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\$7M in Venture Funding Can Go Long Way in Growing Startup

HEALTH CARE: Infusion Boosts Perminova's Plans to Expand Software Business
By **KELLY QUIGLEY**

Monday, November 21, 2011

Perminova Inc., a startup that makes Web-based software for cardiac centers, has raised \$7 million in venture capital to grow the company's product offerings and expand its customer base beyond the two major hospitals it already serves.

The company, part of the selective EvoNexus business incubator in the University Towne Center area of San Diego, is seeking to move hospitals away from outdated and expensive client-server technology and toward a more affordable cloud-computing system, where patient information could be accessed from anywhere and much of the doctors' data entry process is much more automated.

The new venture funding, from an undisclosed investor, ensures a future for the company, which had just \$1,000 left in its bank account when President and CEO Craig K. Collins came on board in March.

Collins, who has raised close to \$50 million over the course of his career at health-related companies including the massive Cardinal Health Inc. in Dublin, Ohio, said he and the rest of the management team put in plenty of 80-hour weeks tracking down investor dollars and getting the company on path for profitability in 2012.

"You sit on a Tech Coast Angels panel and you hear companies say they want money for product development, and that means they don't have a product," Collins said. "Or they tell you that they need to hire a sales-and-marketing team, and that tells you they don't have any customers."

Perminova, on the other hand, has an innovative product and a "several billion-dollar market" that's worth going after, he said. "It has a brilliant concept and two blue-chip customers," Collins said. The company's two customers are the UC San Diego Health System and Mount Sinai Hospital in New York.

The company is in discussions with about two dozen other cardiology centers in the U.S. as it ramps up a marketing campaign and begins hiring a small but mighty national sales force.

Perminova's customers effectively "rent" the Web-based system, paying a monthly subscription fee that covers all upgrades, security and customer service. Typically, these fees are in the tens-of-thousands-of-dollars-per-month, Collins said, with the total depending on the size of the hospital and its surgery volume.

Still, he said, the software is just a fraction of the price of most enterprise software systems traditionally used in the health care field.

Getting to the Heart of It

The company's first product, Perminova EP, manages patient scheduling, workflow, surgical notes input and billing data for cardiac electrophysiological, or EP, procedures such as fixing heart arrhythmias and implanting pacemakers. "It's not brain surgery, but it's close," Collins laughed.

The software prompts nurses and doctors with a checklist of everything that's involved in each procedure. It then tracks the surgery in real time, saving hours per week for heart doctors who would typically dictate their procedural notes from memory at the end of a busy day and have it transcribed for patient records and billing.

Not only does it free up time for high-paid doctors, Collins said, but it vastly improves so-called "charge capture" by tracking medicines and equipment so the surgery is properly reimbursed. With a traditional paper-based system, billing records are easy to lose and doctors don't always remember everything used in a surgery.

Perminova plans to launch two other cardiology niche products, Perminova Cath and Perminova Vascular, in 2012.

Why the focus on cardiology? Quite simply, it's because the co-founder is a cardiologist.

Gregory Feld, director of the cardiac EP program at UC San Diego, came up with the idea in 2008 after being frustrated with an inefficient scheduling system that relied primarily upon Microsoft Word and Outlook. He also sought a better way to keep track of patient outcomes and quickly access patient data.

Six months after UCSD implemented the system, the hospital was able to capture \$750,000 in billings that otherwise would have been lost, Feld said.

"It paid for itself in a relatively short period of time," he said. "Our reimbursement denials and discrepancies declined to hardly anything."

He noted that none of the larger electronic medical record companies such as Epic in Verona, Wis., or Lumedx in Oakland have modules for such specific cardiac subspecialties.

Collins said Perminova's software could be modified for areas beyond cardiology — orthopedics and pediatrics come to mind — but that's not in the plans for now at least.

"Conservation of economic resources is extremely important in a startup," Collins said. "We can do nothing but cardiology and be a very successful company."

With its \$7 million in funding, which includes an initial \$3 million from an undisclosed investor backed by a \$4 million equity credit line, Perminova is planning to move out of the EvoNexus nest in the next couple of months but remain in the UTC area.

Chairman Rory Moore, CEO of CommNexus San Diego, which oversees the incubator, said Perminova shows promise on many fronts: it has a plan that can scale to make it a very large and "consequential" company in San Diego and "they're making something the market needs but can't get," he said, noting that cardiology is usually the biggest money-making area for full-service hospitals.

"Perminova has the opportunity to become the next great software company of San Diego," he said, comparing the company with Pyxis, now a division of CareFusion Corp.

PERMINOVA INC.

CEO: Craig K. Collins.

Financial information: \$7 million in venture capital; company expects to turn a profit in 2012.

No. of local employees: Eight.

Investors: Undisclosed.

Headquarters: UTC area.

Year founded: 2008.

Company description: Develops and markets Web-based software that manages scheduling, workflow and billing for cardiac centers, saving hours per week in dictation time for high-paid doctors, and reduces billing errors.

Key factors for success: Taps into a universal need for hospitals to become more efficient; scalable business model allows software to potentially serve other medical niches.

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