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Midwest health-care startups collect less in first half

First-half total falls 40 percent in Midwest

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Emerging health-care companies in Ohio and the Midwest raised nearly \$443 million from investors during the first half of the year.

That's off 40 percent from a record \$742.1 million by the halfway point of last year, according to the latest Midwest Health Care Venture Investment Report by BioEnterprise.

However, this year's investments in medical device, biopharmaceutical and health care service companies in the Midwest are way ahead of those in 2006 and 2005, said Baiju Shah, president of BioEnterprise, which helps develop health-care startups in Northeast Ohio.

Nationwide, life sciences investing cooled from last year. Investors pumped 14 percent less money, or \$1.9 billion, into biotechnology and medical-device companies in the second quarter alone, according to Saturday's MoneyTree Report, produced by Pricewaterhouse-Coopers and the National Venture Capital Association.

Last month, Business Facilities magazine ranked Ohio fourth among states for its biotechnology in categories that included venture capital investments, state research and development grants, business climate and work-force education for biotechnology companies.

"It is no exaggeration to say that biotechnology is the fastest-growing economic development sector in the United States," said Business Facilities writers Jack Rogers and Bill Trub.

BioEnterprise takes the quarterly pulse of investments in health-care companies in 11 Midwestern states and western Pennsylvania. Minnesota led the Midwest in the first half of the year with \$106.4 million invested in nine companies. Ohio was next with \$84 million invested in 20 companies, and Michigan was third with \$73.5 million invested in eight companies.

During the first quarter, Ohio led investment attraction in the Midwest with \$51.8 million invested in five companies.

Among Midwestern cities in the first half of the year, Minneapolis led with \$106.4 million; Detroit-Ann Arbor, Mich., was next with \$61 million; and Cleveland was third with \$59.9 million.

By sector, medical-device companies in the region attracted the most money - \$197 million - in the first half of the year. Biopharmaceutical companies were next with \$169 million, followed by health-care software and services companies with \$74 million.

If there was any trend in the first-half numbers, it was investors' return to medical devices, Shah said. Last year at this time, biopharmaceutical companies were seeing the lion's share of investor dollars.

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