, increasing the customers for Castlight.

Competitors: Insurers became the new competitors as they were building their price and quality comparison tools and giving them to their customers for free. This could break Castlight's business model as they were providing these services for a subscription fee. There were other direct competitors like Stroll Health and web-based companies like Sprig Health which directly posted the provider's appointments for discounted prices, eliminating the need for price comparison. Castlight cannot stop insurers from developing their tools, what they can do is provide more value to their products than they already have.

Key Data Issues: Castlight doesn't own the healthcare data and must rely on the data provided by insurers through agreements made. If insurers deny providing the required data, then Castlight's business model falls apart. Also, these data agreements are expensive to Castlight. Exclusivity was limiting the amount of data that Castlight can gain. For example, couldn't partner with the biggest insurer-UnitedHealth. This would mean that there is a threshold to which Castlight can gain more data and is a risk in the future.

- **Approaches to deal with data issues**: Castlight could partner up with self-insured employers to obtain the data from them. As a major company like Walmart was a self-insured employer and Castlight could benefit from its huge employee claims data. Employers could be incentivized for this. Also, many states started coming up with rules for hospitals to make their Chargemaster public and 'all-payer claims database'. By leveraging these segments, Castlight could survive without the insurer's data.

Transforming Healthcare? – Although Castlight was the first one to disrupt the healthcare industry by bringing in the transparency of pricing and helping the key stakeholders know the money involved in healthcare, it would not be the one fulfilling this dream in the long run because of the increased competition and its whole data reliant business model.