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Interviews & News!

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Because Non-Compliance Has Become A Major Issue With Regard To Chronic Disease Management For The Elderly As Well As Busy Working Adults And Children, ALR Technologies Is In The Right Place At The Right Time With Their *Constant Health Companion*™

Services

Medical Equipment Wholesale
(ALRT-OTC: BB)

ALR Technologies, Inc.

114 M Reynolda Village
Winston-Salem, NC 27106
Phone: 336-722-2254

Stanley Cruitt
President

BIO:

Stan Cruitt joined ALR Technologies as President in 2000, bringing with him more than 20 years of experience in the pharmaceutical industry. He became President at a key point in the Company's history, when ALRT was evaluating its products and considering innovative uses for medication reminders throughout the healthcare community. Mr. Cruitt has extensive experience in the pharmaceutical industry, where he has held numerous positions ranging from serving as a marketing research analyst with Merck to top marketing and management positions with Ciba and Novartis. In 1996, Newsweek and Advertising Age recognized him as one of the top marketers in the United States. Mr. Cruitt's experience at building brands, markets and business is a needed fit for ALRT. Mr. Cruitt received his undergraduate degree from Southern Illinois University and received academic honors during graduate study.

Company Profile:

ALR Technologies, Inc. (ALRT) designs and manufactures health management compliance products and monitoring and intervention systems. ALRT's primary

system, Constant Health Companion(TM), fills a serious gap in standard disease management practices. It provides for continued and affordable compliance supervision of patients after they have left the direct care of professionals.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Cruitt, what is your vision for ALR?

Mr. Cruitt: "The vision for ALR Technologies is to provide a solution to one of the major gaps in healthcare in the United States and elsewhere. That major gap is the lack of ongoing oversight of a patient that has chronic disease."

CEOCFO: What do you propose to remedy that gap?

Mr. Cruitt: "ALR Technologies is a healthcare technology company that is specific to disease management compliance and monitoring. We recognize this gap in healthcare, for example, a patient is well taken care of when they are in the hospital, in the clinic, at the pharmacy, or when there is a caregiver or case manager with them. However, when they are left alone to take care of their own medications, diagnostic testing, etc., that is where healthcare falls apart. It is primarily due to non-compliance. Some people believe the non-compliant are basically the elderly when ever there is a memory issue but it is not. It covers the spectrum of age from a child through people in their 20s-40s and it is due to busy lifestyle and complicated health management regimen. Given that and understanding

that, we have spent the last few years developing a system to fill that need and we are now coming to market with our Constant Health Companion™ Reminder product along with the monitoring system that allows the caregivers to understand exactly what is going on with this patient."

CEOCFO: How does your system work?

Mr. Cruitt: "The Reminder device is a small device such as a PDA or a cell-phone. It is very unique, it is not like a cell-phone because it cannot be turned off; it is always on, because anything with health management has to always be on. Picture this, it is very compact so it is portable, it is preprogrammed for that individual based on their specific needs. Let's take the diabetic because we do have a diabetes management platform where most of our focus is now. The diabetic needs to be testing their blood sugar two to five times a day. They need to be reminded to do that because they often forget. Our system has an alarm that will alert them at the exact time of day they are to check their blood sugar. It will also allow the upload of the data scores of their blood sugar level, and later when it is time to take a medication or when it is time to check their blood sugar again. All that data is then uploaded into a secure site that a caregiver or even a family member can access 24-hours a day to determine whether or not that individual was compliant with checking their blood sugar, what the blood sugar reading was and if they are not, then they can take corrective action."

CEOFO: Diabetes is certainly a good candidate for this type of system; what other diseases are you targeting?

Mr. Cruitt: "It is applicable to almost every chronic condition and it could range from a child with Type I diabetes or with MS, to the adults that have a respiratory disease such as COPD (Chronic Obstructive Pulmonary Disease), which is due to either emphysema or chronic bronchitis, those with congestive heart failure. I should also say the asthmatics as well. So there is a population of thirty to forty million people that could have need for our system. Speaking of the diabetic, a study was conducted that resulted in roughly a \$4,000.00 a year cost savings per individual who had diabetes when they were receiving just the reminder alerts on a daily basis. That is indicative of what most people in healthcare understand. A lot of the rising cost of healthcare is not so much due to cost of drugs, it is largely due to people are receiving these medications that can be very helpful, but they are not using them. They are not taking the other corrective actions. Let's just say there is a person with COPD, they are supposed to use a nebulizer compressor three times a day to deliver medicated oxygen into their lungs. Non compliance with this action is very poor. It is a combination of things across the spectrum of disease. People with heart disease, there are a lot of actions that they need to take every day to help ensure they are not going to get worse, they are not going to end up in ER, and that is what our system can do. It is going to keep them on track with what they are supposed to do, it is going to allow them to have a better quality life, enjoy health a little longer, it could be substantially longer than it would otherwise. They can remain independent longer for the elderly."

CEOFO: How are you going to roll out your services?

