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Niche 'health-tech' sector seeks to become CT hub

Eric Rosow, CEO of Farmington-based Diameter Health, talks with staff. The firm is part of the state's growing health-tech sector.

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CT Innovations-backed Health-Tech Companies

Company	Headquarters	CI Investment
ActualMeds Corp.	East Hartford	$750,000.00
CircleLink	Stamford	$350,000.00
Diameter Health	Farmington	$500,001.41
Fitscript LLC	New Haven	$566,151.68
InBox Health Corp.	Bridgeport	$1,011,020.00
My Gene Counsel LLC	North Haven	$500,000.00
PatientWisdom LLC	New Haven	$150,000.00
Umbie Health Corp.	Middletown	$1,508,668.00

SOURCE: CONNECTICUT INNOVATIONS

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PATRICIA DADDONA
When Farmington-based Diameter Health's software was combing through a health system's electronic medical records recently, it found that the hospital incorrectly labeled penicillin as pain medicine.

It's not known if any patient was affected by the coding error, but incorrectly identifying medication is not just a critical patient safety hazard, says Diameter Health co-founder and CEO Eric Rosow, it's an example of the "dirty" — incorrect or inconsistent — information that pervades the records of health systems and insurers. Those electronic records are in desperate need of cleaning up, Rosow says, not only to improve quality of care but to enable efficient patient-care management.

Diameter Health, which helps medical providers consolidate and better assess and utilize their electronic health records, has seen significant growth in recent years and is part of a small but growing health-technology sector in Connecticut that industry officials see as a major potential growth area — possibly one day forming into a hub.

The state's abundance of large health insurers and healthcare providers, which increasingly depend on analyzing huge swaths of "big data" to improve patient-care outcomes and costs, can be a breeding ground for digital-health startups, officials say.

In fact, several organizations — Hartford HealthCare, Trinity College, UConn and Connecticut Children's Medical Center — are proposing to create a "digital-health" incubator in Hartford that would give researchers and startups a place to experiment and test their technology or ideas.

The group is part of a larger consortium vying for millions of dollars in funding from the state's innovation places program, which aims to promote high-tech business growth.

"We think Connecticut — particularly central Connecticut — has all the elements [to] become a hub of health-tech innovation," said Hartford HealthCare Chief Medical Officer Rocco Orlando. "We're beginning to see the emergence of small incubators in the state. Part of it involves developing critical mass so that the area becomes attractive to these companies so they can make a go of it ... [and] it becomes an ecosystem."

Currently, the state's health-tech industry is still in its infancy. Diameter Health is one of eight health-tech startups that Connecticut Innovations (CI) — the state's quasi-public venture arm — is investing in. A few other, more established companies like Farmington healthcare software provider Evariant have set up shop without state-backed investment.

David Wurzer, CI's executive vice president and chief investment officer, and Matt Storeygard, director of investments, say smaller Connecticut-based companies that manage big data, particularly for health systems and insurers, could help boost economic growth here.

"Connecticut can assert itself," said Wurzer. "Data will be key. That data ultimately resides with the providers and payers. [It's] an opportunity for [them]."

CI has invested more than $5.3 million in the eight health-tech startups since 2011. Those funds have leveraged other outside investments to represent a total value of more than $11 million, not counting a couple of projects that failed, Wurzer said. Diameter Health received $500,000 from CI and more than $1.8 million from other investors, for example. The company now employs 10 full-time workers and a handful of contractors.

Founded in 2013, Rosow says Diameter Health has several clients throughout the country, and is working with health information exchanges in Kansas, Pennsylvania and New York. He declined to share revenue figures but said the company is growing rapidly.

Besides improving patient health, effectively manipulating big data can also help lower healthcare costs by giving medical providers more predictive analytics to improve their operations and care.

Such evidence-based medicine is important to providers who are increasingly being paid based on the quality of care they provide, rather than the number of tests or services they order. Meantime, big insurers like Aetna and Cigna are investing in digital-health companies, or evaluating relationships with them.

'Gaining traction'

Since 2011, Evariant's customer relationship management software has been helping hospitals all over the country identify groups of patients who need hospital services. Its predictive analytics takes claims and clinical data from insurers and hospitals and then pinpoints potential patients in need of care, says William Moschella, Evariant's co-founder and former CEO.

For example, Evariant's software can analyze a hospital's health records to pinpoint patients who might need orthopedic surgery. It can also inform providers how best to communicate with those patients via phone or email, their proximity to the hospital, and how much it might cost the hospital to get a return on investment.

The service is gaining traction, says Moschella, who remains active as chairman of the board and chief strategy officer. The company, which has 150 employees and has raised $100 million since 2011, has close to 1,000 hospitals plugged into its software platform, of which more than 60 are larger health systems like Trinity Health on the East Coast and Dignity Health on the West Coast, he said.

Moschella is passionate about his fledgling industry, but along with Wurzer and Storeygard, thinks Connecticut has some obstacles to surmount.

Moschella, whose roots are in Connecticut, says his company has a national reach, so he has no need or desire to move to New York City or Silicon Valley. But venture capitalists still generally view Connecticut as lacking the talent pool needed to recruit health-tech companies — a perception that belies reality, he said.

"If I lined up 100 venture capital firms and told them I was going to start up in Connecticut, 99 percent of them would have an adverse reaction to that," Moschella said. "They're going to say there's a better place to do it."

"[Yet], Connecticut has got a talent pool that is very familiar with analytics," he added. "It's very cut-throat out there in other states. We just have to continue to build that statewide culture here. It's happening. It's possible. We just have to evangelize it here. It's time to activate this digital-health market."

Attractive investments, partners

Aetna and Cigna officials acknowledged the entrance of health-tech companies into the marketplace, but were reluctant to discuss their relationships with them, although they did say digital-health technology is growing and affecting how they do business.

Aetna has made some health-tech acquisitions. In 2011, the Hartford insurer acquired Healthagen, a startup that developed a health app called iTriage, which helps users select a healthcare facility appropriate for their needs and geographical location.

Meantime, Hartford HealthCare has growing relationships with both global health-tech companies as well as startups, said Orlando, the chief medical officer.

Hartford HealthCare has launched a pilot program with Diameter Health using some of their newest analytics methods to help improve patient care. The health system is also working with GE Health to analyze data that will determine the busiest times of day in Hartford Hospital's emergency room so that efficient ER services can be offered and integrated with ongoing elective treatments and surgeries, Orlando said.