MassDevice Q & A: John Abele, Part II

Mass Device

Boston Scientific Corp. (NYSE:BSX) co-founder John Abele told us about the origins of the medical device giant in the first installment of a lengthy chat with **MassDevice**, detailing its start in the basement of a famed Czech mystic's lab in a Catholic church rectory.

In the second installment, Abele touches on how he and co-founder Peter Nicholas engineered the Boston Scientific's launch, how his involvement with the Natick, Mass.-based company evolved over the years and how being a "cheap son of a bitch" helped drive creativity and innovation in the early days.

Abele also gave us his take on the increased demand for transparency for the medical device industry's relationships with physicians and discussed his frustration with some of the company's low points in the years since his day-to-day involvement has waned.

MassDevice: How hard was it to walk away from the day-to-day operations of a company you helped found? How did you know it was time for you to pursue other endeavors?

MassDevice Q&A: John Abele

Part I [1]

JA: That's kind of interesting, you know. There aren't too many people who've stayed in the company, much less in a position of power, for that length of time. But what happened was, I had some ups and downs with Medi-tech. It was one of those classic best-of-times/worst-of-times situations. Anybody in a startup business knows that feeling. But the company that had been my sponsor and owned the majority of Medi-tech was having some trouble and was directed by its bankers to get rid of us. A lot of people came to look, but eventually I bumped into [Boston Scientific co-founder and chairman Peter Nicholas [2]] and we joined together. Instead of selling out to another company, we bought out my parent company's interest, Cooper Labs. I had gotten to know a lot of people who had taken the more, even then, traditional route of venture capital. I said I didn't want to do that and I would rather work with less. Once, I borrowed money to buy Medi-tech, so I owned a smaller portion of it. I never borrowed money during the 10 years I ran Medi-tech. If you don't think that that wasn't extraordinary... I ran it the way the college dormitory thing runs — your tables are all doors with bricks for legs and you just be resourceful. It's harder to do that today, because that's not medical practice or [good manufacturing practice] at least. But it had a positive sort of philosophical impact, in that people appreciated resources. You would solve problems in more creative ways and be very, very resourceful. That was sort of the mindset.

Peter Nicholas and John Abele
Photo: MaynardClark/Flickr *[3]*

So I was a cheap son of a bitch, actually, and gradually we grew, and then Peter and I got together and bought out Medi-tech. Medi-tech was only a couple of million dollars in sales, but because I had befriended [percutaneous transluminal coronary angioplasty pioneer Andreas] Gruentzig and gotten pretty well known, our value was clearly a lot more than the balance sheet and the P&L would suggest. Our reputational value was growing, and, in fact, one of the other companies that was also in this space, Cook Medical [4] from Indiana, they were bigger than I was. [William Cook [5]] even sort of helped me buy Medi-tech out, in a strange way. I don't think he knew that. He bid for the company and part of the due diligence of my being able to buy was to get a price estimate. So I got a price estimate from a guy who wanted to buy it cheaply. It worked out very, very well.

MassDevice: What made you decide that it was time to take a step back?

JA: It wasn't so much stepping back. It was taking different roles. I am not a good manager, but I am probably pretty good on the vision side of things and I'm pretty good, as a result of that, in seeing opportunities and getting together with a lot of different physicians. I was able to earn their respect. In fact, I started teaching classes on how catheters worked, and particularly how balloon catheters worked, in the 70s and ended up actually having a peer-reviewed article [6] (PDF) published on the physics of dilatation. As it turned out, most medical journals are very poor in their physics. As I went around talking to people, that became very apparent to me. I would put them in probably the 7th- or 8th-grade-level physics, so when I wrote the article I just explained it so they could understand it. But it did have some observations in it that were new at the time.

