

Silicon Valley investors ponder the “next big thing” in health care



May 16, 2013 12:40 PM



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This story is part of a series exploring the themes of our upcoming [health tech conference](#), May 20-21 in San Francisco. Read the full series [here](#).

So you've developed a cloud-based electronic health record (EHR) or medical device that will drastically change the way we deliver health care.

Just a few years ago, you may have faced a prolonged struggle to gain investment. [Practice Fusion](#) CEO Ryan Howard, CEO of Practice Fusion, one of the more dynamic new EHR companies, [recalls having to use the cash from a motorcycle accident](#) to pay the salaries of key employees. But by 2009 when the Obama administration calling for doctors to shift to electronic health records, investors saw opportunity.

Today, investors are rushing to invest in digital health. This will be a “record year” for investment in the health care, [Rock Health recently predicted](#). The research shows an uptick in deals in the first quarter of the year and an increase in venture capital.

But will the elite venture capital firms open their check books for you? With our inaugural health conference [HealthBeat](#) coming up next Monday and Tuesday (it's almost sold out, but you may be able to get a [ticket still if you move fast](#)), I caught up with [Sequoia Capital](#)'s Warren Hogarth, and [Morgenthaler Ventures](#)' Missy Krasner to dig deeper into their digital health investment thesis.

VentureBeat

VentureBeat: What's the primary area of health that you're currently interested in? What's the future?

Warren Hogarth: One of the key areas is bioinformatics. It's everything that is enabled by cheap genome sequencing. We've made about a half dozen investments to date in the U.S. and Asia. We have also taken a keen interest in the consumer side and health IT. These new technologies will play a role in engaging people in their health in a complete way.

Missy Krasner: A sister theme would be "big data" analytics and business intelligence in health care. There is a tremendous amount of interest in sucking data out of health records and mining data from clinical performance.

Hogarth: We're talking now about the microbiome, not just the genome. We're understanding that the microbiome interplays with our health, and we're seeing a new opportunity for non-invasive treatment and testing.

VentureBeat: Have you addressed the ethical concerns around mining data about the human body?

Hogarth: Patients will have choice and control when it comes to their data. Hopefully, we'll overcome some of the concerns about the broad misuse of data. The trick is to do it in a de-identified way with a clear process.

Krasner: And in 2014, medical underwriting will be banned so patients won't be rated based on preexisting conditions. [*Medical underwriting is already prohibited for children. -Ed.*]



Morgenthaler's executive in residence, Missy Krasner.



VentureBeat: Are you buying into this "quantified self" trend? Is it empowering for patients to have access to all this data about their health?

Hogarth: I think it's empowering. I just had my genome sequenced, and my doctor was able to use that information to make a decision regarding my health. Companies like Jawbone are taking reams of data and surfacing it to a physician in a meaningful way.

Krasner: I spent five years at Google Health trying to get patients to engage. We tracked some of the early adopters of [Basis](#), [BodyMedia \(recently acquired by Jawbone\)](#), and other great activity trackers. But there are a couple things that still need to happen. The data that is collected needs to actually be put into nuggets that are actionable. We need to take this data and figure out how to use smart algorithms to provide usable clinical insights. Otherwise we'll get alert fatigue.

Hogarth: We need to go beyond the "chronically worried well." We need to make an impact on people who are obese.

Krasner: I did some interesting research by signing up for Weight Watchers. I went to the meetings and subscribed to the mobile product, the device that helps you count activity. It's a great program but we are still in the stage where patients have to record what they're eating and put manual data into the app. The next piece of technology will automatically know my patterns. We'll see a fantastic amount of adoption.

VentureBeat

[Editor's note: Krasner will moderate a [panel at HealthBeat](#) on the "death" of the personal health record (PHR). That's different from the Electronic Health Record (EHR), which is alive and well and seeing serious innovation. Also at HealthBeat, we'll have executives of the major disruptor EHR companies speaking, from Practice Fusion's Ryan Howard, to the leaders of CareCloud and AthenaHealth).

VentureBeat: Are there areas that you wouldn't invest in?

Hogarth: We don't invest in drug discovery or medical devices that are pre-FDA approval. *[Venture capitalists say it's a nuclear winter for medical devices. [Read more on that here.](#) -Ed.]* It's too risky, and there is a lack of control. When it comes to devices, I would love to see a culture where things happen in a timely manner.

VentureBeat: What's the one big health care transformation that you're most excited about?

Krasner: The one area we haven't talked about is the new insurance models for health. Patients are being asked to pay more out of pocket than ever before. That whole wave is forcing people to think much harder about where they go. There is no transparency around quality and price. There is a big opportunity here.

Hogarth: We will see a big transformation with employee sponsored healthcare — we'll see businesses not offering insurance. You'll shop and make a decision about health care based on price. We're looking hard at startups that consumerize this experience.

Meet and mingle with health investors at [HealthBeat](#), VentureBeat's conference in San Francisco on May 20 and 21. Partners from Sequoia Capital, Bessemer Venture Partners, Norwest Venture partners, and Kleiner Perkins Caufield Beyers will speak on a panel "Health IT: The Numbers, The Funding, The Exits," about the drivers making this industry segment more appealing to investors.

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HealthBeat2013 HealthBeat 2013 is a new conference showcasing how technology is transforming health care. We'll explore how IT is driving out inefficiencies on the hospital, practice, and patient levels. Check out full event details [here](#), and register [here](#).