Protect, Detect & Recover, A Conversation with Rick Froehlich, CEO at ClearDATA

Podcast Episode Release – January 2024

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Episode Highlights

- Healthcare organizations face challenges in cloud adoption due to concerns about the security of PHI data, which is a prime target for cyber threats
- Other obstacles include a lack of long-term experience in the public cloud, tight budgets, and a shortage of in-house resources, especially among healthcare providers, making the initial move to the cloud
- Providers' reluctance to move to the cloud due to security concerns, budget constraints, and limited in-house resources creates challenges for Managed Service Providers (MSPs)
- The $7B healthcare MSP market demands adaptation to evolving technologies and customization to meet varying customer needs

- Following healthcare data breaches impacting millions, ClearDATA sees a notable uptick in interest for its cybersecurity services
- The escalating threats of ransomware, data phishing, and DDoS attacks intensify concerns within healthcare companies, leading to an increased demand for robust security measures
- With 15 years of expertise, ClearDATA excels in healthcare cybersecurity, uniquely addressing sector-specific threats
- Their tailored solutions and CyberHealth Platform outperform horizontal competitors, positioning ClearDATA as a leader in safeguarding PHI data, known for being comprehensive

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Episode Transcript

Frederic Laurier (00:06):
Welcome to another Digital Health episode of Crossroads by Alantra, where thoughts leader converged to explore the dynamic intersection of healthcare. In this session, the spotlight is on Rick Froehlich. Rick is the CEO of ClearDATA, a managed services vendor specializing in healthcare security and compliance. Joined by Alantra's in-house managed services expert Michael Lenoce, the conversation delves into ClearDATA's fifteen-year evolution, its recent decision to decouple services and software, and the challenges and opportunities presented by the healthcare cloud landscape.

(00:37):
From the intricacies of selling to payer and provider markets, the future of managed services providers, Rick shares invaluable insights. The episode further navigates through the nuances of data breaches, the role of automation and cybersecurity services, and the unique challenges posed by safeguarding PHI data in the cloud.

(00:56):
Join us for a deep dive into the complexities, innovations and key takeaways shaping the realm of healthcare, technology and security. Hello everyone. I'm Fred Laurier and I head up the digital health investment banking practice at Alantra.

(01:09):
On this episode, we have the great pleasure of hosting Rick Froehlich CEO of ClearDATA, a leading managed services vendor focused on healthcare security and compliance. Given the topic, I took the liberty of inviting our own in-house managed services expert, Michael Lenoce. Michael, perhaps you could quickly introduce yourself.

Michael Lenoce (01:27):
Sure. Happy to. Thanks, Fred. I'm Michael Lenoce. I am based in New York and I co-lead the technology investment banking group at Alantra and specialize in application consulting and managed services businesses.

Frederic Laurier (01:43):
Thanks, Michael. Before we jump into the actual questions, perhaps a quick bio on you, Rick. I did glance at your LinkedIn profile and correct me if I get any of it wrong, but the initial part of your career was spent managing businesses and units at large technology vendors like Dell and Oracle. In more recent years, you held sales leadership roles, including at HearthLink and Rackspace. Since August of 2022, you've been CEO of ClearDATA. Is that a fair representation, Rick?

Rick Froehlich (02:13):
Yeah, that's correct. I also spent some time at RSA, an Outseer Sub.

Frederic Laurier (02:18):
For the benefit of our listeners who may not be familiar with the business itself, could you please, in a nutshell, summarize how you serve HealthTech, payer and provider customers?

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Rick Froehlich (02:28):
Yeah, ClearDATA, we've been around for about 15 years and we're the first, and obviously, we think the best healthcare-only provider of comprehensive cloud. We're saying public cloud, security, and compliance, software and services, really purpose-built for the healthcare industry. We're enabled by our powerful cyber health platform, so think of us as lots of managed services supported by our cyber health platform software. These solutions include Cloud Security Posture Management (CSPM), managed compliance, so not just the software but a services layer on top of that, and Managed Detection Response (MDR). In addition, we do a lot of the cloud operations for the workloads we manage for our healthcare customers in the cloud to protect their PHI and other sensitive healthcare data. We're certified HITRUST, and compliant with HIPPA, GDPR, SOC 2, and ISO 27001. That's what we do, and we've got customers in the payer area, in the provider area, and what we call HealthTech, which are software companies selling software solutions to medical device manufacturers who have data that they need to protect in the cloud and healthcare services companies selling it to healthcare.

