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Software Is Eating The World, But Health Care Is Having Indigestion

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Doximity, a secure communication platform for doctors, raised $17 million in a series B round, bringing the total amount of funding to nearly $28 million. Morgenthaler Ventures led the round, which included returning investors InterWest Partners and Emergence Capital Partners.

What's eye-catching about the two-year-old start-up is this: Few health IT entrepreneurs have depth of knowledge of the health care industry than Doximity founder Jeff Tangney. In 1999, during the dotcom boom, he succeeded in raising money for Epocrates, a pre-iPhone era mobile clinical information tool for doctors. That company has more than $100 million in revenues, and is part of a really tiny slice of publicly-traded companies that target doctors, and not businesses.

Still, if it weren't a time of easy money, Tangney is not sure he would have gotten funding. It took 12 years for Epocrates to go public–a discouraging time frame for investors. And more than ten years later, the physician market represents less than 10% of VC investment, according to digital health accelerator Rock Health.

Tangney had an easier time getting appointments with VCs for Doximity, but few understood the health care environment. "The eyebrows would wrinkle, and they would back away," he says. "Software entrepreneurs don't try to innovate in health care because they don't find investors. Guys who made money on Facebook don't know health technology." Tangney also disagrees with Vinod Khosla, who recently stated that machines will replace 80% of doctors. "Doctors will become more enabled by technology," he says.

The secret is to keep it simple. Sorry disruptors, but anything that targets doctors should be minimally disruptive to their practice. In Doximity's case, Tangney is focusing on replacing the fax machine as the predominant form of communication. "It's better to pitch doctors on replacing the fax machine, than add another thing to their workday," he says.

The tough part remains the business model. Doximity is still exploring ways to monetize its services. Revenues now come from putting research groups and law firms in touch with expert doctors in Doximity's network, and charging those businesses a fee.

"Marc Andreessen says software is eating the world, but we're having a lot of indigestion in health care," says Tangney. "It's hard to come up with revolutionary ideas in a slow-moving, heavily regulated industry."