

**Interview of Steven Lash, President and CEO of Satori World Medical**

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David Harlow: This is David Harlow on HealthBlawg, and I have with me today the President and CEO of Satori World Medical, Steven Lash. Hello, Steven.

Steven Lash: Good afternoon, David. How are you?

David Harlow: Very well, thank you. So Satori is a new entrant on the medical tourism field and I am interested in hearing from you about what sets Satori apart.

Steven Lash: Great. I think there are several aspects that make us very different than everybody else currently in this space. First of all, we have a superior quality assurance program and that's on several levels, David. First of all we have a full time Chief Medical Officer who is board-certified and a fellow, a general surgeon who sets medical travel guidelines and policy in concert with our medical quality advisory committee, which is made up of leading physicians in their subspecialties. Secondly, we performed a significant due diligence effort that included Dr. Johnson as well as our VP of Network Development, Naimi Tanha, where they went to fourteen hospitals in seven countries over forty-five days, looking at specifics having to do with quality measures, mortality statistics, infection rates, blood-handling processes. They toured the facilities, and Dr. Johnson even scrubbed into surgery and observed surgical techniques at all the hospitals that are part of our network. The third thing that makes us different is we started and specifically are working with patients that have financial sponsorship so as a result of that we have set up all our processes and infrastructure to match what health plans currently require for domestic networks, so Ms. Tanha, who's our VP of Network Development, spent twenty years in California developing and managing networks for Aetna, Blue Shield and HealthNet, and she has duplicated those requirements internally here in the company as well. The hospitals internationally are contractually obligated to participate in quality audits, quality reporting, et cetera. A hundred percent of our hospitals are Joint Commission International accredited which is really our baseline because our quality program goes into significantly more detail than that, but that's sort of a gating issue for our quality program. Finally, one of the most unique aspects of our program is that, for the first time, the patient will get to share in the savings, who has a financial sponsor, so in other words if a patient needs a hip procedure say and it costs sixty thousand in the US and it costs twenty thousand dollars at one of our network facilities. That forty thousand dollars in savings: the patient will receive a portion of the savings through a health reimbursement account and that's really what sets us apart. We put a patent around our business model and for the patient to share in the savings, plus it's a hundred percent medical benefit so there is no co-pay and no deductible so there's a real economic incentive for people to take a serious look at the quality of care overseas and the ability to participate in some of the savings.

David Harlow: So this is a sharing of savings with patients who are in self-insured plans through their employers or through third party payor plans as well?

Steven Lash: Both, or in unions or associations or public sector employers.

David Harlow: Now one employer who had engaged in a similar sort of plan -- not through your company, obviously -- Hannaford's, a regional supermarket chain, has engaged with Aetna in setting up a program that basically gave their employees the option to go overseas at much reduced cost for services or obtain them locally and while they certainly got a lot of press for setting up that program, it turned out that nobody took advantage of it. Do you have a concern about patients, members, employees being scared off, if you will, from the idea of going overseas for healthcare services, particularly for an involved surgical procedure?

Steven Lash: Well first our comment on the Hannaford experience: I am familiar with it. Actually, the Aetna executive who put that program together sits on our medical quality assurance board so we are very familiar with it, and the hospital they contracted with is a very outstanding hospital, in fact that hospital is in our network as well. I think there are two differences: Number one, there wasn't an organized program around it, in other words we are a one-stop shop, where the patient makes one call and we take care of all the travel, all the hotel, everything is done for them, we kind of demystify it for them and that wasn't the case in the Hannaford's program. Secondly, a companion goes along so somebody is accompanying you on your trip. And the third thing that is again the most important is my understanding in the Hannaford experience, they only waived the co-pay and deductible which was about fifteen hundred dollars or two thousand dollars. Our program is much more robust in terms of the sharing of the savings and for somebody making fifty thousand dollars a year who could have the opportunity of, let's say, ten thousand dollars deposited in an HRA, where they won't have any medical expense for two or three years is a lot more of an incentive than just waiving fifteen hundred or two thousand dollars' co-pay and deductible, and I think in essence that's why they haven't seen much success.

David Harlow: Just to be clear, HRA is a Health Reimbursement Account and that is a tax-free account that patients, members can draw on to pay medical expenses in subsequent years.

Steven Lash: That is correct. It rolls over, year over year. It is tax free to the employee and tax deductible to the employer so it kind of wins on both sides of the tax equation.

David Harlow: Right. So that payment assumes that the employer is exposed to the whole cost of the procedure, otherwise the employer wouldn't have that excess money to pay out, isn't that correct?

