



Podcast Transcript

Risk Never Sleeps

Episode 116

Scott Nelson

Ed Gaudet: Welcome to the Risk Never Sleeps Podcast, in which we learn about the people that are on the front lines, delivering and protecting patient care. I'm Ed Gaudet, the host of our program, and today I'm pleased to be joined by Scott Nelson, the president and CTO at Tamarack Technology. Scott, how are you, sir?

Scott Nelson: I'm doing well, thank you.

Ed Gaudet: And we got together unconventionally, which we're going to get to in a second. But before we do, tell our listeners a little bit about your role and your organization.

Scott Nelson: Yeah. Well, today I'm actually working in the equipment finance industry, although I've spent much of my career working on the technologist at heart. I've worked in aerospace, military, industrial controls. I grew up at Honeywell. And then I spent a lot of time in digital health, so I'm pretty fluent at moving back and forth, and I just wrote a piece that's going to publish next week on The Nudge. And I don't know if everybody in digital, in your world knows about the nudge, but I actually write it down as one of the big risks, you know, the biggest risk in health care, kind of, in my view, is patients not doing what they're told. And nudging is all about helping get behavior in line with therapy, you know? So I'm pretty fluent going back and forth between economic wellness, which is equipment finance and physical wellness, which is health care. So I really appreciate the opportunity to be here.



Ed Gaudet: Oh, I love that. I'm looking forward to reading your article. Will you post that on LinkedIn or?

Scott Nelson: It'll come out in one of the equipment finance. I think that one is going to be on a magazine called The Monitor. We have kind of two big magazines in equipment finance. One of them is Equipment Finance Advisor and the other is the Monitor Daily, and they publish pretty much everybody in equipment finance, every morning they read the newsletter from those two places. They tend to be a little redundant. So some people read one or the other, but they're great. They're a great way to reach the industry. I joined this industry in 2020 and have been kind of helping Tamarack change from a professional service company the way it was founded by my brother in 2001, doing a lot of software support and technology support to the people who use the big software stacks in the industry. And I kind of brought the idea of products, SaaS products, data, business intelligence, and AI, a lot of AI applications in this industry that are fun. And I will say it; we're recently as this year we became a SOC two type two house. So it's a level of cybersecurity that's very dear to us in the finance world that. similar to I'd say it's analogous to all the types of things you do when you're dealing with HIPAA, you know? So I'm pretty fluent at it, kind of switching back and forth on those things as needed.

Ed Gaudet: No small undertaking. You probably have the arrows in the back to. We could commiserate on that process, I'm sure, for hours. You said something interesting too, which I'd love to explore. You're working with your brother. Did I get that right?

Scott Nelson: Yes. I joined in 2020. He had merged with another company earlier. I kind of helped with the merge. And then the strategically, they were kind of becoming misaligned. So the first thing I did was come in and help split the two companies. And then, you know, there's a foundation of brand and business here that, to which, you know, we wanted to switch into a product-based business. And so we've been working together on that and dealing through the kind of usual small company transformation, cultural issues. But we're fairly well known for our ability to kind of do things a little differently because I, unlike most everybody else in the industry, I haven't been here for 30 years. I've only been here for four. So I have a lot of strange ideas that sometimes are interesting to people.



Ed Gaudet: You're not biased. You're not biased.

Scott Nelson: I don't have a bias for how things were done in the past. That's right.

Ed Gaudet: So yeah. So I've done, this is my 11th company and coming into healthcare in 2009, 2010 for the first time, that was the thing I noticed. Like I didn't know anything about healthcare and that actually, I was worried about that. But that actually helped me because everybody was so biased from the past. And bringing that new perspective is so valuable. I think sometimes we get so close to things, we miss the forest through the trees. Let me ask you though about. So my brother joined my company not too long ago, and I was wondering whether or not I was going to do it because it's such a hard thing having family work together. I've seen success, but I've also seen oftentimes a lot of failure there. How are you managing to maintain that relationship?

