Weekly *Wireless* Report

Week Ending:
February 02, 2018

KS&R Data to Knowledge

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This Week's Stories

Tesla Looks To Take Solar Mainstream With Home Depot Partnership

February 02, 2018

While Elon Musk is preparing for this week's launch of the Falcon Heavy rocket, his other company is also preparing for a launch. Tesla has made a deal with Home Depot to sell both the PowerWall and Tesla's solar panels at 800 Home Depot locations.

The retail spaces will be Tesla branded and Tesla employees will be on hand to assist with service and sales.

Bloomberg first reported the news after confirming the move with Tesla.

Home Depot has some 2,200 stores across the country, but the 800-store roll out is still the largest retail presence Tesla has ever known for its energy products. They will be put on display, quite literally — Bloomberg reports that the Tesla retail displays will be 12 feet tall and 7 feet wide, and that some locations will have visual demonstrations of the products.

Tesla first unveiled the solar roof in October of 2016. Unlike most after-market solar panels, which don't offer much by way of aesthetics, Tesla's solar roof tiles come in four styles that closely resemble current roofing materials.

Tesla also sells solar panels, and both products work with the PowerWall 2, where energy can be stored after being diffused through the panels/tiles.

The move into Home Depot will be the first true test of mainstream interest in solar energy.

techcrunch.com

Alibaba Goes Global With 12-Year Olympic Deal Promising Cloud Computing, Facial Recognition

January 31, 2018

Starting in February, Alibaba will begin its ad campaign for the upcoming Winter Olympics in Pyeongchang. This will be the Chinese e-commerce giant's first corporate advertising campaign outside of China , and the first that features the Alibaba brand itself.

Alibaba and the International Olympic Committee signed a 12-year sponsorship deal to provide cloud computing services, with plans to incorporate facial recognition technology, as well as e-commerce platform services.

The financial terms of the deal have not been made public, though Reuters has referenced a figure around several hundred of million dollars.

Opportunities Outside Of China

The move comes at a time when China's domestic online retail market – which Alibaba once dominated – is increasingly saturated. Competition from the likes of Tencent and JD.com make global expansion a logical next step.

The competition has pushed Alibaba to look outside of China, and into Japan, South Korea, and the U.S. Not all have gone through without a hitch: This month, a deal for Alibaba-owned financial services and payment processing company Art Financial to purchase MoneyGram International for $1.2 billion was blocked by the U.S. Treasury Department over security concerns.

But the International Olympic Committee has welcomed a collaboration with Alibaba, with the deal framed as an effort to bring the Olympics into the digital age.

'The Greatness Of Small'

Alibaba, the world's single largest retailer, harped its humble beginnings to unveil the theme of its first Olympic advertisement: "The Greatness of Small."

The three-commercial advertising campaign features inspirational sports stories: One is centered on the 1928 Amsterdam Olympics, in which Australian rower Bobby "The King" Price stopped rowing to let ducks cross the waterway during a semi-final.

Another features a Kenyan ice hockey hopeful, his story told as a child. "Forget it, we don't play ice hockey in Africa," he is told. Today he finds himself on the country's nascent national ice hockey team. Alibaba announced plans to bring five members of the team to the Pyeongchang Games as spectators.

The ad campaign officially rolls out February 1, and will include an on-the-ground showcase at the Pyeongchang Olympics to feature oncoming tech. Chief marketing officer Chris Tung said that the company is also in talks with Olympic sponsors P&G, Coca-Cola, Samsung and Intel for collaborations to further other Olympic product activation.

Looking Forward To Beijing 2022

Tung says that at the Pyeongchang Games, Alibaba will take the backseat and learn from the Organizing Committee to understand what the modern Olympics are missing. The company is looking forward to the Beijing 2022 Winter Olympics, more so than the Tokyo 2020 Summer Olympics, to demonstrate its impact. A few weeks ago, a storefront for the Beijing Organizing Committee for the Olympic Games launched on Alibaba's online shopping platform Tmall.

Tung said that cloud-based solutions -- including facial recognition, travel guidance and "enhanced content creation capabilities" -- will make the games more engaging and cost-effective. Ticketing and a new media and core data and IT services centers will figure heavily into push to cut the cost of hosting games. Currently, each Olympic city builds up new local data and IT centers from the ground up.

