

Tobin Smith: Toby Smith here with the Next Big Thing. All right. Now, you may not know this, but there's this thing called the Affordable Care Act, also known as Obamacare, that kicks in October 1, 2014, and among things that happen is hospitals **that are** gonna work in this system are going to need a whole new way of doing business, and you know hospitals are so good about changing their ways and they're so flexible. So, I have Andrea Clark here from – I have to read this – Health Revenue Assurance Holdings. Can we just call it HRAH?

Andrea Clark: We can call it HRAH.

Tobin Smith: All right, and the ticker symbol was HRAA. All right.

Andrea Clark: Yes.

Tobin Smith: So, tell us about this date that's coming up, why it's so important to hospitals to get it right, and you told me a number like 30 percent of these hospitals aren't even prepared. So, this sounds like Y2K but the real thing, is what I'm trying to say.

Andrea Clark: Right, right. We have to really think about this deadline, which is October 1, 2014, whereas the data that we're using now, the medical data, is over 30 years old. With this date in mind, we're moving to a new system that is **ICD-10**.

Tobin Smith: Okay, so ICD-10. So, go through it. I check into the hospital, I get diagnosed, they treat me, and they discharge me.

Andrea Clark: Right, so what happens is that documentation today, and even tomorrow –

Tobin Smith: Talk to them.

Andrea Clark: – is translated into data. That data is translated into revenue for both hospitals and physicians.

Tobin Smith: Physicians, right.

Andrea Clark: If they are not ready by October 1, 2014, there's no grace period, there's no turning back, and claims will be at a standstill. Your claims will be denied. So, that's why that date is so important **to prepare**.

Tobin Smith: So, that's sort of like financial Armageddon –

Andrea Clark: Absolutely.

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- Tobin Smith:* – if you don't have your act together.
- Andrea Clark:* It's the Y2K of healthcare, yes.
- Tobin Smith:* All right, so in a simple way, your service is a service? It's a software? How does it work –
- Andrea Clark:* Right. First –
- Tobin Smith:* – and what do I pay? Let's say I'm a 100-person physician, independent practitioner, IPA Association –
- Andrea Clark:* – right.
- Tobin Smith:* – I am scared to death, and I come in and say, "Please, please, help me," what am I gonna pay you to get my act together?
- Andrea Clark:* Right. First and foremost, with these hospitals that haven't been going fast enough to get into the implementation, or even the physicians, what we do is we pull medical data, and we take that data and make a predicted financial module so that we can understand the costs and the revenue, both backward in I-9 and forward in I-10, in order for them to begin to prepare. So, there's a financial portion of that which is our technology, but there's also a service portion of that is we educate and supply high-quality work force to hospitals in order to assign this data that is required across the United States.
- Tobin Smith:* All right, so you bring the SWAT team in, I think, _____. You bring the SWAT team in to go fix the problem, all right?
- Andrea Clark:* Yep.
- Tobin Smith:* Now, once you fix the problem, then is there ongoing maintenance fees or ongoing support?
- Andrea Clark:* Yes, absolutely. When you bring the technology in and you start predictive modeling, what begins to happen is the tentacles of the dashboard begin to go to other departments, whereas they begin to want the same dashboard –
- Tobin Smith:* I have a mental picture of an octopus. Its tentacles are –
- Andrea Clark:* – yeah –
- Tobin Smith:* – all right.

Andrea Clark: – but it starts to unwind, and everyone wants to see their own dashboard with their service line and their business in order to make better –

Tobin Smith: It's like a child, "I want my own dashboard."

Andrea Clark: – exactly –

Tobin Smith: "Why does AP have it? I want it. I'm more –

Andrea Clark: – and it's great, because –

Tobin Smith: – important than they are," right?

Andrea Clark: – once you set them up with that first one, they all want their own because it is a business line, and we all have to make good, quality care decisions for patients, and we have to lower the cost.

Tobin Smith: All right, so I have **it nailed down**. Andrea's company creates and sells IT crack to the hospitals, and, once she gets them on the crack, then you own the pipe and the crack.

Andrea Clark: Absolutely. Business intelligence has been around in many different industries, but healthcare is adopting it now and, once they have it, they can't stop.

Tobin Smith: All right. When we come back, we're gonna talk about how she makes this crack. No, we're gonna talk about the whole idea of how do you grow this business, the revenues, the scaling, because obviously there's gonna be a big push into –

Andrea Clark: Yes.

Tobin Smith: – **this date**, and then let's talk about the company afterwards. Look, the next big thing in healthcare is getting your data right –

Andrea Clark: Absolutely.

Tobin Smith: – and _____ Healthcare Assurance, they get the data right.

Andrea Clark: Thank you.

