



How many mHealth startups make \$10M a year?

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By Brian Dolan

“The entrepreneurs in the mHealth space tend to be young and often new to healthcare, though of course there are the exceptions—those few old-timers who remember the days before iPhones were issued upon one’s birth,” Lisa Suennen, a founding partner at investment firm Psilos Group, [wrote last week in a widely syndicated \(must-read\) column about her experiences at the mHealth Summit](#). “The young upstarts are full of energy and absolutely certain that their product or service will be the one to change the healthcare system for the better. God knows some of them will be right.”

“Hanging around these people can be very energizing and they are surely of a different temperament than those who preside over the traditional healthcare IT companies,” [Suennen writes](#). “These entrepreneurs are looking at healthcare unfettered by the unhelpful customs and disincentives of the past. They are not weighted to the earth by how things have always been done in healthcare... It can be refreshing as hell to hear their stories.”

I read Suennen’s [argument](#) here as a tamer, more constructive version of the one our own Neil Versel penned a few weeks back: [Silicon Valley often misses the point of healthcare](#). And I agree that the “young” and “often new” characterization is true for many of the Silicon Valley-based startups that have recently sprung up, but it’s not true for the majority of attendees (or even companies exhibiting) at the mHealth Summit last week. My impression was that the younger, new-to-healthcare group was present at the startup pavilions, but not so much elsewhere. As Suennen said — I’m glad they were present and their “energizing” and “refreshing” perspectives are much needed in healthcare.

Still, it’s unlikely that they’ll change healthcare on their own. As Chilmark Research’s John Moore [pointed out in his \(also must-read\) write-up](#) following the event, many of the larger, incumbent HIS vendors did not exhibit at the mHealth Summit event. Moore wondered about the reasons he left the event with a “ho hum” feeling: “Maybe it was the lack of exhibitors – where is the rest of the legacy HIT market who are all claiming to be bringing mHealth solutions to market?” [According to the event’s organizers](#), there were actually 300 exhibitors at the event, but most of the biggest booth buyers at HIMSS’ annual event did not have a presence on the showfloor, even though HIMSS was a co-organizer of the mHealth Summit this year. The focus of the event, however, was the “use of wireless technology to improve health outcomes,” which may have been a value proposition stretch for at least some of the mobile-enabled hospital information systems (HIS) vendors exhibiting at HIMSS’ events and elsewhere.

For Suennen the lack of big HIS vendors at the event was less notable than the similarities between rising hype around mHealth and the eHealth bubble 10 years ago. [She writes](#):

“The mHealth revolution definitely has some of the feel of the eHealth bubble of about ten years back. Companies are popping up left and right, many of which are carbon copies of each other but with a twist (“we are the newest weight loss app but ours uses an entirely different font!”). There is a frothy financing market despite the overall healthcare venture capital downturn, with these nascent companies commanding valuations that have little to do with traditional metrics (“I have no revenue but my idea is so

cool that I'll settle for nothing less than \$100 million in pre-money value and that's only if you slap down a term sheet by midnight tonight!"). Healthcare IT is hot and mHealth is en fuego."

However, Suennen said she was unable to get anyone to name a single mHealth company that had yet achieved \$10 million in annual revenue. Suennen let it drop that one of her firm's portfolio companies, [PatientSafe Solutions](#) (formerly called Intellidot and currently headed by the founder of CardioNet), is making twice that in annual revenue.

"That doesn't mean that the others won't get there, however," [Suennen writes](#). "There is no doubt in my mind that mHealth will become a major part of the healthcare system. The question is when."

[Moore noted](#) that mHealth may become a major part of healthcare systems elsewhere before it makes a dent in the healthcare system here in the US. The mHealth Summit is one of the few events that hosts a global discussion of mHealth. Moore writes:

"Even among some of the poorest countries, the rapid adoption of cellphones by the populace is staggering (e.g., India alone now represents 20 percent of all cellphones in use worldwide) Combine the need with very little in the way of legacy HIT infrastructure and the ubiquitous nature of cellphones and you have a ripe opportunity to redefine care delivery models."

Just as Suennen let slip an interesting note about PatientSafe Solutions, Moore recounted a conversation he had with an executive at WellDoc: "They are currently being deployed at a number of institutions and hope to have a host of CPT codes that doctors can bill against in late 2012," [Moore writes](#).

So many companies in the mHealth sector are focused on new care delivery models, not just on making existing models safer, more efficient, or less costly. Sure, there's probably a handful of companies making millions that might fall into the latter category, but many of those looking to help people better self-manage their chronic conditions are just getting to market. Clearer regulatory guidelines and perhaps reimbursement could make 2012 the year for a few of these companies to break out.