Managing Health of a Lifetime, a Conversation with Peter Ohnemus, CEO & Founder at Dacadoo

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Peter Ohnemus in
CEO & Founder
dacadoo

Frederic Laurier in
Managing Director, Digital Health
ALANTRA

Episode Highlights

- Peter's life story as a serial entrepreneur, having been involved in three IPOs and two trade sales

- The concept of scoring and normalizing health assessments, similar to FICO in FinTech, is being explored to establish a global standard for health

- Healthcare has lagged behind other industries in terms of digitalization, primarily due to factors such as regulatory constraints, conservative nature, and patient preferences for familiar treatments. The transformation of healthcare is a long-term process that requires endurance rather than a quick sprint

- Health insurance in the US sees higher turnover rates but increased loyalty as individuals age, with more stability after 50

- Digital health faces challenges in achieving sustained engagement, with 45% of Americans not adhering to medical treatment

- By using a Health Score, gamification, and behavioral economics, Dacadoo achieves engagement levels of 20-40%

- The future of insurance pricing and underwriting is shifting towards a dynamic model called "pay as you live"

- This approach considers real-time data and utilizes AI risk engines to calculate personalized risk scores for factors like cancer and mortality

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Episode Transcript

Frederic Laurier (00:05):
Welcome to another episode of Crossroads by Alantra. I'm Frederic Laurier and I lead the firm's digital health practice. Today we are honored to have Peter Ohnemus as our guest speaker for this episode. Peter is a serial entrepreneur and a current CEO and founder of Dacadoo. Dacadoo is a digital health platform that provides a range of tools to help people improve their overall health and wellbeing. The platform is designed to help users track their daily physical activity, nutrition, sleep, stress levels, and other health related data using a variety of wearable devices and mobile apps. I believe you started in banking at COS in Switzerland, right, Peter?

Peter Ohnemus (00:43):
Yeah. Welcome, everybody, and thank you so much for giving me the opportunity here. Originally, I started selling and financing IBM mainframes. This was back in the 80s and the company was called COS. We took it public on Zurich Stock Exchange and Frankfurt Stock Exchange, and then I founded the SQL Group. With the SQL group, I moved into the database industry and started programming late 80s relational databases, met Mark Hoffman, who was the founder of Sybase, built up the SQL group, sold it to Sybase, and Mark Hoffman is the vice chairman of Dacadoo today. Mark and I have been partners for many many years.

(01:30):
After Sybase and the SQL group, we obviously took Sybase public on NASDAQ and it became at the time the world's fifth-largest software company. I worked with LogicWorks. LogicWorks had investors, which were the same people that had money in Sybase. And LogicWorks was in the database modeling industry and then the modeling of the data. This was called Erwin (Entity Relation for Windows). It's the world's most used data modeling tool. Just like Sybase, we took LogicWorks public on NASDAQ.
After that, I moved into broadband communication and the reason that I tell this story is it all has a connection line. We built the world's first IP multicast satellite company called the Fantastic Corporation. It was Intel's first venture capital investment in Europe at the time with Leslie Vadász and all the guys. We basically built a point to multi-point broadband network around the world. And my last company, as you mentioned, was ASSET4. I was doing sustainability rating, built it with Goldman Sachs, and sold it to Thompson Reuters. I've been part of three IPOs and two trade sales.

(02:50):
And after we sold ASSET4 to Reuters, I thought if you can do a sustainability rating of a publicly quoted company looking at their energy usage, water usage. Sustainability for me is not about your political view, it's about efficiency. How efficiently do I run my corporation? I thought if I can do a sustainability rating of a publicly quoted company, I can do a sustainability rating of human health and that gave me the idea of the Dacadoo Health Score platform. So we started that in 2010.

Frederic Laurier (03:24):
So that really was the impetus, right? That was the idea behind Dacadoo. You started in FinTech and thought you could transpose the same concept to healthcare. Is that how you were thinking about it, Peter?

Episode Transcript

Peter Ohnemus (03:34):
That's correct. We saw an opportunity of creating a global standard, and I like that you touch on the FinTech world. I think everybody in America, they know a FICO credit score. Basically, taking a score over to the health industry. Why? Because health is one of the largest industries in the world. We spent around, depending on who you talk to, $8 – 9T on health globally, and we didn't have a health outcome. I always said, if you can understand something, you can improve it. Creating a baseline of health became the Health Score and that became a universal standard.