Steven Lash: Well, it could be if it's through a health plan, through an HRA, there could be premium rebates or premium discounts that can be applied from a health plan to the

employer, so there are ways to have that employer receive that benefit even if it's a fully insured program.

David Harlow: Okay. Now I am interested in thinking about the volume of services, the volume of patients who would be going through programs such as these. There have been wildly differing numbers put out there by different consulting firms in different studies ranging from seven hundred fifty thousand Americans making use of medical tourism in the past year to under fifty thousand. I'm wondering what your sense is of this market and what portion of this market do you think you are able to capture with your new venture?

Steven Lash: Well I'm not sure I can give you an answer of what's the size of the market -- it's probably in between those two numbers -- because there is no real reporting agency that captures it. I mean, there are a lot of people along the border that go across to Mexico for dental care, and not having seen the work papers on either organization I am not sure what's the right number but what I am confident of is we are just seeing an industry in its infancy that is going to start to take off and develop into a very large mainstream service for the delivery of healthcare in this country and the reason I say that is because there is I think now an acceptance that there is significantly high quality care delivered outside of the United States even though Americans tend to be very American centric. I tell the story, when I was growing up I was going to buy a transistor radio, and I told my father I am going to buy a transistor radio, and he asked me what kind, and I told him a Sony, and he said: Sony? That's Japanese, that's crap technology. He said, you know you ought to be buying an RCA. We all know the end of that story.

David Harlow: Yes.

Steven Lash: And I think that there is a kind of grudging acceptance now that there is high quality care available internationally, and number two is, I think our model, with cost savings participation by the individual, is truly unique and innovative, and with that, people will start to take advantage of the program and the quality that's available internationally.

David Harlow: Now a year or so ago there was famously a union representative calling out a company that was requiring a union member to go overseas for a surgery and essentially faced down this employer -- I believe it was an industrial employer in the Midwest -- and ended up having the union member get his surgery in the United States, saying you can't force him to go overseas. Do you think that anyone in that sort of position would see the financial benefit of a program like this as some sort of coercion? Or some sort of a coercive factor in limiting patients' choice? Do you see that, do you see the backlash against something that's limiting patients' choice in a negative way?

Steven Lash: Well, you see, I think the beauty of our program is it is totally a hundred percent consumer choice, we don't ask any network or anybody to reduce their patients' - - I mean the employees' -- options. We become an additional benefit so they can still and are free to choose any provider that's in their current network, in fact we almost insist

that they don't reduce anybody or any other network in their health plan. So we are just an addition too, because this is consumer directed, the consumer has to make the choice, we are not forcing anybody to do anything and, you know, the word of the current period is transparency, there's transparency around our quality and transparency around the economics and people are free to make any choice they want, they stay in country domestically, they know exactly what they have and what their economics are and what the quality is. If they select the Satori Global Provider they know exactly the quality, they know the economics and it's their choice, we don't influence it one way or the other.

David Harlow: Great. I guess that was the reaction that some people were having to other sorts of plans where it was not a choice, where that was the sole option provided.

Steven Lash: Yeah and that's not something we subscribe to at all.

David Harlow: Okay. Another question that people often raise about medical tourism is what happens in case of complications? Either complications that arise while overseas just after going through a procedure, or complications that may turn up a couple weeks after returning home. Have you had experience to date with situations such as that and how have those been handled, or if not how would you anticipate those being handled?

Steven Lash: Well we have not had that as an experience to date. A couple things: number one, all our patients are vetted in terms of their ability to travel and the medical guidelines that our quality advisory committee and our chief medical officer implement. So for example a patient who is obese, had a stroke, has diabetes, is not going to be eligible to go anywhere in our system because we know there are going to be complications and issues with that, so that's kind of the first thing. Right now, the existing companies don't do a medical triage whatsoever in terms of their abilities for travel, so that's kind of the first distinction. So there are going to be patients that want to use Satori that we will not allow to participate in our program, because we think there is a health risk there or medical risk there.

David Harlow: How would that screening be done?