While infrastructure developments were once the backbones of Olympic bids, useless "white elephant" structures have plagued host cities in recent years. "Bid efficiency" now figures into the process. Alibaba has identified itself as the platform to find the solution.

forbes.com

Report: VMware May Buy Dell In Biggest-Ever Tech Deal

January 29, 2018

"The reverse merger would allow Dell to once again become a public company without having to undergo a fresh initial public offering (IPO)."

We're less than a month into 2018, and there's already a potential new contender for the largest tech deal ever. According to CNBC, Dell is considering a move to sell itself to VMware in a massive reverse merger that could exceed the record-setting $67 billion Dell paid to buy EMC in 2015.

Dell and VMware both declined to comment.

Why would Dell, which already owns 80 percent of VMware, sell itself back to the smaller company? There are a few compelling reasons.

The reverse merger would allow Dell to once again become a public company without having to undergo a fresh initial public offering (IPO). The company went private in 2013 in a $24.4 billion deal that gave ownership control to founder Michael Dell and private equity firm Silver Lake Partners. Dell is reportedly carrying around $50 billion in debt, but going public through VMware would allow Dell and Silver Lake to sell back some of their shares publicly, both to offset the debt and to cash in themselves.

The other angle here is all about the cloud. VMware remains profitable and with growing revenue, but the company's virtualized platform is losing business to public cloud infrastructure players such as Amazon Web Services and Microsoft Azure.

The company relented and now allows customers to run VMware software and virtual machines (VMs) on AWS. Dell also sells a lot more than laptops nowadays, including various cloud, data center, and Internet of Things (IoT) solutions and services. The merger would theoretically allow the companies to realign their combined infrastructure and software-as-a-service (SaaS) portfolios. CNBC reports that Dell's board of directors will meet later this month to consider several options, including the reverse merger.

pcmag.com

Products & Services

DreamWorksTV Launches Its First Over-The-Top Streaming Service On Amazon Channels

February 01, 2018

"In addition to the expanded availability of DreamWorksTV content, the new channel will introduce a range of original series exclusively for Amazon."

Awesomeness, the digital media company acquired by Comcast for $3.8 billion in 2016, is today bringing kid-friendly programming, including original content, to Amazon Prime subscribers with the launch of DreamWorksTV on Amazon Channels. The new subscription service is aimed at kids ages 6 through 12 and will cost $4.99 per month after a 7-day free trial period.

Until now, DreamWorksTV has only been available on YouTube, where it launched in 2014. That channel has since grown to over 3.6 million subscribers, and produced more than 100 live action and animated series, the company says.

The expansion to Amazon Channels, Amazon's a la carte TV service for Prime subscribers, represents the first over-the-top streaming offering from DreamWorksTV.

In addition to the expanded availability of DreamWorksTV content, the new channel will introduce a range of original series exclusively for Amazon.

This includes programs like Schneck & Eck Crack the Case, Action Figures in Action, Secret Agent Challenge, and Neighborhood Super Watch.

Similar to traditional network TV, new episodes from these shows will debut every week, so there's a regular influx of content.

Other shows on DreamWorksTV, like OMG! or I Pranked My Parents, for example, have previously been available for free to Prime subscribers, as part of Prime Video. They're currently showing in the Amazon Prime Video app as available to stream with Prime, but on Amazon's site, they're showing as available through the new DreamWorksTV channel.

DreamWorksTV tells us that existing content will continue to remain free on Amazon Prime, but new seasons will only be available on the subscription service.

That was a clever move – the free access may have gotten kids hooked on the content, and now they'll beg parents to pay. (NO ONE TELL MY KID.)

DreamWorksTV is one piece of Awesomeness' larger media company, which also includes AwesomenessTV, Awestruck, film and television studio arms, a creator network and creative agency. The company aims to target a young, Gen Z audience with its programming across its digital networks.

Comcast NBCUniversal's acquisition gave it a majority stake in Awesomeness, but investors Verizon and Hearst have minority stakes. (Verizon also owns TechCrunch parent, Oath.)

