



## Serial Entrepreneur Shares How to Win Big by Finding Overlooked Niche

Steve Sanduski:

Hello everybody and welcome to, On Your Mark, Get Set, Grow. This is the podcast of CEO Coaching International, and I'm your host Steve Sanduski. In each episode we bring you conversations with leading entrepreneurs and CEO's from around the world. In this episode I'm really excited to have with us today, Leslie Michelson. Leslie is the founder, Chairman, and CEO of Private Health Management. He also has more than 20 years of experience as a founder, a CEO, investor, advisor, and director for a portfolio of entrepreneurial healthcare, technology, and real estate companies. Earlier in his career, Leslie practiced law in Washington D.C., and he also served as special assistant to the general counsel of the U.S. Department of Health and Human Services during the Carter administration.

Leslie is also the author of a popular book called "The Patients Playbook." We're going to be touching on that a little bit here in today's conversation. He's also the host of a podcast called, "The No Mistake Zone, with Leslie Michelson." Leslie, it's great to have you on the podcast.

Leslie Michelson:

Steve, it's my privilege, thank you.

Steve Sanduski:

Well Leslie, there's several areas that I want to explore with you. One is I want to talk about your entrepreneurial journey. You've had a long, and distinguished, and varied career. I think there's some great insights that you can share with our listeners. Also, want to touch a little bit on your new company, and the insights that you have in your new book about how people can get the best healthcare, the best healthcare results. Then I think we're going to finish up with a few rapid fire questions. Lots of things on the agenda today.

Leslie Michelson:

Good, I welcome it.

Steve Sanduski:

All right. Well let's just start, kind of take us back to the beginning and give us a few highlights from your career, your entrepreneurial career. How did you get

started as an entrepreneur? Let's talk about some of the lessons that you've learned along the way.

Leslie Michelso: Sure. After I served in both the Reagan and the Carter administrations, the Department of Health and Human Services, I saw that the healthcare system was deeply flawed, that it needed to get improved. I became very skeptical about the capacity of the federal government, or in fact any government, to bring about the improvements that were quite apparent to me that needed to happen. This goes back to the late seventies, early eighties. I had no idea that I was going to be as prescient as my observations turned out to be. What I decided to do was develop a path where I could build entrepreneurial companies that would bring about the changes in the healthcare system that were quite apparent to me that were going to be necessary. That's kind of what I've done over the years.

Steve Sanduski: Why don't you give me an example. What was one of the early companies that you started? What was the opportunity that you saw, and how did you go about trying to meet that opportunity?

Leslie Michelso: The first that I did is I looked at every study that's been done, Steve, has shown as much as 30% of everything that's done in the US healthcare delivery system is either unnecessary or counter-productive. Our healthcare system costs 50% more per capita than any, any other country in the world, and a lot of that increased cost is really unnecessary, and, even worse, counter-productive.

I built a business called Value Health Sciences in the late '80s, early '90s that developed scientific objective systematic to determine whether major medical and surgical procedures would be medically necessary or unnecessary, and doing it on a clinical basis rather than a financial basis. That became incredibly successful, and it gave me the confidence and, frankly, the wherewithal and credibility to go on to build a number of other companies. Each of which has been, have the same set of goals, which is to accelerate biomedical research and to help patients get better care.

Steve Sanduski: And so, with Value Health Sciences, what was the end game for that? Did you sell the company or what happened there?

Leslie Michelso: We got it financed by a company that ultimately became a publicly traded company with our liquidity that as part of their becoming publicly traded, and then being sold. We had kind of two bumps of liquidity over that. It was, frankly, it was a nine year run and it couldn't have been better.

Steve Sanduski: What was a maybe a key insight, or perhaps a make or break moment? Whether it was during that company or one of the later companies that you started, where you really, maybe, kind of earned your stripes, so to speak, as an entrepreneur that is a lesson that still sticks with you today.

Leslie Michelso: Well, healthcare is such a complicated sector in the economy, it's either the most or second most regulated sector in the economy. What I learned there is, you really need to start small in healthcare. If you try and revolutionize the entire system, it's going to be very difficult to find the energy to overcome all of that inertia. We focused very specifically on only the most egregiously and expensive and counter-productive overused procedures, and we found out that that was enough to enable us to create enormous value without triggering the kind of lockdown and resistance that a broader initiative would have engendered.