So we set scored it, we normalized it so a man and a woman can compare themself, have the same Health Score, so age independent and gender independent, but having a global Health Score standard. So yes, we got the idea of course from the FinTech or from the financial industry where you know scoring, where you know rating and taking that into the global healthcare industry and we're seeing an opportunity to create a standard there, a baseline of health.

Frederic Laurier (04:48):
What is different about working healthcare in your opinion when you compare it to other verticals such as FinTech? I'm sure that as a serial entrepreneur you have learned many lessons over the years. What have you been able to transfer to Dacadoo, Peter?

Peter Ohnemus (05:00):
Yeah, that's a good question. I think what really differentiates healthcare from anything else is there is, at least in the digitalization process, there has been less competition. And your listeners will answer themself, why does he say that? Because when we look at the digital transformation of health, I think it's 10 to 15 years behind banking, behind retail, behind travel. Basically, what we are seeing is an industry which by nature is conservative because you have the FDA and strong regulation, but on the other hand side, pretty predefined revenues.

(05:42):
So most people, if they have a family doctor and they do not change town, they tend to stay very long with the same family physician or specialist. What I'm getting at is if somebody has high blood pressure and they got used to a high blood pressure pill, they like to stay with that medicine that they know. Medicine by all terms or health or digital health is not a sprint, it's a marathon.

Frederic Laurier (06:13):
What about stickiness? In this case, I guess, as you mentioned, your end users are patient, but pharma employers, payers are footing the bill at the end of the day. Do you think it's stickier than what you've experienced in other verticals?

Episode Transcript

Peter Ohnemus (06:25):
Yeah. When you look at big pharma companies, they traditionally have patents behind their blockbuster products. Let's say that they can protect the market at least for 10, 15 years if you take some of the development and go-to-market time that they lose on a 25-year typical period for big blockbuster products. So yes, they have a predictable revenue stream. Number two, they do very deep research so they understand the pricing mechanism, the approval mechanism, and the overall, I will call it market adoption rate.

(07:03):
If you go over to the payer side, that's a little bit different. I think when we look at health insurance in America, people flip their health insurance quite often. We see typical churn ratio of 18 to 24 months. And why does that take place? Because maybe they change job. If they are with a self-insured employer when they change the job. They take the prime carrier of that new employer. They have become more open to exchange. Once they get a bit older, we see a higher stickiness. So once of course they are on Medicare, Medicaid, they stay there. But also I would say from 50 and upwards we see a more flattening curve in the stickiness. And what I mean by flattening curve is of course positive that they stay longer with their health insurance carrier.

Frederic Laurier (08:01):
You just mentioned a topic I really want to talk to you about, let's put a pin on that, which is pricing. We'll come back to it later during the podcast. The first one, the Health Score index, we have already discussed. It really essentially quantifies patient health. Let's talk about the Wheel of Life for a minute. It connects the score and engages user in a way that helps them achieve their personalized health and wellness goals. Could you please elaborate on the real world impact of your two solutions?

Peter Ohnemus (08:32):
Yeah, so overall it's very difficult to obtain sustainable, long-term engagement in digital health. Around 45% of all Americans are not adherent to their medical treatment. What we do is we give you a Health Score, which is the proxy of your health or the baseline of your health. We then use gamification and behavioral economics for you to integrate with your health. The overall engagement levels that we are seeing are typical 20 to 30 to 40% of the consumer is very different from age group, where they live, gender, et cetera.

(09:18):
When you look at traditional health insurance companies, they have 2 to 4% engagement, and this is based over a 30-year period. Basically it's when you have to pay your monthly bill, it's when you have to book something. And we are trying to provide, as you said before, a holistic view of your health. With the Wheel of Life and why do we call it Wheel of Life? Because you drive through life and you want to navigate and stay healthy with the Wheel of Life.

Frederic Laurier (09:50):
You focus on an end market we don't often deal with, which is life insurance. I believe you also sell into health plans and self-funded employers. I'm curious to hear your perspective on the differences between those three end markets. What do they look for when they look at the Wheel of Life, for instance? How would they use their tools differently?

