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Health Care's 'Dirty Little Secret'

By ROBERT LOERZEL

This software company can help hospitals figure out the true cost of treatments

As Dan Michelson sees it, few hospital executives know how much medical procedures actually cost. "The dirty little secret in health care is that everybody's flying blind," says Michelson, CEO of Strata Decision Technology.

He has a tool that is giving more and more of them clearer vision—a cloud-based software platform called StrataJazz®, which helps hospitals and health care systems keep track of how much everything costs—and which treatments are effective.

"You can think of us almost as like a TurboTax or a Quicken for the CFO of a hospital," Michelson says. But more than that, "we provide them with a set of algorithms that help them understand where their inefficiency is." As he explains: "People are using the system to say, 'Here's a procedure.



Strata Decision Technology CEO Dan Michelson

Photo by Kendall Karmanian

And here's the variation between all of the physicians providing that procedure. Let's talk about closing that gap between one physician providing a procedure which gets the same outcome for \$10,000 as someone else does for \$5,000."

Customers generally sign five-year contracts for access to the software, with fees varying by their size.

Yale New Haven Health System in Connecticut used Strata's data to prevent blood clots after joint replacements, when the algorithms suggested giving patients an antibiotic treatment before surgery. "We've shown a 55 percent reduction in those cases over the last two years, and

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it's reduced cost by about 18 percent," says Stephen Allegretto, the system's vice president of strategic analytics and financial planning. "By having the Strata systems, we can measure quality and cost variation at the patient level."

Michelson, 49, was an executive at Allscripts Healthcare Solutions before joining East Loop-based Strata in 2012 as CEO. Looking back on his childhood in the north suburbs, he recalls that he was an "insecure" and "reclusive" kid who was "a little dyslexic" and didn't seem like a future

CEO. But he says he gained more confidence when he began running marathons and taking MBA classes at night at DePaul University. He got his degree in 1993, after earning a bachelor's in business at Indiana University in 1990.

Founded in 1996, Strata was acquired in 2011 for \$30 million by private-equity investors and in 2015 for \$140 million by Roper Technologies, a tech conglomerate in suburban Sarasota, Fla., which lets Strata run independently. During Michelson's tenure, Strata has quadrupled its headcount to 250, and annual revenue now tops \$50 million. Competing with software providers such as Oracle and McKesson, the company says it serves about 20 percent of the country's 5,500 hospitals. In the Chicago area, hospital networks Northwestern Medicine and Advocate Health Care are customers.

"Their model appears to be very consistent with what the market needs right now," says John Abendshien, president of Integrated Clinical Solutions, a health care strategy firm in Chicago. "They're looking at costs over the full cycle of care. We need to get our arms around that whole equation."