

Healthcare Innovation in the Private Sector

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Introduction

Goals of the discussion

- Understand recent federal influences on private sector investment
- Consider opportunities to better enable healthcare innovation



Healthcare Trends Driving Innovation



Federal initiatives

- Meaningful use
- MSSP and ACO
- Value based payment
- ICD-10 conversion

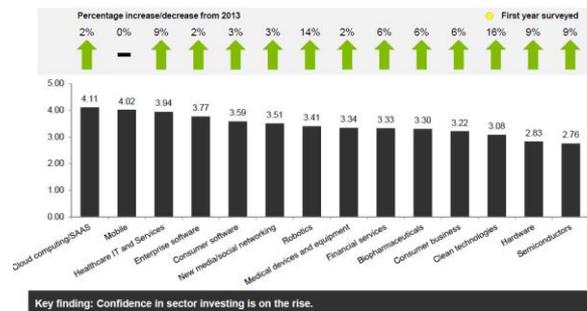
Private Sector Spend

Shifting landscape

- Based on recent trends and initiatives, healthcare innovation spending has shifted
- This is reflected in venture, private equity, and public market investment

* Sector investing

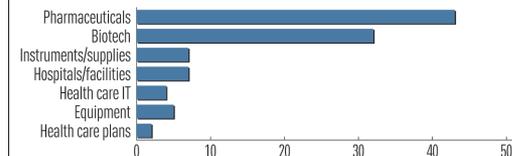
Overall confidence in Venture Capital (VC) investing by sector (all respondents)



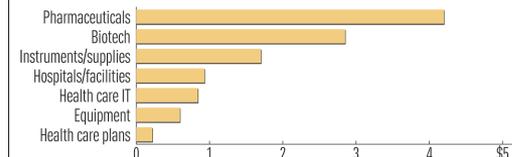
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** Health Care IPOs Hit 100

Health care IPOs, by sector



Proceeds raised, by sector, in billions



Source: Ipreo (ipreo.com)

*Deloitte 2014 Global Venture Capital Confidence Survey. Source from Columbus, L. Cloud, Mobile, Healthcare And Enterprise Software Lead Deloitte's 2014 Global Venture Capital Confidence Survey. Forbes, 9/6/2014.

