More states becoming major players in med-tech and life sciences

By OMAR FORD
Medical Device Daily Staff Writer

Investors and venture capitalists would like us to think they're the sole reasons behind the recent boom in the med-tech industry. But they're not.

True, venture capitalists are investing more in med-tech start-ups than ever before. And according to data from the Dow Jones News Service, investments in medical devices will reach about $4 billion by the end of 2007, more than double the money funneled into these companies in 2001.

But the venture capitalists who tossed med-tech to the side for a tryst with the dot-coms during the late 1990s just aren't the sole drivers for the recent boom in healthcare and related investing. While they remain crucial instruments in the growth of life sciences, their activities are being driven by another macro-trend: the discovery by several states relatively new to the benefits of the life sciences that those benefits are a developmental sweet spot. Two simplistic phrases can help explain just why. Those phrases are: nature abhors a vacuum, and birds of a feather flock together.

Got vacuum?

Throughout the nation, much established industry has migrated overseas for stronger tax shelters and havens, and global outsourcing has become commonplace. But as the traditional, often smoke-belching industries flee, they leave vast vacuums. And many states are wondering how to regain those lost dollars to stabilize and grow their economies. One answer is by leveraging their healthcare assets and building on them.

Baiju Shah, president of BioEnterprise (Cleveland), perhaps said it best when describing his sector's situation during a recent interview with Medical Device Daily. "The Midwest has always been home to a myriad of healthcare industries," he said. "What had been missing was the venture activity. What has happened [now] is that states have made concerted efforts in the last five years to build new venture pipelines."

Bold words – but with the data to back them up.

Let's take the state of Ohio, Shah's region. For years Ohio has had good med-tech success in the Midwest. Now it leads that sector in venture capital investments, so far having attracted a whopping $244.3 million compared to $113.9 million in 2006. The Midwest sector had investments reaching $726 million for the first half of 2007. And by year's end investments are expected to far surpass the 2006 total of $792 million, according to statistics generated from a BioEnterprise report.

Florida – previously the land of either elderly retirees or youthful vacationers, not industry – is reaching out to life science firms to expand on its already healthy environment. The state has facilitated partnerships with a variety of companies and universities, and the University of South Florida (USF; Tampa Bay) currently offers a graduate certificate in Medical Device Regulation. Together, the state's universities produce "home-grown," technically trained workers for med-tech firms. In the Tampa Bay area alone, according to a study commissioned by the Florida Manufacturers' Consortium (St. Petersburg, Florida), the total employment in the Tampa Bay region since 2004 increased nearly 24%, economic output growing nearly 65% and medical devices ballooning by a hefty 97%.

And medical products jobs are good jobs, paying more than 50% above the average state wage, the report data shows. Total income for these med-tech businesses is $889 million. And these are "clean" dollars, since they are much less disruptive to the environment. Given recent concerns with global warming, a legislator would be hard-pressed to turn down a multi-million-dollar industry that does not destroy air or water quality – and a good way as well to attract environmentalist votes.

Got flocks?

Then there are those creatures of similar species flocking together – such as in, again, the Sunshine State, which is ranked second in the nation for FDA-registered medical device manufacturers. According to Geary Havran, president of NDH Medical (St. Petersburg) and chairman of the Florida Manufacturers' Consortium, this is the kind of data attractive to med-tech companies, with smaller med-techs joining the cluster to absorb some of this regulatory success.

Over-saturation? Maybe, some might say. But not when you're looking to leverage the potential for synergistic partnerships with other firms, and want to tap into college/university research and government support – especially with those local governments that don't want to be tied to the ups and down of a particular industry.

Chris Steinocher, senior VP and COO for marketing and business development for the Tampa Bay Partnership, recently told MDD that in the current business environment diversification is essential. "It's to our favor, so we aren't held hostage by one larger company – and if that company decided to leave, the economic impact could be tremendous."

That is exactly the problem now faced by the state of Michigan which was hit by downturns in the domestic automotive industry and, more recently, seeing Pfizer (New York) shutter all of its operations in the state. In response, Michigan is attempting to climb onto the life sciences band wagon and this week launched the Virtual Company Project geared to supporting a broad variety of small med-techs and pharmas, not just one major player.

So, venture capitalists, if you're looking for new opportunities, a lot of states are now calling, promising eager entrepreneurship, "hotbed" environments for growth and synergistic assets. These newcomers and up-and-comers welcome your participation. They no longer want to be second fiddle to the med-tech of the coasts, East or West. They want to be leading players, asking you to help fill these tantalizing industrial vacuums with healthy med-tech flocks.