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Psilos Group Calls Health Reform Legislation “An Opportunity for an Industrial Revolution in Healthcare”

*Quality and Cost Innovations Critical to Addressing Healthcare Inflation;
Premier Healthcare VC Firm Outlines Six Opportunities to Drive Meaningful Change*

NEW YORK, May 12, 2010 – It is time for an “industrial revolution” to change the underlying costs and structural inefficiencies in the healthcare industry, according to a new report issued today by healthcare venture capital firm Psilos Group (www.psilos.com), and the recently enacted Patient Protection and Affordable Care Act (PPACA) affords healthcare entrepreneurs and investors an unusual opportunity to respond with innovation.

The report addresses the challenge of adding 32 million newly insured Americans to the “bad economics” of U.S. healthcare, but suggests that reform can “catalyze healthcare innovation that improves quality and reduces cost, if only investors, policy-makers and companies rise to the challenge before us.” The report calls for accelerated development and adoption of innovative solutions and technologies that will deliver real value for each healthcare dollar spent by the federal and state governments, U.S. corporations and individual healthcare consumers.

“We cannot simply go on investing in incremental changes to approaches that have failed repeatedly,” said Dr. Albert Waxman, Psilos’ senior managing member and CEO. “If done well, new medical technologies and disruptive models of delivering healthcare services can be the foundation for new businesses based on 21st century information technology.

“A real healthcare industrial revolution would go a long way towards eliminating the 30 percent waste and error in our current system, improving national competitiveness and creating new products for global exportation. The return for the U.S. will be a vibrant healthcare economy that enhances the public good and private enterprise at the same time.”



As part of its second “Annual Outlook” on healthcare economics and innovation, Psilos notes that failure to establish a culture of innovation in healthcare delivery will lead an existing \$2.5 trillion industry to continue to inflate to over \$4.5 trillion by 2019, as projected by the Center for Medicaid and Medicare Services (CMS). Psilos highlighted six specific areas where innovation can bring about near-term, high-impact and high-return changes to improve the U.S. healthcare system. These include:

1. An efficient system to prevent and manage chronic illness, which accounts for 78 percent of all our healthcare expenses. Technology can help improve care management to prevent costly procedures and to incentivize consumers to live healthier life styles.
2. Error reduction in inpatient, ambulatory, and post-acute care. These errors are most often the result of poor information flow and imperfect human behavior. Innovative solutions to help care administrators avoid costly and tragic mistakes have begun to emerge and have demonstrated positive clinical outcomes.
3. New technology and benefit plans to deal with the diabetes epidemic, which costs an estimated \$170 billion annually in the U.S. Improved diagnostic solutions and healthcare management programs will go a long way in controlling the spiraling costs.
4. New medical technology to enable earlier, better diagnosis and thus earlier intervention with high-cost, high-morbidity diseases. Continued innovation around technologies that help identify diseases earlier will have a vital financial and clinical impact.
5. Medical devices to foster less invasive and more effective surgical interventions. New minimally invasive surgical technologies will enable care givers and hospitals to provide treatment options that reduce inpatient use and result in fewer negative side effects and better clinical outcome.
6. Expanded adoption and investment activity in healthcare information technology. This includes venture investments to recognize and sponsor entrepreneurs committed to developing modern solutions that bring about the much-needed innovations to put the U.S. healthcare economy on track for a successful future.

For more details, please review the Psilos Annual Outlook at: www.psilos.com/outlook.



About Psilos Group

Psilos Group (www.psilos.com) is a venture firm investing growth capital in the healthcare economy. The firm believes that successful healthcare innovations must reduce cost, improve quality and align incentives across payers, providers and patients. Founded in 1998, Psilos has \$580 million under management and has invested in 38 companies across three markets – healthcare services, healthcare IT and medical devices. Marquee portfolio companies have included ActiveHealth, AngioScore, Click4Care, Definity Health, ExtendHealth, OmniGuide, QualityMetric and SeeChange Health.

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