A HealthTech Pioneer, A Conversation with Mike Wessinger @ PointClickCare

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Episode Highlights

- Inspired by Salesforce's "point, click, close", PointClickCare aimed to showcase the ease of accessing EMR and financial applications in post-acute care
- Pioneering a SaaS delivery model for EMRs in post-acute care led to rapid growth, serving over 2,700 post-acute care facilities and 3,000+ hospitals
- Early 2000s posed challenges in introducing SaaS to senior care executives, but PointClickCare's appeal of hassle-free solutions and flexible payment plans won over skepticism
- Initially focusing on organic growth, PointClickCare shifted in 2013, strategically acquiring companies like Audacious and Collective Medical to strengthen its presence in the care collaboration space
- Evolving its strategic goals, PointClickCare now addresses the last mile problem, creating new growth opportunities within its core business and the care collaboration segment
- Industry skepticism turned into widespread adoption, with PointClickCare securing eight of the top 10 chains in the post-acute care space
- Recent acquisition of Patient Pattern emphasizes the company's commitment to providing tools for customers to manage risk effectively in the evolving healthcare landscape
- PointClickCare is adapting to the healthcare industry's move towards value-based care, preparing for the future by adjusting to new models and settings

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 have the great pleasure of hosting Mike Wessinger as your guest speaker for this episode. Mike founded PointClickCare in 1995 with his brother Dave, and is now chairman of PointClickCare, a leading software vendor to senior care facilities across North America. It orchestrates everything from medical records, scheduling and billing, creating a harmonious and efficient approach to senior care. Mike himself has been recognized as one of the most successful CEOs in Canada, winning a number of awards, including being named on the Glassdoor 2020 list of top CEOs and also being named one of Canada's most admired CEOs. He was also appointed by the Ministry of Health to the Ontario Health Data Council most recently.

(00:54):
You got an impressive track record, Mike, given that you have completed your degree in 1993, was PCC the only job you've ever held?

Mike Wessinger (01:02):
I had a brief stint as a sales rep in the post-acute care space. That didn't last long before I decided it was time to go out of my own and see if I could build my own business.

Frederic Laurier (01:13):
Mike, I've always wanted to ask you, how did you come up with the name PointClickCare? What was it meant to convey initially?

Mike Wessinger (01:20):
The name PointClickCare was interesting where it came from. Before anyone had heard of salesforce.com, we had already developed an application that was delivered in the SaaS delivery model, before SaaS or cloud computing. So when we first found out about salesforce.com, I called my brother Dave and said, "This guy, Benioff, in California is knocking off all our great ideas about software. You delivered over the internet and charged a subscription." It's almost laughable now when you think about it.

(01:47):
But they did have a slogan on their site and it said, "salesforce.com - point, click, close." And I thought, wow, we're like point, click, care. I think that's the name that we should use, and it was really meant to convey the simplicity of being able to get all the benefits of a modern, electronic, medical record system and related financial applications without any hassle and expense. So the name stuck.

Frederic Laurier (02:12):
It's a pretty catchy name, Mike. Well, thank you for the backstory. Really appreciate it. Emulating Salesforce was not the worst business decision ever, was it?

Mike Wessinger (02:21):
No, I think they were pioneering a new model for software delivery. One that, I think, appealed to people who had struggled with implementing enterprise ERP and enterprise software, and I think we caught onto the same model - for people that were dealing with electronic medical record software, we were just solving

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for a problem when we first came out. We said, "Listen, what if we could go to this market that has no money, no technical sophistication and is highly regulated and deliver something by putting out one set of servers delivered over the internet and just charge them on a cost per patient date the same way they get funded? Well, little did we know we were stumbling onto SaaS computing before anyone could spell SaaS or anyone started calling it cloud, but we were just solving for a market problem at about the same time that Salesforce had figured out the same thing, so we caught the right wave at the right time.

Frederic Laurier (03:09):
With hindsight, it's easy to say that PCC is a resounding success because obviously you are the behemoth of senior care. You're in over 2,700 post-acute care facilities. You have now close to 2,000 employees. You're in 3,000+ hospitals and pretty much cover every major US health plan. Of course, all of that is extremely impressive. Aside from the technology eureka moment you had, what was the trigger for you and your brother to say, we need to build this?

Mike Wessinger (03:39):
No kid in college or university gets excited about building software for the long-term post-acute care business. It's not sexy from the outside, but it all comes back to my mother. She's a CPA by trade, worked for a nursing home chain that specialized and they own some of their own homes. They would manage some of these distressed assets out of bankruptcy, and it's through her connections that me and all of my brothers - three brothers that are software engineers, I was the only one that wasn't - that wound up in the industry. My brother on the provider side as a manager of IT for a nursing home chain and me on the sales side. And it was in that industry that my brother and I recognized that there was a market that was incredibly underserviced, and that's when we decided to get into the space and build our own solution and really introduce it according to a different model - stumbled onto that SaaS model.

