

INDUSTRY NEWS

Entrepreneur Tests New Model for Medtech Innovation With Cordis

Investors acquired the medical-device company from Cardinal Health and have created an accelerator to fuel product development



Duke Rohlen is executive chairman of Cordis, a medtech company that an investor group recently acquired from Cardinal Health. He is also CEO of an independent accelerator tasked with supplying medical devices to Cordis.

PHOTO: HAGOP'S PHOTOGRAPHY

By

Brian Gormley

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Duke Rohlen, an entrepreneur who has led four medical-device companies to successful merger deals, is testing a new model for medical-technology innovation.

His team at Ajax Health, a startup he leads, has joined with investment firms Hellman & Friedman and KKR & Co. to acquire medical-device company Cordis from Cardinal Health Inc. in [a \\$1 billion transaction](#) that closed on Monday.

Mr. Rohlen is now executive chairman of Cordis and chief executive of a newly formed, independent accelerator tasked with supplying medical devices to Cordis.

Typically, medtech entrepreneurs seek to generate investor returns by selling their company to one of the larger players in their sector. Mr. Rohlen has a history of doing just that, previously leading startups such as EPIX Therapeutics Inc., a manufacturer of a cardiac-ablation treatment for irregular heartbeats that was acquired by Medtronic PLC in 2019.

The Cordis accelerator is a new strategy for Mr. Rohlen, one he says could yield innovations in areas that most venture-backed startups wouldn't target.

The accelerator, backed with \$300 million from Hellman & Friedman, KKR and Ajax, is tasked with supplying a stream of new products to Cordis, which sells devices used in the heart and blood vessels and has about \$750 million in annual revenue, according to a regulatory filing.



Garheng Kong, chairman of Ajax Health.

PHOTO: HEALTHQUEST

The accelerator will pay groups of engineers to invent devices for Cordis. Once developed and cleared or approved by the U.S. Food and Drug Administration, the devices will be sold to Cordis at a predetermined price based on a multiple of the amount the accelerator invested to develop them, Mr. Rohlen said. As devices are

sold, the proceeds from the sale will go back to the accelerator, the accelerator investors, and to the entrepreneurs who developed the technologies, he said.

One opportunity for the accelerator is to create devices that incrementally improve existing products and to develop synergistic devices used with other medical technologies. Such innovations are valuable to patients but aren't well served by large corporations or venture capitalists, Mr. Rohlen said. In addition to focusing on these areas, the accelerator will also develop novel, potentially transformational products, he said.

"External R&D, if structured effectively, can unlock both kinds of innovation," he said.

Large companies often struggle to develop incremental innovations that make an existing medical product safer or more effective, partly because their large bureaucracies hold them back, Mr. Rohlen said.

Meanwhile, venture capitalists focus more on novel, potentially game-changing technologies likely to generate a higher return on their investment. Incremental and synergistic innovations aren't adequately served as a result, he said.

The accelerator will be able to supply these types of technologies to Cordis. And because it will have a buyer lined up for each of its products, it will be able to attract engineers who want to work on innovative devices but don't want to join a startup and be involved with tasks such as fundraising or building a sales team, said Garheng Kong, chairman of Ajax and managing partner of Ajax investor HealthQuest Capital.

"What we have done is taken the exit risk off the table," Dr. Kong said.

One key to executing this model is attracting top innovators to work on devices. Ajax has a network of people it can recruit from who are talented and are good fits for the accelerator, Dr. Kong said. Mr. Rohlen said he has more than 20 independent contractors now developing products for Cordis.

Mr. Rohlen added that he plans to develop similar external accelerators for other large medtech companies.

“Our vision is to own that model in medtech and replicate it across multiple therapeutic verticals,” he said.