"As we continue to grow the DreamWorksTV brand, this is an exciting step for us to explore revenue streams and brand engagement across platforms," said Birk Rawlings, Head of DreamWorksTV, in a statement about the launch. "We are excited to team up with Amazon Channels as they have a highly recognized and sought-after entertainment brand that has a huge opportunity in the kids space for compelling, exclusive, and original content – all of which this channel delivers."

Amazon has been steadily adding premium programming options to Amazon Channels, in an effort to build an alternative to today's streaming TV services like Sling TV, Hulu Live TV, or YouTube TV, for example. Instead of offering a skinny bundle of channels for a low price, Amazon offers a Netflix-like library of on-demand content through Prime Video, then lets Prime users pick and choose the other channels they want to add.

Today, Amazon Channels' U.S. lineup includes over 140 add-on subscriptions, like HBO, Cinemax, Showtime, Starz, PBS Kids, Sundance Now, and most recently, CBS All Access.

techcrunch.com

Microsoft Adds Support For iOS Files App, Drag And Drop To OneDrive

January 30, 2018

Apple's latest operating system for its mobile devices, iOS 11, added a ton of productivity tweaks.

One of the biggest is Files, a new, well, file system for iOS that lets users interact more directly with documents and images without having to go through an associate app. Now Microsoft has just added several new features for its Office and OneDrive iOS apps, including access to OneDrive through the Files app. Other additions feature drag and drop capabilities, co-authoring on iOS (and Mac), and a better list view in OneDrive to help find your files more easily. Microsoft has also added new features to its Slack competitor Teams, like the ability to add interactive cards from apps into chats.

Being able to drag and drop content from OneDrive, SharePoint or iMessage into documents, presentations or spreadsheets is enabled in iOS 11 for Office 365 subscribers is a pretty great feature, made possible by iOS's Split View, which was first introduced in iOS 9. You can now also you save any file you create in Office directly to OneDrive via the Files app, too. On the visual side, OneDrive has support for more file types, with thumbnail icons for more than 130 file types, making it much easier to find what you need as you scroll through the list view. Outlook for iOS also gets an upgrade, with a way to search and surface info from across your organization's databases for contacts, travel itineraries, package deliveries and more.

On the Mac side, Microsoft is adding a few new options to make your life easier, too. You can now co-author any Word, PowerPoint and Excel document on Mac or iOS, letting you work on stuff with co-creators. In addition, the company has made AutoSave available for 365 subscribers who use OneDrive or SharePoint to save their files. Learning tools like Immersive Reader and Read Aloud — already on PC and iPad — are also finally available on Mac.

engadget.com

Emerging Technology

Elekta Strikes Deal To Build IBM Watson Into Cancer Care Software

February 02, 2018

"The offering is designed to help healthcare professionals manage radiation care programs by centralizing information and providing users with image, data and workflow management."

Elekta is working to incorporate Watson for Oncology into its cancer care software. The agreement with IBM clears Elekta to start offering the artificial intelligence technology alongside its oncology information system.

Stockholm-based Elekta's business includes an oncology informatics unit that sells Mosaiq software.

The offering is designed to help healthcare professionals manage radiation care programs by centralizing information and providing users with image, data and workflow management. Elekta thinks Watson for Oncology will complement these capabilities by providing clinical decision support.

"Joining forces with IBM Watson Health positions Elekta as the first radiation therapy company to offer capabilities that combine conventional health information systems with artificial intelligence and cognitive cloud computing," Elekta CEO Richard Hausmann said in a statement.

"Our goal is to bring cutting edge artificial intelligence technology to the cancer care continuum, including treatment planning, enabling evidence-based treatment recommendations for every patient regardless of where they are treated."

For IBM, the agreement gives it another way to get Watson into healthcare settings. The oncology offering is now in more than 150 hospitals, according to IBM. Uptake needs to increase to justify the decision to make health a key driver of future growth at the company. Elekta, which claims to hold close to 50% of the market for oncology-specific EMRs, could help in that regard.

Elakta plans to start selling Watson for Oncology imminently. That will lead to Watson being put in front of doctors in the U.S., Australia, Brazil, India and some major European markets. Elekta and IBM hope the support software will help healthcare professionals in these markets access the latest thinking on cancer care, although the system's reliance on input from doctors at Memorial Sloan Kettering Cancer Center leaves scope for doubt about its applicability to hospitals in some of these markets.

fiercebiotech.com

NASA To Use Blockchain Tech In Distributed Spacecraft Missions

February 01, 2018

"The main objective of the program is to create an interoperable environment for a diverse set of satellite sensors via the use of software and the Internet."