[End of Audio]

- Tobin Smith:* All right, this is Toby Smith with the Next Big **Things**. We are focusing today on this concept of how hospitals and big practice associations are gonna comply with –
- Andrea Clark:* Yes.
- Tobin Smith:* – the financial Armageddon that is coming October 1, 2014, when you have to switch to a completely new system –
- Andrea Clark:* Right.
- Tobin Smith:* – and, as we know, hospitals, and doctors for that matter, are a little bit slow to adopt technology. Now, they've got a gun to their head, really, here.
- Andrea Clark:* Yes.
- Tobin Smith:* Of course, they say that there's no grace period. Do they really mean it?
- Andrea Clark:* They really mean it. Medicare is not wavering. I was up there in April of this year speaking at the **I-10** summit – not wavering, ready to go, they're testing, other payers are testing with the data. They're already testing with the data. They're ready to go. Billions of dollars have been spent on this.
- Tobin Smith:* So, I'm an average hospital, and I have an accounts payable department, I have a coding department, I have people who do that stuff, but those aren't the people to bring in the new system right? In other words, you come in like a SWAT team and help them get prepared.
- Andrea Clark:* We use all of those departments and help them get prepared –
- Tobin Smith:* Do you? Okay.
- Andrea Clark:* – so we educate them, we train them, we bring in the technology so we can predict the financial model for them, both from Medicare and other third-party payers, because you have to address that financial impact with the other payers because they have the same data analytics.
- Tobin Smith:* So, there's a long tail to this, as we like to say in the IT business, that as soon as you actually now have this data coming out, spitting out real time, and you're able to then connect that to outcomes –
- Andrea Clark:* Yes.

- Tobin Smith:* – you're able to connect that to costs, et cetera, there should be some value in that data, the business intelligence, right?
- Andrea Clark:* Right, exactly. Hospitals can make better sound decisions on service lines, quality of care, and financial impact, because basically we're going from a volume system to a **value** system, and that's where it starts with the data. One of the other healthcare reforms is readmissions, Medicare's hospital reduction of readmissions, and we've already created that technology that basically we can model patients who come into the hospital with a certain disease and predict their outcome of coming back in 30 days, and help the hospital prevent that.
- Tobin Smith:* The hospital, they get part of their payment withheld –
- Andrea Clark:* Yes, they do.
- Tobin Smith:* – or they get a bonus if they reach the numbers, right?
- Andrea Clark:* Right.
- Tobin Smith:* So, there's a financial incentive to do this.
- Andrea Clark:* They're looking at historic data, and right now hospitals are getting penalized one percent, but, in the next two years, it goes up to two percent and three percent, penalized based on their Medicare revenues. That can be millions of dollars if they don't watch that.
- Tobin Smith:* This is not electronic medical records, I mean –
- Andrea Clark:* No, it is not electronic –
- Tobin Smith:* – I know people –
- Andrea Clark:* – nope.
- Tobin Smith:* – get confused, but in our stimulus act that was \$832 billion that we basically pissed away, there was a part that went to electronic medical records.
- Andrea Clark:* Yes, you're absolutely correct.
- Tobin Smith:* So, is the government paying these hospitals for your services, **in other words**, is there some reimbursement from Medicare, et cetera, or do they have to come out of their own pocket?
- Andrea Clark:* Well, Medicare is reimbursing hospitals and physicians to go to the EMR, the electronic medical record. From a standpoint of I-10

and the EMR, that goes hand in hand in the foundation of e-health, so they're working on those **costs** right now, they have multiple costs, but the I-10 is the impending date that we have to –

Tobin Smith: Yeah, that's the –

Andrea Clark: – get to, that is.

Tobin Smith: – _____. All right, now, final question. So, in an accountable care organization, where you're being paid for totality of care, not just fee-for-service –

Andrea Clark: Right.

Tobin Smith: – you have to have your system be able to have –

Andrea Clark: Yes.

Tobin Smith: – accountable care, right?

Andrea Clark: Yes.

Tobin Smith: So, you're really beyond the sort of Armageddon. You're really a play on the accountable care organization.

Andrea Clark: Right. Our technology is going to be able to look at the accountable care organizations as a continuum of health, and they'll be able to make –

Tobin Smith: That's a big word in healthcare, by the way, continuum.

Andrea Clark: – a continuum of health –

Tobin Smith: **They have a** continuum for everything.

Andrea Clark: – not just this _____ –

Tobin Smith: They have a continuum for losing money –

Andrea Clark: – because –

Tobin Smith: – they have a continuum – **all right, I'm just** –

Andrea Clark: – **and** you want to track that patient, and innovation is the key word to this new healthcare, and HRAA is **innovative** in their technology to help **with** _____.

Tobin Smith: All right, so 2012 revenues, you just really started ramping up –

Andrea Clark: Yep.

Tobin Smith: – at 2013, you have a forecast for it.

Andrea Clark: We have a very full pipeline with other technology coming out, and the readmission **visualizer**, also, yes.

Tobin Smith: Okay, and are you raising any more money, or do you have enough cash to get where you want to be?

Andrea Clark: Yes, no –

Tobin Smith: Everybody needs money, okay.

Andrea Clark: – everyone needs more money, yes, that's true –

Tobin Smith: All right, well that's –

Andrea Clark: – but we're doing well.

Tobin Smith: – that's all we need to know. All right, bottom line, the next big thing certainly in October 2014 is if you're part of the, at that time, \$2 trillion healthcare industry and you don't match up with this new regulation, you're not gonna get paid –

Andrea Clark: That's right.

Tobin Smith: – and that makes people, **obviously**, unhappy. So, you have a solution, it's sitting right here, and the next big thing in sort of healthcare payment and scoring and I-10 and –

Andrea Clark: Yeah, transparency.

Tobin Smith: – put it all together –

Andrea Clark: Yeah, yeah, absolutely.

Tobin Smith: – is right here. Thanks for coming.

Andrea Clark: Thank you.

[End of Audio]