

REALIZING THE VISION

Medical Alley is the Global Epicenter of Health Innovation and Care



FOREWORD

In 2017, the Medical Alley Association, led by its Board of Directors and executives from all sectors of the Medical Alley healthcare community, convened two **Working Groups** to lead the development of a **10-year strategy plan** for Minnesota to realize the vision of Medical Alley being recognized as the global epicenter of health innovation and care. Specifically, the two Working Groups focused on

MINNESOTA COMPETITIVENESS & EARLY-STAGE ECOSYSTEM

The Medical Alley Working Groups have delivered a plan with specific recommendations and actions to address Minnesota's competitive status, lead the development of the ideal early-stage ecosystem that can capitalize on the evolving health marketplace and position the state for sustainable leadership.

The Medical Alley plan delivers private and public solutions recommendations. With a new Governor of Minnesota taking office in 2019, this plan is a blueprint for the next administration to adopt this vision and act to realize it.



CHALLENGES IDENTIFIED

Medical Alley identified four key challenges that must be addressed to realize this vision.

1

Minnesota must provide a business environment that attracts investment and increases the opportunity for health technology and care organizations to succeed.

2

Minnesota's environment for funding and support for entrepreneurial ventures must improve to capture and sustain a leadership position.

3

Minnesota must significantly increase its attraction of talented people and better prepare its existing workforce to impact the future of healthcare.

4

Medical Alley suffers from a lack of awareness and must be perceived by key opinion leaders, entrepreneurs, investors and innovators as the place they need to be to achieve success in healthcare.

MINNESOTA'S FUTURE

Medical Alley is the Global Epicenter of Health Innovation and Care



1

MINNESOTA MUST PROVIDE A BUSINESS ENVIRONMENT THAT ATTRACTS INVESTMENT AND INCREASES THE OPPORTUNITY FOR HEALTH TECHNOLOGY AND CARE ORGANIZATIONS TO SUCCEED.

The business environment is a key factor in the growth, expansion and location plans of healthcare companies as they evaluate locations around the world and make decisions about where they must be.

While Minnesota ranks highly in quality of life and education metrics, we consistently rank in the bottom 15 states for our high cost of doing business, primarily driven by our personal and corporate tax rates.

Targeted incentives and engaged state government leaders are deal makers for companies considering locations around the world. We need to better compete with regions that are investing billions in incentives to build up this industry, often by targeting Minnesota companies.



CONCLUSIONS ON MINNESOTA'S BUSINESS ENVIRONMENT

- Minnesota fails to have a “big” initiative focused on healthcare or life sciences.
- Minnesota consistently ranks in the bottom 15 states for business cost and taxes.
- CEOs and Economic Development Consultants rank Minnesota low for business.
- Minnesota is consistently ranked at the top in quality of life and education.
- Minnesota’s R&D Tax Credit and other incentives are not competitive.



MEDICAL ALLEY PLAN GOALS

- Minnesota will improve its business cost environment to rank in the top half of states by 2020 and the top third by 2025.
- Minnesota will offer a competitive set of incentives to attract and retain healthcare and technology companies.

SOLUTIONS TO MEET GOALS

Minnesota's top tier of the personal and corporate income tax rates must be lowered to 5.5% and 7% by 2020 and 5% and 6.5% by 2025 to meet the stated goal. Today, Minnesota's top tier of the personal income tax rate is 9.85% and the corporate income tax rate is 9.8%.

Minnesota's R&D tax credit must be increased to no less than 10% across the board and should provide refundability for companies with under \$10 million in revenue. Today, Minnesota's R&D tax credit is 10% of the first \$2 million and 4% above that, with no refundability.

Minnesota must expand its economic development competitiveness with a series of "unique to the market" incentives and support tools:

- Double size the Minnesota Investment Fund (MIF) and the Job Creation fund (JCF) to provide larger grants for projects that create 500 jobs or more, remove the requirement that MIF run through a local government, and provide JCF eligibility without real property capital investment.
- Have an Angel Investment Tax Credit to attract capital to the state.
- Provide matching grants to companies that pursue SBIR funding.
- Provide for a Net Operating Loss (NOL) marketplace for tax credits, like that of New Jersey.

