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Bringing to market a Mass Market Telemedicine Product, CirrusMD inc. is Allowing Doctors to Communicate with Their Own Patients through Secure Video Chat and Messaging over Mobile Devices and the Internet

**Healthcare
Communications**

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Andrew Altorfer
CEO

BIO:
Andrew's track record of advising early and growth-stage tech companies gives him the market knowledge and experience needed to lead the execution of our vision. Most recently, Andrew was a Vice President with Q Advisors, a boutique investment bank. Previously, Andrew was with Citigroup and Goldman Sachs in New York. He has a bachelor's in Finance with honors from the University of Illinois and also spent three years in Mechanical Engineering at the University of Colorado.

About CirrusMD Inc.:
CirrusMD Inc. is a healthcare communications company focused on mobile physician access solutions. The Company offers a HIPAA compliant platform that allows medical practices and health systems to offer video chat and direct messaging to their patients over mobile devices and the Internet. CirrusMD is currently live with practices in Sacramento and Boston and is actively adding new partners. The Company is engaged in business development opportunities with major health systems, insurance companies, HMOs, ACOs, government payer programs, and corporate health and wellness plans. CirrusMD was founded in 2012 and has operations in Denver and Sacramento.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Altorfer, what is the concept at CirrusMD Inc.?
Mr. Altorfer: Our concept originated out of my business partner, Dr. Blake McKinney's, emergency room practice, where he has seen people spending increasing amounts of time waiting in the emergency room for non emergency conditions due to lack of access to primary care doctors. At the same time, many doctors are starting to text, email and video chat with their own patients. Based on those observations we have developed a business model to allow doctors to offer video chat and messaging in a secure manner to their own patients.

CEOCFO: Do you see this as something doctors in general will accept easily, more so because of the upcoming changes or do you really have to lead them in kicking and screaming?
Mr. Altorfer: What we have seen so far is that doctors are very willing to participate. Even though we are still a relatively early stage company, we have doctors seeking us out. This is because they know that what we are bringing to the table a solution that rectifies many problems that they are currently facing. Doctors are currently in a state of crisis. Physicians are earning less money than they ever have before. They have to see more and more patients than they have ever had to before, just to meet their same income level. At the same time, the administrative burden and costs at practices are rising. As a result, we have seen that doctors are very open to trying new things. A few years ago we may not have been as palatable, but doctors are now facing a situation where they know that things need to change. They know that they need to become more efficient. Because of many of the legislative activities through the Affordable Care Act and elsewhere, doctors are also starting to bring technology into their practices for the first time. Doctors have been, more or less, mandated under the

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Affordable Care Act to move away from paper records onto electronic health records. This movement to electronic record keeping is still new to healthcare, while people in the enterprise and consumer markets have been utilizing electronic records for years. However, because of this transition doctors have started to become more creative about how they can utilize technology to extend their practices. Furthermore, by creating business models that provide physicians with financial incentive to take on a new electronic workload, we become very interesting. As there is a revenue crisis at many practices, a new revenue stream and a recurring revenue business model are very attractive. Even in "brick and mortar" practice, you are seeing the rise of concierge medicine and direct pay models right now. We allow traditional practices to capture some of the elements of a direct pay model in the context of their existing practice. A direct pay model is a construct where a patient essentially subscribes to the doctor or to their practice. They pay a recurring monthly fee and oftentimes get a much higher level of service. They will get their doctors cell phone number. They will be able to actually get treated by phone for various conditions. What we have done is taken that one step further. Patients can send a message to their doctor about something as simple as a prescription refill. They can schedule a video chat to talk about more complicated issues. Studies in the UK have shown that up to eighty percent of all clinical interactions can be handled remotely. Therefore, a substantial amount of the doctor's practice can be transported onto remote care. It is more convenient for the patients because they no longer have to take half a day off of work to go into the doctor's office or sit for hours in the waiting room. The reason that doctors can start to do this under a direct pay like model is because they have recurring revenue base that provides them with financial incentive to start treating people remotely. One of the biggest reasons that doctors do not currently treat patients by phone is that they have no mechanism for being compensated for that interaction. When you pair

that with the fact that most providers, particularly private practices, are struggling financially, they cannot afford to give away free treatment. By establishing a direct pay or "fee for access" model, as opposed to the fee for service or transactional model that currently takes place, doctors become free to treat patients in the most effective and efficient manner that they can.