Scott Nelson: It's not always easy. You tend to learn about on the older brother. So sometimes I learn about things that happened in our past that I never knew happened, you know, and they affect the present. And I'm like, well, I wasn't even there for that particular discussion with so-and-so, so, you know. But there's a, I'm sure as there is with you and your brother, there's a shared family experience, shared values typically. You know, there's a family trust that helps with things. And I came here to help. That's what I like to do with all of my roles is to help people succeed. There was a lot of very strong foundation of, I think, a value that Dan and I share very deeply, which is do what you said you would do. And that's a really strong brand promise upon which you can build as long as you keep following it. And that's what we've been doing.

Ed Gaudet: I love that. Yeah. No, thank you for sharing that. I don't see it often. And I was pleasantly surprised with how well it actually is working, but I didn't think it was going to work. Well, initially, I was very concerned about it.

Scott Nelson: There's always good days and bad days, but that's true of any company, right? I mean, you know, when you look at it, that's kind of true of any company.



Ed Gaudet: All right. So we talked about how you, your sort of your origin story already, but you know, as you look out over the next couple of years, what are your top 3 or 4 priorities strategically? What are you focused on?

Scott Nelson: Well, you know, in case one of our shareholders listens, my top priority is more logos for the company, without question. Right? So but what we're really focused on right now in going into 2025 in addition to, you know, winning more logos is the application of AI. We gave a talk just day before yesterday at one of the biggest conventions, probably the biggest convention, the annual LFA convention. And the panel asked the audience, How soon do you expect to be implementing AI in your company? And we gave them three, six, 12, and never as the choices. And I will tell you that the majority of people who read, you know, the largest group that raised their hand was three months and the vast majority was three and six; you know, you put the two together. So people are ready to go and they're very, very interested. I think they're developing a level of trust, even though there's a lot of, you know, there's just a lot out there to read. And I actually cited, you know, I'm a Marc Andreessen fan and I saved the world treaty. I read that right away. And I like what he says and talks about. And I cited that for people who are afraid and say, Well, go read what Marc wrote and you'll, you know, you'll get a perspective that is pragmatic and I think, useful. And so the application of AI, we've done a fair amount of AI research development, the application of it. We use gen AI every day in the development of our own products, but we sell operational AI. We sell AI prediction capabilities. I'm a big fan of RJ Agarwal and prediction machines. That's kind of how we approach it. I think it comes from two parts of my background, one of which I have in my future, which is I'm a physicist by training. You asked later, you're going to ask me what was one of your biggest surprises and how has it changed what you do? I will say that when I first encountered the Heisenberg uncertainty principle and the concept of non-deterministic physics, which is what quantum mechanics is, I was like, wow, it never occurred to me that everything wasn't just deterministic, like f equals ma and momentum equations. And that comfort that you have to develop to be a quantum physicist, that you have to develop is really fundamental to being comfortable using AI, which is a non-deterministic implementation of software.

Scott Nelson (cont'd): And it's one of the reasons it's really interesting in healthcare, because, you know, AI learns from mistakes. You don't like to learn from mistakes in healthcare if you don't have to, right? But there's other uses of AI where essentially where the risk is appropriate for the learning. And that's what the nudge is all about in my view.

Ed Gaudet: And when you had that epiphany, were you listening to any music in the background maybe?

Scott Nelson: I know The Dead. I used to have that sticker on the back of my hockey helmet in grad school, but The Dead aren't in my three albums. I got some different groups in my three albums.

Ed Gaudet: We're going to get to that. Let's explore, so before we get into, I want to ask you a question about AI in particular. So I'm assuming you've got your own native stack you've built using AWS or what do you?