John Abele

That gave our company more publicity and that gave me more credibility. Once you get into having published articles in peer-reviewed medical journals, then you're OK. Because I didn't have a medical degree, in fact I didn't have anything beyond a bachelor's degree. [Peer-reviewed publication] allowed me to be looked at differently by a lot of people who could have killed us. For example, early on when I started giving courses to explain how these things would work, I would do that at medical schools. But some of the medical schools would not allow someone from a company to present anything at that school. When I broke the barrier in half a dozen schools — the University of California-San Francisco was one and Stanford was another — I had to get permission from the president of the university. Times have changed and the line between the medical profession and corporations has changed a great deal. Maybe it's gone too far in the other direction. Certainly many people think so, and that's why the FDA does what it does. Early on, it was much more of a fraternity of elite, well-educated people.

MassDevice: What about the increased mandate for transparency regarding industry's relationship with physicians? How do you view the federal Physicians Payment Sunshine Act [7] and other, local efforts at instituting so-called "gift bans [8]?"

JA: I certainly understand the need for something, and I also have been frustrated and embarrassed at my profession, so to speak - the medical device industry - for doing things that they shouldn't have done in terms of relationships with doctors. Some of the doctors that we served actually ended up in jail because they were doing self-referrals and lots of things that I think common sense would tell you are

just plain wrong. You've got to ask yourself some pretty basic questions, you know, "What if everybody did this? Would we be better off?" So I think something is needed.

John Abele
Business Innovation Factory/Flickr

It's not what you do that counts, it's how you do it. And so having a rigid, law-prescribed barrier ends up reducing the ability to be innovative, because you have reduced now the ability to communicate effectively with the physician. The physician is going to look at talking to corporation types more cynically as well. Certainly the corporate type is going to be walking on eggshells in that sense. So that, number one, is bad because you lose innovation. The other thing that's bad is it's just going to add to the cost of what's produced today. In an environment where we need more innovation on cost reduction, this is just plain wrong. It's political correctness that leads us to do things that are not in our best interest.

MassDevice: What's your take on the healthcare reform act? In a 1996 interview [9] you talked about the importance of addressing systemic costs. Do you think the new legislation will get at the real, underlying problem of escalating cost?

JA: Uh, no. I think everybody has observed that it did the access piece but it didn't do the cost piece. We're unfortunately heading off a cliff there. I guess the guidance from my point of view for anybody in this business is to figure out how do you do what you do so it is less expensive. Not just less expensive in the device, less expensive in the delivery of solving the problem that you're trying to solve. An awful lot of that is going to be in information management. I think patients are going to have to be much more responsible not only for their own health, but also, if there is something wrong, for their own diagnosis. They've got to be partners. Some physicians do this, but a lot of them don't. They treat the patients as spectators and the patients accept and want to be treated as spectators. That's not a sustainable model.

I think there's going to be a lot of opportunity for companies that come up with innovative ways to do that. Companies like Sermo [10], which is in, I guess you

could call it, the crowd-sourcing business. In fact, they've got about 70,000 physicians who are members of this network. They use it to get help or to provide knowledge that they've gained in a procedure and share it with others. People can ask questions when they have a problem and a doctor will answer it, so it's like having an enormous panel of people at your beck and call. The Endovascular Forum [11], another Boston outfit, does the same thing, but what they're doing is creating a forum for people to cross-communicate in ways that their professional tools don't provide — the professional meetings, the professional literature, doesn't really do it. You want it faster, you want it more candid, you want it tested, truly against peers. The peer-reviewed system [12] today does not work, because the peers in today's peer-reviewed academic system are establishment types. That's how you get to be a peer, you get a reputation. But the problem is, if you're an establishment type, you tend to be much more resistant to change because change threatens your position in the establishment.

I also think that transparency is great in theory, but in practice the same information that you make transparent will be appreciated by some and understood in exactly the opposite way by somebody else. In order to have effective transparency, you need an educated reader. And unfortunately, that's not what we have in our society.

MassDevice: As you consider the medical device world today, what opportunities excite you? Where do you think the new frontiers of innovation lie?