Steve Sanduski: Leslie, as you look back on Value Health Sciences or some of the other companies that you started, are there any key lessons that you've learned as you were building those companies?

Leslie Michelso: Oh, there are so many. I've been a serial entrepreneur, this is my fourth company and with each one, I've earned more and more and more. It's the one thing that keeps coming back is focus, focus, focus. This is something I learned in my first company Value Health Sciences, and I've incorporated in all my other companies, and the brilliant Harvard Professor Clay Christensen has really written beautifully on the importance of what he calls disruption, and what I kind of call focus, which is every single day one of the things I do when I'm starting an entrepreneurial company is reconsider the focus. When you think you've focused, focused, focused enough, then figure out ways to do it five more times, because if you're an entrepreneur, then you're going to be playing the game with people who have a lot more resources, a lot more capacity to survive and capabilities than you're ever going to have.

What you need to do is to continuously re-define, re-shape, re-imagine, re-understand the exact niche of the market that you're going at, and the configuration of products and services and pricing, and the distribution channels that you need in order to get a defensible position in that market. That's the principal job of the CEO, because everybody's going to be going off doing all kinds of things that are interesting to them, the principal job of the CEO is to discipline that process, to harness it down, not do too much, not do too little, not do it too fast, not do it too slow, but find that sweet spot.

Steve Sanduski: As you narrow down this focus, at what point do you decide, okay, we've kind of nailed this piece, now we need to extend or we need to branch out. Or is that when you decide, okay, it's time to start a new company with a new focus?

Leslie Michelso: Well, for me, I try and find niches that are big enough to become with success, liquidity within that niche, and because there's always somebody who's going to want to incorporate that capability into something that's larger. The way in which change generally happens in American businesses, is entrepreneurs like me, entrepreneurs like the people listening to this podcast, have an idea, feel some pain, see an opportunity, think they can do it better, and large organizations are typically not as good at that. The business model that I've

followed over the years, is find a niche that's big enough that it's going to matter, but not so big that you're going to fail because there are giants who will take it over, you'll be too threatening to them. Learn how to become the world's best at doing it.

Let me give you a good example, Steve. My current company, Private Health Management, we're in the business of getting people the very best medical care in the world. We get retained by corporate employers to provide a collection of quality enhancement services to their employees, and we get retained by individuals domestically and internationally, generally with tough medical issues because we have a variety of mechanisms to identify the best physicians and get them the best care. Every single week we get asked to do other things, whether it's consult on insurance issues, to do claims processing, to help people advocate with their insurers, to get involved in biomedical research. There's so many other things, to consult with hedge funds and private equity funds about trends in healthcare. There's so many other things that we get invited to do and it's a rare week when I don't have one of those proposals at the table, and every time I look at it, I try to look at it from neutral, every time I come back to the same thing: no. If we just continue to be the very best company in the world at getting people the best medical care, we're going to be fine. That's all we do.

Steve Sanduski: You've started these multiple companies, you've had this great focus, is there an example of where maybe you went down a path that didn't work, and how do you decide, okay this isn't working, we need to pivot, is kind of the common word that people use these days. Or, was there maybe something that you look back on the career in some of these companies, is there something in hindsight where you wish, "Gosh, knowing what I know now, I would have definitely done this differently."

Leslie Michelso: Well, the kind of uniform mistake that I'd made over the years, and I see it and I try not to again, is I kind of live five to ten years out in the future in the healthcare system. I spend all my waking hours thinking about it, seeing where it's going. I'm generally pretty prescient on where it's going to be, but I make a uniform error in thinking it's going to get there sooner. What I tend to do now is, rather than trying to be the first one out of the box focused on an area, to be patient. To tap the break for a little while longer to give the healthcare system a little more time to frame itself and enable me to develop a market and a receptivity in the market place more rapidly. That's the first thing I've learnt.

