Primary Care Cures

Episode 147: Peter Cranstone

Ron Barshop:
Welcome to the only show dedicated to a new way of delivering healthcare. This new model has no name, but let's go ahead and call it direct contracting or digital first care. The new way centers on opting out of the games bigs play with their rigged dice, their crooked game board and their purchased referees. And if you're looking for a future where everyone wins, that's the doc, the consumer, the employer, and with assured amazing outcomes and measurably lower costs that are ranging up to 60%, you're in the right place. I'm Ron Barshop, your host. I'm glad you're here. Welcome to the new healthcare economy.

Ron Barshop:

Bows and arrows will never take down an F-18. Didn't you see Avatar? And digital patchware will never replace transaction care. It simply improves what sucks for consumers. Digitizing sick care is in no way a fix, but it's wallpaper on rotted walls. And will the bigs ever see any kind of a take down? Well, the bigs have too much power and too sweet of a ride today. And too much is at stake to keep where we are, where we are. In other words, they want no change. They are chief preservationists of the sick care system. No, the take down of everything that we thump on this show is coming from the edges. If you go back to 74, Federal Express was a failed term paper, and it basically took down the United States Postal Service. Unheard of. It, last year, made 3 billion in profits and the US Post Office lost over 9 billion in losses.

Ron Barshop:

Southwest Airlines took down many of its industry titans, Pan Am, TWA, companies you may never heard of, but they were big at the time and dominant and many more were abandoned and absorbed into American and United, as we know today. Walmart took down mom and pop retail and Amazon may be taking down Walmart, because it's definitely taking down bookstores and retail is completely being reshaped. In fact, if you think about your own town, one out of three regional malls in America and their owners are bankrupt and empty and eye sores, and another third are going to be closed. So think about those in your own city.

Ron Barshop:

Healthcare is shaping up no differently. What outside force on the edges is the threat to the bigs that maybe is in their sites, maybe they're buying in obliterating or buying and bearing, or maybe it's not in their sites. Well, that's what this show is all about.

Ron Barshop:

It's an army of mice and a few larger mammals taking down this aged lion way past its prime and one other alpha just appeared to challenge it. And this company is worth more than many of the biggest bigs combined. Why the old lion is going down is simple. The business model is simply

unsustainable. Healthcare represents 48% of every federal dollar spent, says a Johns Hopkins study, that includes Medicare and Medicaid and VA and defense. Those are obvious ones. Less obvious is that a vast majority of social security recipients checks go to healthcare and the interest on the deficit, the largest part of that interest, is financing healthcare deficits. So United Health Group is the biggest of the bigs. It's the seventh largest of the fortune 500s and most of it's insured growth since 2010 has been federal growth. In other words, Medicare and Medicaid patients, and that's Humana's model too.

Ron Barshop:

This is simply unsustainable. It's unsustainable also to be so consumer unfriendly, not to mention the 12,000 ICD-10 codes and modifiers that docs hate. So they just hate the HR mandates. And employers are waking up and starting to fire the bigs too. So they're all also PBMs. United, Aetna, Cigna all have 70% of market share because they're also the big PBMs, the pharmacy benefit managers, but the all the other bigs also have PBMs too. That also is unsustainable having this middle man that is so voracious and it's feeding off the middle of this machine.

Ron Barshop:

So back to the army of mice, the mice and the larger mammals, I am certain of because they've been on this show and it's called the world of direct contracting and digital first care. Premise Health is one of the largest, if not the largest, it's a roll up and they may have a shot and Medici is pure digital care. They're actually bigger than Premise and they have a shot. London-based Babylon Health is another one to watch and they're going to be a public company this month. They're also another subscription model to watch. While they're only in four states here, their US launch beachhead is just in a few states, but they're much larger globally. They have 25 million patients more than Medici, which is 13 million. And Premise, which is 11 million combined. But they're going public, as I said, and their valuation is $4.3 billion, which is triple that of what the VC's invested in it just a future years ago. And their mission is to take care of everybody on the planet's health.

