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Cardinal Health investing in healthcare VC funds, startups to speed innovation

BY CARRIE GHOSE
Staff reporter

In January alone, Cardinal Health Inc. invested \$5 million as part of the launch of a venture fund focused on Black-owned healthcare startups, directly joined a \$110 million VC round in a startup enabling hospital-level care at home and teamed up with a California smart-mug maker to co-develop a self-refrigerated, cloud-connected shipping cube.

Ohio's largest company consistently encourages and rewards internal innovation, but increasingly looks to tech startups for constructive disruption, CEO Mike Kaufmann said.

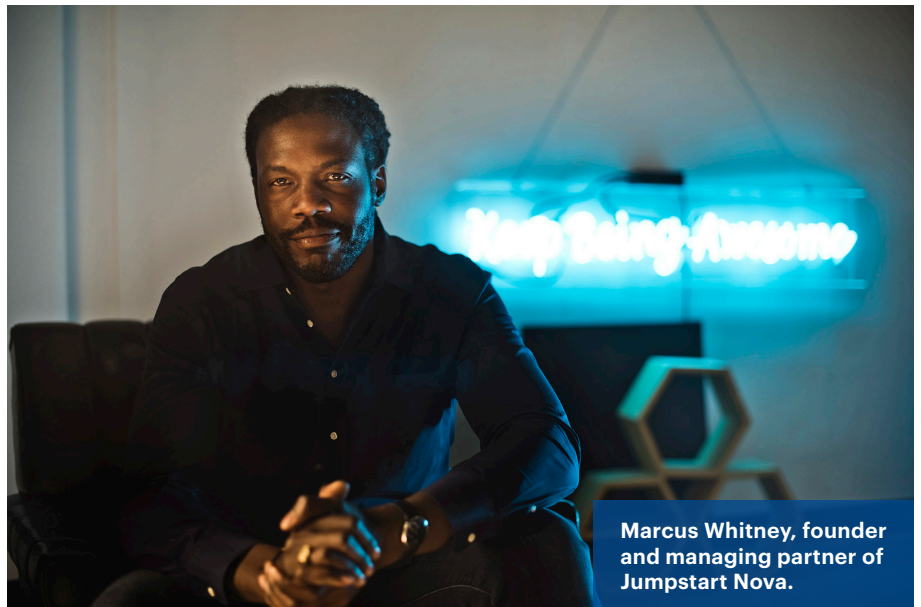
"You do have to look outside," Kaufmann said in an interview. "What are your strengths, and where might you combine with others to speed things up?"

Sometimes the strategy is a mix of both: Columbus-based Deep Lens Inc. is among three startups whose products were bundled with software developed in-house by Cardinal's Fuse division last spring into a Navista Tech Solutions suite. Cardinal offers the software suite to independent oncology practices, which see about 80% of cancer patients nationwide.

Navista was one of the bright spots in its high-growth specialty medicine business unit that Kaufmann highlighted in a recorded call with analysts in reporting second-quarter results Thursday. As the Dublin healthcare giant warned investors weeks ago, despite a 9% revenue increase, net income took a drastic hit compared with the year-ago quarter, largely because of soaring inflation in shipping and materials for its medical supply division. Find full results for the quarter here.

