

Tapping the Market for Electronic Health Records

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An Interview with Jack Smyth, Spring Medical Systems CEO



-How was Spring Medical Systems founded?

-Back in 1997, a Houston physician named Stephen Fischer was looking for a better way of keeping track of his patients' medical histories. An avid programmer, he loved to retreat to his garage, which is where he developed the prototype for our flagship SpringCharts solution on his Mac.

A pioneer in electronic health records (EHRs), Dr. Fischer's innovation paved the way to providing better quality medical care, controlling costs and reducing medical errors. Today, interest in EHRs is booming and the Bush administration is calling for all U.S. citizens to have them by 2014.

-What makes Spring Medical stand out?

-We priced SpringCharts competitively, so that smaller practices can quickly and affordably take advantage of the efficiency improvements and higher quality patient care that EHRs enable. Our ease-of-use and low cost will convince more practices to start using EHRs.

SpringCharts was written for small practices and maps to their work flows. We are also the only EHR product that is compatible with Apple Macintosh, Windows and Linux in a mixed office environment.

-What's your market opportunity?

-The EHR market is projected to more than double to \$829 million by 2008. Ease of use is a big factor driving adoption. EHR software has become more intuitive, less expensive and easier to use, so it's finally practical to move away from a paper and pen-based system.

Researchers have shown that, properly used, EHRs save lives. In 2005, over 1.2 million people were killed or injured because of preventable medical errors and the cost of these errors was in the billions. Researchers have also pointed out that we are falling behind other countries in EHR adoption. Today, only 8-10 percent of U.S. doctors in small to medium-sized practices use EHRs. That's significant because these practices account for eighty percent of the healthcare practiced in this country.

This represents a huge market opportunity. Doctors tell us that it's not a matter of if they will be using EHRs; it's a matter of when. We need to get doctors to understand that the sooner they implement EHRs, the sooner they'll be able to provide better quality care and experience efficiencies in running their practices.

-Can you discuss your recent growth and momentum?

-In 2003, Spring Medical Systems signed a landmark agreement with a division of McKesson Corporation, whose practice management solutions have close to fifty percent market share in the small to medium practice sector. We worked with McKesson to quickly sign up many VARs, and in the last two years we've grown phenomenally - to the point where we're considered to be one of the top EHR products.

Last year, the Houston Business Journal named us one of the fastest-growing companies here, with year-to-year growth of 91%. And, the Rice Alliance IT Venture Forum named us among the "Ten Most Promising IT Companies in Houston."

We'll double staff size in 2007; we'll also continue to work closely with Regional Health Information Organizations (RHIOs) and Independent Physicians Associations (IPAs) that are helping to specify what EHR packages members should purchase and how to make medical records interoperable.

-What is your management philosophy?

-I've been involved in founding several companies, including The Learning Company, which develops educational software for kids. I think people learn more from their failures than their successes, because they analyze their mistakes and learn from them. Spring Medical happens to be a happy convergence of being at the right place at the right time with the right technology. The EHR market is about to explode, and we predict that our sales will more than double in the next five years.



One of my passions is car racing and teaching high-speed driving. I'm a member of the Porsche club here, and I teach folks how to take their street cars and drive them on a race track to become safer and better drivers. Teaching high-speed driving is like running a business - I'm constantly trying to make sure that my skills are transferred to others so that we're all going in the same direction to ensure success.

-What's your funding history? Are you are seeking VC funding?

-We are angel-backed. Our investors include doctors who are also customers, including two company founders, Stephen Fischer, MD (our Chairman and Chief Medical Officer) and Patricia K. Watson, MD (our CFO).

I'll quote one investor, Dr. Alvaro (A.R.) Garcia, MD of the Medical Center of East Houston, "I invested in Spring Medical and SpringCharts because I believe in the company and the product. SpringCharts gives the most value for the money of any system currently on the market. It integrates seamlessly with my practice management software, and is the most user-friendly system I have encountered, bar none. I quickly saw that it is destined to become one of the top five systems in the country, if not the number one."

We feel that the EHR market is poised for explosive growth and need to make sure we're ready. We'll be hiring additional sales and business development people, product managers, and programmers to meet anticipated demand. To do that we need additional funding, which is why we are currently floating a bridge loan in preparation for a multi-million dollar "Series A" VC round in late spring/early summer.

-What is your exit strategy?

-There's a good, longer-term probability that we'll prove an attractive acquisition or partner target for a larger healthcare IT player. There's a fair amount of industry consolidation going on. For example, McKesson paid \$1.8 billion recently for Per-Sé Technologies. That's the type of company that might be interested in us. There's also the larger EHR companies like Misys or NextGen, who are focused on larger medical practices, and our focus on smaller practices could be a nice complement.



>Jack B. Smyth is President and CEO of Spring Medical Systems, a leading provider of Electronic Health Record (EHR) software to physician practices. A popular speaker to doctor groups around the country, he also works with organizations setting standards for EHR function, usage and interoperability. Jack was formerly with HP's Global Services Organization and was founding CEO of The Learning Company.

He is a board member of the Houston Federal Credit Union and past co-chair of the NW Houston Heart Ball benefiting the American Heart Association. Jack holds a BS in Industrial Engineering from Cornell and an MBA from Stanford.

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