

# Preventive Care Fitness Application

Kaiser Permanente

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# Background

## Why Are We Here?

- Low levels of physical activity are associated with an estimated \$117 billion annually in health care costs
  - Heart Disease
  - Type 2 Diabetes
  - Cancer
  - Obesity
- 3 in 4 Americans do not get enough physical activity



**The positive economics of saving lives through fitness**

# Business Case

# Initial Focus

## Where are we starting?

- Not only can we save lives, but we can save significant costs through making preventative care easy with an application
  - 5% of Americans represent half of all health care costs
  - 30 million Americans have Type 2 Diabetes (10% of Americans)
  - 70 million Americans are Obese (20% of Americans)
  - 121 million Americans have dealt with heart disease (35% of Americans)
- Currently have 12.2 million customers with operating costs of \$81.8B
  - Conservative estimate 2 million of our customers fall into one of these categories

# Opportunity

## What's the problem?

- Can grow operating income by ~25% just on cost saving by encouraging fitness
  - 2 mio x \$350 per customer preventive cost = ~\$700 mio costs in best case
- Current market value of North America fitness application market is \$17B with a CAGR growth rate of 31% for the next 7 years
- TAM: 209 million adults in America x \$350 per customer = \$73B in preventive costs
  - 197 million adults in America (not our customers) x \$220 operating income per customer = \$43.3B in potential revenue from new customers

# Proposal

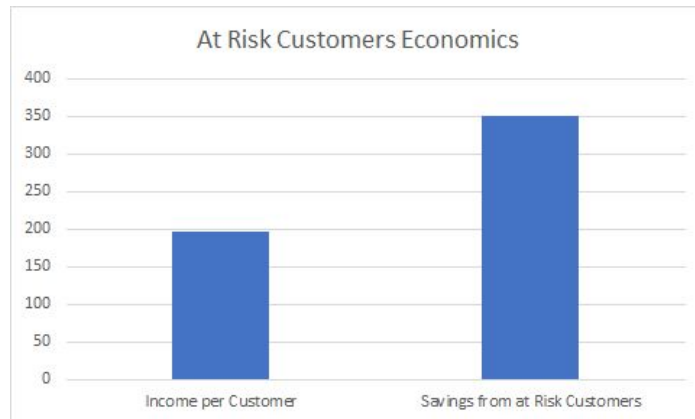
## What's Our Solution?

- Basic fitness application for free for all of our customers
  - Calorie tracking with database of common foods and calories burned for exercise
  - Reward system for meeting goals

# Return On Investment

## What can we do?

- Conservative Case: \$75 mio in savings vs. \$35 mio total cost = 214%
  - Assuming 25% of our customers use it
    - 50% of estimated savings ~\$175 per customer
    - \$10 mio total fixed cost
    - \$50 per customer in rewards = \$25 mio for all customers who successfully complete plan
  - Not considering additional revenues from more customers



# Measurement

How will we know if we're successful?

- Usage rate of current customers ~15% of existing customers in first year
- Additional customer gain rate ~5 to 10% increase from historical growth



# Competitors

# MyFitnessPal

E.G. UnderArmour

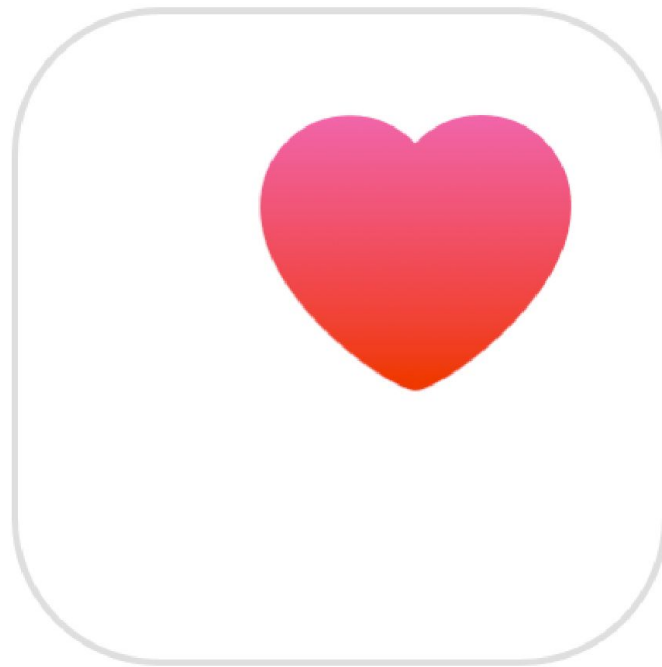
- Very easy to use and large database of foods and exercises
- Free to use, optional features on subscription
- Aligned with UnderArmour, often gives deals for shopping
- \$120 mio in revenue in 2018



# Health

E.G. Apple

- Pre-downloaded on all iPhones
- Acts as a step meter as most people carry their phone everywhere
- Easy to see exercise trends based on step count
- Can add personal information easily and can link to other accounts



# Our Advantages

Why are we better?

- Aligned with an actual health service provider!
  - Expertise and trust in our recommendations
- Reward system
- Immediate results seen in customer health

# Roadmap and Vision

# Roadmap Pillars

Where do we go from here?

- Build an easy to use fitness application that reduces our costs while keeping our customers healthy and attracting new customers
  - Easy to use
  - Reward System

# Easy to use

Customer experience is everything

- Big database of easy to log foods and exercises
- Allow for customer additions and feedback in real time

# Reward System

Provide small rewards to incentivize keeping it up

- Provide gift cards for fitness related vendors (ex. clothing) for meeting certain goals
- Provide baseline goals that are easy to track (ex. Exercise three times a week for 30 minutes)



# Where do we go from here?

## Widening the scope

- Can consider adding premium features such as personal consulting
- Look into partnerships with other companies
- Grow fitness tracking aspect (ex. GPS based run tracker, heart rate monitor, etc.)