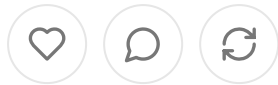


General Catalyst's Strategic Move into Healthcare with the Acquisition of Summa Health System

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General Catalyst's recent acquisition of Summa Health System represents a significant shift in healthcare investment. As a leading U.S. venture capital firm with a notable history in healthcare technology, General Catalyst has not only invested in healthtech companies but has now taken a step further by acquiring a healthcare provider directly. This acquisition, valued at \$485 million, positions Summa Health, a non-profit system with over 30 locations in Ohio, as both a testing ground and an anchor for General Catalyst's digital-first healthcare model. By embedding their extensive healthtech portfolio into the day-to-day operations of a traditional healthcare provider, General Catalyst aims to create a transformative model that could serve as a blueprint for modern healthcare delivery.

This essay will analyze General Catalyst's acquisition of Summa Health and discuss how their approach to healthcare investment is both innovative and potentially replicable. General Catalyst's portfolio, which includes companies like Livongo, Olive AI, and Commure, demonstrates a strategic vision centered on integrating advanced technology into healthcare operations. We will examine how this acquisition aligns with their previous investments, as well as the potential benefits and challenges of using a healthcare system as a testbed for digital innovation.

General Catalyst's Vision for a Digital-First Care Model

General Catalyst's acquisition of Summa Health is more than a financial transaction; it's a strategy to build a fully integrated, digital-first healthcare delivery system.

Through its subsidiary HATCo, General Catalyst has committed an additional \$ million over the next five years to drive strategic investments and innovation with Summa Health. This substantial financial commitment suggests a long-term plan to revolutionize how care is delivered by leveraging technology to create efficiencies, improve patient outcomes, and reduce costs.

The decision to use Summa Health as a testing field is informed by General Catalyst's diverse portfolio of approximately 100 health tech companies, spanning every aspect of healthcare—from prevention and diagnostics to therapy, care operations, and monitoring. This portfolio gives General Catalyst a unique advantage, allowing it to deploy a wide range of technological solutions within Summa Health's infrastructure. For instance, companies within their portfolio specialize in AI for clinical documentation, virtual care platforms, chronic disease management, and automation. This ecosystem could provide Summa Health with an unprecedented level of digital integration, effectively making it a pilot site for the healthcare models of the future.

However, General Catalyst's approach also carries risks. Other private equity and venture capital firms have tried similar strategies, integrating tech portfolios with healthcare systems. While this model looks ideal on paper, its real-world execution has been challenging.

Differences in healthcare operations, regulatory constraints, and the cultural gap between tech startups and traditional healthcare providers have caused many of these integrations to fall short of expectations. General Catalyst's challenge will be to bridge these divides and prove that its model can succeed where others have struggled.

Commure: The Foundation of a Healthcare Operating System

At the core of General Catalyst's digital-first strategy is Commure, a data interoperability platform designed to integrate with various electronic health records (EHRs) and provide seamless connectivity across healthcare systems. Commure is

already established itself as a leading platform for healthcare data integration, a role within Summa Health could be pivotal in driving operational efficiencies and improving care coordination.

One immediate application of Commure within Summa Health is Scribe, an AI-powered tool developed with HCA Healthcare for automatic clinical documentation. This tool has the potential to significantly reduce the administrative burden on healthcare providers by automating clinical note-taking and documentation tasks. Implementing Scribe at Summa Health, General Catalyst can streamline clinical workflows and allow providers to focus more on patient care rather than paperwork.

The ability to integrate data from various sources and provide a unified view of patient information also aligns with General Catalyst's commitment to interoperability. Commure's platform could enable Summa Health to interact seamlessly with external providers, payers, and health tech platforms, facilitating a coordinated approach to patient care that improves outcomes and reduces duplication of services. By building an "operating system" for healthcare, General Catalyst is addressing one of the most significant challenges in modern healthcare—fragmentation and lack of data interoperability.

Learning from Successes and Failures: Livongo and Olive AI

General Catalyst's investment history offers valuable insights into their approach to healthcare innovation. Livongo, a chronic disease management company that General Catalyst backed, was a resounding success. Its acquisition by Teladoc for \$18 billion in 2020 represented a landmark in digital health and reinforced General Catalyst's strategy of investing in tech-driven, patient-centered care solutions. Livongo's model for remote monitoring and continuous engagement provided a framework that General Catalyst could look to replicate within Summa Health, using similar digital health tools to improve chronic care management.

