

Health Innovation Discussion

January 24, 2018

Kaiser Permanente Center for Total Health
700 2nd Street NE
Washington, DC 20002

Break-Out Discussion Notes DC Chamber of Commerce

1. What are the biggest challenges and opportunities facing health tech companies/organizations in DC? How are things going for your business in DC?

- Long sales cycles and very limited number of entry points, particularly at large institutions like hospitals. It can be easier at hospitals that have innovation centers or other mechanisms for engaging potential business partners.
- There is a need for more funding opportunities to support successful entrepreneurial initiatives to become national or global in their reach.
- Lack of stable operating funding at the local/national level impede ramping up of products and services.
- It appears that entrepreneurs are finding it difficult to introduce, sustain and scale up their innovations in the healthcare system. (Entrepreneurs in the group, highlighted cumbersome approval processes, the mistrust of the private sector). One company moved to Kenya, Africa to launch their product and services.
- Private sector institutions indicated that their companies must balance the risk of their investments in health innovation with the Return on Investment.
- Innovators must take into account the economics of the insurer and health care providers (i.e., payments for procedures that use new equipment must cover other health institutional expenses as well as capital costs).
- There are a lot of socially conscious investors in DC.

2. What does the venture capital landscape look like for health companies? What has been your experience with fundraising? Invest in DC health businesses? What are you/entrepreneurs facing? Are there other resources that would support business growth to be aware of?

- There is a need for a mix of funding investments in health innovation. Existing sources of funding can make a contribution; however, sustainable new funding is required to create a robust health innovation system.
- Some companies are able to secure funding through the SBIR program but it would be helpful if DC had an organization like TEDCO to provide further support to research intensive startups.
- Currently, many entrepreneurs are receiving funds for development contracts and research from non-U.S. firms.

- The long-term investment needed for new products that require FDA approval is a challenge. (ex. While venture capitalists backing an IT start-up may be able to get their money in two to three years, investors in a biotech firm may have to wait ten years to even find out whether a product will be approved for use).
- Many traditional sources of capital are not familiar with the health care industry, so it's difficult to find investors, let alone investors who can provide helpful guidance to the innovator.
- Risk aversion is not necessarily the challenge – the ecosystem needs a higher volume of exits.

3. How could we strengthen our health innovation ecosystem? How can you contribute? How do we achieve a stronger health innovation community in DC? What can the government do to grow the health innovation sector?

- Need a coordinated platform to present ideas; business outreach strategies
- Health innovation companies need to understand their target client side – ideally by incorporating relevant experience/expertise into the company leadership team
- Health innovation needs to be focused on improving health outcomes/delivery first – not just innovating for the sake of innovating. Build this into the educational curriculum for health startups.
- Non-binding Letters of Intent from providers
- Direct interaction and collaborative access to providers
- Conduct an environmental scan of healthcare innovation (biotech) research being conducted at local hospitals and universities
- Regular structured networking events specific to the health sector
- Open a DC-based health incubator
- Have SBIR staff actively network in DC
- DC government should engage the VC community
- Convene a pitch conference
- Crowdfunding

4. Suggested Action:

- Cluster proximity of health tech innovation research and development to end user/provider/insurer.
- Leverage business groups and partner associations to convene or serve as liaison in outreach efforts.
- District government can help in marketing and information sharing and surveying.
- Look into connecting patients with alternative modes of transportation.
- District government can provide resources for training, matching, building the bio tech corridor. (ex. New Jersey Workforce Consortium)
- Provide pro bono advice on patent law and regulations.
- Brand and support of international health innovation conferences.

- Convene regular networking events specific to DC's health sector. Leverage the space in hospitals and other local companies to host these events.
- Create a DC Health Innovation council