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Health Care Entrepreneurs Aren't Waiting on Washington

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To policy wonks and lawyers, Washington feels like the center of the health care universe. But to the money people, that title belongs 670 miles to the southwest, in Nashville, Tenn.

A couple of days ago, I had the good fortune to hear an emissary from that medical boomtown, Michael Burcham, CEO of The Entrepreneur Center, an incubator that has launched 50 companies since its 2010 opening in downtown Nashville and is soon tripling its space.

He spoke for nearly 90 minutes about the city's special confluence of talent, money and customers that encourage all things experimental in health technology plays.

Thirty Washington-area professionals sat rapt as Burcham described Nashville's fast-paced, try-anything approach to medical innovation, spurred by the wealth generated from city's for-profit hospital chains, including HCA Holdings Inc. (NYSE: HCA), which owns Reston Hospital Center.

To name just two success stories: One is InQuicker LLC, which makes an app that steers sick patients to the closest empty urgent care waiting room. There is also Stratasan LLC, which uses public-domain, street-level data on health spending to help hospital chains target submarkets for new services.

When it was all over, a lawyer asked: "What efforts do you take to connect to the policy community?" Burcham: "We don't."

Another person asked whether startups worry about government reimbursement issues.

"No. Medicare and Medicaid are much later-stage customers, not early adopters" Burcham said. "We want employers, hospitals, doctors and consumers to buy our products and services. Medicare and Medicaid? Not early buyers"

That's a hard answer to process in the shadow of the Capitol dome. But at least for startups, it's true. Why? Two reasons, Burcham said. First, legislation and Medicare policy move too slowly — if at all — for entrepreneurs to build business models around them.

Secondly, the hot action in health care these days isn't in traditional patient services. It is in tech platforms and analytics that help doctors and hospitals do more with less or in direct-to-consumer sales. After all, health care reform often means "empowering" (read, "shifting risk to") regular patients.

Nashville, the corporate home to 60 percent of the country's for-profit hospital beds, offers a tantalizing glimpse of how the Washington area could leverage this growth.

Over the past few years, six major hospital systems each contributed \$20 million to a Nashville investment fund and are looking for new opportunities. Generally, Burcham said, the limited-partner hospitals don't just invest in the companies they like; they buy the service or product.

"If one or two of those firms invest, you're pretty much guaranteed to hit your five, 10, 15 million dollars in revenue very fast, because not only are they the investor, they're the customer as well," he said.

The major hospital systems are in an experimental mood too. It remains to be seen whether any of the startups — which the hospital companies view as their outsourced research and development arm — really solve the vexing issues facing the industry. But for now, they are a huge draw to those willing to try.

"Who knows, but we're placing the bets and making investments in them because one thing we know is more of the same isn't going to make it any better," Burcham said.