

# Growth, Funding & Exit Strategies for HEALTHCARE IT COMPANIES



Technology is transforming the delivery of healthcare in the United States, creating exceptional opportunities for innovators and investors.

A panel of successful health IT professionals gathered at Arnall Golden Gregory LLP on June 21, 2016 to discuss how digital management of healthcare data is evolving. The panel, “Growth, Funding, and Exit Strategies for the Healthcare IT Company,” was moderated by Sherman Cohen, who, with Andrew Flake, leads AGG’s Healthcare Information Technology Team, and also co-chairs AGG’s Corporate Practice Group.

The panelists were Andrew Lindner, co-founder and managing director of Frontier Capital, a venture capital firm that has made several recent investments in health IT companies; Ryan Jones, CEO of Florence Healthcare, who led a successful strategic exit with his last health IT company, Pubget; and Mark Braunstein, professor and associate director for Health Systems at the Institute for People and Technology at Georgia Tech, who previously was instrumental in multiple successful exit transactions with health IT companies.

Mr. Cohen asked the panelists to discuss some of the key issues they see emerging in the health IT industry and to share their perspectives on the future of health informatics.

## Medical Record ‘Apps’ and Document Management

Dr. Braunstein spoke about the significant transformation occurring within healthcare informatics. Less than a decade ago, fewer than five percent (5%) of hospitals had adopted electronic medical records (“EMR”), while today nearly seventy-five percent (75%) of both hospitals and physicians have adopted at least a basic EMR platform. With change, though, comes challenge. Two of the EMR concerns shared by Dr. Braunstein were i) providers’ dissatisfaction with the user interface, as EMR was not designed to support the practice of medicine, and ii) the lack of interoperability, as a primary purpose of EMR was to share data. For two systems to be interoperable, they must be able to exchange data and subsequently present that data so that it can be understood by a user. To these challenges, Dr. Braunstein discussed an example of cutting-edge technology called Fast Healthcare Interoperability Resources, or FHIR (pronounced “fire”), which was designed to facilitate interoperation between legacy health care systems, provide health care information to health care providers and individuals on a wide variety of devices from computers to tablets to cell phones, and to allow third-party application developers to provide medical applications which can be easily integrated into existing systems. Fire is essentially turning EMRs into an app and is an example of how computers are providing digital services while on the internet. Dr. Braunstein believes this type of transformative technology, to both the internet and analytically driven products and services, is the future of health informatics.

Mr. Jones said that the health IT landscape is very different, and progressing at a higher velocity, than it was even five years ago. Providers started to ask, “Why can’t I have a Google-like experience when I’m looking for documents to run my practice? Why can’t I share documentation like I share my kids’ photos?” His company, which helps collect data for clinical drug trials, has benefited from mandated records digitization, new regulations and the demand for greater efficiency.

## Coding and ‘Consumerism’

Mr. Lindner said the shift to value-based reimbursement is creating numerous opportunities for innovators. For example, changing reimbursement standards mean the diagnostics classification system has had to change as well, to ICD-10, so Frontier Capital recently invested in a medical-coding company that assists providers.

“Consumerism,” in which consumers are empowered to take greater control of their healthcare, is the biggest trend in the

industry, Mr. Lindner said. Historically, consumers have had little involvement in their healthcare management. But that's changing, so tools that can assist health plan members with shopping for inexpensive procedures, for example, will be in great demand, he said.

## Telemedicine

Employers funding employee health plans see telemedicine as a way to reduce costs. A doctor consultation via video or phone is much cheaper than a visit to the emergency room. Consumers have expressed an interest in using telemedicine from the comfort of home, but only a small percentage have done so. A company with the technology to make telemedicine more accessible and popular stands to do well.

## Interoperability

The U.S. Senate is considering a bill, the "Improving Health Information Technology Act," that addresses the ease of interoperability, which describes the extent to which systems and devices can exchange data and interpret that shared data. Dr. Braunstein commented that additional regulations might be needed to force technological changes that make the exchange and interpretation of medical data easier. Eventually, he said, the U.S. should adopt a universal patient number system. "Every other advanced country has one," he said. "The fact that we don't have one not only raises healthcare costs by countless millions of dollars, but it leads to mistakes."

## Population Health

As interoperability improves in the next several years, data will be more easily exchanged and interpreted, facilitating innovation in managing the healthcare of defined populations. Technology will help identify a particular group's health needs, and standard healthcare strategies will be developed. Technology will help with the continuing care of a patient within that population by facilitating hand offs to different specialists. "The care manager will log in and say, 'This is what I did today,' and the next guy can see it as the handoffs take place," remarked Mr. Lindner.

Mr. Cohen told the audience that Arnall Golden Gregory advises health IT companies in a variety of ways. "I'm a corporate lawyer. We also have lawyers on our team who practice in the healthcare area, litigation, privacy and intellectual property. Collectively, we decided to focus on the HIT industry," he said.

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## About Arnall Golden Gregory

A past recipient of The National Law Journal's prestigious 2013 "Midsize Hot List" for helping clients adapt to increasing globalization and regulatory complexity, Arnall Golden Gregory has more than 160 attorneys in Atlanta and Washington, DC that serves the business needs of growing public and private companies. We turn legal challenges into business opportunities.