On the other hand, Olive AI—another General Catalyst-backed company specializing in healthcare automation—serves as a cautionary tale. Despite reaching a valuation

over \$4 billion in 2021, Olive AI filed for bankruptcy in 2023. This failure under the difficulties in scaling health tech solutions within complex healthcare environments and the risks associated with overestimating the readiness of these solutions for real-world application. General Catalyst appears to have learned from this experience, shifting its focus to Commure as a more viable solution for care operations and data interoperability, with the intent to avoid the pitfalls that Olive encountered.

These lessons are crucial as General Catalyst moves forward with Summa Health. The firm will need to carefully balance its technology integration efforts with the realities of healthcare delivery to avoid repeating Olive AI's missteps. Success will hinge on General Catalyst's ability to effectively deploy digital solutions that add value without disrupting Summa Health's established processes and workflows.

Pacific Fusion: General Catalyst is Known for Being Decisive and Making Big Bets

General Catalyst is known for breaking convention and all norms highlighted recently by investing \$900 million into a **SERIES A** for Pacific Fusion, a nuclear fusion company focused on creating sustainable, safe, and clean energy. This investment is outside the healthcare sector but speaks to General Catalyst's broader philosophy of supporting transformative innovations. Pacific Fusion employs a novel pulsed magnetic approach, which builds on established science to accelerate nuclear fusion research, aiming to make clean energy commercially viable.

While this project is distinct from General Catalyst's healthcare investments, the strategic thinking behind it is similar—investing big in pioneering technology to address large-scale societal issues. Lessons from managing a capital-intensive, high-risk initiative like Pacific Fusion could also inform General Catalyst's strategy with Summa Health, particularly in areas like long-term planning, regulatory navigation, and public-private partnerships.

A New Model or a Risky Experiment? The Ethical Implications of VC-Owned Health Systems

The acquisition of a healthcare provider by a venture capital firm raises questions about the ethics and implications of private ownership in healthcare. Unlike private equity firms, which often prioritize quick profitability, venture capitalists like General Catalyst aim to increase the value of their technology investments by demonstrating real-world impact. For Summa Health, this could mean a sustained focus on innovation and patient outcomes rather than short-term financial returns.

However, there are valid concerns about how a venture capital-owned health system might prioritize financial metrics over patient care. Private ownership in healthcare can lead to conflicts between profit motives and the ethical responsibility to deliver high-quality care. General Catalyst's challenge will be to maintain its commitment to patient-centered care while integrating its tech portfolio in ways that improve—rather than undermine—the healthcare experience for patients and providers.

Ultimately, the success or failure of General Catalyst's approach will likely shape perceptions of venture capital's role in healthcare. If they succeed in transforming Summa Health into a digital-first, tech-integrated model that demonstrably improves patient care, this could pave the way for more venture-backed healthcare innovation. However, if the integration fails, it may reinforce skepticism about private capital's place in healthcare.

Conclusion: A Bold Gamble on the Future of Healthcare

General Catalyst's acquisition of Summa Health, alongside its strategic investments in Livongo, Olive AI, Commure, and Pacific Fusion, reflects a comprehensive and ambitious approach to addressing some of society's most pressing challenges. By combining health tech innovation with direct healthcare delivery, General Catalyst

attempting to create a model that seamlessly integrates digital solutions into traditional healthcare.

This approach presents both opportunities and risks. On one hand, General Cat has the potential to build a healthcare system that leverages cutting-edge technology to reduce costs, improve outcomes, and enhance patient experiences. On the other hand, the firm must navigate the complexities of healthcare delivery and avoid the mistakes made in previous tech-healthcare integrations.

As the healthcare system grapples with issues like rising costs, labor shortages, and an aging population, General Catalyst's model could offer a new way forward. However, the experiment is still in its early stages, and its success will depend on the firm's ability to effectively balance technological innovation with the core mission of healthcare: patient well-being. If General Catalyst can achieve this balance, it may set a new standard for how venture capital can contribute to meaningful healthcare transformation.

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