Scott Nelson: Well, so I'm a, I've been in technology all my life, basically since grad school. I started using, you know, the different tools. We didn't have the cloud when I was there, but, you know, been in the cloud. I like Microsoft. Microsoft takes care of the enterprise, I think. And when we looked at what we were going to do, I kind of said it was prefabricated, but we said, you know, Azure and AWS, you got to pick one of those, but then you go into Power and Power BI, which gives you the ability to analyze and do things visually. You know, and then everybody's got an office. So we build out our product experience and Power BI. Everybody's already got an office. So they just basically they just log in and they get the full experience. And the combination of the Power BI tools and Azure, we move really fast. You know, we can deploy really fast. We've got all the machine learning and AI tools built in. We haven't found ourselves constrained by what we need to do. You know, we're not doing large language models. We're not doing what the gen AI people are doing, but for what we're doing, that toolchain has been very appropriate and very cost-effective and fast. You know, that we really like the environment we're working in.

Ed Gaudet: So applying it more for RPA use cases, more for our process automation?



Scott Nelson: Yeah. What Tamarack will say is we use AI for two primary objectives: risk management, better risk management, and then productivity which is a combination of automation and recommendation or augmentation; I guess is probably the way I should say it is automation and augmentation is kind of the way we are using it. A lot of our predictors, we can use our predictors to fully automate decisions. But more often we've seen customers dramatically accelerate their decision-making processes first just by having the data available to them, because then they're comfortable, they know what they're doing, and then having recommendations that they trust up in front of them allows them to make the same decision. Had one operational leader tell me, she said, What I like about this is I can deal with the bad day decision. You know, good day, bad day. When you're making certain decisions, you get affected in ways that aren't maybe the way you want to do things. You want to maintain objectivity regardless of how you feel in that day when you're making decisions. And she likes the fact that AI doesn't have bad days.

Ed Gaudet: That's right. That's a really interesting way to think about it. And I like that a lot. We did connect on risk. I saw an article, I think, where you mentioned Risk Never Sleeps. Tell us the background of that and we'll talk about our mutual shared love for a musician.

Scott Nelson: Yeah. Well, the origin was, so we have bad predictors, underwriting predictors primarily delinquency and what we call tier which delinquency is just a classifier that predicts are they going to pay or not. You know we do 30, 60, 90 and loss type predictors three-four classifications or good late loss in some cases depending on the quality of the data. And we've had these predictors up and running since 2021. They came up and running in 2021 during Covid. And a lot of people don't know this but delinquency almost went away during Covid because as we do all know, they dumped like \$2 trillion over everybody's head. So everybody had cash, everybody paid their bills. And earlier this year we were looking at the retraining of some of our predictors, and we're looking at the portfolios of some of our customers. And one of our analysts said, You can tell things are changing. The predictors are getting tougher. And I said what do you mean, you know, tougher? And then we looked at it and the, you know, essentially the predictions of delinquency were going up.

Scott Nelson (cont'd): So the retraining of the AI was you know, it was seeing that things were changing in the portfolios and, and delinquency was going up, particularly in trucking, certain industries, trucking we got hit the hardest, but certain industries and trucking, you know, was going up. And what was really interesting is if you went out and looked at Fico scores, Fico scores were actually going up while delinquency was going up, which doesn't make sense. The credit scores are supposed to be inversely proportional to delinquency. And what was happening is the way Fico scores were done, in particular, they pay a lot of attention to people paying health care bills. You just get a lot of credit for paying your health care bills. And because everybody had all their money and they weren't going to the doctors, it all looked like everybody was being more current in health care. Fico scores were going up. Delinquency was going up, which is the opposite of what it's supposed to. And I looked at it and I said, This is a bad situation, this is a risky situation because the scores that people depend upon in making decisions are kind of moving in the opposite direction of the risk. Then Neil Young came to mind, you know, never sleep. This is what's going on here. Right? It just keeps.

Ed Gaudet: Loss Never sleeps. Yeah, we used to say entropy requires no maintenance.

Scott Nelson: Oh, yeah. Well, that's a good one too.

Ed Gaudet: Similar to the Rust Never Sleeps. No, it's, no, and I love that because I thought I was the only one that connected those two things. And then I read your article, I'm like, oh, another kindred soul.