Distributive ledger technology also called DLT, has now emerged across a wide range of sectors, so it is no wonder that NASA is now looking into these applications of blockchain technology for distributed spacecraft missions (DSM).

Keep in mind that a blockchain is a type of public distributed ledger, and is the primary underlying technology for Bitcoin. However, new distributed ledgers are emerging. These are databases where control over the data's evolution is shared between entities. And this type of DLT is needed by space agencies.

On September 13, 2017, NASA had a fantastic presentation titled "Bitcoin, Blockchains and Efficient Distributed Spacecraft Mission Control." One of the main points in the presentation was the notion that blockchain technology could have useful applications in distributed spacecraft missions (DSMs) involving multiple elements.

Sensors In A Brave New World

NASA is looking to use smart contracts on the Ethereum blockchain in the agency's SensorWeb program. The main objective of the program is to create an interoperable environment for a diverse set of satellite sensors via the use of software and the Internet.

Most people are aware of the use of sensors in everything from autonomous vehicle technologies to applications on high-flying satellites. With satellite sensors, we can better understand physical phenomena and their impacts by monitoring volcanic eruptions, fires, and floods.

All the data collected by sensors facilitates scientific investigation, especially when existing satellite, airborne and ground sensors are used for required observations. This makes it easy to create customized data sets which can then be delivered via Web 2.0 tools. By using open tools, like Google Earth, data sets can be superimposed for purposes of visualization or calibration.

Basically, the whole mission of SensorWeb is to make discovery and access to sensor data as easy as looking for and finding a website on the Internet.

Making Space Hardware Smarter And More Autonomous

In September 2017, NASA awarded a $333,000 grant to University of Akron (UA) Assistant Professor Jin Wei to research how to make space hardware smarter and more autonomous. This is an important issue because efficient communications systems and effective computing techniques are crucial to ensure the success of each NASA mission.

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And with deep space missions, that communications lag-time makes it impossible to monitor and telecommand space probes in real time. This is why deep space probes and missions like the Mars Rover require onboard artificial intelligence (AI) for autonomous operation.

Professor Wei's project is called: "RNCP: A Resilient Networking and Computing Paradigm for NASA Space Exploration." The intent of the project is to develop a resilient networking and computing paradigm (RNCP) that consists of two essential parts - A secure and decentralized computing infrastructure, and a data-driven cognitive networking management architecture.

"I hope to develop technology that can recognize environmental threats and avoid them, as well as complete a number of tasks automatically," said Wei. "I am honored that NASA recognized my work, and I am excited to continue challenging technology's ability to think and do on its own."

As Futurism points out, this research is critical to the next few decades of space exploration. NASA is already looking ahead to deep space exploration to distant worlds, like Alpha Centauri and beyond as soon as 2069.

We will have to have spacecraft that can react to their surroundings autonomously and be able to gather information without any input from millions of miles away. And as always, this emerging technology - including blockchain technology, AI, sensor networks and software-defined networking technologies, will be studied and developed and be reused in emerging sectors such as self-driving cars and the Internet of Things (IoT).

digitaljournal.com

Mergers and Acquisitions

Port Of Rotterdam Teams With IBM Internet Of Things To Digitize Operations

February 02, 2018

On 31 January 2018, the Port of Rotterdam Authority and IBM announced their collaboration on a multi-year digitisation initiative to transform the port’s operational environment using Internet of Things (IoT) technologies in the cloud to benefit the port and those who use it. The initiative will also prepare the Port of Rotterdam’s entire 42-kilometre site to host connected ships in the future. It begins with the development of a centralised dashboard application that will collect and process real-time water (hydro), weather (meteo) sensor data and communications data, analysed through the IBM IoT platform. This will enable a new wave of safer and more efficient traffic management at the port.

"Here in Rotterdam, we are taking action to become the smartest port in the world," says Paul Smits, chief financial officer of the Port of Rotterdam Authority. "Speed and efficiency is essential to our business, and requires us to use all of the data available to us. Thanks to real-time information about infrastructure, water, air, etc., we can enormously improve the service we provide to everyone who uses the port, and prepare to embrace the connected, autonomous shipping of the future."

