



**PSILOS GROUP RELEASES 2013 OUTLOOK REPORT ON INVESTMENT OPPORTUNITIES
--- PREDICTS GOLDEN AGE FOR HEALTHCARE INVESTING DUE TO ACCOUNTABLE CARE ACT---**

Private health exchanges, consumer-focused insurance programs, 21st century healthcare technologies, and innovations that reduce error and waste show most promise

NEW YORK, NY and CORTE MADERA, CALIF. (April 17, 2013)—Healthcare reform is creating a golden age for healthcare investors, according to Psilos Group, a growth capital investment firm, and their newly released [2013 Outlook on Healthcare Economics and Innovation](#). This is the fifth year the healthcare investment firm has created this report.

The 2013 Outlook on Healthcare Economics and Innovation report identifies excellent investment opportunities in the following four categories: private health exchanges, consumer-focused insurance programs, 21st century healthcare technologies, and innovations that reduce error and waste.

“These hot investment areas are primarily due to the evolving landscape to address the opportunities afforded by the Accountable Care Act, and the absolute economic necessity to reduce healthcare costs while improving value for every dollar spent on healthcare,” said Al Waxman, co-founder and senior managing member of Psilos Group. “Healthcare innovation is priority number one and now is the time to make order out of chaos and set the stage for a next-generation healthcare system that effectively services our nation.”

The Accountable Care Act impact on healthcare IT investing is already being felt. Venture investment in 2013 is showing significant growth from last year. In 2012, according to PWC, a global accounting firm, the life sciences sector which includes healthcare IT accounted for 25 percent of all venture capital dollars invested which totaled nearly \$1.2 billion in 163 deals, more than double the \$480 million in 49 deals in 2011 and almost six-times the \$211 million in 22 deals in 2010.

Investing In Exchanges

Health insurance exchanges, both public and private, promise to create a more organized and competitive market for buying health insurance, which could moderate price increases that are currently spiraling out of control. There are also opportunities to invest in the exchanges themselves.

“In particular, Psilos envisions massive opportunities for technologies that enable operators of both public and private exchanges to build high functioning platforms, including the shopping software and back-end administrative technology and service products needed to serve tens of millions of people efficiently,” said Steve Krupa, co-founder and managing member of Psilos Group.

Investing in the Consumer

As consumers begin to actively engage in the market of buying insurance through health exchanges, they will become far more aware of the impact of healthcare costs on their own pocketbooks. When this happens, it will catalyze a true alignment of financial incentives in the healthcare industry.

“Psilos sees significant investment opportunities for insurance and benefit programs and ancillary support programs that encourage consumer awareness, prevention and accountability, especially in a post-reform world where most people will be directly responsible for their healthcare expenses,” said Lisa Suennen, co-founder and managing member of Psilos Group.

Investing in 21st Century Healthcare Technology

Massive healthcare changes are looming large. But the industry as whole is still ill-equipped to operate in this new environment mandated under reform. Payor and provider organizations, for example, are struggling with computer systems that are decades old and lack the ability to administer new payment models like pay-for-performance.

Psilos believes technology startups that can help providers transform from pay-per-volume models to pay-for-efficiency models, where they make more money by giving more efficient care, will be well positioned to capitalize on healthcare reform, as will companies that help consumers manage and track their health finances in this brave new world.

Investing in Error Elimination and Waste

The Accountable Care Act naturally leads to another huge opportunity: investing in innovations that help healthcare organizations eliminate waste and error, which is estimated to account for one-third of all healthcare costs. Under health reform, hospitals are now being held financially accountable for outcomes. What’s more, there is a movement afoot to pay them not for volume, but for optimizing care delivery.

New tools that can eliminate waste and error for hospitals and large provider systems are ripe for investment. Investments like Psilos’ in PatientSafe Solutions, which improves workflow and enables nurses to avoid errors at the patient bedside, is just one of many innovative technologies that offer enormous opportunity in the new healthcare environment.

For more information on the *2013 Outlook on Healthcare Economics & Innovation* go to <http://www.psilos.com/outlook.html>.



About Psilos Group

Psilos Group Managers, LLC (“Psilos”) is a healthcare investment firm focused on providing growth capital to companies operating in the healthcare economy. The firm believes that successful healthcare innovation must reduce cost, improve quality and align incentives across payers, providers and patients. Founded in 1998, Psilos has \$600 million under management and invests across three core healthcare sectors: healthcare services, healthcare information technology and medical technology. Funds managed by Psilos have invested in companies such as Extend Health, SeeChange Health, HealthEdge, PatientSafe Solutions, and Definity Health, which have played, and continue to play, key roles in the transformation of the U.S. healthcare economy. Psilos has offices in New York, the San Francisco Bay Area and Santa Fe, New Mexico.

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