

Industrial Revolution in Services

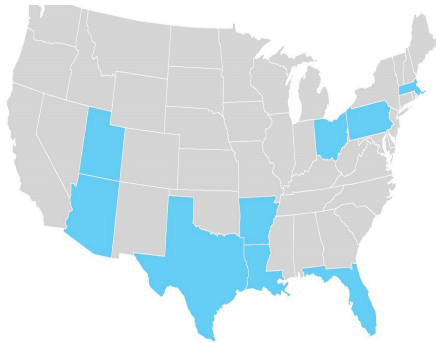
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Steward Health Care

- Employment Share of Single-Establishment Hospitals:
 - ▶ 1977: 80%
 - ▶ 2019: 28%
- Steward created in 2010 when Cerberus purchased 6 Catholic hospitals in Boston
- “Southwest Airlines of healthcare”
- “Figure out, codify and implement best practices over large scale”
 - ▶ Common data platform
 - ▶ Remote Intensive Care Unit (Westwood, MA)
- Build outpatient clinics in community surrounding each hospital
 - ▶ Site design and selection department

Steward Remote ICU and Geographic Expansion

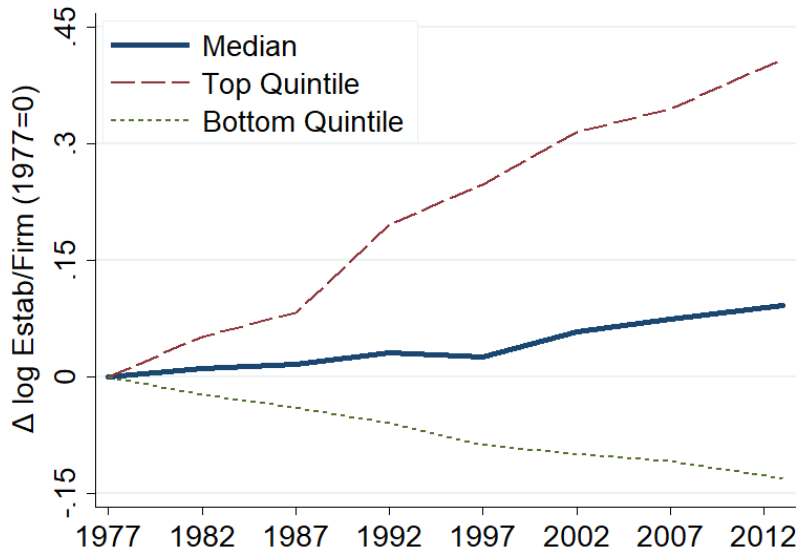


38 Hospitals and 271 Outpatient Clinics

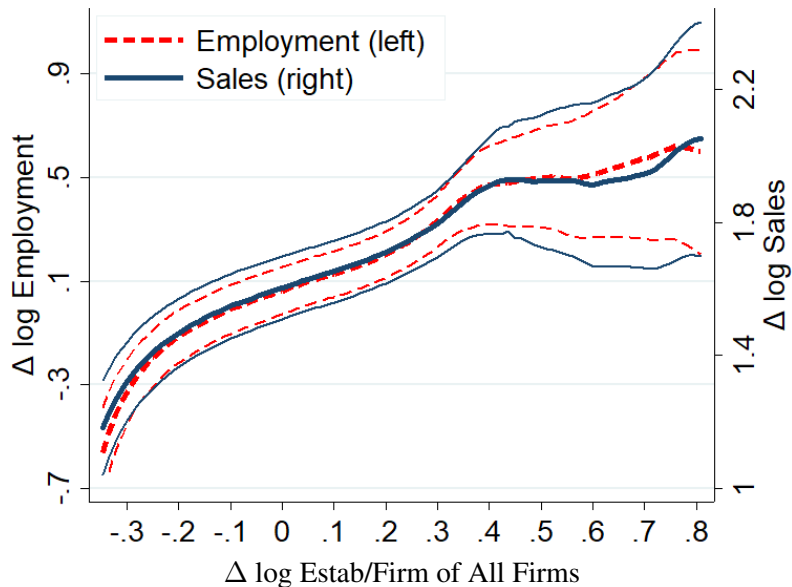
Industrial Revolution in Hospitals

- Healthcare now dominated by for profit companies and “academic” hospitals that have expanded geographically
 - ▶ For-profits (HCA, Steward) expand to geographically dispersed midsize cities
 - ▶ “Academic” hospitals (Johns Hopkins, Mass General, Stanford, Penn) expand locally in large cities with research hospital at the center
- Something similar has occurred in many sectors
 - ▶ Consumer services: Restaurants, coffee, car dealers, funeral homes
 - ▶ IT services (Accenture, Deloitte), Hospital IT (Epic), Consulting (McKinsey), Payroll processors (ADT)
- But not in all sectors (dental services)
- Employment and Sales grow by more in hospitals compared to dental services