JA: Two classes of answers. I think there are several technological areas that are going to continue to be leapfrogs. Imaging is one. All of the different modes of imaging keep getting better. Over time people are figuring out how to fuse different modes with each other. That's going to continue to grow and it's going to continue to be easier to use. It's also going to continue to get less expensive, so it can be applied in areas where it couldn't be today, whether it's in the ambulance or even the home. Already we're seeing an example of that with ultrasound. In fact there's an app for the iPhone that allows it to be plugged in to a nice ultrasound probe. GE is making a phone-size ultrasound [13] — and by the way, as you know from some of their advertising, they're doing this outside of the United States. They're doing a lot of this development in Third World countries. It's what those companies call reverse engineering.

What they want to do is develop technology that can solve problems in a Third World economy, in a Third World population with its understanding, et cetera, et cetera, figuring if they can get some success there, it will be a lot easier to scale up for the Western, First World environment. General Electric, Pfizer, the Mayo Clinic, all are partnering with Grameen Health, part of Grameen Finance, Muhammad Yunus' Nobel Prize-winning idea of microfinance. That to me is really exciting. Even though some people say, "Well, that's great for them but it doesn't apply to the U.S.," well, surprise, it's already here. That will continue to be something we will see more of.

We won't make the big changes in Washington, because that system just isn't designed to do it and its probably even worse now than it was — probably because

of transparency, by the way. The way I think we'll see big changes is smaller, private systems, for example one of the trends you see now, that started about 20 years ago and sort of went out of favor and now is back in favor, is corporate clinics, where corporations actually hire their own physicians and have an in-house system and then sometimes they make that available for other corporations. That's going to be interesting. What's fun about that is it allows you to look at the problem from a different perspective. It's not a matter of saying, "How do I get reimbursement for this?" I think the big recognition is that the accountable healthcare systems ultimately are the ones that are going to win out. There may be a combination of accountable healthcare plus some direct reimbursement, but the Kaiser model, which has been around for a long time, is going to be the one I think we're going to see more of.

MassDevice: I have to ask about the turn in the company's fortunes since you stepped away from day-to-day involvement. What has it been like for you as the difficulties unfolded over the last several years?

JA: I guess I'm a bit of an optimist. It has not been a smooth ride from the beginning as your remarks suggest. We were on some very risky ground a number of times where the dice could have rolled one way or the other, but we made it through and I guess that's the way I look at it now.

Being big is a problem. Being big in today's environment is even more of a problem. Not just corporations, but you think of BP in the Gulf and say, "Wow, here is something that is potentially going to take down one of the largest corporations in the world." What has happened that can happen? It's not the type of environment that used to exist. I think in many ways it's very good that large organizations are being held more accountable, but I think there's got to be sort of a reality somewhere in there. In the case of Boston Scientific, we go back and make sure what are our strengths, what are the real skill sets that we have — and we have a lot — and we focus on those and go for it.

Yeah, certainly frustrating and certainly, discovering things in a larger organization particularly where there may have been an acquisition, where things weren't what you thought [14], but in a way that's a great opportunity. If you see a problem and you fix it, you're going to be better off than you were before. You not only fix the problem, but you learn about the nature of those types of problems.

We're in an environment today where nobody is safe. We have a high-expectation environment from the public, in terms of what they want, but it may have stepped beyond what it's capable of doing. Whether it's the airlines, whether it's the housing industry, whether certainly now the oil industry, the financial world, nobody's been unscathed. The emperor has no robes, so to speak. So you have to get back to basics and you have to get back to value.

To me, what keeps a company going is values, why you do what you do and how you make that visible. It's not just value for the customer, it's value in more of an ecological sense. By that I mean there's a circle of understanding. You can call it triple bottom line [15], as some people do in the business world, but it's recognizing

that everything has trade-offs. If you are innovating solutions to problems, you've got to be aware that in every solution you're going to create some related problems. They may be smaller, but they're real to the people who have them. So understanding risk, understanding probability, understanding how value is created for the larger audience, so that when you come up with an innovation everybody wins, not just one group at the expense of another.

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