

**Chapter 16****Intermediation Structures in  
Electronic Healthcare Portals**

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*Despite the fact that commercial intermediation accounts for over 15% of the US GDP (Spulber, 1996), it has commanded limited attention from the academic community. Moreover, popular discourse has heralded the Internet's ability to dis-intermediate supply chains and channels, directing attention away from intermediation. In contrast, this chapter focuses upon a sector of the economy that has witnessed a surge in electronic intermediation, namely, the healthcare industry. Founded on a survey of leading healthcare portals, this paper documents and analyzes four predominant patterns of functional intermediation in this new form of IT-enabled commercial institution. Based upon an historical analysis of healthcare portals, functional, generalizable patterns of intermediation are posited.*

**INTRODUCTION**

The vast majority of literature dealing with electronic commerce has exalted its ability to dis-intermediate traditional sales channels (e.g., Benjamin and Wigand, 1995; Armstrong and Hagel, 1996). Indeed, arguments have been perpetuated that the Internet will bring us a frictionless and intermediary-free economy. However, great differences still exist between popular rhetoric and reality. Despite the growth of eCommerce, it remains a marginal proportion of the economy (US Dept. of Commerce, 1999, 2000), and few new e-business models have proven their long-term economic viability. And although the dis-intermediation on a broad

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scale is certainly viable and worthy of interest, less attention has been addressed toward the rival hypothesis, that electronic commerce enables the development of new intermediaries (e.g., see Bakos, 1998), despite the fact that commercial intermediation accounts for over 15% of the US GDP (Spulber, 1996).

Accordingly, this research focuses upon a sector of the economy that has witnessed a surge in electronic intermediation, namely, the healthcare industry. Electronic healthcare portals have emerged within the last 36 months as a phenomenon with the potential to fundamentally shift the dynamics of the healthcare market in North America.

For example, McKesson and Healtheon/WebMD have positioned themselves to provide the market participants with the ability to connect to doctors, medical institutions, consumers, and payers with comprehensive products to manage information, communications and transactions - all via the Internet, contending that the medium is the "platform common to everyone" (Egger, 1999). Moreover, the information needed by the various participants, i.e., doctors, hospitals, insurers, pharmacies, and patients, can easily and efficiently be moved via the Internet (Egger, 1999; Cole-Gomolski, 1999), saving various market participants what has been speculated to be unnecessary inefficiencies and unproductive overhead costs (Downend, 1999).

Intermediaries are often assumed to play two roles (Brousseau, 1999): a purely informational role, whereby intermediaries are perceived as entities that gather, sort and arrange information about both parties' plans in order to match them, or an economic matching role, where the assumption is made that the intermediaries do not have the capability to perfectly match producers' and consumers' plans. While unanimous definitions of commercial intermediaries are difficult to identify, Brousseau (1999) delineates the following typology in which intermediaries ensure adjustments in terms of availability, volume and quality, as well as securing transactions and liquidity: (1) information management, (2) logistics management, (3) transaction securitization, (4) insurance, and (5) liquidity.

## **PATTERNS OF INTERMEDIATION**

Despite the fact that commercial intermediation constitutes over 15% of the US GDP (Spulber, 1996), the subject has not commanded a great deal of attention for mainstream managerial and economic theorists. Most contributions in this area are predominantly from finance (Lewis, 1995). However, there are several publications dedicated to the intermediation of goods and services (Hackett, 1992; Bentacourt and Gautschi, 1993; Michael, 1994; Spulber, 1996; Brousseau, 1999).

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