

Elective Space: Seeking Innovation, Collaboration

New private equity firm unites doctors in a novel approach to the aesthetics, vision, and other elective markets.

BY MARIA STARR, MBA, CORRESPONDING EDITOR

There exists a compelling need in the nonreimbursed sector of health care for change. As reimbursements fall and the traditional model of medical care offers fewer opportunities for innovation and growth, physicians are seeking novel ways to respond. Despite leaps forward in innovation, the industry is experiencing unprecedented difficulty in obtaining FDA approval for new devices and drugs, specifically in the sectors of ophthalmology, plastic surgery, and dermatology.

Due to the third-party payer system, there is currently a lack of voice and choice for doctors and patients. To offer a solution, Strathspey Crown, a newly founded private equity firm in Newport Beach, California, created the first deregulated vehicle to work closely with doctors, providing opportunity for innovation and improved care for patients.

The group, led by Robert E. Grant, John Clarey, and Glenn B. Stearns, aims to build a portfolio of medical device makers and other health care technology companies that specialize in products for cash-pay patients with “lifestyle health care” or elective surgeries and procedures.

GOVERNMENT REGULATION

Historically, reconstructive plastic surgery was reimbursed. Yet, after the shift in payment responsibility, doctors went to medical school “knowing they would have to live by what they could produce in terms of patients. In dermatology, this is not so,” explains Shareef Mahdavi, president of SM2 Strategic in Pleasanton, California, and operating partner in Strathspey Crown. “Twenty years ago, dermatology was not considered a sexy profession; it was dealing with bad skin and zits. Now, there are rock star dermatologists with their own lotion brand as well as new procedures and the emergence of cosmetic dermatology as a subspecialty. In ophthalmology, the laser has led more eye surgeons to become refractive surgeons, emerging as a subspecialty,” he says.

As elective medicine emerged gradually over the past 20 years as a legitimate category within traditional medi-

cal specialties, physicians are now able to specialize. For example, refractive surgery is a legitimate subspecialty within ophthalmology. “Cosmetic dermatology is its counterpart, and plastic surgery has always been that way,” Mr. Mahdavi says.

The trend in self-improvement and elective medicine is rapidly expanding. “Consumer demand isn’t just from baby boomers, but also the legitimacy of investing in yourself—either physical, emotional, or intellectual self,” he explains. “The ability to cover services is continually being strained. The government mandate for health insurance coverage for the entire population will reduce the funds available to pay for services that are currently covered. What’s happening is more and more of the financial burden of health care, whether elective or necessary, is shifting to the consumer. As consumers pay more, their expectations are going up. Physicians must realize that consumers are now customers, both in the elective space and in the core of medicine. When patients are frustrated by long lines at the emergency department or doctors’ offices, they move to clinics where they pay directly for services—a free-market response, strengthening the odds that elective medicine is only going to grow in popularity.

“The FDA approval process is regarded as slow and risk averse, two labels that hurt innovation in this country,” adds Mr. Mahdavi. “Strathspey Crown sees the system truly split. Life-saving procedures should be covered at a basic level but should also allow patients to pay for life-enhancing procedures they want. Government shouldn’t get in the way and say they can’t have it. Here, the doctor and patient should have the freedom to choose.”

Vance Thompson, MD, an ophthalmologist in private practice in Sioux Falls, South Dakota, and operating partner in Strathspey Crown, explains, “There are changes happening in elective medicine. Patients can get frustrated if a need or condition involves a technology that cannot be offered to them, which brings a unique set of needs to the doctor and patient. Insurance-based pay works in a lot of

ways, but when it comes to advanced technologies, it can get very expensive for third-party payers, and there is still a whole menu of advanced technologies at the patients' disposal."