Steven Lash: We review the charts -- because we take a medical history and our chief medical officer is involved and we would make sure they meet the medical travel guidelines that we have established. So that's kind of the first situation, so we eliminate kind of out of the chute, if you will, some of that potential. The second thing that's different from our program is all our patients have relationships with an insurance company, or some sort of financial sponsor, and a physician. So we schedule their follow up care before they leave the country. So, in other words, if someone is going for a hip overseas, we have a follow up appointment with an orthopedist before they leave. So that is kind of another way which we mitigate some of the negativity around medical travel. The third issue: our institutions and our centers are the best of the best. Now that doesn't mean that something untoward couldn't happen. I can tell you that for surgical procedures that we are selecting and utilizing -- because we are not doing hundreds of procedures, we have a handful that we are doing -- we are going to do up to about twenty

-- that the surgeon knows within twenty-four, and maybe at the latest seventy-two, hours your course of treatment and your recovery as to whether or not you are going to do well or you are not going to do well and so that all is managed. Our patients spend an average of seventeen days in country, so there is plenty of time for follow-up care and making sure that they are on the road to recovery prior to them getting on a plane and being released for medical travel.

David Harlow: Okay, you anticipated my next question, which is what is the range of services for which you're contracting with the overseas providers? You mentioned a handful, or a limited range, of those procedures, and what would those be, what sorts of procedures are they?

Steven Lash: Okay. First of all, all our procedures are non-emergent, high-cost surgical procedures. We have four cardiac procedures, we have four orthopedic procedures, so the cardiac are defibrillator, pacemaker, valve and CABG, the orthopedic is hip replacement, one knee, double knee and hip resurfacing. We are currently in the process of doing our due diligence with the institutions, we are going to be adding this year shoulder, spine, bariatric, hysterectomy, prostatectomy -- I think that's it, and then we are going to be adding, kind of as an accommodation to some people that have asked us to, dental in a limited network and then cosmetic in a limited network.

David Harlow: Okay. Are these procedures available at all of the facilities in your network or do they specialize?

Steven Lash: No, and the reason they don't is because of our quality program. There are, for instance, hospitals in our network that do cardiac surgery, but we will not approve patients to go there for cardiac surgery because they don't do enough of them to meet our quality standards. We use things like HealthGrades as an example, Leapfrog Group, and other measures to determine the quality so we screen our institutions to make sure they are doing enough volume for our patients to go there because, as you know, it's like anything: if you do enough of them you get very good and we don't believe that if you do fifty open heart procedures a year -- basically one a week -- you get very good.

David Harlow: Right, that's not where I would want to go.

Steven Lash: Right, and we don't want to send our patients there either. So we do not authorize them for certain procedures if they don't meet our volume and quality thresholds.

David Harlow: Got it. So that's on top on the Joint Commission International accreditation?

Steven Lash: Right. That's another difference between our network and the existing ones, people can choose to go wherever they want.

David Harlow: Okay. What sort of volume are you seeing to date? I don't know how much of this information you're comfortable sharing, but I would be interested in any information you are willing to share about enrollment in your programs to date -- whether it's through the McGregor agency or others -- and what sort of numbers of overseas procedures you have been seeing to date.

Steven Lash: Well, we do not disclose that information but I can tell you that we are gaining a significant amount of traction in the marketplace, and we will be happy to put you on our list for announcements and all that. We anticipate -- I would be happy to share this with you -- several hundred patients receiving services this year.

David Harlow: Okay, great. To wrap things up, I would be interested in your reaction to the White House Health Care Summit yesterday and thoughts about whether anything that is likely to happen in the US in the next year or so may have an impact one way or the other on your business and the services that you are providing.

Steven Lash: Well first of all I certainly applaud President Obama for getting all the constituencies together to talk about health care reform because it's certainly -- as somebody who has been in this space for about twenty-five years -- certainly it's a difficult one to really master because some of the flaws in our system are so endemic to the way our country has grown up that I am not sure that it's going to be easily cured. I do feel that the program that he is talking about and the path that they are talking about moving down is only going to be helpful to our company and our business, for a couple of reasons. First of all, one of the things that we do is, by providing access to these international centers of excellence at their cost, we help US organizations compete on a global basis by lowering their health care cost and having them having the same access as their international competitors do to a lower healthcare cost because as you know health care cost is a huge driver on the P&L in today's environment.

David Harlow: Right.

Steven Lash: The second thing is if they are talking about providing more people access to insurance plans, that will give rise to us as an opportunity. You know, the sense that I have from the reports that I have read out of the summit, there is nothing but looking at cost savings and new techniques for lowering costs and to the extent we provide a competitive environment for that to happen, I think that's terrific.

David Harlow: Well, Steven, thank you very much for taking the time. This is David Harlow at HealthBlawg and I have been speaking with Steven Lash, President and CEO of Satori World Medical. Thanks again Steven.