The second thing, and it's a consistent error I've made, and I try and correct over the years is, like most people, I tend to under-invest in marketing and sales. I think the typical batting average for bringing in successful sales people is kind of like the typical batting average of an all-star baseball player. If you hit one in three, you're doing really well. That's kind of my experience on sales people as well. Rather than if you think you need five sales people, to hire five, what you should do is actually hire 15 and over the period of 18 months, whittle it down to the five you really need, and you'll get home a lot faster.

Steve Sanduski: Speaking of the sales people, what are you doing differently today than maybe five, ten years ago when you were hiring sales people? Have you tried some new strategies that are giving, perhaps, a little better result, than getting good sales people from day one?

Leslie Michelso: Yeah, we are getting better results, it's still really, really hard. I've learned from fellow entrepreneurs that the interviewing that one needs to do about potential sales executives needs to be much more exhaustive, needs to take longer time. It's still, to me, the hardest thing that I do. I don't have, frankly, a good track record of getting on sales people, in part because everything that I do is so innovative and there's typically no one else that's ever done it, so we need to bring sales executives from other realms into the company and it's very difficult to tell the capacity for them to transition. My whole career's been doing things that no one's ever done before, so I very, very rarely, if ever, have had competitors that I can raid for talent, so I need to take people from other walks of life and bring them in. That requires the creation of some very, very special cultures that I've worked on over the years and has enabled us to now how I think one of the best working cultures we've ever had.

Steve Sanduski: Leslie, so you've talked about the importance of focus, you've mentioned that you kind of live five to ten years out, you've under-invested in marketing. Let's say that you were writing a book about what it takes to be a successful entrepreneur, is there ... Maybe if you have a title for that book, or maybe, another thought that you would add to that conversation that would be in that book?

Leslie Michelso: Yeah, that's a very good question. I just spent two-and-a-half years writing The Patient's Playbook, and it's been a tremendous experience for me, so I don't know that I'm going to start another book soon. If I had advice to entrepreneurs listening to this podcast, it would be really about culture because I do believe, as someone once said, that culture eats strategy for lunch every day. If you have the right culture, you'll be able to recruit the right people, you'll be able to retain the right people, you'll be able to deal with the adversities that are inevitable of the life of an entrepreneur, and you will figure out how to provide the level of quality of service and product, at a cost effective way and have the right investors. It's all about culture.

I've actually learned a whole lot about creating culture, so if there's a single message that I would give, it's the following: I now reject the notion that there's a dichotomy between positive and negative feedback. I think that that is a false dichotomy. The only negative feedback is no feedback. The key to being successful, if there's any one thing that if everybody were to do all day every day that would be transformational, it would be to give honest, sincere, direct and rampant feedback to everybody, all the time.

That's what we do in my company. It's not hierarchical. Anybody can walk into anybody's office, give them a call at any point, 24/7, 365, and give them

instantaneous and candid feedback on what they have done. Now that we do that, everybody feels more secure, our communication is dramatically improved. When people drive home at night, they don't have to worry about are they on the ins or are they on the outs, they know exactly what's going on. It's accelerated our cycle time so that we can change more rapidly, and it's accelerated our growth rates, so that our individuals are growing individually and professional much more rapidly. It's really, as simple as it sounds, it's a transformational attribute of culture.

Steve Sanduski: Wow, I think that's a really important insight there because rather than waiting until a quarterly or semi-annual or, heaven forbid, an annual performance review, to really address an issue, you're addressing it 24/7. That way you're going to nip anything in the butt if there's a problem brewing, and, like you said, it gives the employee confidence that, hey I'm on the right track, and if I'm not, I'm going to get some immediate feedback and I've got an opportunity to correct it before it becomes a big issue. I think that's a good thing to share, so I appreciate that.

Leslie Michelso: It avoids the emotional content. When it heats up over time, and when it gets store for the end of the week or the end of the month, then you can get emotion. When it's really rapid, there's no emotion, which makes it easier for the recipient, particularly of feedback that didn't work out as well as you wanted, it's easier for that person to receive it, to incorporate it into change.

Steve Sanduski: Great. All right, let's talk a little bit about your new company and your new book, *The Patient's Handbook*, or *The Patient's Playbook*. I know in the book you talk about how to choose the best doctors, selecting the right treatment plans, doing better online research, organizing your support team and preventing medical errors. If you had to state what is the mission of private health management, how is that tying into what you're talking about in the book?

