

PACK HEALTH'S STRATEGIC CROSSROADS: A BIG DILEMMA FOR A SMALL ENTERPRISE

**MENGYING HE
MAHSHID JESSRI
ANDRE S. AVRAMCHUK**

California State University, Los Angeles

Mazi Rasulnia, the CEO and founder of Pack Health, received a call from one of the largest U.S. retailers: *“Could you help us deliver food to our members in the community, because they have experienced food insecurity due to the COVID-19?”* The call came just two months after the COVID-19 pandemic hit the U.S., right at the time of Pack Health’s hiring freeze when its corporate clients were reevaluating their own strategies and healthcare models.

Food insecurity was the disruption of food intake or eating patterns due to a lack of resources (mostly financial). As of May 2020, The National Institute for Health Care Management (NIHCM) reported a 98% demand increase at food banks due to the COVID-19 pandemic, with 59% of food banks reporting reduced inventory and 37% showing immediate critical shortfalls (NIHCM Foundation 2020; The Pack Health Team 2020).

The retail giant offered Pack Health a multi-million-dollar contract to assist that retailer’s healthcare partner – one of the biggest insurance companies in the nation – to order food for struggling customers. It seemed like a *“no-brainer”* opportunity - *at first*. Was it?

On one hand, it was a “bird in the hand” contract and a rare chance for Pack Health to work with two well-known corporations, branch out, and expand its business. On the other hand, Pack Health had no experience in the food insecurity area, so entering a completely new domain was a big risk. Mazi recalled:

“We went through three scenarios: worst-case, likely-case, best-case... We started getting into the best-case scenario, but we had to act as if we were gonna be in the worst-case scenario.”

Flush with recent cash infusions, and uncertain about the future of its contracts and employees, Pack Health urgently needed to assess its environment and priorities in order to decide how to move forward.

At the Crossroads

Pack Health was a Birmingham, Alabama-based 2013 start-up set up to improve the lives of people with chronic health conditions via one-on-one behavioral coaching. It contracted with healthcare organizations to service their patients’ nonclinical needs that were not met or discovered during the regular course of business. In the healthcare environment where human contact and comprehensive care coordination were at a premium, Pack Health relied on personalized and patient-centered customer support with compassion to increase patient satisfaction.

Despite a noble mission and a seemingly unsaturated market, Pack Health – a still very young enterprise – found itself a couple of paychecks away from closing in June 2017. A fateful call from a key insurance player in Alabama came at the right moment around July 5, 2017, and the company received about \$1 million statewide contract for its services. A much needed several million cash infusion from another investor followed at a healthy revenue-multiple valuation.

Fueling a steady growth in Alabama and neighboring Mid-South states, Pack Health received an additional multi-million investment from its existing investors in the beginning of 2020, bringing

the total investment raised to \$11.5 million. Then the world of modern business, and the U.S. healthcare field in particular, faced an almost sudden challenge it never faced before.

“When the coronavirus pandemic hit the United States in early 2020, hospitals and insurance companies began moving patients with chronic conditions out of their systems, canceling routine appointments and elective surgeries in order to accommodate those with COVID-19. But this vulnerable population of patients with chronic conditions still needed help managing their health at home to ensure they weren’t putting themselves in high-risk situations that could compromise their wellbeing” (Salesforce 2021).

The pandemic’s uncertainty forced Pack Health to declare a hiring freeze and its clients to recalibrate their business models for delivering healthcare services in the midst of rapidly worsening social determinants of health (*e.g.*, job losses, food insecurity, sedentary lifestyles). In the second quarter of 2020, armed with recent investments and tried-and-true remote service capabilities, Pack Health found itself on the critical crossroads of (a) renegotiating its commitments to the existing corporate partners now prioritizing COVID-19 patients, (b) conserving cash and paring down its operations while navigating the newly changed business landscape, or (c) pursuing an aggressive expansion capitalizing on its digital health services to its core patient population in the Mid-South U.S. market.