CEOCFO: What about the regulations surrounding medical care in terms of privacy; in terms of "you looked at my rash over the phone and now something happens and I want to sue you?" How do you get around some of the concerns that I am sure are quite natural in that arena?
Mr. Altorfer: Interestingly, of all the people that we talk to, the doctors themselves are the most comfortable of anyone, interacting with patients in this manner. A doctor will steer towards conservativeness. That means that if they cannot make a comfortable diagnosis through the data presented to them; whether it is in context of an image sent to them, whether it is through a video chat or whether it is through a description that a patient is providing, the doctor will need to escalate that interaction. This means that the patient will either need to go into the office, the emergency room or urgent care center, depending on the seriousness of the situation. The reality is that many, many conditions that patients seek treatment for are easily diagnosable. For example, a urinary tract infection; in the US someone with a urinary tract infection is forced to go into the doctor's office to get a prescription and is then forced to go to the pharmacy to pick that up. In the UK, because a UTI is so easily identifiable, you call a nurse line and they have the prescription sent to your local pharmacy. Therefore, you remove one step of needing to go into the doctor's office by putting this workflow in place. The condition is so easily diagnosable that there really is no need for that in person interaction to take place, but it does in the US because of the payment model. As far as privacy regulations go, the relevant standard is HIPPA. We have built our technology

to be fully HIPPA compliant. All data is encrypted at rest and in transit. That means that the patient's data is safe and the only people that can view that data is the patient themselves or their provider. From a security standpoint, the technology itself is highly secure. From a legal standpoint, the doctors have a good understanding of how effective they can be through technology. This works the same way as if a doctor were to provision advice over the phone. If a doctor cannot make a clear diagnosis based on the information present in that remote interaction they will need to encourage the patient to come into the office.

CEOCFO: How do you reach patients and how do you reach doctors?
Mr. Altorfer: We tend to view our customers as the doctors. We sell to the practices. We have a team of independent sales agents that are our "feet on the street" focused on smaller private practice type models, while our core management team is focused on business development opportunities with large scale health systems, HMO's, ACO's, insurance companies and other technology partners in the digital healthcare system. We approach a practice and one of the most effective means that we have seen so far in reaching the "individual primary care doctor" is to ask them how business is doing? In most cases the answer is "not so good". In presenting them with a new revenue solution, it is something that is very appealing. As far as reaching the patients; we will then partner with the practice to market our solution to the existing patients within that practice. Over time we will begin to work with the practice in marketing this new level of access into their local communities. The service is built around the supposition of a pre-existing relationship between the patient and doctor. As such, the doctor knows who the patient is; they have their medical records, they know their medical history and the doctor can have a much more effective remote relationship with patients that they know. Our remote access solution is focused on building the patient/doctor relationship. This is in contrast to some of the

services that are most closely associated with us, which we term "Urgent Care Online," where a patient signs on video chat or message with a "stranger doctor" where they had no opportunity to establish an in person relationship. In most cases, Urgent Care Online does not offer the ability for a follow up interaction with the remote doctor to take place, online or in-person.

CEOCFO: How do you ensure ease of use of your program?

Mr. Altorfer: One of the reasons that doctors are unhappy with most of the software solutions that they are presented with is that they are generally lacking in thoughtful user experience. In particular, most of the electronic health records that in use have been reverse engineered to maximize revenue off of billing codes. Billing codes represent a price level for each interaction that takes place between a doctor and a patient. Making a patient interaction more complex results in a higher reimbursement rate for the practice. These EHRs have been designed around the concept that they need to make each interaction as complex as possible to capture the maximum possible billing rate. Very little thought has been put into building a solution that provides a good user experience for a doctor. Therefore, you are implementing software solutions that have not actually been designed around usability. My background is in tech industry, and I have worked with many early stage tech companies in the consumer space. Consumer technology has gotten to a point where it is very easy to use. You go to an Apple Store on the weekend and look at their training classes, the majority of people there are of Medicare age. That is a very, very new trend. The simplicity of design and the superb user experience that you are seeing from iPhones and Android devices and other web driven applications has progressed to the point where really, anyone can use it. In healthcare, due to the slow moving nature of the industry, it has not bridged over to the point of consumer technology yet. One of the things that

is very strong about our business is our unique partnership between technology with my background and the practice of medicine through my business partner, Blake's, background and bridging that gap to bring solutions into healthcare that are effective for doctors, but also represent the leading edge user experience and design that is being built for consumer applications. Things have become very simple in how people can interact with technology, and there has not yet been a big push in healthcare to capitalize on this simplicity. I think you are starting to see a few other companies like ours, which also tend to be early stage, that do believe that design is important, and that do believe a superior user experience is important. The issue is that most of the technology sitting in doctor's offices today does not fit that profile.