Mr. Cruitt: "We recently announced that a group in Canada, it is a group of endocrinologists, are in the process now of implementing the program using our disease management platform for the diabetics. We are going to some of the major companies, either the group health plans,

disease management companies, that represent the large groups or self-insured corporations because who stands most to gain? Obviously, the patient stands the most to gain because health is what everyone desires. Financially the most beneficial recipient is the company or organization that is actually paying for the health plan i.e. a self-insured corporation. They are covering their employees, their employees' dependents, and their retirees. That is where this \$4 thousand a year in cost reduction can come in if they implement this or have it implemented with their employees who have diabetes or with their employees who have COPD. It is not just their employees but their dependents and the retirees."

CEOFO: What is your revenue model?

Mr. Cruitt: "For example, it is not historical because we are just rolling out. There are roughly 20 million people in the United States alone with diabetes and

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obviously, we can't reach them all. However, if we reach just one group, let's say a disease management group that is managing a 100,000 of these diabetics and we get 20% of those or 20,000, there is an ongoing annuity revenue stream. This is because there is a monthly service plan that comes with this to allow for the monitoring and the remote messaging back to the patient as well as the remote reprogramming in case their timing needs change or the medication needs change. Having said that, the revenue model is for every 20,000 people that are on this, we are receiving roughly \$30 dollars a month per individual. The potential is very significant because if you think about that just \$30 dollars a month to allow someone to maintain a health condition where they wouldn't have otherwise, and it is lowering the cost of care by I would say the return on investment is at least ten to one. My point is it doesn't take many people before we not only reach a break-even stage but reach a significant, profitable situation."

CEOFO: How do you know people will really pay attention and not just ignore the beeping and alerts?

Mr. Cruitt: "That has been posed in almost every meeting with healthcare officials. There is already historic information that shows that if the people are using it there is a high level of satisfaction with it and there is a high level of comfort with it. There is also another way that can help drive the utilization and here is the best example; a self-insured corporation makes an announcement to all of their employees who have chronic conditions, the disease management company comes in and works with them and they are going to be providing the Constant Health Companion system. If they utilize this system and maintain an X-level of compliance, they may have no co-pay, their co-pay drops from \$20.00 per script they pick up down to zero, or they may have a reduction in the premium. This disease management or case management company managing the implementation of the program will also know because of our monitoring capabilities will know whether or not a person is compliant and we will know whether or not they are 80% compliant or 90% compliant so there is an incentive to get people involved and keep them involved. There are other types of incentive plans being discussed. The other thing is that most people desire to stay healthy and the people who have used our system in pilots very much appreciate the assistance that our system provides."

CEOFO: Everybody wins!

Mr. Cruitt: "Every time you say it is a win/win, there are too many skeptics that say it is impossible, it is just a wonderful cliché. But in this case it really is win/win. Obviously, ALR Technologies wins as our system is implemented. The patient clearly wins because the patient does enjoy better health and the provider of their health plan clearly wins because they have a healthier employee so their productivity is better, lost work days are down, but they also have a reduction in cost of care. There is another thing that is going on and we do believe that there will be Medicaid coverage for reimbursement of this within the next twelve to eighteen

months. There are movements and bills in a couple states already to achieve reimbursement for our type of system.”

CEOCFO: Do you see a trend in by healthcare providers to pay more attention to preventative measures like this?

Mr. Cruitt: “Absolutely! In fact I can pull out archives of articles in various publications across the nation whether it is national or regional or even local that are written by healthcare professionals very specific to what you just said. There is an increasing recognition of this problem that exists today even though the awareness has always been there. There is a noise level that is increasing because of the cost of healthcare. Now they are seeing there is a major gap and if we can fill this gap we can actually better manage cost. Not only that, it is the ageing of the population, the baby boomers are coming to retirement age in the next few years. The life span is increasing as well so there are going to be more elderly people

on complex medication and disease management regimens for more and more years. The timing could not be better.”

CEOCFO: What is the financial picture of the company?

Mr. Cruitt: “Because of the uniqueness of our system, we are utilizing some consultants in the industry on a contractual basis to help gain the attention and the implementation of major companies. It takes only a couple major companies to start that snowball effect. We think we are well on our way to reaching that point. It still takes some working capital and historically ALR Technologies has been funded by the officers of the company, our families and close friends as angel contributors. Whenever we require additional capital that is what we still go back to, our angel contributors. We believe we have the strength from a marketing standpoint to make that first impression in the market and then from there it just gets easier, it gets easier in raising

capital but it also gets easier in making that next sale.”

CEOCFO: Many investors like to look at opportunities in the early stages; why should potential investors pick ALR Technologies out of the crowd?

Mr. Cruitt: “ALR Technologies has developed a system where there is very little competition primarily because it is completely new. ALR Technologies system is unique and we are going to be the first in the marketplace to fill this gap that I described in healthcare. The potential need from the standpoint of the population is in the millions of people that would have a need for this. The recognition by the industry of the value it can bring to them is there now and the noise level is ever increasing. As such ALR Technologies is going to be very successful in being a leader in driving the growth of this new area of healthcare.”

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