Episode Transcript

Peter Ohnemus (10:11):
Yeah, so let's look at the two industries. The life insurance – they have a key motivation in me living as long as possible. It doesn't sound pretty, but if I don't pass away, I will pay premium every month and there is no payout. So the economic motivation for a life insurance is to keep me alive as long as possible. The health insurance, they want to keep me healthy as long as possible because they want to make sure that the cost does not run out of control.

(10:47):
So let's just go back to the life insurance. The life insurance as we know it today is based on life tables. Life tables are published by a country, they are so-called pictures of your life. Life tables were invented in 1824 by Gompertz who was a mathematician, and he said, I will try to calculate the distance to death. So basically he created a risk model. So how many die of smoking in America every year? How many die in a car accident? How many die of cancer? This is a statistical value and this is how you price life insurance today.

(11:27):
When we invented Dacadoo in 2010, we said it has to be "predict and prevent". I'm predicting where you are and I prevent you to get ill. I prevent you to die. Instead of creating this frozen picture, which is a static value in the life table, which is great, it's what actuaries use, now we are changing their world and adding what I will call the movie component because your life moves on and health is not something static. Your health goes up and down. It's a long-term perspective, but from a mathematical perspective, I create a lot more.

(12:09):
What is very interesting is the health insurance. They are having lower margins normally. I know right now that health insurance is profitable, but if you look over long-term period, life insurance has higher margins, and more cash on the book. So they're long-term thinking and health insurance, they recalculate their book every year because people can jump away from the health insurance every year. Most people buy a life insurance with a duration 10, 20, 30 years. So the way of thinking is a lot more long term, but you don't have touchpoints. Many life insurances are built once per year. That's the only time the life insurance has contacted to you. What we are trying to do is to give the life insurance touchpoint to the consumer's life, enhance their overall product offering, enable them to upsell, and create a more dynamic relationship with the consumer.

Frederic Laurier (13:15):
Fascinating. It almost sounds like life insurance is starting to encroach into health insurance. The end goal is to keep patients healthy and to lower cost after all. Now going back to the dynamic pricing topic, let's talk about it, others at work. What are the data inputs required to do it? What does it enable? Does it mean lower risk, higher profits? Can you please elaborate?

Episode Transcript

Peter Ohnemus (13:39):
Yeah. As I mentioned before, a live table is static and most pricing models are static, but your life is not static. So what we are seeing coming is called pay as you live. Basically that there is an index-based component. So let me give you a concrete example. We've just created a cancer policy with an insurance operator, a very large one in Japan. We have actually gone to the FSA in Japan and said, this is how our model, this is how our AI risk engine scores cancer risk, this is the mortality risk, et cetera, et cetera.

(14:19):
What I'm getting at is you have something called straight through processing in insurance. So if a normal actuary has to calculate or price most of the insurances, then they have preferred non-preferred. So they create small buckets and they put you in there. This is a lot of extra administration. If you look at ... and I cannot prove it, McKinsey says if you do straight through processing, you can take out 25 to 35% of the cost of running the pricing and the selling of the insurance. I think the future is straight through processing. It gets calculated and optimized via AI models.

(15:02):
Of course, some of them will get reviewed by human beings. It's the same as if you look at chat GPT. Chat GTP is only as good as the person who has trained it, and the same goes for accelerated or dynamic underwriting. As we go forward, we will see a more dynamic pricing, a more dynamic underwriting, and the straight through processing. This will create lower cost per issued policy. It will create a more variable. So you can add, you can slice and dice the policy because you know more in real time and it enables you to go back and revisit your book.

Frederic Laurier (15:43):
Hey, Peter, thank you so much for joining us today. We often come across vendors that sell into payers, but I think you're the first one that actually sells into life insurance as well. Most of the vendors or the payer tech vendors that we cover do also only sell in the domestic market given how complex the US insurance market is. So hearing a perspective from a global player is captivating and very, very intriguing. For me, the highlight of this episode is the discussion on dynamic pricing and how that changes premium coverage and patient overall wellbeing. Again, a real pleasure talking to you and having you as our guest today, and I do hope we get to meet one day.

Peter Ohnemus (16:22):
Thank you so much to you and the whole Alantra team. I really appreciate that you gave us the opportunity, and thank you to all the listeners to listen to my little story.

Frederic Laurier (16:32):
Take care, Peter, and enjoy the rest of your day. Bye-bye.