2

MINNESOTA'S ENVIRONMENT FOR FUNDING AND SUPPORT FOR ENTREPRENEURIAL VENTURES MUST IMPROVE TO CAPTURE AND SUSTAIN A LEADERSHIP POSITION.

Healthcare is attracting entrants from around the world to compete against established providers, payors, and technology firms. No state is more dependent on its health innovation industry than Minnesota and no state has more to lose if healthcare disruption happens TO the state, not in the state. Startups are critical to sustaining leadership, but far too often Minnesota

companies struggle to raise capital and find support. Minnesota fails to have a "big" initiative that provides a focal point for entrepreneurs and investors. Competitors, such

as Chicago and Houston, have far fewer companies to showcase but provide investors and entrepreneurs with a single place to go, like Matter and TMCx.

CONCLUSIONS ON FUNDING & SUPPORT FOR ENTREPRENEURS

- Minnesota must expand the pool of investable capital and improve the aggregation of opportunities.
- Minnesota must deliver a focused point of entry for investors and increase services and connections for entrepreneurs.

MEDICAL ALLEY PLAN GOALS

- Healthcare startups in Minnesota raise more than \$1 billion in a year by 2020.
- Two or more new healthcare-focused accelerators/aggregators in Minnesota by 2020.
- Two or more new healthcare-focused venture funds in Minnesota by 2022.
- Increased support services for entrepreneurs and support for existing incubators.

SOLUTIONS TO MEET GOALS

- Private and public support to create The Still, a healthcare accelerator and aggregator designed by successful entrepreneurs.
- Increased support for existing incubators and accelerators, including the new gener8tor MedTech Accelerator, TreeHouse Health, Incubology, UEL and others.
- Support/expand The Founder's Club and other grassroots efforts to connect entrepreneurs.
- Return of the Minnesota Angel Investment Tax Credit.
- Creation of a public/private evergreen investment fund.
- National Medical Alley "roadshows" to showcase top startups to investors in key markets.

The Still concept is the product of an Aspen Institute Fellow's project and The Founder's Club, a Medical Alley-based collection of health technology company founders.

THE STILL WILL INCLUDE 6 INTERCONNECTED PROGRAMS

- A mentor network of successful entrepreneurs who support new entrepreneurs in their journey to be ethical, successful, community and business leaders.
- A bench of key talent subsidized to be affordable for startups.
- A group of corporate leaders in key companies that provide easy access to feedback and engagement with groups that could be customers, partners, investors, etc.
- A capital network that eases access.
- A referral resource network that provides quick access to services.
- A physical gathering space that acts as a central hub and point of focus for visitors, investors and entrepreneurs.



3

MINNESOTA MUST SIGNIFICANTLY INCREASE ITS ATTRACTION OF TALENTED PEOPLE AND BETTER PREPARE ITS EXISTING WORKFORCE TO IMPACT THE FUTURE OF HEALTHCARE.

Medical Alley has one of the elite talent pools for healthcare in the world. Medical Alley is home to the world's #1 medical technology cluster, is a leader in clinical and bioscience talent, and has a fast-growing digital health community. A vibrant

supply of top and new talent is critical to Minnesota's healthcare leadership position.

Medical Alley partner Greater MSP has provided significant research and conclusions on Minnesota's talent challenges. The Minneapolis-St. Paul

Region currently ranks 17th in net migration of working professionals – attracting talent. An annual increase of 5x growth is required to move into the top 10 and 8x growth is needed to claim the top spot. We must address this issue to realize this vision.

CONCLUSIONS ON TALENT

Minnesota must attract increased numbers of working professionals to meet a projected 2020 gap of **MORE THAN 100,000** people.

Minnesota must **BETTER PREPARE ITS EXISTING WORKFORCE** to impact the future of healthcare.



MEDICAL ALLEY PLAN GOALS

Minnesota will become a Top 10 state for workforce/population growth by 2022, measured by net increases in the number of professional and healthcare workers.


Minnesota will increase its focus on STEM education and programming, with tiered targets for workforce growth.