THE INDUSTRY SECTORS

Physicians are investing their resources to create Strathspey Crown and to allow doctors and companies to talk to one another, hoping to keep innovation alive. Mary Lupo, MD, a board-certified dermatologist in private practice in New Orleans and operating partner in Strathspey Crown says, "I have always had an entrepreneurial spirit and started in private practice from the get-go to forge my own path." And other members of Strathspey Crown are similar in mindset.

Dr. Lupo's vision expanded with the concept of Cosmetic Boot Camp with Kenneth Beer, MD, and Vic Narurkar, MD, to enhance the postgraduate training of dermatologists and aesthetic specialists. In 2005, they worked with other core aesthetic professionals to host a high-level meeting with additional information for attendees, which has now expanded to Cosmetic Boot Camp University to educate residents on a continuing medical education level. Dr. Lupo says, "Robert Grant's vision was brilliant with Strathspey Crown. My concern is the future of health care may be to dumb it down—to give a lower level of product and services to more people. If you feed all the people, you can't feed them all filet mignon. It's going to be Spam."

Compromised care is a concern for all in the industry. Like Dr. Lupo, Dr. Thompson started his practice in a similar vein. "The foundation of my practice has been to bring the world's best technology to my patients," he says. "This always involved the cash-pay component because the world's best technology is expensive and has an elective component to it. To see a corporate entity want to commit to that arena in medical and surgical care makes it feel like something that's been living in a small part in my practice during my whole career. I am excited that a company has dedicated their mission statement to technologies that focus on the arena of advanced technologies.

LOOKING TO THE FUTURE

A passion for innovation, services, and excellence can keep America at the forefront of innovating and developing private-pay items, explains Dr. Lupo. "Strathspey Crown will be a vehicle to promote innovation, co-innovation, and expansion of opportunities for physicians who do private-pay and lifestyle or elective aesthetic procedures. The purpose and vision is to bring innovation to market without the restraints that pharmaceutical companies have," she says.

A MISSION FOR CO-INNOVATION

Strathspey Crown's mission is to identify, support, and champion emerging opportunities that reside within health care's private-pay sector. Their focus is on lifestyle-oriented health care opportunities offering consumers innovative ways to enhance how they look, feel, and perform. With this focus, the company is intent on bringing the world's affluent health care consumers appreciably greater choice, more personalized outcomes, and uncompromised service. A key driving force within the organization is their unique commitment to co-innovation. By proactively partnering with visionary physicians around the world, they are fostering the co-innovation and timely implementation of new private-pay health care technologies, therapies, procedures, and services—on a global scale.

As an ophthalmologist, Dr. Thompson says Strathspey Crown is no threat to ophthalmology companies. "They are healthy companies with healthy business plans that provide a mix for private-pay technologies. However, there are also a lot of younger companies with amazing technologies that do not always find a home to go to the next level," Dr. Thompson explains. "Strathspey Crown becomes something that patients have access to—an area of unmet need to bring these services to the doctors and those who deliver this type of care. Strathspey Crown can teach them how to educate patients of their value and then patients will have a choice."

Strathspey Crown is akin to a new technology, but it is larger than a laser, implant, or single procedure. Mr. Mahdavi explains, "It's a methodology, a process, and pathway by which we preserve [for] doctors and companies the ability to collaborate." He advises physicians to honestly explore why they originally entered medicine. "Every doctor needs to ask what they wanted to achieve as a physician and then look at the situation they are in today. There is a loss of control in the ability to run their own practice, whether it's caused by complex insurance forms, increasing regulation, or a large dependence on Medicare for revenue. To have a sense of control, physicians need to give serious consideration to the movement that Strathspey Crown is initiating. It is bigger than one industry, specialty, or procedure. The doctor/patient relationship is in serious danger, and solutions such as those offered by Strathspey Crown are paving a new path to preserve that relationship," he notes.

Dr. Thompson adds, "The research of technologies for doctors and patients is exciting. The focus of the corporate entity will be a step forward for the world of medicine." For more information, please visit www.strathspeycrown.com. ■