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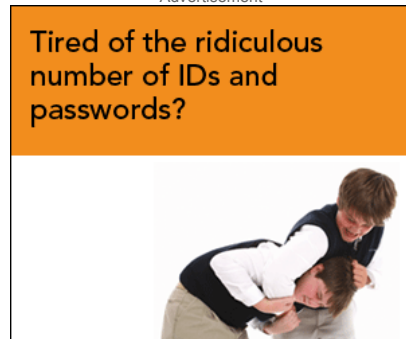
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Something missing at HIMSS

Story posted: March 12, 2007 - 8:11 am EDT

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One of the most interesting events at the recent Healthcare Information Management Systems Society conference had one of the smallest audiences.

At the first-ever HIMSS Venture Capital Fair, 20 small, privately held companies presented in a series of private meetings to two dozen investors. The latter included venture capital firms and investment bankers.

All of the presenting companies were in an early stage of development and were seeking a \$1 million to \$10 million investment. Many displayed cutting-edge technologies, such as a patient smart card, biometric security and a patient-oriented communication system.

I found many of the companies very promising and was surprised by the apparent lack of interest shown by the major healthcare IT firms. Although we had 900 exhibitors at HIMSS,

including a number of *Fortune* 1000 companies, I saw only one attendee from a major health IT vendor—a senior executive from Eclipsys.

Why weren't more major health IT vendors present? You would think they'd want to keep their finger on the pulse of new technologies.

It's a shame that most large companies are not actively looking to invest in startups. The fact is that half of these small companies won't be around in two years. The major hospitals are not early adopters. The implementation of new healthcare technology can be more costly and difficult than originally anticipated. Combine that technology risk with the "small company risk" factor and the healthcare technology sales environment is not very welcoming to new entrants.

Major healthcare technology vendors might take a cue from Cisco. The Silicon Valley giant uses a hybrid M&A model, taking strategic ownership positions in many small companies. By doing so, they reduce their financial risk of major product development failures. They also spread their risk over a portfolio of promising technologies. In this model, the large company sometimes goes on to completely acquire the startup. If so, they have helped their entrepreneur gain increased valuation for his company.

Congratulations are due to the HIMSS leadership and sponsor Blank Rome for organizing this exciting event. Let's hope it continues in 2008 with even more exhibitors and investors.

David Kauppi

President

Mid Market Capital

Chicago

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