The Movement to Patient-centered Care in the Digital World

In 2001, the Institute of Medicine (IOM) proclaimed *“patient-centeredness”* as one of the six aims for a 21st-century healthcare system. Patient-centered was defined as *“providing care that is respectful of and responsive to individual patient preferences, needs, and values and ensuring that patient values guide all clinical decisions”* (IOM, 2001, p.5). Ten years later, the Patient Protection and Affordable Care Act (ACA), popularly called Obamacare, mandated the use of measures of the quality of care, public reporting, and performance payments to reflect patient-centered care. Patient-centeredness, patient satisfaction, patient experience of care, patient engagement, and shared decision-making were the keywords in ACA provisions. In

addition, patient-centered assessments were being required when these provisions turned into regulations for specific programs such as Medicare’s Value-Based Purchasing Program.

This policy landscape was in alignment with Pack Health’s mission to use research, clinical trials, and outcome collections to improve patients’ overall quality of care. In order to serve individuals with chronic conditions, Pack Health used FDA-approved validated patient-reported outcome measures to capture more than 150 data points (*e.g.*, quality of life measures, pain, distress, food insecurity) for each member (FDA 2009). These data points were not routinely captured in an EMR, a lab data, claims data, or pharmacy data (Exhibit 1).

Pack Health’s CEO and founder, Mazi Rasulnia, described the importance of these data points:

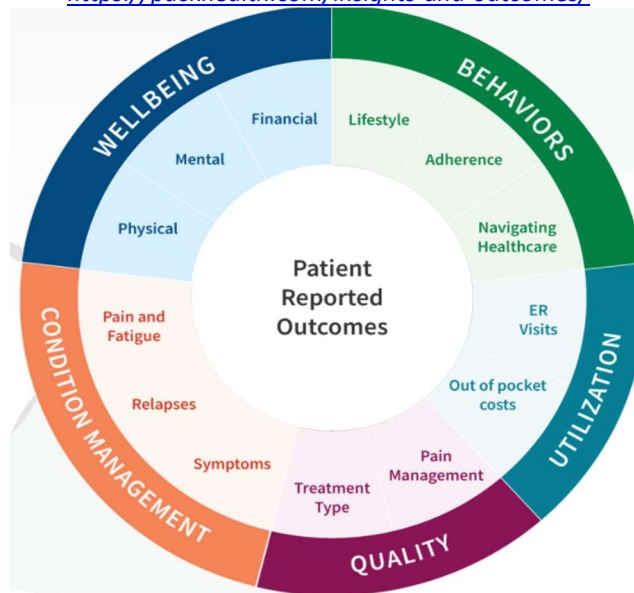
“This is like the fifth wheel of datasets that allow you to better understand the patient’s risk, the patient’s environment, why they make certain decisions, and their behaviors. Our goal was to take this unstructured world that people live in and create structured data.”

Not only was it important to collect these data, but keeping the data safe was a critical part of Pack Health’s business. *“If you ask me what keeps me up at night,”* Mazi said, *“it would be if personal health information gets out – and then we’re DONE!”*

Exhibit 1. The Full Picture of Patient-reported Outcomes

Source: Pack Health

<https://packhealth.com/insights-and-outcomes/>



The Founder and the Founding Idea

As a startup company located in Birmingham, Alabama, Pack Health primarily served the Mid-South region of the U.S. and focused on the care of patients with chronic diseases. About half of U.S. adults had at least one chronic condition, and a quarter had two or more (Ward *et al.* 2014). About 83% of healthcare resources in the U.S. were consumed by individuals with chronic diseases (Emanuel 2012). The Mid-South region included the states of Alabama, Mississippi, Louisiana, Kentucky, Tennessee, and Arkansas. Compared with other U.S. regions, states in the Mid-South were among the least healthy in the nation. The Mid-South population had high rates of chronic disease (*e.g.*, diabetes, hypertension) and worse health-related behaviors than the rest of the U.S. population did (Oates *et al.* 2017). With a motto of “*a better way to better health*,” Pack Health marketed itself as “*an evidence-based patient engagement platform that changes health behaviors to close gaps in care and improve outcomes*” (Pack Health 2021).

