

# The Mercury News

MercuryNews.com

## Silicon Valley seeks a cure for health care

By Scott Duke Harris  
[sdharris@mercurynews.com](mailto:sdharris@mercurynews.com)

Posted: 08/13/2010 05:59:15 PM PDT

Updated: 08/14/2010 11:30:29 AM PDT

America's health care system might be likened to an out-of-shape, stressed-out, chronically ill, semi-coherent, underinsured relative whose medical bills keep going up, up, up -- and threaten to bankrupt the family.

Silicon Valley has been working on cures for years. Today, five months after President Barack Obama signed landmark legislation intended to extend health coverage to nearly all Americans and bring rocketing costs under control, valley venture capital firms, startups and giants such as Intel are angling to apply tech know-how to an industry known for inefficiency and resistance to change.

Much like the cleantech firms that have scored Department of Energy grants and loan guarantees, many health-sector companies hope to tap into a new \$10 billion innovation fund created by the law to test and promote technologies and ideas that can improve health care while reducing its cost.

The law, for all its complexity, provided investors and entrepreneurs with greater clarity about opportunities in an industry facing dramatic transformation. During the second quarter, investments totaling more than \$2.2 billion surged into biotechnology, medical device and health-related information technology, about 66 percent

more than the previous quarter. Funding into health-related information technology alone totaled more than \$150 million during the quarter, nearly doubling the year-ago quarter.

Better IT, investors say, is critical to health

reform because it can minimize waste and reduce errors by caregivers. Other promising innovations include diagnostic devices that detect maladies early, "telehealth" systems that help the chronically ill avoid hospitalization, and genomic advances that could lead to medicine tailored to a patient's DNA.

The Patient Protection and Affordable Care Act will gradually phase in new regulations, taxes and incentives on the private sector in a bid to minimize waste, maximize efficiency and promote a healthier populace. While debate raged over the approach, few question the need to defuse what Obama has called "a ticking time bomb" that imperils the nation's economy as it consumes a growing share of family, company and government budgets.

Prior to the adoption of the law, the federal Center for Medicare and Medicaid Services projected that the cost of national health expenditures, already more than 17 percent of the U.S. economy, would go from \$2.47 trillion in 2009 to \$4.5 trillion in 2019, an increase driven chiefly by the rising cost of chronic illness in an aging population.

Entrepreneurs such as Adam Bosworth, the former vice president of Google Health and founder of a Web service called Keas that helps consumers manage their health, and venture capitalists such as Lisa Suennen of the Psilos Group say that the reform law's ultimate objective should be to foster a healthier populace while overhauling the "sick-care" system that exists today.

Advertisement

**Own a new computer for just \$29.99\* per week!**

**And improve your credit score at the same time!**

**Give us a call today!**

**1-877-294-3988**

\*Prices start at \$29.99 but may vary by model.



Print Powered By  FormatDynamics™

# The Mercury News

MercuryNews.com

The vast majority of Americans, they say, are served by a medical establishment that provides rich rewards for treating catastrophic illness but little financial incentive for keeping people healthy.

Kaiser Permanente, which combines the insurance and medical functions, is often cited as a notable exception and role model for reform -- an institution that profits by promoting wellness.

Martin Watson, CEO of the San Francisco-based insurance startup SeeChange Health, said many hospitals as recently as a year ago were skeptical of SeeChange's emphasis on preventive care. But since the adoption of the health reform law, he said, SeeChange has received a warmer reception as institutions prepare for changes to come.

In the near term, some companies see immediate cost-saving opportunities in "telehealth" products that provide at-home monitoring of the chronically ill.

Santa Clara-based Intel, which recently announced a partnership with General Electric to develop at-home health monitoring systems, is following a trail blazed by a valley startup called Health Hero Network that in 2007 was acquired by Bosch Healthcare, which renamed the product Health Buddy.

Health Buddy is now used by tens of thousands of patients, with the Department of Veterans Affairs its largest customer, said Suneel Ratan, who directs marketing and government relations in Bosch Healthcare's Palo Alto office.

A clinical study found that the system, which encourages and enables patients to communicate vital signs and other information to their physicians, reduced the rate of re-hospitalization

for chronic illness within 90 days by more than 60 percent.

Bosch and others in the telehealth field, Ratan said, are exploring government funding that could deploy their systems to a market of more than 15 million people in the coming years.

Enabling millions of patients to avoid hospitalization could save hundreds of billions of dollars.

Suennen said many more billions of dollars could be saved with a concerted attack on the epidemic of diabetes, which one recent study found to be responsible for one in every eight dollars in the nation's health bill. "It's the most expensive disease and it's completely preventable," she said.

Treating America's health crisis, Suennen said, will require dramatic behavioral changes as well as institutional reforms.

In her blog, she recently gave a sardonic salute to a menu item at Wendy's called "The Baconator," a megaburger that can have up to three beef patties, three slices of cheese and nine hunks of bacon -- an epic helping of fat and cholesterol. Suennen, chairwoman of the board of AngioScore, a Fremont startup that develops products to unclog arterial plaque, mused sarcastically:

"Hey, maybe AngioScore should start giving away free Baconators to juice up the sales channel."

**Contact Scott Duke Harris at 408-920-2704.**

Advertisement

## Own a new computer for just \$29.99\* per week!

And improve your credit score at the same time!

Give us a call today!

# 1-877-294-3988

\*Prices start at \$29.99 but may vary by model.



Print Powered By  FormatDynamics™