Scott Nelson: Yeah, yeah. Well, and what's interesting is in the same way that AI doesn't have a bad day, AI doesn't sleep. You know, it's always looking. It's always analyzing. And that's what our predictors were getting tougher when, before people kind of were ready to kind of see some of the more common indicators. And so that's kind of where the inspiration came from. And so I wrote it that way.



Scott Nelson: Yeah, well, family is always first for me. My wife, Susan and I have three children. We now have six grandchildren and another on the way.

Ed Gaudet: Oh, wow. Congratulations.

Scott Nelson: Thank you. You know, I really enjoy work, but I've always known and felt that I worked for family. And so that comes in one year later things about looking back to when you're 25. But so family, you know, what does that mean? A lot of sports in our family. My wife grew up with a father who coached basketball for 30 years, and then he coached our kids for 20 more after he retired. So he's a professional coach and then another coach. And so we spend a lot of time in gyms, volleyball courts, tracks, running. Both Susan and I have been runners. She does marathons, I've done half marathons and then I couldn't do the long training, but I like doing more variety, so I've done triathlons. But today, after taking care of grandkids, you know my hobbies, I have two primary hobbies: fly fishing and woodworking. So that's what I do outdoors and indoors. But we're Midwesterners. We love the seasons, the four seasons. We would never move south from Minnesota here. We like doing things in the winter and the fall and the spring. And shoveling snow isn't on my favorite list, but snowshoeing and skiing are up there. So, you know, we got to take the good with the bad. So those are kind of what I like doing.

Ed Gaudet: I love that. Yeah, no, we're New Englanders and I don't know if I could move somewhere where I couldn't get snow. I love snow.

Scott Nelson: One of my companies, we opened an office in Boston, so I got to spend a lot of time in Sudbury. And beautiful falls out there. You guys got a lot of maple trees. Maples are what make fall a great ...

Ed Gaudet: Was that Honeywell or?

Scott Nelson: No, that was with Logic PD. We opened an office. More than half of our business was medical device. And we opened an office in Boston because there's a lot of medical device in Boston.



Scott Nelson (cont'd): And we opened one in San Diego, there's a lot of medical down there. So we, I opened them on both coasts.

Ed Gaudet: Nice. I'm heading to San Diego on Saturday for a week for the Chime conference. It's a medical association.

Scott Nelson: Yeah. Okay. The other thing about San Diego, we were actually opening our office in Carlsbad, and I didn't know it until we got there, but Ping, Adidas Golf, TaylorMade golf, Callaway Golf, and Nike Golf are all in Carlsbad. It's just the most amazing thing.

Ed Gaudet: Oh, interesting. All right. You could go back in time. What would you tell your 20-year-old self?

Scott Nelson: Yeah, this one's a fun story because I think you actually said 25.

Ed Gaudet: Oh, 20, 25. It doesn't matter.

Scott Nelson: Well, I know, but specific to when I was 25 because.

Ed Gaudet: Okay, we'll go with 25.

Scott Nelson: Almost to the year, during the summer, three of my physics nerd buddies and I were in grad school, we were sitting down in our office, and we were talking about three companies that we could invest. We were trying to think about, could we get a thousand bucks up and invest in these three companies? And the three companies in the news at the time for different reasons were Intel, Cisco, and Apple.

Ed Gaudet: Oh, jeez.



Scott Nelson: Of course. And we specifically sat around and talked about, Okay, which of the three do we think will do better? Right? And we're solid-state semiconductor physicists. So we kind of lean towards Intel. But we were all buying Apple computers at the time, Macintoshes. Of course, we were grad students. We didn't have any money, so we didn't invest anything at all. And I often look back and say, well, I probably should have done that, you know. I mean, I had the technology insight. I should have done it. If I had done it, you know, what would I have today? I'm not a regrets guy. I don't look back on regrets. What I know is that if I'd invested \$1,000 as soon as it got to 1500, I would have sold it rather than hang on to it. But that's really not. You know what I would say, you know, what I would say is actually what I've always done and what I tell all the people I mentor is always be curious. If you're not having fun at work, you need a different job and never let work get in the way of family. You know, if I lived those three principles, then I'm happy. You know, and I don't have to worry about Intel and Apple stock in 1987, you know, or 6, 87.