Ron Barshop:

So let's talk about the alpha lion that's jumped into the jungle all of a sudden, that's called Amazon. It's a 27 year old alpha lion, it's worth nearly $2 trillion. And our healthcare spend in America is 2.7 by comparison. Amazon is now double the valuation of every grocery and drug retail chain and has its beachhead in this messy space called pharmacy. The bigs are awake, but trapped in their sclerotic models and their sclerotic preservation of what is. The ride over the past 20 years has been so sweet. There's been no sector except for tech and consumer goods that beats healthcare over the 20 year period, but healthcare had a dramatically lower beta or risk. So you decide between the two lions, you've got a lion and an army of mice, and then you have sick care. We are the only advanced nation who lost life expectancy the last two years in a row, even though we're sometimes double the cost spend of our peers. So you've got sick care versus well care. You've got transaction care versus consumer centric care. And it's way beyond consumer centric, it's employer centric and doctor centric and cost centric and outcome centric. Who wins this takedown?

Ron Barshop:

This is going to be a lot of fun to watch. In any case, you've got a front row seat by being on this show because you're going to watch and learn from those that are in the mice pack, in the larger rodent pack, maybe even in the lion pack. And that's why I love this show, because I get to meet all these super smart people, including today's guest. Peter Cranston has some ideas for fixing healthcare that just makes sense. He's a smart guy, so here he is. Welcome to the show, Peter.

Peter Cranston:

Thank you, Ron. That's very nice of you to invite me on.

Ron Barshop:

I'm glad to have you. It's always fun to talk to people smarter than me, which is most people. So before we start, do you have any comments on what I said just the last couple of minutes?

Peter Cranston:

You know, I just smiled actually because you summed it up so beautifully, so elegantly. And I was sitting here, I was checking all my boxes and I looked at it and I went, he's absolutely dialed the problem. And to me, what it will come down to is the business model. Not so much the technology, well, the technology will be important, but a technology without a business model that aligns all of the interests, then it's the equivalent of what FedEx did. That was a perfect analogy right there.

Ron Barshop:

I love that we're going to be talking about business models today because this might inspire some to jump on that bandwagon. I love all this money going into health tech and health data security and health fill in the blank, but none of it's going to solve the problem if it's not taking care of the employer, the employee, and the doctors. If you're not taking care of all three, you're just patching a broken quilt. Or as I say, papering rotted walls.

Peter Cranston:

Well, you're absolutely right, Ron, because I smile at, let's say they put in about $300 billion VCs into health related startups. All it does is subsidize the existing model of the bigs. They're laughing all the way to the bank because they're the payers. They're the guys who control the checkbook. So the VCs come along and they pour all this money into it so that the bigs don't have to, they're just leveraging the VC investments and they still have not solved the problem, which is the ability to deliver individualized care that is tailored for me in the moment. Nobody has yet solved that problem.

Ron Barshop:

I agree with you. There's people that are knocking at the door though. I think the sad thing from 10,000 feet about what you just said is, if it is indeed venture funded, they need an exit. There's very few venture funds that'll just sit on an investment indefinitely, maybe some family wealth groups, but eventually if they're going to exit, they're going to have to sell or think to sell to one of the bigs who are going to destroy it if it's a threat to them.

Peter Cranston:

Again, I completely agree with you. We're very lucky. I've never taken venture funding. It's just friends and family. Part of it is because of the projects that I've worked on and have executed on in the marketplace have been what I call, boil the ocean projects, make the internet go faster, make it more secure and make it more private. These are not things that VCs really tend to gravitate to, and I don't really fit their model. So it really wasn't, and we'd done the first seven years of the life of the company and we'd sold the patents. This is where Sir Tim Berners-Lee got involved because he thought that the patents shouldn't stand. And he tried to overturn them and he was unable to do so. So after we'd sold the patents, it was really just pure happenstance that a business executive from Kaiser called me and he came to me with a business problem.

Peter Cranston:

And the great thing we had in common is we were both pilots. So whenever the communication broke down, we would switch to flying terms so we could explain something. But he was only interested in one thing, show me the money. Design a new precision care delivery model for mobile that was profitable, that engaged the individual on a daily basis. The patient becomes an active participant, any environmental or behavioral data could be captured in real time. And there would be accountability where all interests are aligned and that any care changes and behavioral reminders could be communicated daily with everyone.