SOLUTIONS TO MEET GOALS



TALENT ATTRACTION AND COSTS

- Private and public support of Greater MSP's **Make It. MSP.** talent initiative.
- Support for Talent Acquisition Cost Study (time to hire, etc.) among industry members to be conducted at regular intervals.
- Committed campaign to raise awareness of Medical Alley as a component of talent attraction.



TALENT BUILD OUT AND PREPAREDNESS

- Increased public funding for the **SciTechSpexperience** and the inclusion of graduate students as qualifying for participation.
- Public funding for Industry-Education collaborations that co-develop curriculum and programming that deliver direct pathways into the healthcare jobs of today and tomorrow.
- Private and public support for expansion of the **Science from Scientists** program in Minnesota schools, doubling the number of participating schools annually.

4

MEDICAL ALLEY SUFFERS FROM A LACK OF AWARENESS AND MUST BE PERCEIVED BY KEY OPINION LEADERS, ENTREPRENEURS, INVESTORS AND INNOVATORS AS THE PLACE THEY NEED TO BE TO ACHIEVE SUCCESS IN HEALTHCARE.

We believe that talent, capital and innovation go where the action is. This seems to be true for Silicon Valley, Austin, and other locations that have a brand

that people know. Medical Alley is not widely identified as a hub of innovation or a destination for talent and capital. Awareness and perception drive decisions.

Conclusions on Awareness and Perception

Medical Alley / Minnesota
suffers from a lack of

AWARENESS

among target audiences.

MORE THAN 50%

of national respondents would
consider a move to the region
for the right opportunity.

MEDICAL ALLEY PLAN GOALS

Medical Alley will be perceived by key

• • • • • **OPINION LEADERS, ENTREPRENEURS, INVESTORS AND INNOVATORS** • • • • •

as the place they need to be to achieve success in healthcare.



Medical Alley and Minnesota will be



Medical Alley and Minnesota will be **recognized as a hotbed for healthcare innovation in leading technology publications, national newspapers, and in Google search results.**

SOLUTIONS TO MEET GOALS

● **Private and public support** for a national campaign to raise the profile of Medical Alley with a focus on innovation markets like California, Boston, Seattle, Austin, etc.

● **Delivery of content and expertise** through hosting of national healthcare and investor conferences, including MANOVA, a Global Summit on the Future of Health in Medical Alley.

● **Recruit 100 ambassadors** from the ranks of influential leaders in the healthcare industry based in or with ties to Medical Alley.



WHERE DO WE GO FROM HERE

Medical Alley is the global epicenter of health innovation and care. We can solidify, sustain and expand this position or risk losing it forever. Today, Medical Alley is home to the world's #1 health technology cluster for innovation, the world's #1 hospital (Mayo Clinic), the nation's largest private health insurer (UnitedHealth Group) and is at the forefront of regenerative medicine, personalized medicine and digital health. To secure a leadership position in the redefining of healthcare, we need to attract talent and capital from outside and deliver more talent and capital from within.

Having defined the four key challenges for Medical Alley's future and realistic solutions with achievable results, we call on our new Governor, public and private sector leaders and partner organizations to endorse and support these deliverables and execution of this plan. This plan includes everyone. There is something here for every party with a stake in the outcomes to support, drive and own. The leadership of the Medical Alley Association has driven this initiative, but the results can only be achieved by a broad coalition that far exceeds the capacity of one organization.

We sincerely hope that the Medical Alley community will accept this call to action and will work together to realize our vision: Medical Alley is the global epicenter of health innovation and care.

Sincerely,
The Medical Alley Working Groups

THANK YOU TO OUR AUTHORS

The Medical Alley Association would like to thank the following individuals for their commitment of talent and time as a part of the Medical Alley Working Groups in the creation of this report.

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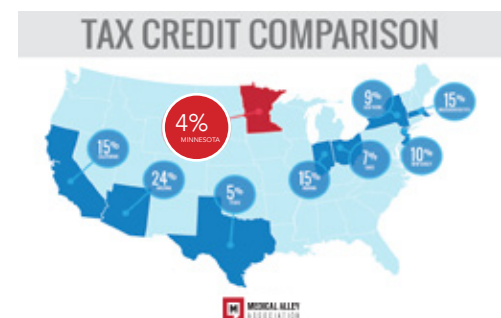
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