> "We have what we believe is a standout, mass market telemedicine product. We designed for mobile from the beginning and can be used just as easily by smartphone or tablet as over the Internet. This seems to be unique relative to other offerings that we are aware of."
> **- Andrew Altorfer**

CEOCFO: What is the plan for the next year down the line? Other than the traditional sales and knocking on doors, how will you be getting attention?

Mr. Altorfer: We have started off with a business model that is a patient funded, direct pay model. It tends to be very attractive to private practices. This is because it develops a new revenue stream for their doctors. It makes a lot of sense across a variety of demographics. One demographic, in particular, that we believe this works for is young mothers. Oftentimes, children get sick at odd hours. You do not necessarily know if something is serious enough to warrant an emergency room visit. In providing this easy path of access to get your question answered, it is very effective. We understand that the status quo in healthcare is that patients are not used to going out of pocket for healthcare services. Consciously, people do not believe that they pay cash for access to healthcare. The

reality is that through co-pays and ultimately through insurance, people are paying. It just looks a little bit different. We are pursuing a number of conversations with different types of providers and payers about opportunities to bring our access solution, that enhances efficiency and expands doctors reach, into other types of business models within healthcare. We believe that we are a very good fit for HMO's and ACO's; what are known as capitated payment models. A healthcare provider receives a fixed payment on a monthly basis per patient, and they need to provision all healthcare services for that patient and across the entire pool of patients that they are responsible for, at a cost lower than that capitated payment. Then the health system gets to keep the extra margin that is left over. By using a remote access solution like ours, those provider groups can drastically reduce the cost of care per patient at the most simple level, through reduced levels of emergency room utilization. Furthermore, by not needing to see as many patients in office you are reducing waiting times in the waiting room and you are providing a service that reduces the amount of in-office message handling between members of the office staff. Furthermore, by building our model outside of insurance reimbursement there is no overhead cost associated with having to engage office staff in billing for each interaction that takes place. Due to the cost savings that we can bring about, ACOs and HMOs are able to implement our solution across an entire patient population and capture higher margins and derive better profitability for their systems. We are working with government payer programs, most specifically around Medicaid patients, either directly or through insurance companies administrating Medicaid funds on behalf of the government. One of the issues facing Medicaid patients is that there are not enough doctors that are willing to see them. Something like forty percent of doctors in California will see Medicaid patients. Of those doctors, many of them only have a few slots available

per week to see Medicaid patients. With Medicaid rosters set to drastically expand under the Affordable Care Act, you have a patient population that is already facing a shortage of doctors with the inability to get an appointment. As a result many Medicaid patients show up in the emergency room, which is really the only place for them to get treated. This is a problem because emergency room visits cost upwards of ten times what a primary care visit costs. By offering online access to Medicaid patients, you are providing a great service to people who have very limited means to accessing healthcare services, while also saving the system massive amounts of money by redirecting patients back into primary care. We are also talking to insurance companies about a variety of opportunities to integrate our solution into existing care plans or alongside them as a voluntary or company funded benefit. Employers like what we are doing, because they no longer have to have their employees miss work for a doctor's visit or for one of their children's doctors' visits. Those visits can now be taken from the office or from their car or from their home afterhours. We can also drive corporate health plan savings through reduced ER and brick and mortar utilization. Exploring opportunities with different provider types, with different payer types and with company health plans are the major strategic goals for us over the next year. Beyond these goals, our focus is on further evolving our product. We have what we believe is a standout, mass market telemedicine product. We designed for mobile from the beginning and can be used just as easily by smartphone or tablet as over the Internet. This seems to be unique relative to other offerings that we are aware of. However, where we are today is just a start. We have a lengthy road map of services that are related to our core path of communications between a patient and doctor that will add a lot more value to both sides of that equation.