Michael Lenoce (03:50):
For most of its history, ClearDATA has offered a single bundle technology solution that included managed services. You're now moving to decouple software from your service offering and sell them separately. What drove this decision?

Rick Froehlich (04:04):
I think this was our desire to meet customers where they were. Some customers are pretty new to the cloud and they really want us to have a white glove approach where we're doing all the services for them. We're managing that total workload in the cloud for them with their PHI data. And as they get more sophisticated, they're like, "You know what? I really just want to use the software, or I just want to use your MBR service with the software. I don't need as much support on the services for compliance." Now we can actually break apart all these services and software offerings into different pieces and also innovate on the software a bit as we've done and meet the customer where they are and make it fit what they're trying to accomplish with their company. Secondly, this whole market is getting more customized and personalized. 10 - 15 years ago when we started this, the healthcare market wasn't really that experienced in the cloud. Even now, they're one of the laggers in all industries in moving to the cloud, to the public cloud especially, but as they've become more sophisticated, they're wanting a more personalized experience.

Frederic Laurier (05:10):
You mentioned that it's a tougher sell in healthcare end markets. What do you feel are the obstacles that are needed to be overcome to catch up to other industries that you have sold to in the past at Rackspace, for instance?

Rick Froehlich (05:20):
I think it's more of a concern about moving to the cloud given they know that PHI data is targeted more than any other data, and so there's that reticence to not have total control. That I think in other verticals that's less of an issue today and they have more trust.

(05:38):
And number two, they haven't had long-term experience in the public cloud, and so many of our customers, they're just getting their first workloads into the cloud for the first time, so that's one issue.

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Frederic Laurier (06:28):
On one of our previous episodes, we had invited Joe Gagnon, CEO of 1upHealth to talk about FHIR, the healthcare interoperability standard. One thing he said was how payers could be the key to unlocking adoption for FHIR within providers. Do you feel that there's some of that also happening in your own industry where if payers lead the way, providers will follow?

Rick Froehlich (06:48):
Somewhat. I mean, it's not a direct correlation, but certainly, when we talk to providers and we say that we've got some big and medium-sized payers who use us, that really helps with our credibility beyond just the offering itself.

Michael Lenoce (07:06):
Switching topics a bit, we are obviously seeing companies transition from traditional on-premise software to software as a service and cloud-based platforms. What is your view of the opportunity for traditional managed service providers to be able to generate a similar amount of recurring revenue at the same attractive margins that they do now, but most likely the ongoing support will be much less with a SaaS-led platform?

Rick Froehlich (07:32):
I think as we evolve here and increasingly our customers are transitioning their operations to the cloud, the managed service providers are going to have to evolve their services. Absolutely, and we're seeing it. We're seeing a lot of these horizontal providers say, "Oh, you just need software. You can do it yourself," and then a lot of them are finding they can't do that themselves. So, I don't think that MSPs are going away in the healthcare space. There's going to be a long-term need for pro services and MSP services in this space, especially in cloud adoption and digital transformation because there's a resource issue here.

(08:07):
Hiring security people is really expensive and difficult to hold on to. That's a high commodity resource that gets paid a lot of money. I think when we think about ClearDATA. We are healthcare specific and specializing in secure data migration and HITRUST certification. With all the influx of the data available, there's going to be an emerging need and there is an emerging need for advanced analytics capabilities managed cloud operations.

(08:31):
I think one of the reasons we broke apart our offering and created a standalone SaaS offering for our software is so we could meet those highly sophisticated customers who don't need the MSP services so much, but there's plenty. I mean, this is a $7B market for us. There's plenty of companies that need lots of managed services moving forward, and the market's huge for us. It's just a question of meeting those customers where they are, selling them the software if that's all they need, and also making our software differentiated versus those horizontal softwares. But yeah, we have to adapt to changing technologies and market demands.

(09:09):
Just keeping up our managed services with the changes at AWS, Azure and Google is a challenge. It's not a challenge for us - we have people dedicated to that, but if you're a payer or provider, keeping up with all

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those changes and features and functionality of AWS if you're using them or Azure or GCP, that's a huge challenge for customers and they think they can handle it, but many of them can't.

Michael Lenoce (09:32):
In addition to security and data analytics, are there other emerging solutions that services providers can introduce to maintain or grow revenues from existing clients?

Rick Froehlich (09:42):
Yeah, I mean, we offer cloud operations, which is part of our offering and it'll be broken apart now. But to most of our customers to manage changes to the cloud environment, that's the standard offering that we've had. That'll continue to be. And I think all MSPs can offer that. It's not just patching. It's how do I optimize the use of the clouds to optimize my results and my app performance as well as cost.