Alantra – Digital Health Coverage

Alantra – Selected Recent Healthcare Transactions

2023 🇺🇸 🇩🇪 🇬🇧
Blackford
Sell-side advisory
BAYER

2022 🇺🇸
STADA
Sell-side advisory
Megalabs

2022 🇨🇭 🇩🇪
YPSOMED SELFCARE SOLUTIONS
DiaExpert Diabetes bewegen
Sell-side advisory
MEDIQ
Advent International GLOBAL PRIVATE EQUITY

2022 🇬🇧
NeoHealthHub.
Sell-side advisory
PHARMALEX CONFIDENCE BEYOND COMPLIANCE

2022 🇸🇪 🇩🇰
Accent Equity
Sell-side advisory
AXCEL

2022 🇩🇪 🇬🇧
Aakamp Pharmazeutische Lohnherstellung
Sell-side advisory
FARMACEUTICI PROCEMSA

2022 🇺🇸
WOOM
Sell-side advisory
apricity fertility reimagined

2022 🇳🇱 🇬🇧
republic·m
Sell-side advisory
QUEEN'S PARK EQUITY

2022 🇬🇧
Balhousie Care Group
Sell-side advisory
AcalisCare

2022 🇬🇧
STRATEGIC NORTH
Sell-side advisory
Prescient.

2022 🇬🇧
Childs Farm
Sell-side advisory
PZ Cussons

2022 🇺🇸
ANALYTICAL WIZARDS
Sell-side advisory
DEFINITIVE HEALTHCARE

2022 🇺🇸
Riffyn.
Sell-side advisory
SIEMENS

2022 🇺🇸
TARA
Sell-side advisory
Valo

2021 🇬🇧
Baird Capital BAIRD
Prescient
Sell-side advisory
Bridgepoint

2021 🇬🇧
HELIOS MEDICAL COMMUNICATIONS
Sell-side advisory
North Edge.

2021 🇬🇧 🇺🇸
BEE HEALTH™
Sell-side advisory
INW
CORNELL CAPITAL

2021 🇺🇸
CareCloud
Buy-side advisory
MedMatica

2021 🇺🇸
MOBILE VASCULAR PHYSICIANS
Sell-side advisory
HOUSATONIC

2020 🇺🇸
gsk Pfizer
Sell-side advisory
Charlesbank

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2022 🇺🇸🇬🇧	2022 🇺🇸	2022 🇩🇰	2022 🇬🇧	2022 🇬🇧
inoapps	**TROOPS**	**struct**	**Bridgepoint**	**BOWMARK CAPITAL**
Sell-side advisory	Sell-side advisory	Sell-side advisory	Buy-side advisory	Buy-side advisory
abry partners	**salesforce**	**VIA equity**	**teamitg**	**littlefish**

2022 🇺🇸	2022 🇨🇱	2022 🇬🇧🇺🇸	2022 🇬🇧	2021 🇨🇳
BLUE GRANITE	**BBR**	**LDC** **SOLIDSOLUTIONS**	**TelcoSwitch**	**GS CAPSULE** **MEIHUA GROUP**
Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory
3Cloud **GRYPHON INVESTORS**	**evertec**	**TRIMECH**	**QUEEN'S PARK EQUITY**	**Advent International** GLOBAL PRIVATE EQUITY

2022 🇨🇱🇨🇦	2022 🇬🇧	2022 🇯🇵🇩🇪	2021 🇨🇱🇬🇧	2022 🇦🇷🇲🇽
reign	**NUVIAS**	**RENESAS dialog**	**banca**	**wormhole**
Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory
APPLY DIGITAL	**INFINIGATE**	**EnOcean** Self-powered IoT	**experian.**	**crehana**

2021 🇺🇸	2021 🇺🇸	2021 🇺🇸🇮🇱	2021 🇸🇪🇺🇸	2021 🇩🇰🇺🇸
boxboat	**INTENSIFY**	**embee** Mobile Insight Solutions	**Senion**	**TECHNOGYM** **exerp**
Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory	Sell-side advisory
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(1)   As of Sep 2022. Excludes professionals from strategic partnerships where Alantra holds a minority stake (Singer CM, ACP, Wealth Management, Asabys and Indigo / Includes Corporate Services professionals
(2)   Since 2013

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