Spectacular Year for Healthcare IT With $1.2 Billion in VC Funding, Reports Mercom Capital Group

The Associated Press

Mercom Capital Group, llc, a global communications and consulting firm, released its report on funding and mergers and acquisition (M&A) activity for the Healthcare IT (HIT) sector during 2012.

Venture Capital (VC) funding totaled nearly $1.2 billion (B) in 163 deals in 2012 compared to $480 million (M) in 49 deals in 2011 and $211M in 22 deals in 2010. The fourth quarter of 2012 saw the largest number of deals in a quarter since Mercom started tracking the sector in 2010.

Figure: Solar VC Funding 2007-2012 (http://mercomcapital.com/assets/images/HITvcfunding10-12.jpg)

"While the focus of funding has been in the Health Information Management [HIM] category, which covers technologies on the Healthcare Practice side, there is significant investment and funding going into companies that engage the consumers -- like mobile health, telehealth, personal health and social health," said Raj Prabhu, managing partner of Mercom Capital Group. "The HIT sector really took off in 2012; the deal count tripled and number of investments more than doubled compared to 2011."

The Top 5 VC funding deals in 2012 were: Castlight Health, a provider of healthcare web and mobile-based transparency solutions that enable comparisons of doctors, hospitals and medical procedures based on price and quality, which raised $100M, 23andMe, a personal genetics company that helps with the understanding of wellness and disease prevention through its personal genome service, which raised $58M, GoHealth, an online portal that helps compare and shop health insurance coverage, which raised $50M, Kinnser Software, a provider of clinical support to home health companies, which raised $40M, and Practice Fusion, a provider of free web-based electronic medical records (EMR), which raised $34M.

The top investors that participated in VC funding rounds in 2012 were: Connecticut Innovations, Founders Fund, Merck Global Health Innovation Fund, Qualcomm, and West Health Investment Fund, all with four deals each. Other notable investors were Aberdare Ventures, Canaan Partners, First Round Capital, and Khosla Ventures, all with three deals each.

M&A activity in the Healthcare IT sector was robust with 163 transactions totaling approximately $7B in 2012. McKesson was the most active acquirer with four

transactions.

Most of the M&A activity was centered on HIM companies. Within HIM, 16 Practice Management companies were involved in M&A, as well as 15 Clinical Decision Support companies and 16 EMR/EHR companies among others.

Figure: Solar VC Funding 2007-2012 (http://mercomcapital.com/assets/images/HITtop5deals2012chart3.jpg)

Top 5 M&A transactions included the $1.4B acquisition of Sunquest Information Systems, a provider of diagnostic information technology and clinical and anatomic laboratory software solutions by Roper Industries, the $1.25B acquisition of Thomson Reuters' healthcare data and analytical solutions by Veritas Capital, the $1.1B acquisition of M*Modal, a medical transcription services company by One Equity Partners, the $635M acquisition of consulting firm Decision Resources Group by Piramal Healthcare, and the $473M acquisition of HIT consultants maxIT Healthcare by Science Applications International Corporation.

Figure: Solar VC Funding 2007-2012 (http://mercomcapital.com/assets/images/HITtop5M&Atrans2012.jpg)

For a copy of the report: http://store.mercom.mercomcapital.com/healthcare-it-reports/

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