Frederic Laurier (04:25):
It's very interesting going back to your roots, Mike. You've mentioned selling to senior care may not sound sexy, but what about going to a senior care executive and telling that person that you're going to sell a software suite on a SaaS basis when nobody knew at the time what SaaS stood for?

Mike Wessinger (04:40):
Yeah, you can imagine this is back in the early 2000s and people were just getting used to having cell phones and the internet. It took a long time for people to understand this model where they weren't going to be hosting their data onsite and they had to pay a subscription versus a one-time fee and maintenance fee. However, the appeal of not having to buy, install or maintain any hardware software was incredibly strong to them. And because it was such a new model, we led off with a month to month payment. They go, "What happens if I don't like your service in a month?" We just said, "Just stop paying us."

(05:16):
So it took a little while and, of course, you have to go after the visionaries first, before the early adopters, before the mainstream, but the value proposition was so incredibly strong and the risk was so low. What we ran into more often than not was "What's the catch? It's too good to be true". Once we were actually able to deliver on our promise and our value proposition, the word spread like wildfire. We are bootstrapped. We didn't have a lot of money for go to market spending. It was the viral word of mouth about how compelling our model of delivery was and how simple our software was to use that really allowed us to take off.

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Frederic Laurier (05:55):
And what about data privacy? A huge issue back then. I would love to hear you on that initial sell to a big chain. Was that a bigger concern than for the smaller facilities?

Mike Wessinger (06:07):
In the early days, HIPAA was on the top of everyone's mind, and so when we'd go out to see our early customers, we would have to really spend a lot of time walking them through everything we'd done and the 3rd Parties we'd engaged in order to deal with all of the HIPAA issues. When it came to large, multi-billion dollar market cap companies, us and our 3rd party reporting wasn't going to be enough for them. They had to do their own due diligence. That, meant days before we were in the public cloud, it meant coming to our 3rd party data centers where it was our own servers that we were hosting on, and doing all of their own due diligence so they could have the confidence that we had covered off that requirement from them because the risk was high if we didn't.

Frederic Laurier (06:47):
And I'm guessing after the first one, I'll borrow your expression, it did spread like wildfire. If you could do one, why not go after the other big ones? Is that what happened or was the second one difficult to replicate?

Mike Wessinger (07:00):
So the first two were actually fairly straightforward and we had the two CIOs of those companies were incredible partners to us and they worked with us. I think the rest of the industry sat back and they'd seen this movie before and said, "Taking on two behemoth top five chains simultaneously with a new model and a new company that we hadn't heard of before, the likelihood of them blowing their brains out is high, so let's just sit back and watch." And they watched as we rolled out, and because these were chains that had communities measured in the hundreds, it took years to roll them out, a state by state plan to roll them out, and they kept waiting for the blowup and kept waiting and waiting and waiting and ...

Frederic Laurier (07:41):
It never came?

Mike Wessinger (07:42):
... those CIOs? It never came. And then two years after the rollout, they started to go, "Wow, these guys are for real. And not only are they continuing to be successful with two behemoths, they're just ripping through state by state, taking down all the independents and mid-size chains. I think it's time." This is an industry where nobody wants to be first, but also nobody wants to be last. In a very short amount of time we had gotten to eight of the top 10 chains. A good chunk of the market is very risk averse. They waited to see that we were successful and once they could engage with us and know that there was a predictable high probability of them getting success, then they jumped on board.

Frederic Laurier (08:20):
All very interesting, Mike. I've known you for a long time. During your earlier days at PCC, you weren't against acquisitions but didn't see an immediate need for them, either. I guess you were growing so fast, so that makes a ton of sense. However, in 2013, things started to change and M&A started to be part of your

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playbook. Initially you did a couple of smaller deals. Meal Metrics and TouchStream, if I'm not mistaken, were your two first ones, your foray into M&A. In 2017, you received some more money, follow-on investment from JMI. Also, I think Dragoneer invested in PointClickCare at the time as a first time investor. After receiving those investments, you did a pretty bold move. You bought Audacious. What year was the Audacious deal again?

Mike Wessinger (09:08):
I think it was 2020 is when we bought Collective, 2021 was when we bought Audacious. Both in the same space, two players in the care collaboration space. So when I think about acquisitions, I think there's a lot of companies that just get into acquisitions too early. They're hard, and we were in a growth tornado market. An acquisition at the time when we were adding at one point 200 to 300 new communities a month on our subscription service. There was no way that we had any bandwidth to deal with acquisitions. It's once that slowed down a little bit and a lot of our growth was coming from just selling more products to the same customers and solving more problems for the same customers, we had the bandwidth to start adding on inorganically. The acquisitions are incredibly hard, so you start small and you start to build your acquisition chops, and get better and better and better at it.