Ron Barshop:

Well, you said two things that I want to translate into plain English, because they're beautiful. I think you're talking about real time, you're talking about wearables, right?

Peter Cranston:

Wearables, yes. And also, a consumer wants a couple of things. He wants affordable quality healthcare, wherever he is in the moment. And so it doesn't matter if he's traveling, he just wants his healthcare. So you almost have to extrapolate out all of these artificial constraints that have been put in place by the bigs to make money, which I totally understand and say, I'm in Nairobi this afternoon and I want to talk to my physician or I need to send my data to my physician on a daily basis. How do we do that? How do we do it so that everybody benefits? And of course, I just smiled at him and I said, well, you're not asking too much there because that's impossible. And on top of the challenge was, it had to be profitable so that not only was the individual going to be rewarded, but everybody, all the stakeholders along the chain could also benefit as well. Otherwise, no one would pay to play.

Peter Cranston:

And it took me, well, it took me a year actually sitting in the basement before I figured out the business model. And it was only his absolute insistence of the business model. And I couldn't talk tech, so everything that we discussed was business strategy drives IT architect and the consumer has to have something on them at all times that they can communicate in real time and so it was an enormous challenge. And then trying to figure out obviously how to make money from all of this and the absolute irony of choice and how it's designed and what it's done, or it's a new layer inside the internet is that if I had approached any other vertical other than healthcare, I would've never have solved the business model problem for choice simply because healthcare is

unique and the unique part of it is it's my individual variability for the social determinants of health.

Peter Cranston:

So it's just not my physical health, it's my mental health, it's my social health, it's my financial health. So these are all different parts of what make up my longitudinal care map. It's me and of one, I'm an individual. And all of these things contribute in real time to my overall wellbeing, which of course translated into, well, I have to connect to all of them then. And then I have to be able to share the data from all of them. And then obviously privacy kicked in and security kicked in and all of these issues and then he wanted it on mobile. So it took a long time, well, several years to really work through the business model. And again, another irony of all ironies, the answer for the business model, probably just like FedEx was me and playing sight on the coffee table.

Ron Barshop:

Which was?

Peter Cranston:

Google. Google gave me the answer to the business model for healthcare.

Ron Barshop:

Okay.

Peter Cranston:

And it's a crazy thing to look at. But Google, when you think about it, they are advertising as a service. They have taken you, because you are the product. And think about those words, you are the product, and translated that into wealth for them. So they deliver advertising to you. They don't own the advertising ecosystem. Why would they? They're just the conduit for the advertisers to reach you. And I go, well, that's just a mechanism of advertising, so if I can translate that into wealth, and if I'm the product, then my health should be the product. But my health is much broader than just advertising. Essentially it's everything is a service. So why couldn't I translate every single thing that I need as part of my longitudinal care map into an individualized service that could be delivered to me in real time, wherever I am in the world.

Ron Barshop:

Okay. So let's talk about that for a second. You're saying now that the information exhaust from my digital exhaust can now inform people that want that data and you can sell the data on the person?

Peter Cranston:

You've got to put all the privacy and the consent issues, which we have solved, we solved all of those. We actually were the first to invent the privacy solution on the internet with do not track, but it's more so that let's say, I need to pay a bill this month or I'm really stressed about things

this month, so I need some coaching. So it's the ability to connect a service that supports my health. Remember what I said, is the patient is an active participant.

Ron Barshop:

Yes.

Peter Cranston:

So I've got data, the data's being sent, it's being analyzed and somebody says, Peter, needs some help this month. It would be a great idea, if he could chat to a coach. Now I don't have time to go, nobody has time to go figure out where is the coach, how to set it up and all of the rest of the stuff, because that requires me adapting to the system. What we wanted to do was to make the system adapt to me because the system is already in place. There's plenty of awesome coaches out there. Why couldn't the person who sits in the middle can simply connect me and present me with the things that I need in the moment?

Ron Barshop:

Okay. So you've got that. You've got that. You've got the data you can sell. You've also got commerce, don't you?