As the largest port in Europe, the Port of Rotterdam handles over 461 million tonnes of cargo and more than 140,000 vessels annually. Previously the port relied on traditional radio and radar communication between captains, pilots, terminal operators, tugboats and more to make key decision on port operations. Now, as the Port of Rotterdam begins its digital transformation, sensors are being installed across 42-kilometers of land and sea - spanning from the City of Rotterdam into the North Sea - along the Port’s quay walls, mooring posts and roads. These sensors will gather multiple data streams including water (hydro) and weather (meteo) data about tides and currents, temperature, wind speed and direction, water levels, berth availability and visibility.

This data will be analysed by IBM's cloud-based IoT technologies and turned into information that the Port of Rotterdam can use to make decisions that reduce wait times, determine optimal times for ships to dock, load and unload, and enable more ships into the available space. For example, the Port of Rotterdam will now be able to predict the best time based on water level, to have a ship arrive and depart Rotterdam, ensuring that the maximum amount of cargo is loaded on board.

With the new initiative, Port of Rotterdam operators will also be able to view the operations of all the different parties at the same time, making that process more efficient. In fact, shipping companies and the port stand to save up to one hour in berthing time which can amount to about $80,000 US dollars in savings.

The Port of Rotterdam's digital transformation project is enabled by IBM's cloud-based IoT technologies and will see the Port of Rotterdam and IBM are working together long-term to uncover other innovative applications of IoT and artificial intelligence. Cisco and Axians are also involved in the project.

en.portnews.ru

Walmart In Talks To Buy Minority Stake In India's Flipkart – Report

January 30, 2018

"A Walmart-Flipkart deal could be finalised as early as March, and may involve a direct investment and secondary sales by some longstanding Flipkart investors, the Indian paper said."

U.S. retailer Wal-Mart Stores Inc is in advanced talks to buy a minority stake in India's leading homegrown e-commerce firm Flipkart, the Economic Times newspaper said on Tuesday.

Walmart could acquire a stake of 15 percent to 20 percent in Bengaluru-headquartered Flipkart, the main challenger to U.S. tech giant Amazon.com Inc's India ambitions, the daily said, citing two anonymous sources.

Walmart has held intermittent talks with Flipkart over the past two years, two sources familiar with the matter told Reuters, asking not to be identified as the talks are confidential.

The two companies signed a non-disclosure pact in 2016 that was renewed last year, one of the sources said.

In September 2016, Reuters reported Walmart was in talks to buy a minority stake in Flipkart.

Walmart is likely to make a significant investment in Flipkart if the talks lead to a deal, both sources said, adding, however, that buying a stake of 15 percent to 20 percent in the online marketplace could be pricey and difficult as it recently raised funds.

Last year, Japan's SoftBank Group invested nearly $2.5 billion in Flipkart through both primary and secondary investments. Flipkart also secured $1.4 billion from China's Tencent, online marketplace eBay and software giant Microsoft.

SoftBank owns roughly a fifth of Flipkart, while U.S. hedge fund Tiger Global Management owns a stake of slightly less than 20 percent, one of the sources told Reuters.
A Walmart-Flipkart deal could be finalised as early as March, and may involve a direct investment and secondary sales by some longstanding Flipkart investors, the Indian paper said.

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It makes little sense for Walmart to buy a stake in Flipkart unless it is looking to fully acquire the firm, said Harminder Sahni of retail consultant Wazir Advisors.

A potential union of SoftBank-backed Chinese e-commerce player Alibaba and Flipkart would pose a more formidable challenge to Amazon, he added.

Betting on Flipkart, though, will intensify Walmart's battle with Amazon that has hurt brick-and-mortar rivals like it in their home U.S. market, pushing them to invest in online retail, offer discounts and improve the in-store shopping experience.

Spokesmen for Flipkart and Walmart declined comment, saying the firms do not respond to market rumors or speculation.

reuters.com

Industry Reports

Microsoft Sales Lifted By Cloud Computing

January 31, 2018

"The portion of Microsoft's cloud business that involves selling to companies — called commercial cloud — grew 56 percent, to $5.3 billion, in the quarter that ended on Dec. 31."

