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4.29.10 | Mary Vanac | Cleveland, Ohio

## Ohio biomedical industry would be a shadow but for Third Frontier



By passing Issue 1 on May 4, Ohio voters would extend the Ohio Third Frontier program for four years with a \$700 million bond issue. Without voter approval, the state's largest, most aggressive, and arguably, most successful, economic development program ends in 2012.

What would Ohio and its biomedical industry look like had it not been for Third Frontier?

Ohio would be shy 55,000 new jobs, many of them high-paying research, scientific and technical jobs, which Third Frontier created in five industry clusters, including biomedical, since 2002.

The state wouldn't have generated a \$6.6 billion economic impact from those jobs, as well as from investments made in — and taxes paid by — more than 600 new companies, in those eight years.

Ohio's aggressive and sound investment strategies in the biosciences — much of that via Third Frontier — would not have been made. Those investments now are delivering results in the form of jobs, new and recruited companies, and rapidly increasing growth capital, according to the Ohio Bioscience Growth Report 2009 by BioOhio, the state's biosciences company developer.

Its biomedical institutions and companies would have foregone \$365 million in grants, which is 36 percent of the \$1 billion in grants made by the program so far. On average, every \$1 of Third Frontier grant money has attracted \$9 in other investment or grants to the state. That means \$3.3 billion in investments and additional grants would have gone somewhere else rather than to Ohio biomedical institutions and companies.

Many biomedical collaborations would never have happened. Third Frontier awards its grants based

on technological and commercial merit — as judged by independent organizations like the National Academies. Most of its requests for grant proposals require collaboration, which doesn't come naturally to organizations that otherwise compete for grants, investments or customers. Ohio would not have attained a No. 4 ranking for the strength of its biotechnology industry by Business Facilities magazine.

Cleveland may not have been called out as a region to watch as a neurodevice development center by the Neurotech Clusters 2010 report. Last year's report said Cleveland "is proving to be a fertile ground for new neurodevice companies with a total of 11 neurotech companies, eight of which are focused on devices." (Take that, Minneapolis, the device capital of the Midwest.)

Nor would Fast Company magazine have lauded Cleveland for its entrepreneurial venture capital mindset.

Northeast Ohio — the region with the largest concentration of biomedical development — would still have 250 biomedical companies instead of 600.

Quality Electrodynamics, a Mayfield Village company that designs and makes accessory coils to boost the productivity of MRI machines, may not have been born.

Blue Ash Therapeutics in Cincinnati probably wouldn't have been successfully spun out of Procter & Gamble and Warner Chilcott to grow on its own.

CleveX, a medical device company in Columbus with ties to Cleveland and Canton, might not be.

Venture development organizations — non-profits that get companies ready for venture capital investments — like JumpStart Inc. in Cleveland and CincyTech in Cincinnati, would not have had millions of dollars (and thousands of hours of expertise) to invest in the state's biomedical start-ups.

The Ohio Capital Fund, which invests Third Frontier dollars in other venture funds with an Ohio presence, wouldn't have been formed. The Ohio Capital Fund is credited with drawing several venture firms to the state, making it a "leading center for healthcare venture capital," said Baiju Shah, president and CEO of BioEnterprise, the healthcare company developer in Northeast Ohio.

The healthcare industry would not have attracted two out of three venture capital dollars invested in Northeast Ohio companies in the last five years. Some \$729 million was invested in 69 biopharmaceutical, medical device and equipment, and medical information systems companies from 2005 through 2009.

Wright Centers of Innovation like the Center for Stem Cell and Regenerative Medicine in Cleveland wouldn't exist. This collaboration of investigators from Case Western Reserve University, University Hospitals Case Medical Center, the Cleveland Clinic, Athersys Inc. and Ohio State University is building on a 30-year history of adult stem cell research in Northeast Ohio. The center helped create five companies. Four still exist: Arteriocyte Inc., Juventas Therapeutics, Cell Targeting Inc. and Invenio Therapeutics Inc.

Neither would the Wright Center of Innovation in Biomedical Imaging at Ohio State University Medical Center have been created. Ohio State, Case Western Reserve, Philips Healthcare and the Ohio Supercomputer Center got together on this center, which is building new technologies on the foundation of Ohio's legacy as a medical imaging pioneer.

The Global Cardiovascular Innovation Center incubator would not have been built at East 101st Street and Cedar Road in Cleveland. The \$250 million project — jump-started with a \$60 million Third Frontier grant for its only "mega" center of innovation — has made grants to 25 companies, drawing about a dozen to Northeast Ohio. Cincinnati companies Akebia Therapeutics and Blue Ash Therapeutics owe some of their success to the innovation center. So does Cleveland HeartLab. Proxy Biomedical of Galway, Ireland, established its U.S. presence through the center.

To top it off, Minnesota — which for years has vied with Ohio for venture capital dollars to develop medical device companies — wants a Third Frontier of its own.