Peter Cranston:

You've got commerce from that, because from that is, and there's a big challenge with that, which we'll come back to in a moment because now from there is, after this coaching, it's decided I really need to change my diet. So what I really want is I don't want to sit down and figure out a diet, that's not my skill set. There are plenty of people who can do that, and there are other areas that can fulfill that. And I go, well then why can't I simply connect to a grocery store and they have already figured out my best menu to support my wellness in real time, and that I can simply select it and then have it delivered. I'll pay for it. So there's a commercial transaction that takes place there because essentially what we've done is we've started to build this, what we call a trusted digital ecosystem of services that simply are there to support my longitudinal care app.

Ron Barshop:

Are there other revenue sources for the Google of healthcare besides the data and the commerce?

Peter Cranston:

Yeah. Well, one of the ones that we looked at was drug tests and a lot of people would, the drug companies are always trying to figure out, okay, so we need to enroll some of these people in some drug tests and they're willing to pay that for people to do that. And I go, well, now there's an opportunity to actually engage in commerce with me where I actually get paid something for the value of my data.

Ron Barshop:

What do you think, Peter, the data is worth per patient for this to make sense? Because it sounds like a lot of money, first of all, but if it is a lot of money, it sounds like healthcare could possibly be free someday for employers. That's like the dream.

Peter Cranston:

Yes, it can be. And it is awesome question because let's start with why Google got me excited. Google is, I think, close to a $2 trillion company and their average revenue per user, that's me, and of one is just $190 a year. But then I looked at Amazon and their average revenue per user is $750, but they're just about 2 trillion as well. So actually Google's getting a lot more leverage with what they do than what Amazon is doing. But here's the best part is, what are the margins of Google versus the margins of Amazon? And if you strip out the Amazon web services, Amazon's margins are almost nonexistence. Google's margins are like 25 to 27%. So that was another requirement from this individual from Kaiser was, I want profitable net margin.

Peter Cranston:

So there's enormous things. So if I'm going to give healthcare away for free, which I think you can do, as long as I'm an active participant, then what you can do is leverage the value of my data across this collaborative ecosystem and there could be now a fair exchange of costs and benefits. You don't need to buy all of the ecosystem vendors. Google doesn't own all of the advertisers, it just shares in the revenue. Well, if we're all sharing in the revenue, off of the value of my data and I'm in active participant what's happened to the risk pool. It's dramatically dropped because we are getting healthier and we are rewarding wellness and health versus profiting from sickness.

Ron Barshop:

So Peter, do you have any sense of what kind of value each patient is?

Peter Cranston:

I do actually. What we dug into, and this is where, what choice is designed to do our approach to this particular problem is to turn whoever licenses the technology into a financial spigot. So if you start connecting all of these ecosystem vendors together, then looking at the value of the data in aggregate, I think you are looking at into the thousands of dollars per user, per annum and probably significant numbers to the point where it could be over a thousand dollars a month.

Ron Barshop:

Well, so that's important number because if you're able to generate one half or one third of that, that's way more than most of these subscription models require. So you are talking about like the golden dream, which is free healthcare for everybody in America who's employed.

Peter Cranston:

And it should be. Why can't it be? You just have to come up with some technology. And now I'm going to cross back over to that last problem that I left unsolved is, so now we've got this collaborative ecosystem of the coaches and the docs and the wellness players and the grocery stores, how do they connect with me? And this was actually the final piece of the puzzle, because normally what you would do is you would say, just go download the app for that. Well, there's 300,000 apps on the app store alone, just for healthcare. I mean, and that's a multi-billion dollar

investment in just a building them all and what have you. What we wanted to do was to build them in real time. We wanted one app that simply adapted to me. And that's where this technology's final piece of the puzzle came together is we built a UI, a user interface, for AI. And AI is dynamic, interactive, iterative, and intrinsic and so the user interface matches that.