Mazi Rasulnia, founder and CEO, graduated from a renowned PhD program in health services administration of University of Alabama at Birmingham (UAB). Instead of pursuing an academic job – as most of his cohort colleagues would – Mazi wanted to do something different. After living in the Mid-South region for a long time, he had this question on his mind: *“How can we help Americans in the risk categories of the Mid-South region?”* This seed idea sprouted from one of Mazi's close family member's experience of going under knee surgery a few years back. Before the surgery, the medical residents confirmed with the patient which leg they needed to do the surgery on: the left or right leg. Because of the question, they avoided a potential medical error. After the surgery, his relative faced problems similar to many other patients: what do they need to do in order to recover and prevent them from entering the hospital again? The idea of starting a chronic disease management company then emerged. Mazi described the vision of his business as,

“It would be an honor if some day in the future my doctor would recommend Pack Health to me after I am discharged from the hospital.”

Starting with a unique and creative idea, Pack Health was an entrepreneurial firm with both the bright and the dark sides of a small startup. It started with an innovative idea of a young entrepreneur, and continued to thrive and succeed despite difficulties. From the continuous seeking of funding sources to strategic pivots during economic downturn, Pack Health dealt with different types of challenges associated with entrepreneurial firms.

Differentiation Strategy

While some competitors focused their entire business on a targeted health condition or area of practice, Pack Health decidedly offered a number of services covering different types of chronic diseases, including diabetes, cancer, lupus, COPD, chronic pain, and depression (Exhibit 2).

Pack Health utilized a differentiation strategy with a broad focus to create uniquely desirable products and services across the continuum of care.

Exhibit 2. Services offered and diseases covered by Pack Health

Source: Summarized from Pack Health

<https://packhealth.com/#>

Metabolic Disease	Inflammatory
Diabetes Prevention Program (DPP)	Chronic Pain
Dyslipidemia	Crohn's & Colitis
Chronic Kidney Disease (CKD)	IBD
Weight Management	Musculoskeletal Pain
Autoimmune Disease	Cardiovascular Disease
Lupus	Atrial Fibrillation
Multiple Sclerosis	Heart Failure
Psoriasis	Hypertension
Psoriatic Arthritis	Specialized Services
Rheumatoid Arthritis	Food Insecurity
Oncology	Maternal Health
AML & CLL	Nutrition
Breast	Behavioral
CAR T-Cell	Anxiety
Multiple Myeloma	Depression
Prostate	High Stress
Survivorship	Chronic Pain
Tumor-Agnostic	Caregiving
Respiratory Disease	Migraine
Asthma	
COPD	

Pack Health contributed to the literature in chronic disease management by presenting at national conferences and publishing peer-reviewed journal articles (Pack Health 2022). One of the reasons for generating such evidence-based contributions was Pack Health’s choice to follow the holistic care approach, and another reason was that most potential customers were patients with multiple chronic conditions whose contextual care was under-researched.

Pack Health offered comprehensive services to patients with multiple clinical conditions through the company’s Health Advisors who coached each customer as a whole person. Most of Pack Health’s competitors focused on specific diseases (*e.g.*, diabetes). Only a few competitors attempted a similarly holistic approach to digital health and coaching in the U.S. and abroad, but none had succeeded in the Mid-South U.S. market (Exhibit 3).

Pack Health’s total funding was \$82.9 million with estimated annual revenue of \$44.1 million (Growjo 2022). Pack Health partnered with insurance and pharmaceutical companies, doctors, and employers to help provide funding. For people who could not obtain funding through any source, Pack Health offered a program with a startup fee of \$99.00 followed by \$29.99 per month (Davis 2016).

Pack Health used Amazon Web Services (AWS) since 2018 rather than creating its own information technology platform. Instead of establishing a “*new age*” app-based engagement program, Pack Health made another strategic decision to use a traditional approach. The approach included weekly phone calls, texts, and emails – to communicate regularly with customers (members) about specific concerns. Each member would enter a semi-structured program for the conditions they had, and a health coach would guide them on a journey to better health outcomes (Exhibit 4).