(10:07):
There are FinOps offerings. We have that as well where we help customers optimize their cloud spend, so that's a very important piece because we have a lot of expertise in doing that. This is all we do. One way that you can build credibility with a customer managing their cloud workloads is to continuously offer them health checks and an ability to leverage you to optimize their spend because it's hard to do that. You really need to know each cloud provider very well to do that.

(10:37):
Finally, there's assessments like a well-architected review for AWS and others that we offer and that I think other MSPs offer where you're leveraging some of the capabilities of the cloud providers, and then we have a pro-services arm. I think most MSPs should have a pro-services arm to help with migrations, to help with assessments, to help understand - Here's a legacy app that you are thinking of moving to the cloud. But if you just lift and shift it, you're going to be disappointed in the results and the cost, as opposed to maybe you need to refactor it. We can help you think that through. Those are services that are going to be very valuable to MSPs moving forward in healthcare.

Michael Lenoce (11:16):
For your business, what role does automation play in your delivery of services? What are the tangible benefits?

Rick Froehlich (11:23):
Yeah, look, manual human errors can lead to healthcare cybersecurity vulnerabilities and breaches, so we try to automate as much as we can. We really adopted a three-prong approach to automation, so we need to protect, detect, and recover, and that combines automated safeguards with our expert personnel. If you just have automation from your software or from third-party tools, you're not going to do the job as thoroughly as you need to.

(11:51):
So, the CyberHealth platform, our software tool really automates the detection of sensitive PHI data stored in the public cloud. It boosts really customer trust in our services. These automated safeguards really ensure that ClearDATA services maintain high levels of security, privacy compliance, further reinforcing customer

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trust. But you know what? We also provide MDR services, so managed detection and response. This is integrated into our CHP, but we use third party tools as well where we've got sensors on every single endpoint that the customer has in the cloud. And we're evaluating that with heads up eyes on glass 24/7. With that automated endpoint threat analysis, you can get a lot of threat alerts, then we have to take that and understand how to triage and prioritize those alerts.

Frederic Laurier (12:42):
So, Rick, there's an estimated 40 million plus patients in the US that have recently been impacted one way or another by data breaches. HCA, for example, is facing a class action lawsuit for a breach that exposed about 11 million patient records. When one of those large events occurs, do you experience an immediate increase in inbound interest for your cyber security services?

Rick Froehlich (13:05):
I think that each time, especially if it's a healthcare-specific breach, we definitely get an influx of folks looking at our services, going to our website, and asking us questions. A lot of these healthcare companies think they can get away with sort of very minimal investment in security and compliance, and you're really playing a bit of Russian roulette there. Especially now, what we're seeing lately, ransomware is up dramatically in the last year and a half. Data phishing, of course. DDoS, it's all up. So, definitely a major concern and yeah, we get a big bump when these things happen. Luckily, in our 15 years, we've never had a breach. Knock on wood!

Michael Lenoce (13:48):
There's other cloud security management vendors that take a more horizontal approach. Wiz and Drata are two of the big ones. In some cases, they may have tailored offerings to certain verticals such as mappings or security posture to security standards like HIPAA. ClearDATA obviously focuses exclusively on healthcare. What advantages do you think this brings to you?

Rick Froehlich (14:11):
There's probably no more than two or three vendors like us in the healthcare space that just focus on healthcare. Matter of fact, I've been asked since I've been here the last year and a half, why don't you do other verticals? It's because of the expertise that we glean from our services organization by just focusing on healthcare threats. Protecting PHI data is a different animal. It's the most attacked data in the country, in the world. It's targeted more because it's data-rich.

(14:45):
So, cybersecurity and healthcare, for us, it's a matter of protecting lives, not just data. If that data is compromised for a hospital, people can die, and we take that very seriously. Matter of fact, it's one of the things that really inspires my team. When I got here, we really believe we're protecting lives every day: people's lives.

(15:07):
So, we're uniquely positioned. We've been doing this the longest to understand the unique requirements and challenges of healthcare organizations in protecting their data in the cloud. The tailored amount of solutions and our CHP software - There's a lot more controls and safeguards in there than any of our competitors because we've been at it longer. We just focus on this. You mentioned some of my competitors that are

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horizontal. They say they do all this, but I think we do it better and more thoroughly. We offer not just, if you think of our health tech customers, we call it HITRUST inheritance. When they come with us, we just hand them that compliance and they have it. They don't have to earn it because we've done all the work for them.