(09:57):
And then we felt like we had a pretty good model for bringing things in, acquiring them in and enrolling them into the fold of PointClickCare. But Collective Medical and Audacious, they're different because it entered us into a new space. This wasn't just add-ons or an acquisition of a competitor for the senior care space. This was getting us in the care collaboration space, and it meant we're dealing with a different set of customers. We've got hospitals and health plans and ACOs as customers. So it was new. So it was good that we had the experience of understanding how to do an acquisition and how to incorporate the acquisition.

(10:33):
But, for us, there was real industrial logic there. If you're going to truly solve the problem for post-acute care, you've got a last mile problem, which is you can't just do everything within the four walls of a community. You need to be plugged into the broader healthcare system, which means you need to deal with things like transitions of care and being able to give insights to those post-acute patients beyond the four walls. That could be a care coordinator, it could be a health plan or could be a health system. So it just made sense for us. We had built these tools that could provide these great transitions and provide great actionable insights to people outside of long-term post acute care. So outside of our traditional customers, but we didn't have a network yet. And it takes decades to build a network. And so rather than go out and do it organically, we looked out and said, "Well, who's already doing this? Who's already done the hard work? Rolled up their sleeves, crawled through the ditch with a knife in their teeth, taking them down one at a time?“

(11:32):
And it was Collective and Audacious. And we said, "Look, there's one coming to market. I think the one we want is the leader in the space. Let's buy Collective." And then shortly after on its heels, let's take number two in the space and that was Audacious, and let's go and see if we can put together this network so that we can layer on all this value added insights for these providers into the post-acute care market, especially as we're running headfirst into a value-based care world.

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Frederic Laurier (12:00):
When Dragoneer came in, they're known to be long-term oriented investors. How did the next growth chapter discussion evolve? Did you initiate it? Did they initiate it? Any change you notice in terms of mindset after that 2017 investment?

Mike Wessinger (12:15):
Listen, they're looking for multi-decade investments. They've got an interesting fund, it's Evergreen. But healthcare is complex and they're not healthcare specialists. So for them to even conceive of what it is we would need to do in the care collaboration space, I'm not sure that was really on their radar. It certainly wasn't in their underwriting case when they invested, their underwriting case was based on our core market and the 15 - 20 year runway, we had to digitize more of the post-acute care space. It was really driven by our desire to solve that last mile problem. But in doing so, it really also creates a market where we have really a new wave for growth, which is in our core business, we've got a 15 - 20 year runway of just digitizing more of the senior care space - skilled nursing, long-term care and assisted living. That's a long runway and we've got a lot of work to do there.

(13:08):
And then we saw the intersection, which is transitions and providing actionable insights on the post-acute care market. But it also gets us in the care collaboration space, which is really a new area for us where we see, I think we're only touching the tip of the iceberg. We've got plenty of opportunities that I think that will fuel really our second wave of high growth.

Frederic Laurier (13:27):
Maybe a couple of questions and then we'll let you go, Mike. We'll switch gears if you don't mind. We'd love to get your two cents on a few healthcare trends. The first one being, of course, value-based care always is the elephant in the room to some extent. We've discussed it at length with other guests, but I'd still love to hear your thoughts on what role the risk-bearing entities, let's call them RBEs, will play since now they're effectively assuming risk. How will you be working with them? You're talking physician/hospital and also independent practice/associations as well as ACOs.

Mike Wessinger (14:02):
So I think that's inevitable; value-based care and risk bearing entities, it's undeniable. The days of fee for service while it's not going away tomorrow are going to be limited, and those who can't get away from that will either cease to exist or they will be working on the smallest margins, and quite frankly, probably working on behalf of some risk bearing entity.

(14:22):
The thing I get excited about in the post acute care side is it's the first time in a while that I've become excited. We've seen margins get crushed for skilled nursing providers and even some assisted living providers who have been taking on, let's call it non-private paid patients to provide some services that are less traditional for assisted living. But hey, I make money on my Medicare patients. Those margins continue to get crushed with things like Medicare Advantage plans. Medicaid patients, I generally lose money on subsidizing with Medicare.

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(14:51):
But for the first time ever, I've seen our more sophisticated customers get more enthusiastic. When they start to look at special needs programs like ISNP and DSNP, they're saying, "Look, if I can start taking on risk, then there's an opportunity for me to make margin." So one of the most recent acquisitions we did was Patient Pattern is really a tool set to help our customers take on risk. So that instead of looking at a Medicaid patient that's going to be low to negative margin and then continually watching your Medicare patients margin shrink, they can start taking on risk. Those who take on risk instead of say United, are going to be in a position to make significant margins, and not only on their Medicare population, but on their Medicaid population.