Microsoft has spent years adjusting its business to reflect a shift from traditional software sales to cloud computing services delivered over the internet.

It is a bet that continues to pay off for the company — as was evident in its quarterly earnings released Wednesday.

The report was blemished by a charge of $13.8 billion related to recent changes in tax law in the United States, which caused Microsoft to report a net loss. But putting aside the tax-related charge, which was widely expected and will probably impact other tech companies, Microsoft's business showed the kind of growth that has attracted investors in recent years.

The portion of Microsoft's cloud business that involves selling to companies — called commercial cloud — grew 56 percent, to $5.3 billion, in the quarter that ended on Dec. 31. Like many legacy software companies that cater to the huge corporate computing market, Microsoft was caught off guard by the emergence of cloud computing in the form of online storage and computing services offered by the internet retailer Amazon.

After Satya Nadella took over as chief executive in 2014, the company redoubled its efforts. Microsoft is now widely considered the No. 2 cloud provider after Amazon.

Microsoft's overall revenue last quarter rose to $28.92 billion, up 12 percent from the same period a year earlier, as everything from its Office applications business and Xbox gaming console — both buoyed by cloud computing services — showed growth.

The company reported a net loss, including the tax charge, of $6.3 billion, or 82 cents a share, down from net income of $6.27 billion, or 80 cents a share, a year earlier. Without the tax charge though, Microsoft said it earned 96 cents a share.

Microsoft's shares dropped about 1 percent in after-hours trading following the release of the results, though both revenue and the adjusted earnings figure were significantly better than Wall Street forecasts.

One of the company's oldest businesses, Office, saw its commercial revenue grow 10 percent in the quarter. Even the number of consumers who subscribe to a cloud version of the application suite, called Office 365, rose to 29.2 million from 24.9 million during the same period a year earlier.

The company's gaming revenue jumped 8 percent, primarily as a result of hardware sales resulting from the introduction of a new console, Xbox One X.

Microsoft and other big tech companies like Intel and Apple have been struggling over the past several months to mitigate a critical security flaw — known as "Spectre" — which exists at the chip level and has no simple patch.

Microsoft has attempted to mitigate the flaw without dinging performance, but security experts like Paul Kocher, one of the researchers who discovered the flaw last year, say Microsoft's solutions still do not sufficiently address all the ways it could be used by an attacker.

In a phone interview, Microsoft chief financial officer, Amy Hood, said Microsoft has not yet seen a financial impact from the recent critical security flaws.

nytimes.com

Amazon, Berkshire Hathaway And JP Morgan Chase's Big Plan To Lower Health Costs

January 30, 2018

"Health spending equals 18 percent of the nation's gross domestic product and is expected to reach 20 percent by 2025."

Three of the country's most powerful companies coming together to use technology to improve the health-care system — and lower the system's costs along the way — sounds like a great idea.
But turning that idea into reality will be tough, experts said Tuesday.

Amazon, Berkshire Hathaway and JP Morgan Chase announced Tuesday that they're banding together to create a company geared toward reducing health-care costs and improving services for U.S. employees.

But the trio was light on the details beyond saying the new independent company's initial focus would be on developing "technology solutions" and that the firm would be "free from profit-making incentives and constraints."

"The ballooning costs of healthcare act as a hungry tapeworm on the American economy," Berkshire CEO Warren Buffett said in a statement. "Our group does not come to this problem with answers. But we also do not accept it as inevitable. Rather, we share the belief that putting our collective resources behind the country's best talent can, in time, check the rise in health costs while concurrently enhancing patient satisfaction and outcomes."

Gregg Slager, group leader of Ernst & Young's global health transaction advisory services division, said the three companies' desire to control health costs makes sense, given the fact that those costs are increasing, along with the patients' direct responsibility for health bills. But banding together may not be sufficient to change the health-care system's costliest components.

Health spending equals 18 percent of the nation's gross domestic product and is expected to reach 20 percent by 2025. The bulk of health-care expenses are hospitals and physicians, according to National Health Expenditure data compiled by Evercore ISI.

Evercore health-care analyst Ross Muken told CNBC that bending the overall health-cost curve "isn't about controlling drug prices, modernizing the supply chain or improving devices."

"Those are all relatively small parts of spending and some of those parts are deflationary already," Muken said. "This is about getting to the guts of the system and where the inefficiency lies, which is physicians and hospitals."