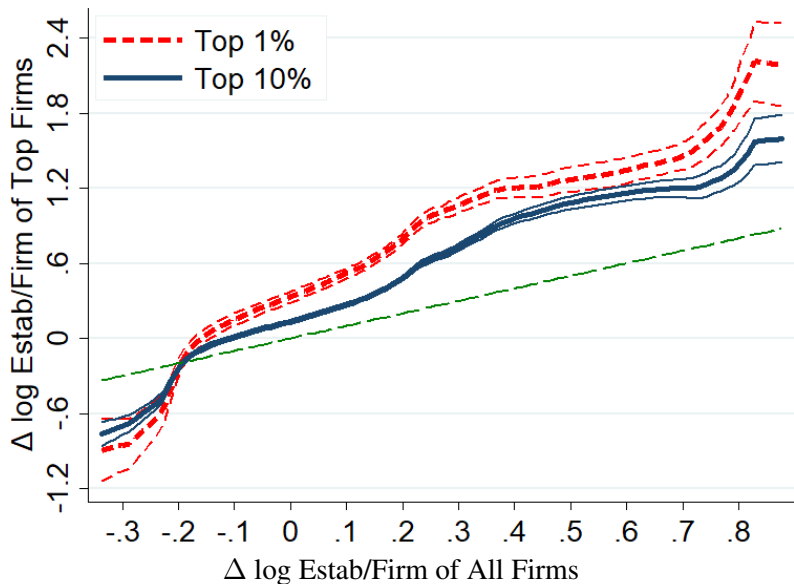
↑ Establishments/Firm in Sector



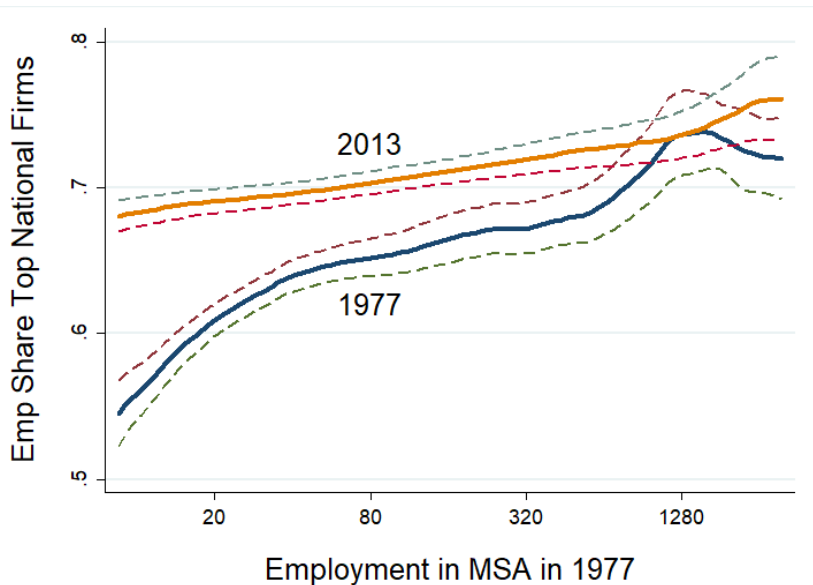
↑ Establishments/Firm \Rightarrow ↑ Employment and Sales



↑ in Establishments/Firm Concentrated in Top Firms

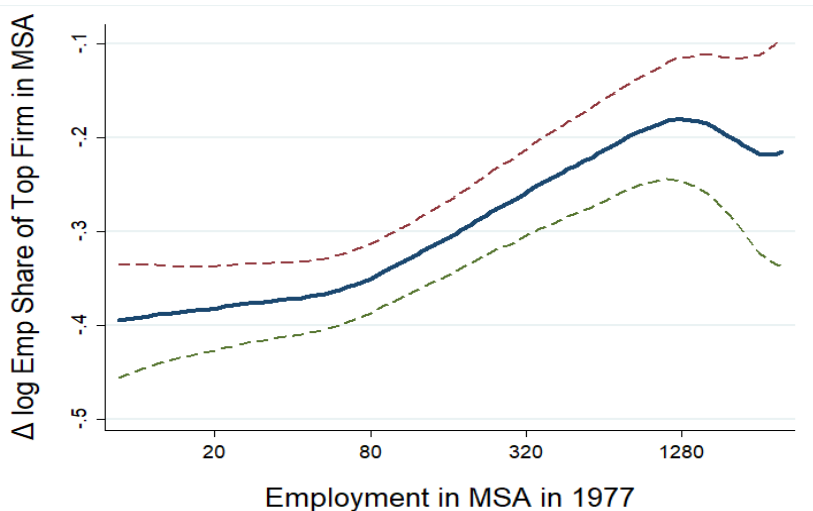


Top Firms Expand to Smaller Markets



Local Concentration Falls

Δ Share of Top Firm in MSA, 1977-2013



Failure to Scale: Fuzhou Pepper Buns

“Freshly made crusty buns bursting with pork juices and pepperiness”