Frederic Laurier (15:53):
Rick, thank you so much for taking the time with us today. I personally learned so much. Among key takeaways of many, I'm shocked at the level of underinvestment in the industry when PHI data is actually the most targeted kind of data and healthcare providers heavily bear the brunt of ransomware when, of course, they're already cash constraint.

(16:12):
Second key takeaway is the impact you have on your health tech clients in streamlining RFP responses just by your unique positioning and understanding of the market versus some of your peers that have taken more of a one-size-fits-all approach.

(16:25):
Lastly, the complexity of what you're actually doing, your three-prong approach, security and all. Those are just three of many takeaways I could have picked.

(16:33):
It was a great discussion, Rick, and again, thank you so much for taking the time today.

Rick Froehlich (16:38):
Thanks, Fred. Thanks, Michael. I enjoyed it and really appreciate the opportunity.

Michael Lenoce (16:42):
Thanks, Rick.

Frederic Laurier (16:43):
As we wrap up this episode, we extend our heartfelt thanks to **Rick Froehlich** CEO of ClearDATA for sharing his wealth of insights into the intricate world of healthcare cloud security and compliance. From the evolution of ClearDATA's specialized offerings to the challenges of navigating the healthcare landscape, Rick has provided invaluable perspectives.

(17:03):
The episode has not only shed light on the vulnerabilities and opportunities in healthcare cybersecurity, but also has offered a glimpse into the future of managed services providers in this ever-evolving space. We also express our gratitude to **Michael Lenoce** as well for having partaken in this insightful discussion. Stay tuned for more similar conversations at the crossroads of technology and healthcare.

(17:27):
Until next time, this is Crossroads by Alantra.

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 🇬🇧 **B** **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 🇺🇸 🇬🇧 **inoapps** Sell-side advisory **abry partners**	**2022** 🇺🇸 **TROOPS** Sell-side advisory **salesforce**	**2022** 🇩🇰 **struct** Sell-side advisory **VIA equity**	**2022** 🇬🇧 **Bridgepoint** Buy-side advisory **teamitg**	**2022** 🇬🇧 **BOWMARK CAPITAL** Buy-side advisory **littlefish**
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2022 🇨🇱 🇨🇦 **reign** Sell-side advisory **APPLY DIGITAL**	**2022** 🇬🇧 **NUVIAS** Sell-side advisory **INFINIGATE** .... Adding Value to Distribution	**2022** 🇯🇵 🇩🇪 **RENESAS dialog** SEMICONDUCTOR Sell-side advisory **EnOcean** Self-powered IoT	**2021** 🇨🇱 🇬🇧 **banca** asociación de bancos Sell-side advisory **experian**	**2022** 🇦🇷 🇲🇽 **wormhole** Sell-side advisory **crehana**
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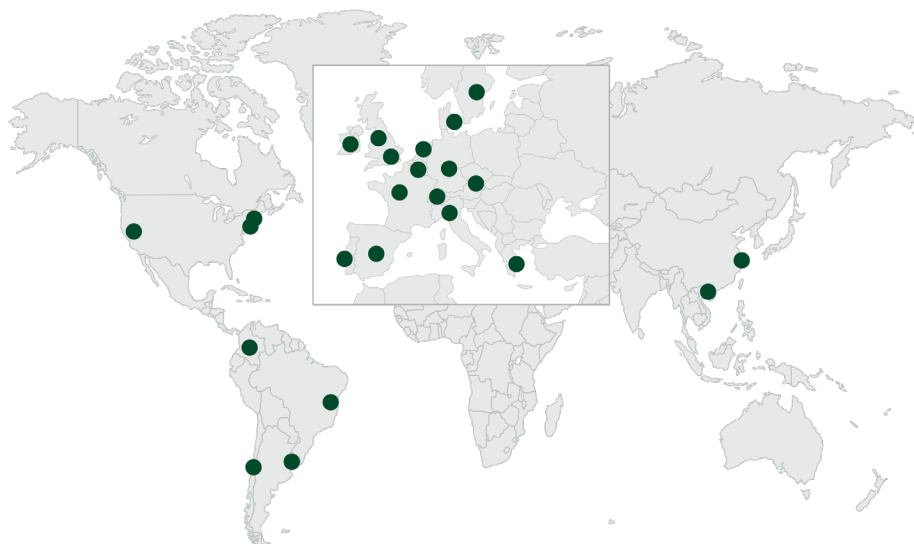Partner
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Alantra – Group Summary

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