**Deagon, B. Health Care IPO Market On Pace to Double Last Year. Investor's Business Daily, 12/4/2014.

Healthcare Innovation Spend

***Traditional areas of investment continue,
while new focus areas face rapid growth***

Pharma

Biotech

Med device

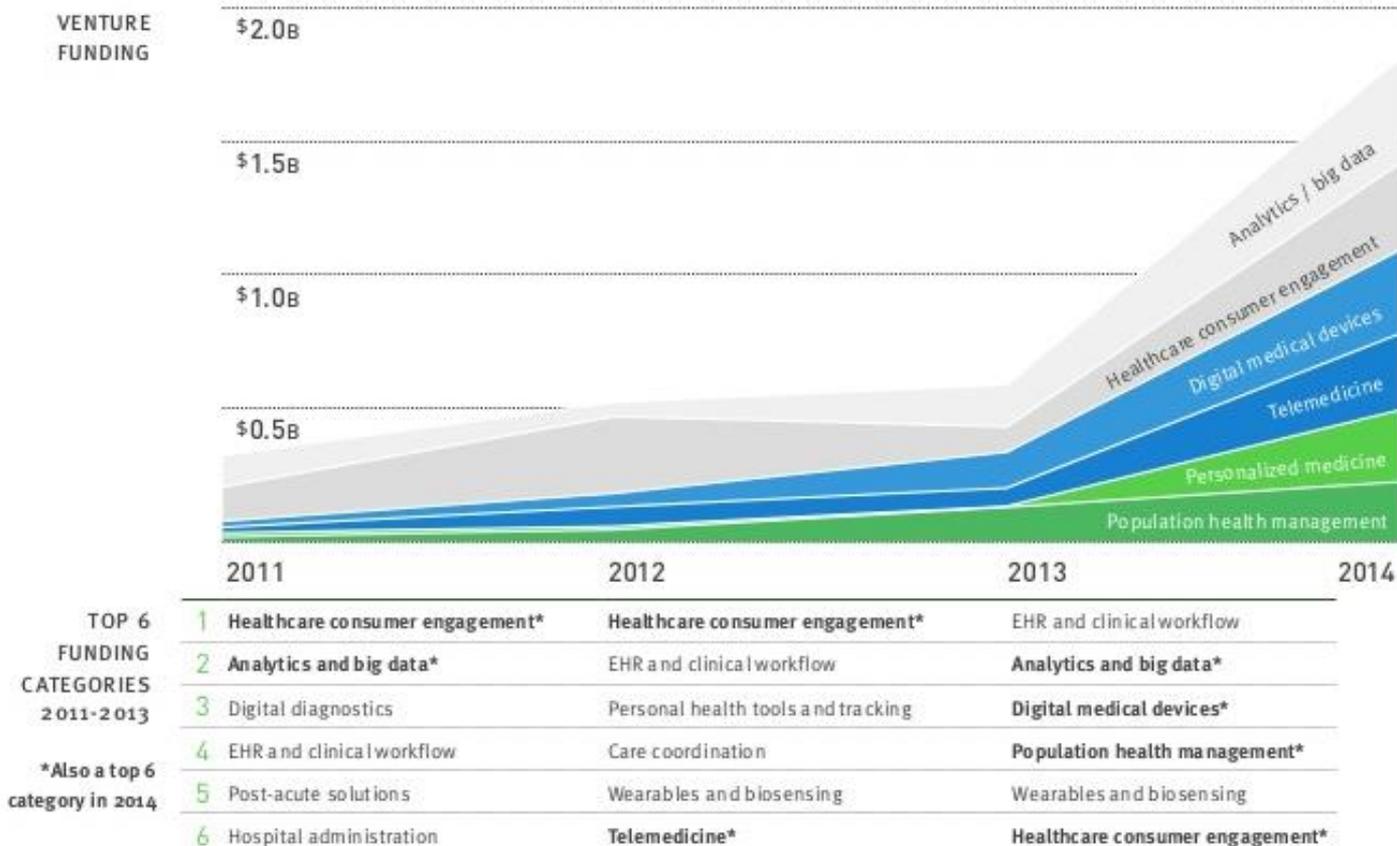


Clinical analytics

***Consumer
engagement***

Mobile

Rapid Growth Sectors



Note: RockHealth tracks funding across 24 separate categories

State of the Overall Market

As of 2015, for healthcare innovation:

- Most sectors are growing, though devices face regulatory and tax headwinds
- There is outsized growth in analytics due to federal initiatives and technology availability
- With rising valuations and a paucity of exits, health IT innovation may be unsustainable at current levels

Federal Goals

United States approach should remain cautious

- Innovation is not necessarily good – healthcare innovation can cause patient harm and increase costs
- The intention should be to provide incentive and regulatory support for innovations that are safe and benefit the health system
- The goals are improved efficiency, outcomes, and patient experience

Strengths and Weaknesses in Strategy

Improving quality requires robust infrastructure

- Similar to the highway system enhancing commerce, the US is now investing in healthcare infrastructure
 - Value-based payment models
 - Electronic collection of clinical data
 - Measurement of quality indicators
- As auto innovation followed road availability, so private sector healthcare innovation is building on newly available data and analytics infrastructure
 - Clinical analytics and population health
 - Consumer engagement

Strengths and Weaknesses in Strategy

Goals have not yet been achieved

- Payment models have shown early successes
- Other infrastructure, including EHR usability, quality measurement, and interoperability are problematic



US hires contractors in 1950s to build roads, requiring consistent width, smoothness, connectivity



US subsidizes health systems and vendors to capture clinical data, without requiring interoperability, robust quality measurement, or usability

Recommendations

To reach goals, approach requires review

- Maintain course on payment model adjustment
 - Continue transition to value-based healthcare
 - Continue incentives to improve quality of care
- Correct course on regulation that defines and supports infrastructure necessary for innovation
 - Reconsider quality measurement to define targets most likely to influence cost and outcome
 - Change course to increase and accelerate interoperability requirements to support data use