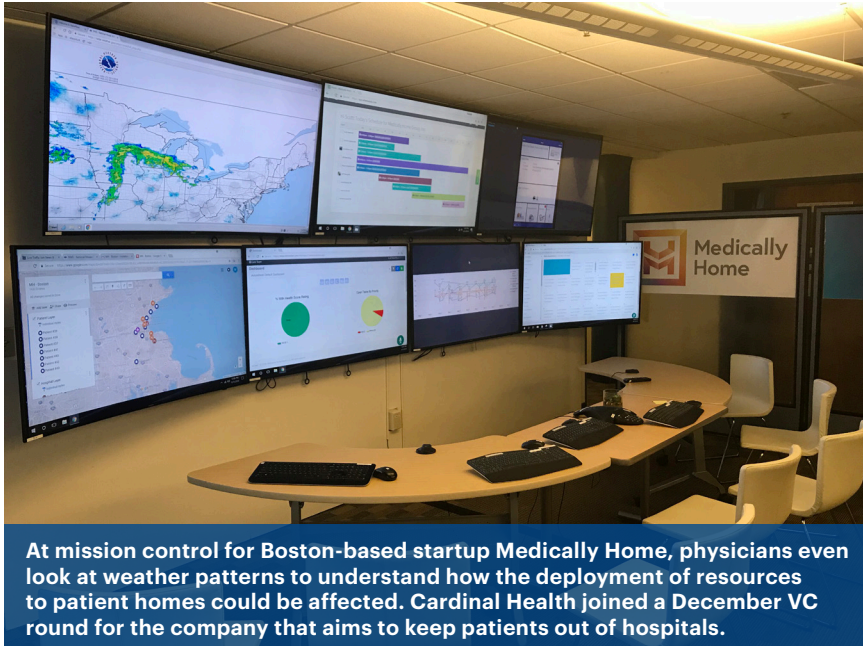
"We are taking action to mitigate these inflationary impacts," Kaufmann told analysts.

Cardinal's outside investments and potential acquisition targets are intended to "throw logs on the fire" for growth areas like specialty pharmaceuticals and its fast growing home healthcare line, he said in a phone interview after the presentation. Any acquisition, he said, must make financial sense, be a good cultural fit and improve patient outcomes.



Marcus Whitney, founder and managing partner of Jumpstart Nova.

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At mission control for Boston-based startup Medically Home, physicians even look at weather patterns to understand how the deployment of resources to patient homes could be affected. Cardinal Health joined a December VC round for the company that aims to keep patients out of hospitals.

For years, Cardinal (NYSE: CAH) has invested as a limited partner in several healthcare-focused VC funds, often gaining a non-voting observation seat on their boards – which gives the company a preview of up-and-coming technology, he said. Cardinal’s staff also advise startups on the needs of healthcare customers.

The latest was participating in the \$55 million round for Nashville-based Jumpstart Nova, which launched its fund focused on healthcare startups with Black founders on Jan. 12, Nashville Inno reported. Other healthcare and financial giants backing the VC firm include Eli Lilly and Co., Atrium Health, Henry Ford Health System, HCA Healthcare Inc., American Hospital Association and Bank of America.

Here in Columbus, Cardinal is among several large corporations that have backed investment funds at Rev1 Ventures, as well as advised Rev1-backed startups. That’s its only venture into tech without an exclusive healthcare use.

“We want to be a great local citizen,” Kaufmann said. “We would never do that anywhere else.”

Also this month, Cardinal (NYSE:CAH) joined healthcare companies Baxter International Inc., Kaiser Permanente and Mayo Clinic in the \$110 million round for Medically Home Inc.. From its Boston command center, the company uses its software, connected medical devices and delivered supplies to monitor patients at home who otherwise would be hospitalized, Boston Business Journal reported.

The idea extends Cardinal’s existing business delivering home-care supplies for diabetes management or post-surgical recovery, Kaufmann said. Cardinal’s supply chain expertise can improve an already great patient experience for companies like Medically Home, he said.

The shipping-cube partnership with Ember Technologies announced Monday aims to launch pilot deliveries with a Cardinal customer this year. Known for making mugs that keep coffee hot, the suburban Los Angeles startup raised \$23.5 million in December, in part toward advancing its refrigeration technology, sister publication L.A. Business First reported.

Through cloud-connected software Cardinal will be able keep track of location, internal temperature and humidity in the cubes delivering sensitive medications – like Covid-19 vaccines – from warehouse to customer. With the touch of a button, the cubes auto-generate a return label and order their own pickup to be reused. The innovation will save 7 million pounds of cardboard and freezer pack landfill waste yearly, Kaufmann said.

In November, Cardinal announced an agreement to test drone delivery to a North Carolina pharmacy customer by San Francisco-area unicorn Zipline Inc. Those flights await the FAA’s OK.