

The Future of Health Care

Doc Eifrig, Tom Carrol, Matt Weinschenk

Matt: I consider myself a generalist as an investor. But also, we need to know when to access the experts.

We're entering the decade of biotech. So, we're meeting with Doc and Tom today to look at the future of health care.

It's broken into two groups: Life sciences and Health Care Services.

Tom, why is health care investing so important today?

Tom: I grew up in a health care family. We are all customers of this industry.

It's full of emotion and inefficiency.

You could spend your entire investing life in only health care and find excess returns.

There is a knowledge deficit in consumer health care decision making.

Matt: In health care, you can find value, dividends, growth, and disruptors.

Medical science boom pitches:

We're entering an accelerated rate of change in the biotech space. And a big part of this is the new funding model that means that there is an unprecedented amount of money in the health care research system.

And now, big tech companies like Apple and Google are focusing their attention on health care, too.

Now in particular we're seeing a wide range of breakthroughs. The cost of high tech health care is dramatically falling. Look at CRISPR and genetic sequence modeling.

Fold in advances in AI, and you have the makings for a massive boom.

Doc: The cost reduction and its effects cannot be understated. It is overhauling the industry... It's an incredible opportunity for humanity.

Big data is just now starting to catch up with health care. And AI is making the research cost dramatically more cost effective. The input cost has plummeted.

Matt: And remember, we're talking about tools to create discoveries, not just a single breakthrough.

Simply put, the cost of solving medical problems is falling and the speed at which we're solving those problems is increasing exponentially.

Tom: Now is absolutely the greatest time to be in health care.

\$80 billion over the last 10 years was put into small disruptive startups in the health care sector. And this is where the 10x ,20x ,30x investments are going to be coming from.

Matt: Transitioning to the life sciences

Doc: Eye reach that put me on the map deals with a single-point gene mutation, and it causes corneal clouding.

Back then, there was nothing to do about it other than a transplant. And they might even have to have a second transplant.

Today there are companies that can use these single-point genes and recode them. It's an unbelievable triumph... It means the disease goes away.

That was just a dream in 2000 when I discovered the eye specific gene mutation.

We're on the edge of the Star Trek age of medical advancement.

Tom: Check out the sickle-cell therapy doc from *60 Minutes*.

Matt: Let's talk about the AI applications

Doc: The computers today are able to find correlations that are simply too complicated for humans to find manually. And the tech is getting cheaper and cheaper.

Matt:

Testing (Picks and Shovels)

ThermoFisher

PerkinElmer

LabCorp

Quest

Mega Biotech

Abbvie

Gilead

Now, let's move on to health care services...

The problem of medicine adherence

Tom: Yeah, nobody takes their pills the way they should.

We spend \$350 billion on prescription drugs every year. And another \$350 billion to solve the problems of people incorrectly taking their meds right.

Huge potential there.

Doc: Glaucoma is a great example.

But at first it seemed like the drugs weren't working for people. What research found was the people were simply lying to their doctors about taking their medicine. They didn't like using the eyedrops.

Tom: There's an example of this with TB in Africa too.

It involves "directly observed" therapy. People took videos of themselves taking their meds. And sent the videos to their doctors.

And this turned into a company called EMOCHA healthcare. It's now the number one company in this space. And now it's working its way into western health plans.

Doc: Look at the advancements in real time monitoring for diabetes. Technology like this is very exciting.

Tom: Yep, tandem diabetes led a lot of innovation with iPhone connected diabetes pumps.

This was an incredible opportunity for investors. That one stock paid all of my bills in 2018 or so.

It's an incredible story and I still like it going forward. Put it on your radar screen.

Matt: Let's move over to SAAS companies in the health care space.

There's major opportunity in the compliance department here. Health care is ripe for disruption here.

Tom: I agree. SAAS is perfect for small shop compliance. Nobody should be doing that on paper or in-house.

Tom highlights his sister works at a neurological practice. They adopted Phreesia (PHR) and they love it. Accolade is a Saas business that brings together health insurance, employee tracking, and more into one technology. It's a subscription business.

These stocks sold off with tech in months. Tom recommends Accolade and thinks Phreesia is great.

Matt W.: All these changes are happening, and as an investor, you note where things are broken is where the opportunity.

But politics get in the way sometimes. But is there a trend on the patient side of health care delivery that will get better or are costs just going to soar?

Tom believes we are at a tipping point. Instead of costs just soaring like they have for decades, a new cast of players are here. Digital health care solutions are coming into play. These new players could make it change.

Tom thinks health care reform 2.0 is coming. But other priorities at the global level have gotten in the way.

There will be winners and losers in this next phase. From a political standpoint, a digital standpoint, and frustration from users that will help change the system.

Doc: Doc notes people think that health care can't become a larger and larger part of GDP. But he ask how much will you pay for your health. He thinks it will go up and up.

It will rise, but it will be a much better service. Take the apple watch that will tell you when to stand and when to eat blueberries

Tom:

Toady we're not getting out value out of our healthcare spending. We're the richest country on the planet and we have people not getting the care they need. Heck, we still have a TB problem in this country.

Doc:

I would challenge you on this.

Look at the amazing work we can do at saving neonatal care. Most other countries wouldn't even try to save the babies we are saving here.

Tom:

Great rebuttal. That's a perfect example of an area where our willingness to try the impossible makes our surface level numbers look worse.

Q&A:

Q: What should we avoid as investors?

Tom: Beware of hospital stocks.

Q: Ivermectin...

Doc: It's being prescribed off label. There's nothing wrong with a doctor, if the science is good, prescribing off label.

Don't get it from your vet or the feed store. That's not science.

Q: What about the world of primary direct care?

Tom: shop around. It's absolutely true for medicine and it's true pharmaceuticals too.