Ed Gaudet: Yeah, yeah. Especially as you get older, you realize those things don't matter. Family and other pursuits of the heart or of the mind or of the soul matter more.

Scott Nelson: But it was the first thing that came to my mind when you asked the question. I said, Oh, son of a God. Now, I got to relive that bagel day thing again. You know?

Ed Gaudet: I was surprised that more people didn't bring that up. And I had, I think, one other individual that brought it up. But you also talked about, you know, the other things you would say, which I love. But most people, the answer is more like, You got this. It's okay. Don't sweat the small stuff. Don't worry about it. It's all going to work itself out. So, but I do, I love the investment question because I always kill myself because I started in tech right out of school and I'm like, I should have bought Microsoft. What was I thinking?

Scott Nelson: Yeah. Yeah. Well, I've always loved Time Machine books and movies. I've probably seen them all and read them all. And of course, you know, there's so many movies where somebody goes back and invests in, you know, GE right after the light bulb or something, you know, and they get money in the future and then they screw up. Right? That's always what happens. Right?



Scott Nelson (cont'd): But that particular one, you know, I can just remember we were talking about those three things and what those three little companies were doing and there wasn't any internet yet. So what's the big deal about Cisco? You know, and stuff. So it's just kind of a fun story I can tell to people.

Ed Gaudet: You stayed in touch with the other two folks?

Scott Nelson: You know, I stayed in touch with them for a long time, but then they moved to different parts of the country and different jobs. I actually worked with one of them for a while when he was still here in Minnesota. I haven't talked to them in the last couple of years. I hear from them, you know, bits and pieces here and there. But much more kind of new round of people that I'm with every day or with more often, you know nowadays, here in the Twin Cities area.

Ed Gaudet: Of course, as we're speaking, the notification for the Apple's earnings announcement just came out from my phone. So just like.

Scott Nelson: Well, I can't make it up. I worked with industrial designers. I, the Logic PD, we had industrial designers and I learned so much from them. And of course, jobs is, you know, a deity in the industrial design, you know, space, but you learn a lot about, you know, what he did and studying him a lot, and Apple in general. You know, it's an amazing story from which to learn for all of us, kind of almost regardless of which industry you're in.

Ed Gaudet: Agree. Agree. 100%. Yeah. All right, Scott. So I'm going to ask you. You're on a desert island. You could bring five albums and or five movies with you. What would they be?

Scott Nelson: Well. You know, the first thing I'm going to do is try to cheat and do a best of the Stones, because, you know, I don't have anyone Stones' album, but I think if I go albums, I got to do Petty, Full Moon Fever. I got to do Springsteen, Born to Run. And then, I'm probably doing both George Thorogood Live and the Top Eliminator. That came out, I had actually told a little a kid on the plane the other day about he had to go watch all the YouTube videos from the Top Eliminator and see the fuzzy guitars. I'm an 80s guy.



Ed Gaudet: Is that ... you're talking about?

Scott Nelson: What's that?

Ed Gaudet: It's easy top you're talking about. Right?

Scott Nelson: Oh yeah. Yeah. Fuzzy guitars.

Ed Gaudet: Yeah. No, I love them. Yeah, yeah, no, that's. I mean that's some great music.

Scott Nelson: I've been a movie guy all my life. So movies, I would have told you they got to give me a genre, but I did the homework and I'm going to have to go Shawshank. Godfather one and two. That's only one movie. Godfather one and two.

Ed Gaudet: I agree, by the way, I. Which one do you like better? 1 or 2? I know it's hard.

Scott Nelson: I thought one was directed better, but one and two, when you watch one and two, you see the whole story.

Ed Gaudet: You see the whole story. Yeah.

Scott Nelson: But two by itself. This doesn't grab you unless you've got one.

