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Newly Funded Diabetes Companies 'Doing Well By Doing Good'

A growing focus on managing diseases more effectively to control long-term health care costs has boosted the prospects for diabetes-treatment companies, with several companies receiving significant funding rounds in recent weeks.

Monitoring diabetes is crucial because if left untreated, people with the disease can suffer from a host of severe complications, including blindness, skin infections, renal failure and nerve damage. Helping patients keep their disease under control, therefore, can translate into significant savings to the health care system down the road, investors say.

"You really are doing well by doing good," said Edward Cahill, partner at [HLM Venture Partners](#). "You aren't curing diabetes, but you are preventing a very large number of complications that are crippling and costing so much to the health care system."

One of the reasons for the increased VC interest is the sheer number of people with the disease. According to the American Diabetes Association, 23.6 million Americans have diabetes, a disease caused by the body's inability to manage its glucose levels properly.

The new technology focuses on how to improve glucose monitoring or insulin delivery, decades-old treatments that often required multiple needle pricks or injections daily. The largest of the rounds was [Intuity Medical Inc.](#), a blood-glucose monitoring company that raised \$64 million in Series D financing from Emergent Medical Partners, Investor Growth Capital, Thomas Mc Nerney & Partners, U.S. Venture Partners and Versant Ventures.

A key factor driving interest in these companies is the increasing emphasis in preventative care as a cost-control mechanism. "One of the themes is the connection to health care and getting people out of the hospital," said Michael Greeley, general partner at [Flybridge Capital Partners](#), an investor in glucose monitoring company MicroChips Inc. "In terms of costs, it's 10 cents on the dollar if you can." According to the [American Diabetes Association](#), the total health care cost related to diabetes in 2007 was \$174 billion in the U.S.

That prospect has investors interested in part because not only are patients likely to be motivated to keep on top of their disease to avoid serious complications, but insurers are willing to pay for diabetes monitoring and treatment to keep their own bills down.

"There is a lot of room for improvement and a lot of interested and aligned stakeholders: the patients, the payers and the clinicians," said Charles Warden, managing director at [Versant Ventures](#).

The challenge for companies is to make insulin pumps and glucose monitors that are accurate but that can hold up to the rigors of daily life. "This is not a typical medical device; most devices are used only by professionals under very controlled circumstances," said Cahill of HLM. "But a pump could be used by a 12-year-old kid playing football who drops it or spills peanut butter and jelly on it."

Companies that can make sturdy, easy-to-use devices have the chance of earning a patient's trust for years. Warden said the ultimate measure of success is whether the device can fit easily into a busy schedule. "There is a huge appetite for managing the disease more conveniently," he said. "The goal is to make diabetes forgettable for the patient."

Here's a look at other diabetes-treatment companies that VentureWire reported raised funding in recent months:

Calibra Medical Inc., Redwood City, Calif. - On the heels of securing regulatory clearance for its insulin delivery device, the company raised \$9.3 million toward a potential \$25 million round. Canaan Partners, Frazier Healthcare Ventures, Intersouth Partners and Three Arch Partners provided the initial funding. Skyline Ventures, the other previous backer from Calibra's \$35 million Series B in mid-2008, did not return. The company, founded in 2004, is targeting bolus, or short-term, insulin delivery through the clothing for both diabetes types. (The company doesn't yet have a Web site.)

CeQur SA, Montreux, Switzerland - After closing its Series A round at CHF31.7 million (\$30.6 million) late last year, the company said it hopes to launch in Europe and begin U.S. clinical trials on its insulin delivery device in 2010. Backers include BMC Ventures, Endeavour Vision, Orion Healthcare Equity Partners, Schroder & Co. Bank and Venture Incubator. The company looks to develop a subcutaneous patch to prevent the need for daily injections for Type 2 patients.

Flexible Medical Systems LLC, Rockville, Md. - The company raised a \$1.3 million angel round early in February as it looks to position a small monitor in dead skin cells to measure glucose through interstitial fluids. Most of the money came from Florida-based physicians.

MicroChips Inc., Bedford, Mass. - MicroChips, whose implantable microchips may one day be used to deliver drugs or detect important biochemical changes, has raised a \$16.5 million later-stage financing to begin testing a continuous glucose monitor in humans. New investor InterWest Partners joined return backers Care Capital, CSK Venture Capital, Flybridge Capital Partners, Intersouth Partners, Medtronic Inc., Novartis Venture Fund, Polaris Venture Partners and Saints Capital.

Tandem Diabetes Care Inc., San Diego - The insulin pump developer raised a \$52.3 million Series C round led by new investors Delphi Ventures and HLM Venture Partners. The company's insulin pumps are designed for patients with Type 1 diabetes, although the company is keeping the details of its technology under wraps.

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