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## PE DEALS

# “Every disease is a finite puzzle,” said Deerfield’s Jim Flynn

“Every drug since 2010, was invented by a university and by partnering with over 20 large universities, we are teaming up with the source of innovation and hopefully that leads to a differentiated return,” said Deerfield’s Jim Flynn

PE Hub’s ongoing series on private equity firms investing in healthcare continues with insights from Jim Flynn, who joined Deerfield Management Company as partner in 2000 and was promoted to managing partner in 2006. Previously, Flynn was an analyst at Furman Selz, covering pharmaceutical and medical device companies. Prior to that, he served as vice president of corporate development of Alpharma. Jim began his career in healthcare investing at Kidder, Peabody, where he ultimately served as a senior analyst covering the specialty pharmaceutical industry. He outlined Deerfield’s approach to healthcare investing.

### Investment strategy

“We invest across all of healthcare; life science, healthcare services, medical technology and infrastructure (hospitals) and value-based care and drug discovery,” Flynn told PE Hub.

“We invest at all points in a company’s life cycle.” Flynn said that the firm looks at healthcare as an opportunity set and then the firm decides if it can add value to whatever form that opportunity comes in.

“We try to avoid having preconceived notions of where in healthcare is the right place to focus, or what stage, or tools, are the right ones to use and jump in on,” he said.



Jim Flynn, managing partner at Deerfield

### Discovering drugs

“There is an ongoing revolution that is occurring in drug discovery right now,” he said. “Every disease is a finite puzzle.” Like with a jigsaw puzzle, the approach is “to figure what the corner pieces of the puzzle are, and then you fill in the inside. The more pieces you have, the quicker the process goes.” Twenty years ago, genetic data was first gathered, and that started to provide the corner and edge pieces. Since then, “the middle has been started to fill in.”

“We have partnerships with over 20 large universities. It usually takes 18 months to transact with them, but we have sped up the process so that we

have relationships with the best hospital university systems,” he said. “Every drug since 2010 was invented by a university. We wanted to partner with the source of innovation. Hopefully that leads to a differentiated return.”

Deerfield also has a full bio tech team that reviews the ideas from the universities, and the firm does the development work in house. The firm has its own state-of-the-art lab at its headquarters on Park Ave in New York.

“We have a unique pipeline to new ideas for therapeutics and a unique ability to review them and push them forward,” Flynn said. “From there, once we have proof of concept then we create a company around it, bring in management and integrate other products, etc.”

### Value-based care

The firm is also just as hands-on with a value-based healthcare method as it is with life sciences and drug development.

“We are in the process of building out a value-based care cardiologist network,” he said.

Last year, Deerfield acquired Novocardia, a value-based cardiovascular care delivery platform, in 2021. Novocardia is partnering with cardiologists in Florida to help them grow their practices and navigate an increasingly complex healthcare landscape through

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participation in fee-for-value (FFV) reimbursement models.

“We are focused first on the state and will expand to more states,” he said. “Then we will take those practices and transition them to VBC from traditional fee-for-service practices over time.”

## Labor and inflation

“Inflation in salaries for healthcare workers is doubling costs and is super high, due to supply/demand imbalance for workers,” said Flynn.

Recently trained nurses help only to an extent. “The issue is they haven’t been trained within a hospital system the same way they normally would be, so they are less efficient,” he said. “Even though there is new supply, it’s not relieving the problem.”

He also noted that input prices “are a mess right now,” and it’s unclear when or how they will recover.

“Inflation in other areas is challenging because the ability to pass on price is often regulated,” he said. “So, when input prices go up, companies don’t have the means to pass them forward and it all depends on the segment of the market they are in.”

## Future of healthcare

“Care delivery and drugs make up 15 percent of the healthcare economy, and service represents everything else,” he said. “With telemedicine, you can provide a lot of better care to people at home.”

Remote patient monitoring has started to transform healthcare and will continue to do so, he said. “Covid accelerated this trend, but it should become standard practice over the next decade.”

## Firm facts

Founded in 1994 and based in New York City, Deerfield is an investment firm dedicated to advancing healthcare through information, investment and philanthropy – all toward the end goal of cures for disease, improved quality of life, and reduced cost of care. As of December

2020, the firm manages over \$14 billion in assets. The firm says it provides value beyond capital. Deerfield generally maintains a combined portfolio of more than 200 private and public investments across the life science, medical device, diagnostic, digital health and health service

industries at all stages of evolution from start-up to mature company.

## Recent Investments

Recent investments include Novocardia and Alo in June 2021 and Adela in March 2021. (See the sidebar, below, for more details.) ■

## Deerfield’s healthcare portfolio highlights:

(Dates refer to initial investments.)

**Adela:** Focused on the detection of cancer and other high-morbidity, high-mortality conditions through a routine blood test. The company’s genome-wide methylome enrichment platform captures information from small quantities of cell-free DNA and applies machine learning to detect and classify underlying disease. (2021)

**Alo:** Provides the tools for independent physicians to shape health care for the better – for patients, communities and themselves. (2021)

**Cathworks:** CathWorks is a medical technology company focused on applying its advanced computational science platform to optimize coronary artery disease (CAD) therapy decisions and elevate coronary angiography from visual assessment to an objective FFR-based decision-making tool for physicians. (2019)

**Concerto Health:** Formally known as Fidelis SeniorCare, provides expert clinical care and care coordination services to dual-eligible and other frail Medicare Advantage patients in Ohio and Washington. (2013)

**Deerfield Catalyst:** Is a medtech incubator that aims to support and advance transformational innovation into commercial products and successful enterprises. A collaboration between Deerfield and the Coridea team, Deerfield Catalyst is focused on developing medtech solutions that improve outcomes and streamline patient care. The incubator plans to launch 10 companies over the next five years. (2021)

**Dracen Pharmaceuticals:** a privately held biotech company developing proprietary anti-cancer drugs that target immuno-metabolism. (2018)

**Element Science:** Is a medical device and digital health company focused on developing solutions at the intersection of clinical-grade wearables, machine learning algorithms, and lifesaving therapies in order to address leading causes of death and hospitalization in patients with heart disease, primarily as they transition from the hospital-to-home. (2019)

**Endologix:** A global medical device company dedicated to improving patients’ lives by providing innovative therapies for the interventional treatment of vascular disease. (2017)

**Jaguar Gene Therapy:** Accelerating breakthroughs in gene therapy for patients suffering from severe genetic diseases. Led by former AveXis leadership, Jaguar leverages a proven management team with the expertise to accelerate the development, manufacturing and commercialization of novel gene therapy treatments. (2020)

**Novocardia:** Transforms how cardiovascular disease care is delivered in the United States and aims to help patients with heart and vascular disease live longer, healthier, and more satisfying lives by deploying purpose-built data and analytics tools to improve patient outcomes and enabling partners to transition more successfully to value-based care. (2021)