

Practice Fusion Nabs \$6M As It Seeks To Dominate E-Health Records

[By Timothy Hay](#)

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As it continues to watch its business grow thanks in part to federal health care reforms, electronic medical records company Practice Fusion Inc. has raised \$6 million in convertible notes.

The funding comes just a few months after Practice Fusion raised a \$23 million Series B round. The \$6 million infusion was led by newcomers Western Technology Investment and angel investor Scott Banister, the company said.

The funding, joined by the company's previous investors, will convert to equity when Practice Fusion raises a Series C round, which it expects to do next year, Chief Executive Ryan Howard said.

Other investors in the company include Founders Fund, Artis Capital Management, Glynn Capital Management, Morgenthaler Ventures and Felicis Ventures, VentureWire records show. Various angels have also backed the company.

Howard said investors, piqued by the company's impressive rate of growth, have begun clamoring to get in.

"It's hard to turn away top-tier guys," he said. "They are seeing that no one has ever created a physician community this large in this little time."

Morgenthaler Partner Mark Goines--who seeded the company before joining Morgenthaler, then took a board seat at Practice Fusion when Morgenthaler joined in its Series A round--declined to disclose the terms of the convertible notes.

But he echoed the CEO's statement that the notes indicate strong investor interest.

"This is a new space, and these guys are the leaders," Goines said. "Investors like new spaces, and they want to be with the leaders. This [funding] is a way to get some new people around the table."

The company provides software free to doctors who want the convenience of electronic medical records but do not want to pay for computer systems sold by traditional health-care technology providers. The software is used to chart patient visits, schedule appointments, keep records, fill out electronic prescriptions, order and receive lab reports and share records with other medical providers and with patients.

Practice Fusion is one of many medical-software companies trying to pull ahead of the pack as the country's doctors begin to comply with a federal push to digitize the nation's health records. Health care providers have been offered financial incentives to go digital by a certain deadline, and can be penalized by insurers if they fail to comply.

While the company faces many competitors, it has been the fastest growing, with an additional 10,000 users signing on each month, Harris said. The company's service has more than 100,000 users altogether, with half of those being individual doctors, he said.

The number of patients served by the system has doubled to about 20 million since April, when the company raised its Series B round, Harris said.

The company expects to reach profitability next year, he said.

One of the company's main value propositions is that it is free for doctors, and does not force them to install or manage the system. Practice Fusion gets its revenue from insurers and other members of the health-care system, the company has said.

<http://www.practicefusion.com>