Leslie Michelso: Private Health Management is to get people the very best medical care in the world. No one will dispute the proposition that we have a broken healthcare system and what we do at Private Health, is we've developed very sophisticated protocols, resources, and techniques to get people, for example with breast cancer, to the very top experts with that disease. Make sure that we've done research into medical literature and support all aspects of the patient from logistics to emotional support, to intellectual support, to clinical support.

Private Health Management, frankly, is for people of means. We put of lot of resource into what we do and it costs money to do that. That's always created a bit of a moral dilemma for me because I believe that everybody's entitled to at least some level of healthcare and it always pains me when people can't afford us. We do a lot of our work on a gratis basis for people that can't afford us and I spent two-and-a-half years writing *The Patient's Playbook* so that we could teach people everywhere, regardless of income, age, health status, location, or anything else, how to become more effective healthcare consumers.

Look, Americans are great consumers. We know how to buy cell phones, get the best cell phone plans, lease cars, do vacations, buy houses, pick schools, find the best sushi joint, figure out the best laptop. We are great at doing that, particularly today with so much information flowing so freely. Except when it comes to healthcare. Healthcare's the largest sector of the economy at 18% fastly growing to 20, it provides, I would submit, the most important service that anybody ever uses, and yet, when it comes to our healthcare, most people are unbelievably passive. Studies show that 70% of Americans are so deferential to their physician that they don't even get second opinions or do research, and that's dangerous.

The mission of the book is to teach everybody how to become a more effective healthcare consumer. It sounds intimidating, I know that. We all respect physicians when they're in white coats and we're in the flimsy gowns and we're sick and we feel vulnerable. You feel like it's a bridge too far to figure out how to engage with the doctor, but I can tell you, it's not. In *The Patient's Playbook*, I provide very specific guidance, examples, we role model questions, we have forms that people can use so that everybody can figure out how to do that.

Steve Sanduski: Well, let's start with just one section here of the book, which is choosing the best doctors. Let's assume that someone has a bad illness and they want to make sure that they get the best healthcare possible, so I think one good place to start is how do I choose the best doctor? What advice do you have on that?

Leslie Michelso: It's such an important proposition. One of my theories of the universe is that in every realm there are many who are very good, whether it's lawyers, accountants, basketball players, baseball players, there are many who are very good. Then there are a few who are the very best. When you get to the ones who are the very best, everything is different. One of the things I teach in *The Patient's Playbook* is part of a process that I call getting to the no-mistake zone, the safest place you can be in medicine, is how to find the best physicians. In medicine, it's true, as in so many other realms of life, that experience matters and practice makes perfect. It makes sense if you have a complicated illness, if you've got breast cancer and need surgery, if you need a heart valve replaced, if you've been in a terrible accident and you've got a lot of clean up that needs to happen, if you've got an auto-immune condition nobody can figure out which one. To get to somebody who's a real expert, and the way to do that, is using some tremendous online resources to identify the physicians who are the most accomplished, who have done the most research, who are the most respect and are practicing at the preeminent institutions for your condition.

We go through very specific guidance as how to do that. For example, in all the stuff that's available, Steve, in the book, *The Patient's Playbook* and on my website [patientsplaybook.com](http://patientsplaybook.com), there are tremendous free websites. One that I love is called [expertscape.com](http://expertscape.com). It's a brilliant and simple idea, and it's free to everyone. If you go onto [expertscape.com](http://expertscape.com) and you just type in the disease that you have, breast cancer, aortic valve aneurism, back surgery, whatever it might

be and push enter, it will immediately come up with the physicians and hospitals in the country that have done the most research on that specific condition. Because they cataloged all the research in the last five years, rated it, graded it, and include it, and it's subjective. If you happen to live near Chicago or Wisconsin, and you want to know the experts in that state, you just click that state and it will limit it to that. With three clicks of a mouse, you can identify someone who has dedicated their career to exactly what you have, and when you make an appointment with them, I can assure you, everything will look and feel different because they really know what they're doing.

Steve Sanduski: Okay, so that website was expertscape.com, so E-X-P-E-R-T-

Leslie Michelso: S-C-A-P-E.com

Steve Sanduski: Got it.

