In a small San Francisco office, Big Pharma zeroes in on digital health

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With a wealth of data, a big wallet and partners with connections, Novartis AG opened its first of first digital health lab to tap into and aid health care-related tech startups.

The Novartis Biome — roughly 5,500 square feet of WeWork co-working space on the edge of San Francisco's financial district — is the first of what the drug developer hopes will be a global network of similar venues to connect it to tech's burgeoning fascination with health care.

The company on Monday night premiered the space — not a traditional incubator and not exactly an accelerator — and its first class of five young companies.

Novartis is the latest large life sciences company to try to bridge the gap between health care, drugs and technology. Just in the Bay Area, Johnson & Johnson (NYSE: JNJ) operates its J-Labs incubator in South San Francisco and Bayer AG and Illumina Inc. (NASDAQ: ILMN) operate incubator and accelerator space in Mission Bay.

Rock Health also is a big player among digital health startups.
The way Novartis has structured the Biome, however, is different in a big way: It is allowing startups to tap data from hundreds of its clinical trials — what Novartis calls a "digital sandbox" — to help or blow up the young companies' ideas about how their technology could work in real-life settings.

That data sharing is happening already with Veta Health, which is using Novartis data on heart failure to help patients better manage the tough-to-treat disease, particularly after being released from a hospital, said Jake LaPorte, the global head of digital development for Novartis.

"It's something they don't have," LaPorte said about young companies' access to large data sets.

The other four initial companies in the Biome are Medable Inc., which is trying to digitize clinical trials; Mekonos Ltd. Inc., a company born out of the University of California, Berkeley, creating nanomachines that engineer cells to attack cancer and other diseases; Hemex Health Inc., developing a portable diagnostic device aimed at malaria and sickle cell disease from technology that originated at Case Western Reserve University; and Conversation Health, tapping "chat bots" to connect health professionals and patients.

The companies, which have access to fabrication facilities, are paired with Novartis employees who work in the same business unit as each company, LaPorte said.

Novartis does not take equity in the companies. What the companies pay for the space is "minimal," LaPorte said, with no set formula yet.

"We're really here to support the ecosystem. It's a no-strings-attached model," LaPorte said. "The biggest benefit to us is, we'll get to meet a lot of inspiring companies and people, and there will be a bridge for them to work with us in a more-streamlined way."

Novartis' Biome move comes at an interesting time for the company and old-school drug developers. Last year, it won the Food and Drug Administration's first approval for a chimeric antigen receptor T cell — a so-called CAR-T drug branded as Kymriah — that uses a patient's own immune system to attack a certain type of leukemia. But the company this summer also decided to close its Emeryville unit for infectious diseases, a set of diseases with relatively thin profit margins.
Digital health is far less regulated than drug development, with new products requiring fewer clinical trials. Those devices, apps and diagnostic tools often are aimed at complementing drugs, personalizing treatments or making health care more accessible.

"We're trying to make a statement here. We're embedded in the tech and digital health ecosystem," LaPorte said.

"We're looking for real problems that Novartis is trying to solve, and we think digital solutions can really help."

The companies likely will spend six to 12 months in the Biome, LaPorte said, and also can work with Hitlab, a Novartis partner that has relationships with New York City academic medical centers that can serve as test sites for the companies' products. Plus, Rx Capital, which is Novartis' joint venture with Qualcomm Inc. (NASDAQ: QCOM), could offer part of its $100 million fund.

Nanomachines developer Mekonos already has received funding from dRx Capital, LaPorte said.

"When they graduate, they will have real options," LaPorte said.

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