Peter Cranston:

So now what I want to be able to do is to remove the friction in the transaction, enable all of these collaborative partners to instantly connect to me. And you said this earlier on, Ron, it's about the engagement problem. Normally, the way it works right now is you see me on January one of this year and then you see me January one of next year, but so much can go wrong between now and then. The beauty of this technology is you're delivering free health healthcare, but you're also bending the cost curve on some of these comorbidities, which are enormous expenditures to the healthcare system. So to be able to deliver that value back and supplement the value of the healthcare that you are providing them with transactional revenue, just which is the Google model, which comes from your collaborative ecosystem of partners. It changes everything.

Ron Barshop:

Very exciting stuff. So sadly, the end of the tale is that Kaiser did not adopt the idea. Everybody loved it, that looked at it, but they're just not motivated to change the boat when the boat is such a sweet ride, even though Kaiser has more aligned incentives than you'd think most of the bigs do because they are the hospital. They are the doctors, they are the insurance company. They're incented to get costs down, but they still didn't adopt it. And what do you think the reason was for that?

Peter Cranston:

Culture. I know it's a trite answer, but it's culture trumps strategy. They have a good thing. The model works and to come in, and we showed them and we actually built an ROI calculator that they could program themselves. We showed them their net profits doubling in the first year, just from cost savings. We didn't even go after the revenue. This was just bending the cost curve on two comorbidities, engaging the patient in real time.

Ron Barshop:

Of course. If you change hypertension and diabetes, you've controlled 70 to 80% of the cost of your care, yeah.

Peter Cranston:

And they, nope, weren't interested in thinking differently. And I've seen it just like back when FedEx was there and nobody wanted to go first and it's all working. So why change?

Ron Barshop:

I mean, for God's sakes pilot in a Napa, pilot it somewhere where it's small and you can test it. Why just say no to the whole idea?

Peter Cranston:

Well, that was it. And that's what we could never understand. Well that we were too small a company, we only deal with the Deloittes of this world. I said, we'll license it to Deloitte. And our business model, Ron, you're going to love this, is we license our product code to you so you get to control your strategy, your ecosystem monetization, and your timeline. What could be better than that? It removes all of the business risk in the deployment because you control everything. It's not like everything's running through a small company, it's running through a big company.

Ron Barshop:

So basically to sum up, you have created a platform that is not only consumer-centric first and foremost, but it's going to make the doctors happier. It's going to make the employers happier. And I call it a future where everyone wins. So it is not a patchwork, it is a holistic solution.

Peter Cranston:

Yes.

Ron Barshop:

Yeah.

Peter Cranston:

And the beauty of it is it's the internet. It connects 7 billion people, 7 billion souls on the planet. And so Choice scales to 7 billion individuals in real time. You can deliver healthcare to literally everybody on the planet and everyone can benefit from the value of Choice.

Ron Barshop:

Love it. Peter, how do people find you and reach you if they want to contact you?

Peter Cranston:

Best way is it just go to the website 3Pmobile.com and all of the information that you need is there. And you can reach out to me and also on LinkedIn too, you can find me.

Ron Barshop:

Okay. It's spelled just like it sounds?

Peter Cranston:

Yes.

Ron Barshop:

And if you could fly a banner over your head, Peter, with one message for the world to see, what would that banner say?

Peter Cranston:

Choice: the UI for AI.

Ron Barshop:

Okay. Well, very nice. So I want to follow up and see how this goes and hopefully, maybe this might lead to something good for you.

Peter Cranston:

Well, I'm very thankful for you, Ron, for inviting me on your show. We just met, it's been a whirlwind romance, but it's been absolutely delightful.

Ron Barshop:

Yeah. Brother from another mother. Well, thank you again. I'm guessing from your accent, you're not from south Texas?

Peter Cranston:

Not from south Texas, originally from just outside London. But I've been over here for the last 35 years, but no, it's English accent.

Ron Barshop:

Okay, great. All right. Well, you have a great weekend and thanks for your time again, Peter.

Peter Cranston:

Thank you ever so much, Ron.

Ron Barshop:
Thank you for listening. You want to shake things up. There's two things you can do for us. One go to primarycarecures.com for show notes and links to our guests. And number two, help us spotlight what's working in primary care by listening on iTunes or wherever you get your podcasts and subscribing. And leave us a review. It helps our megaphone more than you know. Until next episode.