Exhibit 3. Companies that Offered Similar Services as Pack Health (May 2020)*Source: Keller, et al. (2022)*

Company Name	Location	Funding (million USD)	Cost to Individual Patient/Member
Noom, Inc.	New York, NY	657.3	US \$59/month or \$199/year
Virta Health Corp.	San Francisco, CA	373	US \$249/month plus a one-time \$250 initiation fee
Omada Health, Inc.	San Francisco, CA	256.5	US \$140/month for the first 4 months and \$20/month for the following months
Livongo Health, Inc.	Mountain View, CA	235	Purchase free; costs covered by employer, health plan, or health care provider
Ginger	San Francisco, CA	220.7	No cost through employer organization
HeadSpace Health	London, England Santa Monica, CA	215.9	\$12.99/month; \$69.99/year
Vida Health, Inc.	San Francisco, CA	188	Free download, free 1 week trial, and subscription US \$58.25-\$79/month
DarioHealth Corp.	New York, NY	169	Basic US \$25-\$30/month, pro US \$33-\$40/month, and premium US \$70-\$85/month
Informed Data Systems, Inc. (One Drop)	New York, NY	106.2	Digital membership US \$19.99/month, supplies \$20.99/month, and combined package \$30.99/month
Lark Technologies, Inc.	Mountain View, CA	95.7	Lark Weight Loss Pro US \$19.99, Lark Wellness Pro \$14.99, and Lark Diabetes Prevention Program Pro \$119.99
Welldoc, Inc.	Columbia, MD	55.2	Unclear
Liva Healthcare	Copenhagen, Denmark	43.5	£28 (\$38) /month
Twin Health, Inc.	Mountain View, CA Chennai, India	43.5	₹1450 (\$20) for a 14-day trial; price for continuous use unclear

Exhibit 4. A Sample Program from Pack Health

Source: Pack Health

<https://packhealth.docsend.com/view/n83n5za9bqf7us2v>

What to Expect

General Program Overview

Each of Pack Health's programs focus on condition-specific goals and education. When members enroll in Pack Health, they are matched with one of Pack Health's in-house Health Advisors who will guide them through condition-specific modules over 12 weeks. Members engage with Pack Health through a weekly phone call, two-way texts, and emails. General course content includes:

weeks 1-4

1. Getting Started
2. Setting Goals
3. Handling Your Health
4. Managing Medications

weeks 5-8

5. Eating Healthy
6. Exercising
7. Midpoint Review
8. Getting the Right Care

weeks 9-12

9. Improving Stress and Social Environment
10. Budgeting for Health
11. Milestone Review
12. Continuing the Journey

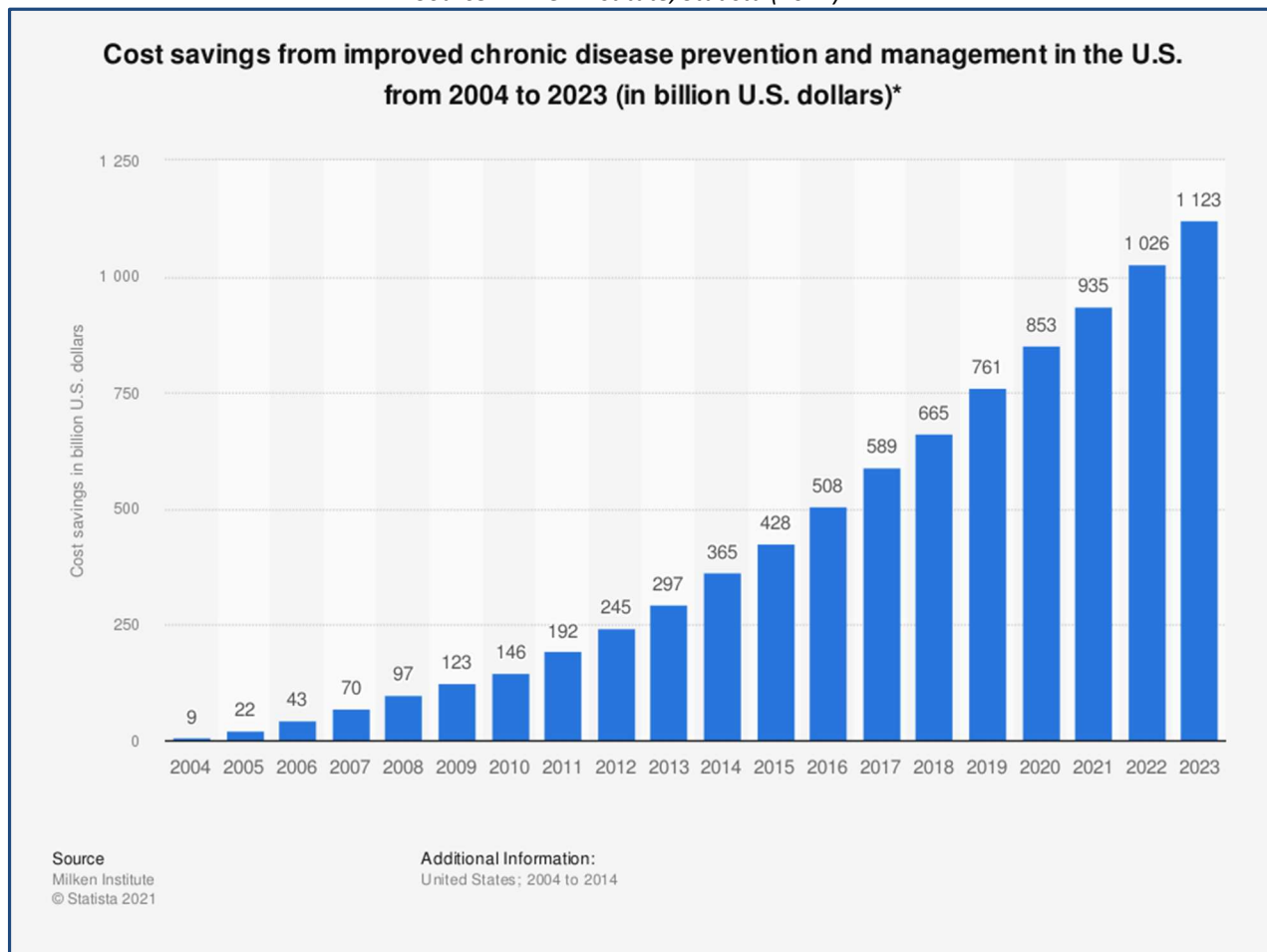
PACK HEALTH

The Impact of the COVID-19 Pandemic

When the COVID-19 pandemic hit the U.S. economy and society in March 2020, most businesses faced a lot of uncertainty and held back and operational stability before proceeding with any new strategies. In March 2020, Pack Health had about 65 full-time employees and decided to freeze hiring. After all, the chronic disease management market and the cost savings from associated improvements were projected to increase, fortifying Pack Health's sense of mission and going in the right direction with its core business (Exhibit 5).

Exhibit 5. Cost Savings from Improved Chronic Disease Prevention and Management

Source: Milken Institute, Statista (2021)



Pack Health’s decision to freeze hiring – rather than growth or defensive strategies – came shortly after a multi-million investment by an external stakeholder. But after a few months, the COVID-19 pandemic brought an unexpected growth opportunity in an uncharted line of customer service and, with it, a decision dilemma for Mazi Rasulnia and Pack Health. The potential multi-million-dollar contract to feed the struggling customers of a large retailer seemed like a “no-brainer” opportunity. But was it? What were the potential benefits? What was the downside?



Mengying He is Assistant Professor of Management with a Healthcare Management focus in the College of Business and Economics at California State University, Los Angeles.



Mahshid Jessri is an Assistant Professor of Management (with emphasis in Entrepreneurship) at California State University, Los Angeles.



Andre S. Avramchuk is Associate Professor of Management and Coordinator of the Healthcare Management program in the College of Business and Economics at California State University, Los Angeles.



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