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Lisa Suennen

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All eyes are on Toyota's recall of 8.5 million vehicles due to faulty gas pedals and brakes. The recall has sparked congressional hearings, a probe by the U.S. Department of Transportation, possible criminal charges stemming from a federal grand jury investigation and numerous civil lawsuits, all in the name of driver safety.

This aggressive response to Toyota's mistakes is appropriate, even though the human toll from its miscues has been, thankfully, relatively modest – 34 alleged deaths and a few hundred injuries. Not to downplay this misery, but in stunning contrast, consider this: More than 100,000 Americans die annually in U.S. hospitals because of avoidable medical errors, according to the Institute of Medicine (IOM), which also says that medical errors rank as America's eighth leading cause of death. This is higher than auto accidents (about 45,000) and breast cancer (about 43,000). And the problems don't end here. Studies show that approximately 19% of medications administered in hospitals are done so in error, injuring about 1.3 million each year, according to the FDA.

Something must be done to address this woeful situation. In addition to avoidable death and injury, it is costing the economy \$60 billion a year. If recouped, those dollars could fund health insurance for a large number of those currently uninsured.

Despite recent attention to health reform, neither the House nor Senate have given more than lip service to this issue, even though there are readily available technology solutions to dramatically reduce the incidence of medication errors, pressure ulcers, hospital-acquired infections and other patient safety issues. It isn't legislation that will cure our country's healthcare woes — it is innovation and venture capital, the money that fuels it.

And yet only a handful of venture capital funds have invested in this area, despite the huge market opportunity presented by patient safety and related healthcare IT. This is what has to change, and it is in the interest of firms to do so because the funding of healthcare information technology can be a lucrative path. Venture firms can do well by doing good.

The opportunity is ripe for innovation and closely aligned with public policy to bring quality and cost-containment to our healthcare system. By fostering innovation in patient safety technology, venture capitalists can bring meaningful reform to the healthcare system outside of politics, resulting in billions in savings annually and the improvement of public health.

Mistakes are ubiquitous in hospitals because they lag decades behind other industries in using technology to optimize operations. This means much detail-oriented work is performed by well-intended but error-prone human beings. The adoption of technology can significantly ameliorate such problems by substantially improving communication and standardizing repetitive activities. In fact, many new patient safety companies are now emerging, including some that offer wireless devices that help nurses administer medications without error and others that use technology to mitigate hospital-acquired infections and prevent sponges from being left inside surgical openings.

Hospitals can learn a lot from the aviation and car manufacturing industries. Unlike hospital staff, pilots go through a standardized pre-flight checklist before every flight to remove the risk of human error as much as possible. Every aviation accident is pored over by the National Transportation Safety Board with an eye toward continuous safety enhancement. Despite Toyota's current woes, new automobiles are also tested rigorously, and product recalls are common when problems are found after vehicles are sold. There is also a broad consumer movement dedicated to ensuring driver safety, even a Consumer Product Safety Commission. It is time for a similar movement to

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spread to healthcare.

A few hospital systems are committed to a culture of patient safety and are reaping results. Utah's Intermountain Healthcare and Florida's Health Management Associates are recognized for their adoption of patient safety technologies, resulting in significant quality gains and cost reductions. By hardwiring safety within their operations, they make it easy for caregivers to do the right thing and difficult to do the wrong thing. Sadly, this commitment has been the exception, not the rule. Hospitals have faced few repercussions for failure to foster patient safety and certainly no congressional inquiries, but that is slowly changing. Good signs are the advent of The Centers for Medicare and Medicaid Services' "never event" rules for non-payment of certain errors and rising media awareness of the rampant mistakes in our health care system. Coupled with the crushing economic pressures now confronting t hospitals, this has created a perfect storm of market pressures to bring patient safety technology to the forefront of hospital management.

The United States can't afford to let this problem linger. The aging baby boom generation, saddled with chronic illnesses, is flocking to hospitals en masse at a time when growing pressure to cut costs and stretch staff amid the recession is fueling an increase in medical errors. In a survey conducted in November 2009 of 850 hospital nurses and pharmacists by the non-profit Institute for Safe Medication Practices, nearly half reported a negative impact on medication safety in their hospitals due to the economy and 20% reported mistakes in the past year with the most dangerous medications, such as insulin, narcotics, heparin and chemotherapy.

Now is the time for venture capitalists and other investors to strike. If hospitals begin to view patient safety the way the marketplace views driver safety, this will translate into more than 6,000 large customers looking for solutions. Like the movement to automate the manufacturing industry, we are at the beginning of a potential revolution in hospital automation. Innovation is the path to sharply reducing medical errors and significantly improving America's healthcare bottom line. It could not be a better time for investors to make a commitment to this opportunity and improve the health of our nation's struggling healthcare system while reaping the financial rewards of growing market demand.

Lisa Suennen is a co-founder and Managing Member of Psilos Group, a healthcare-focused venture capital firm with over \$577 million under management. Ms Suennen has headed Psilos' West Coast office since the firm's founding in 1998 and focuses on the medical device, healthcare information technology and healthcare services sectors. She serves as a Director on the Board of several Psilos portfolio companies, including AngioScore, Inc. (chairman), PatientSafe Solutions, OmniGuide and VeraLight, Inc. (chairman).

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1.  **Chip Parmele** Says:
March 3rd, 2010 at 10:02 am

Great article Lisa. Hope you are enjoying good weather out there because E. Coast weather is terrible right now.
Chip

2.  **Lisa** Says:
March 3rd, 2010 at 10:58 am