Ed Gaudet: That's a good point. Yeah.

Scott Nelson: And then the last one: you got to do Westerns. And since you're going to say five instead of three, you got to have Once Upon a Time in the West and then with Charles Bronson and Henry Fonda, and then you got to stick with Sergio and do The Good, the Bad, and the Ugly.

Ed Gaudet: Those are great movies. I would be on your island, sir. Yes. And we'd have some Dead albums with us and some Neil Young albums as well.

Scott Nelson: Oh, yeah. Yeah.

Ed Gaudet: That's excellent. All right. This is the Risk Never Sleeps Podcast. I have to ask you, what is the riskiest thing you've ever done?

Scott Nelson: Well, this is a, this was kind of a tough one for me because I was an Eagle Scout. And, you know, when you're an Eagle Scout, you spend all your time trying to avoid risk and figure out how not, you know, you always whittle away from yourself and stuff, right? I thought about it and I said, I did do a bungee jump when I went to New Zealand once. I did a bungee jump, jumped off a big cliff over a river. But I figured since I was paying for it, it was safe, right?

Ed Gaudet: No, that's the definition of risk right there.

Scott Nelson: But the top of the list is my brother and I and my other brother, Dan, who's my brother-in-law, we went on a canoeing trip in Alaska, took my 12-year-old son on a canoeing trip. We didn't know it. Turns out it was a three-day canoeing and fishing trip with the two uncles, Matt and I, and our canoe in Alaska on a class two river, and I'd never canoed a class. We couldn't canoe in the lakes. This is a class two river, we found out. Grizzly country, we found out.

Ed Gaudet: ...

Scott Nelson: And so we made it. But I look back on that and I think that was like the stupidest thing I've ever done, turning over in a river because it's possible, the water's cold. You're in Alaska. We got grizzly bears. You know, we're camping outside.

Ed Gaudet: Eating. They're feeding. It's the definition of the perfect storm.

Scott Nelson: Yeah. So I think that is probably the riskiest thing I ever did. It's for sure, maybe, which means it's also probably the stupidest thing I ever did, you know. So.

Ed Gaudet: Well, you have a great story.



Scott Nelson: Yeah, well, my son tells it to his son now about that. About how papa took his, you know, so someday my grandson's probably going to ask me to do something stupid like that, but I'm not going to do it the next time.

Ed Gaudet: Well, hopefully not.

Scott Nelson: Yeah, yeah.

Ed Gaudet: All right, last question. What advice do you have to young professionals coming out of school that want to get into technology, want to get into your industry, or healthcare for that matter?

Scott Nelson: Yeah, I've had three who are now all working. You know, I kind of go back to the if you really want to do well, you've got to make sure that you, you know, you're curious about not just life in general, but really curious about how things work in that industry you're interested in, you know? And a lot of a lot of young kids today, they have very strong mission purpose, which is a strong guidance for them. So I, you know, you encourage them. You have your purpose statement. You have what you want to do. You need to be thinking about how you're going to take what you know now and how you're going to expand that to really serve that mission, whether it's, you know, ideally, you've got a personal mission, healthcare is great for this, of course, a personal mission that aligns with a corporate mission. When you do that, then you start engaging, keep your head up, you ask questions, and do your best to always add value to the people around you. And I'm a really big believer in team, so I really like to encourage them to, you know, I use the definition of leadership, facilitate the output of others. So it comes from a gentleman named Crispin Noffsinger that I met once. And I think if they kind of take a few of those principles, they can, as long as they're willing to keep asking questions and do what the team asks of them, they can succeed.

Ed Gaudet: I love that. That's great advice. Scott, thank you so much for your time. It's great to have you on the show.



Scott Nelson: Well, thank you for inviting me.

Ed Gaudet: Yeah. You bet. This is Ed Gaudet from the Risk Never Sleeps Podcast. If you're on the front lines delivering patient care and protecting patient safety, remember to stay vigilant, because Risk Never Sleeps.



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