In a note to clients published Tuesday, Muken said the stated mission of the companies' venture "seems remarkably well placed as the government has failed at managing costs in healthcare for decades."

"However, despite all the money and brain power likely devoted to what is going to be a seemingly [not-for-profit] effort the challenge here is massive. The reality is that a majority of the costs in the system sit within organizations that are difficult to reform and currently borderline profitable (providers)," he said.

"Furthermore, trying to tackle physician compensation also seems like a heroic effort and one that is likely to cause massive uproar, particularly amongst the senior population."

Experts noted that one way employers have tried to address their health costs is by narrowing networks of medical providers covered by insurance plans, limiting which doctors, hospitals and labs patients can go to for care without paying significantly more out of pocket.

This new partnership could possibly create a new care network that steers people away from expensive sites of care when it's unnecessary, said Tim Van Biesen, a partner in Bain & Company's health-care practice.

One possibility is Amazon creating a platform that can direct patients to lower-cost options such as telemedicine or walk-in retail clinics. But whether that and other hypothetical steps taken by the three companies will result in markedly lower overall costs is still unknown.

Also, the trio is not the first group of outsiders to try to disrupt the health-care space.

"This industry has seen some big companies try and change and exit as quickly as they came in," said Vaughn Kauffman, U.S. health services and new entrants advisory leader at PwC.

The new joint venture "could be disruptive" and put competitive pressure on pharmacy giants CVS and Walgreens and pharmacy benefit managers, said Mickey Chadha, a vice president at Moody's. But he added that the regulatory burden around every aspect of health care puts "any new entrant in the space at a huge disadvantage, and companies like CVS, Walgreens, United Healthcare, Aetna and Express Scripts already have large scale, which allows for better vendor and drug manufacturer contracting and the ability to serve national clients."

Experts have anticipated more deals and vertical integration in the wake of CVS announcing its intention to buy Aetna. That deal "is even more compelling as a more coordinated approach to medical care is necessary to lower the overall health-care costs for consumers," Chadha said.

But Craig Garthwaite, director of the health enterprise management program at Northwestern University's Kellogg School of Management, said the thin amount of detail in the press release announcing the companies' venture does not give much reason to believe it will result in radical change in health costs.

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"While we don't know their business plan, there's not a lot of optimism their press release generates given it's just retreading a lot of buzzwords given by people who don't really think about how to lower costs and improve quality of health-care," Garthwaite said.

Gary Claxton, vice president of the Kaiser Family Foundation, said the biggest driver of health costs is the money spent on sick and very sick people.

"It's not clear what private payers can do" to drive down those costs, Claxton said, referring to insurance plans such as those offered by Amazon, Berkshire Hathaway, J.P. Morgan Chase and other businesses, as opposed to large publicly provided health coverage systems such as Medicare and Medicaid.

Claxton said that once a patient is undergoing treatment for their condition, costs can quickly pile up without the patient themselves having the time or the inclination to shop around for a better price, particularly when their health plan is picking much of the cost.

"If you're in cancer treatment or your kid's in cancer treatment, are you looking to save the next marginal dollar?" Claxton asked. "No."

The relatively high cost of the American health-care system — which is much higher than that in other wealthy countries — makes it an attractive target for companies that believe they can save money by finding efficiencies and doing business differently than it has been done in the past, said Claxton.

There have been prior initiatives by non-health-care companies to band together regionally to try to lower their combined health costs. Some have had "modest success," at best, Claxton said. However, none of them lowered their costs so dramatically that their model was adopted on a broad scale.

A new entrant trying to disrupt health-care costs faces a system that has already seen large-scale consolidation across different subsectors of the industry — including insurers, hospitals and drug companies — that will make squeezing out extra dollars in savings more difficult, Claxton said. And in the areas where big savings might be possible, there is often a reluctance to take the steps necessary to achieve those savings.

"We're not in the business of saying, 'We don't want new drugs developed,'" Claxton said.
He also cited the case of one CEO he had heard of who was told his company's health plan could save $1 million annually by cutting out a local hospital from the network of providers covered by the plan. Despite the fact that the area where the company was located did not lack for other hospitals, Claxton said, the CEO rejected the idea out of hand.

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