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Entrepreneurship Unleashed: Incubators Accelerate Healthcare Innovation



*by Jane Weber
Brubaker*

When the Affordable Care Act (ACA) was signed into law in March 2010, it simultane-

ously ignited a firestorm of disruptions to established but unsustainable care delivery and reimbursement models and opened abundant opportunities for healthcare innovators. A new generation of digital health entrepreneurs has emerged to meet the challenges of healthcare transformation.

Many early-stage digital health companies turn to incubators for guidance, mentorship, funding, and validation. Incubator programs, although still evolving themselves, are competitive, and acceptance to one affords a startup a measure of credibility.

"If a company is good enough to get into an incubator, it has met some basic criteria to be better than [other companies] out there," says Andrey Ostrovsky, MD, CEO of Care at Hand, a mobile technology company co-founded in 2011 with Jeffrey Levy, a former Google employee.

A golden age of entrepreneurship

Care at Hand has been accepted into two different incubators, San Francisco-based Rock Health in 2012 and New

York City-based StartUp Health in 2013. "For our company, and I think for most companies, different incubators offer different value propositions at different stages," says Ostrovsky.

Investment in the digital health sector is growing at a rapid pace, with funding this year already exceeding \$3.2 billion, up from \$1 billion in 2010. "This is the golden age of entrepreneurship," says Steven Krein, CEO and co-founder of StartUp Health. "The amount of time and money it takes to build a company is a fraction of what it was in the 1990s." Krein cites social media and cloud hosting among the reasons. He believes that healthcare is at a unique inflection point. "You've got healthcare reform, accelerated costs due to aging and chronic diseases, and a lack of transparency about how much [procedures] cost, and you've got digital health, data, and analytics that have infiltrated the healthcare landscape," he says.

Incubators offer valuable support and connections

With three years under its belt, StartUp Health has made significant strides. More than 2,000 companies have applied, and 71 of them have been accepted to its three-year intensive program, which includes a training academy, access to a network of healthcare stakeholders, and connection to a community of entrepreneurs. "The big differentiator between StartUp Health and most other incubators is that Start-

Up Health has a lifetime relationship with the entrepreneur, and they declare it," says Ostrovsky. "Most incubators or accelerators tend to be myopic and focus on the current class and that's a big downfall of the incubator community."

Incubators typically offer startup companies cash or take an equity position. Ostrovsky believes this gives the incubator a long-term incentive to help the company succeed. The entrepreneur has to decide if the incubator has enough to offer to make it worthwhile. "Is the incubator going to create enough value to make it worth the shares the founder is going to give up?" says Ostrovsky.

StartUp Health takes a 2 percent to 10 percent equity stake in its startup companies. To date, StartUp Health has raised \$144 million. Three companies have already been acquired. WebMD acquired Avado, Intel acquired BASIS Science, and Gene by Gene acquired Arpeggi.

StartUp Health has a clear focus on building a network of healthcare stakeholders interested in working with early-stage companies. "We thought about which organizations were going to be most helpful to the companies in our program," says Krein. "What we felt was important was that there was a commitment by these organizations and individuals within them to work with startups."

Startup Health has partnered with Cleveland Clinic, the Robert Wood

Johnson Foundation, AARP, and GE on a range of initiatives:

- StartUp Health presents a startup showcase at Cleveland Clinic's annual Medical Innovation Summit.
- AARP sponsors the development of educational resources for StartUp Health entrepreneurs and research focused on digital health solutions for the 50+ market.
- The Robert Wood Johnson Foundation awarded StartUp Health a \$500,000 grant to educate healthcare startups and improve health and wellness in underserved communities.

GE Healthymagination and StartUp Health joined forces to select a group of early-stage companies in 2013. "GE partnered with us to begin exploring working collaboratively to accelerate growth for consumer health companies in the first three years of development," says Krein.

The two organizations requested applications from startups focused on aging, health sensors, patient engagement, mobile health, care coordination, big data, analytics, and diagnostics. They received over 400 applications and selected 13 companies to join the StartUp Health Academy.

Ostrovsky's company, Care at Hand, was one of the 13 startups selected. The company's mobile application improves care transitions for vulnerable patients discharged from acute care settings. The goal is to improve outcomes and reduce 30-day hospital readmissions, which incur penalties for hospitals in the form of reductions in reimbursements.

"The reason this model is important is that it's scalable, it's less expensive than actual penalties, and it is data-driven but doesn't require heavy integration," Ostrovsky says. The solution also helps healthcare organizations qualify for Meaningful Use incentives by meeting four of the Stage 2 objectives.

Elder Services of Merrimack Valley (ESMV) in Lawrence, MA, began working with Care at Hand in July 2013.


ESMV had launched a Community-based Care Transitions Program (CCTP) in conjunction with six area hospitals in February 2012.

Sponsored by the Centers for Medicare and Medicaid Services (CMS), the program provides funding to test models for improving care transitions for high-risk Medicare beneficiaries. "We were seeing that a certain percentage of patients really needed some sort of clinical intervention," says Lori O'Connor, director of nursing and community health programs at ESMV. "I realized that [Care at Hand] could be the thing that would bring our program to the next level."

In ESMV's program, community health workers armed with inexpensive tablets conduct home visits, asking patients plain-English questions related to their health conditions, like "Did you sleep on more pillows last night than most other nights?" The answer may reveal an underlying clinical issue and trigger an alert. A nurse can then respond with the appropriate action.

The results are promising. According to a March 2014 mHIMSS (the mobile initiative of HIMSS) case study, after launching Care at Hand's mobile care transitions solution, ESMV and participating hospitals achieved a 39.6 percent reduction in 30-day readmissions and a net savings of \$370,721 over a six-month period.

The driving force behind digital health innovation is the "triple aim"—improving the patient experience of care, improving the health of populations, and reducing the per-capita cost of healthcare. These examples give us a glimpse into the ecosystem, illustrating how entrepreneurs, incubators, and healthcare stakeholders work together to accelerate technology innovation and adoption, improve patient outcomes, and drive costs down.

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