Leslie Michelso: That's just one of so many websites and they're all available on my website, patientsplaybook.com. We've got lists of them and there are so many entrepreneurs and philanthropies that have done work in this realm to help patients because they know that they're vulnerable, they know that they need it and the tragedy is, very few people access these websites. One of the reasons that I'm glad to be on this podcast is to encourage people to do that. Some of the names can be mind-boggling, but they're all available on my website, patientsplaybook.com.

Steve Sanduski: Excellent. All right. Let's talk about, you also have this new podcast, the No Mistake Zone. Tell us about that and why should people be interested in that. What are they going to get if they listen to that?

Leslie Michelso: The No Mistake Zone, my new podcast, we're talking to patients, physicians, and other experts about important medical issues and giving my somewhat novel and iconoclastic views about how people can get the best medical care. For example, one of my views is that all the diet books are not quite nearly as good as they pretend to be, and there are much more satisfying and effective ways to lose those 10 or 15 pounds that so many of us are battling with.

We interview patients who have gone through very difficult issues and they can explain to us what they've learned about doing it, which can serve as an inspiration for everybody. We interview pre-eminent experts in specific diseases to get their perspectives on what patients can do when they're diagnosed with those diseases like breast cancer and other things to get better outcomes. Things like what you can do in the event of an emergency, so many mistakes happen in medicine in emergency rooms and people who have emergency situations, but if you plan for it, just as you plan for retirement and other things, and you think about it in advance, you can make sure that you don't become one of those terrible statistics. The podcast is an entertaining, engaging, witty, a bit iconoclastic vehicle for engaging with all of these issues.

Steve Sanduski: Good, yeah. Another good one to add to people's podcast apps, so thanks for sharing that. Let's wrap up here with just a few rapid fire questions. Leslie, what would be one or two of your core personal values?

Leslie Michelso: I'm pretty clear on my values. The three things that I try and do all the time is that personal integrity, which is to be true to myself. To be committed. It's such a complicated world, you can't do many things, but if you have a commitment to something, to retain and emphasis that commitment. Third, is to be respectful. The world's a heterogeneous place, there are people that look at things very differently, and particular with this coarsening of the political dialogue, I think it's all the more important to be respectful. So it's integrity, commitment, and respect for all.

Steve Sanduski: What is one of your favorite business books?

Leslie Michelso: I've got two favorite business books. The first is Jim Collins, Good to Great. I think about his guidance there every day. The second is Clay Christensen's Innovator's Dilemma and the other books that he's published on really how to be an innovator, what disruption is always about. I think he's had, both of those people have had absolutely brilliant insights into what can make businesses successful.

Steve Sanduski: Who's a leader that's had the greatest impact on you and why?

Leslie Michelso: Well, there's a guy by the name of Mike Milken, who you may have known, who founded the Prostate Cancer Foundation. I had the privilege of working with Mike as the CEO of the Prostate Cancer Foundation for five years and then serving on the board for five years. Mike's passions, his energy, his commitment to doing good for people, his unbelievable creativity and his sense of boundless optimism, were transformational for me personally. I had never met anybody, and I've been blessed to work with very talented and accomplished people, but there isn't anybody that put together all those attributes, which is why he's been such an enormous success and transformational figure.

Steve Sanduski: Since you mentioned the importance of the company culture, let me just ask you, what do you think is the best way to show employees appreciation?

Leslie Michelso: This might sound a little contrarian, but it's to tell them exactly what you think about what they're doing, without any filter and to do it contemporaneously. If they've done a great job, walk into their office, give them a high five, take two seconds, walk out. If they've done something that isn't so good, to say, "Look, I really care about you, but we've got to get this work done in a more timely fashion and I hope you can do it next time. Catch you later." When you do that, they'll know that they're bonded with you, that you care about them and that they can trust you. That's critical.

Steve Sanduski: Yup. Tell them the truth.

Leslie Michelso: Yeah, and tell them right now. Don't wait.

Steve Sanduski: Good. All right, Leslie, well I think that's a great way to wrap up this episode. Really appreciate your time, really appreciate the insights and all the great work that you're doing out there.

Leslie Michelso: Steve, thank you so much.

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