(15:38):
Now, there is a catch though, right? One is you need the tools to be able to manage this stuff, which is why I'm thrilled about our latest acquisition, to be able to provide them with the tools.

(15:47):
But number two, if you're going to do it, you actually have to provide the outcomes. You have to be a quality provider. So I think the future is going to be same number of beds and rooftops, but it will be the sophisticated providers who understand how to take on risk and deliver quality outcomes, will be the winners in the future. They're the lowest cost in the chain of post acute care delivery, but they're going to be, if they're prepared to take on risk and prepared to deliver those outcomes, they'll be in a position to actually make positive margins.

Frederic Laurier (16:16):
This is the last question, Mike. It's been said many times over. One way of reducing costs is pushing acuity closer to the home, keeping patients out of the hospital. Readmission penalties implemented a number of years ago is a case in point. Home care has been around for a long time, remote patient monitoring for a good decade now, if not more. What do you feel are the major roadblocks that still exist today to make that objective a reality, Mike?

Mike Wessinger (16:45):
I think the challenge with home care is there's a certain acuity level that it's not cheaper to provide care in people's homes. You get six or seven comorbidities or six or seven disease states, getting someone to look after you 24 hours a day, it's not more cost-effective. So obviously this is people's preference. They'd love to stay at home as long as they can, and that will continue. And the ability for people to stay at home longer should become more accessible with remote patient monitoring tools. And the other thing I believe is tools that can bring in informal caregivers, daughter, daughter-in-law, son-in-law, three time zones away that could be part of the care team so that they can allow people to stay in their homes for longer. Ultimately though, when people get to a certain disease state, they're going to have to move into an institutional setting.

(17:30):
Where I think care in the home will thrive is in congregate settings where you've got a bunch of seniors in natural occurring retirement communities, or they're in assisted living or independent living, where it becomes cost-effective logistically to provide services at home. And because we play well in the

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independent and assisted living space, I think that's the area, traditional home care, I think, is different. Margins are going to be challenging there, but interesting new models will develop and I think the area that becomes of interest for us to play is areas where we already have a congregate community of seniors where services need to be provided. What you call that and what the risk model might be. Our play is not going to be traditional home healthcare. It's going to be in models where we have density of those people who need those services.

Frederic Laurier (18:19):
To some extent, something akin to specialized clusters.

Mike Wessinger (18:23):
Yes, exactly.

Frederic Laurier (18:25):
Hey, Mike, it's always a pleasure speaking with you. I do look forward to our next discussion, and I wish you a great end of the day, Mike.

(18:32):
Thank you for listening to another episode of Crossroads by Alantra. We hope you enjoyed the discussion with Mike on how he and his family started PointClickCare at a time when people could not even spell SaaS. Their acquisition journey to enter a new market, their partnership with an Evergreen fund, how, together, they have sketched out their grow plan for the next two decades.

(18:51):
Finally, the elephant in the room, what it means to be a Risk Bearing Entity in the value-based care world and what it does to their bottom line.

(19:00):
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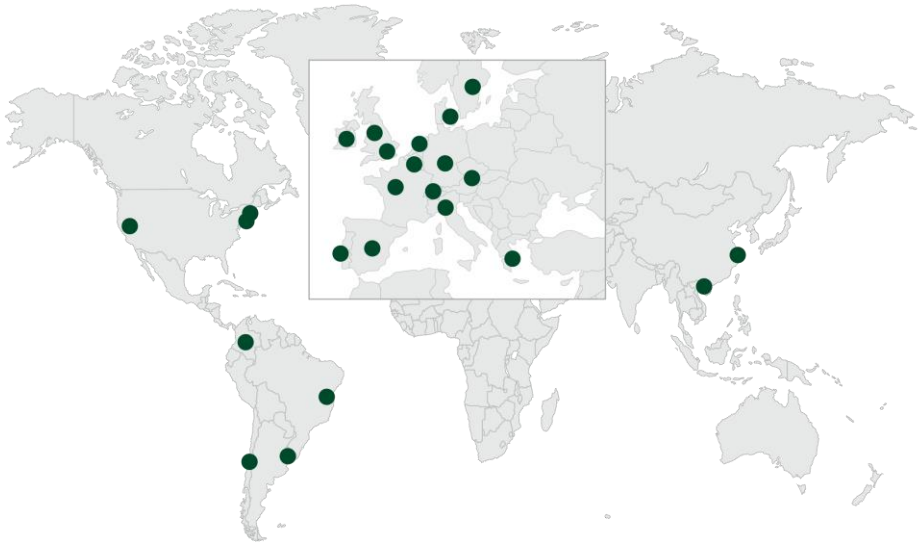

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