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Thoughts from a Pioneer Physician in the Venture Capital World

By Tiffani Sherman

For many physicians, practicing clinical medicine is the only occupation they ever wanted. For others, it is just the beginning of their career paths.

It was that way for Ross Jaffe, MD, co-founder of Versant Ventures, a health care venture capital firm. He began the company in 1999 and concentrates on medical devices. "I have been doing venture capital for 25 years," he said. "I was one of the first physicians in the industry back in 1990."

His road to venture capital was a winding one. Before medical school, Jaffe took pre-med courses but earned a degree in public policy from Dartmouth College, focusing on health care policy. After graduation, he turned down medical school and went to work in Washington, D.C., but that didn't last.

"I ended up deciding to go back to medical school," Jaffe said. He attended Johns Hopkins Medical School, graduating in 1985, and completed a residency program in internal medicine and primary care at the University of California, San Francisco.

After practicing for a while, the education bug bit again. “I thought the interesting issues in health care were organizational and financial, rather than scientific,” Jaffe said. So while working as a physician, he went back to school, this time to Stanford for an MBA, graduating in 1990. That’s when he was in the right place at the right time. A venture capital firm looking for someone with a clinical background called him out of the blue. “I wasn’t looking to become a finance guy, I didn’t really know what venture capital was,” he said.

According to the National Venture Capital Association, “venture capitalists are committed to funding America’s most innovative entrepreneurs and working alongside them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth.” Firms provide money to startup companies that otherwise may not be able to find funds.

Jaffe took the job and worked there four days a week. He still practiced medicine one day a week. That frantic pace only lasted until 1995, when he stopped practicing medicine. Something had to give.

“I didn’t have enough time to be a good father, a venture capitalist and as good of a doctor as I wanted to be,” he said. Even without an active practice anymore, someone asks him a medical question almost every day. “I found it worked very well for me,” he said, “I get to use my medical training and business training on a daily basis.”

But even though it has been a good move for him, Jaffe said his career isn’t for everyone. “I have a joke: I would never hire me now,” he said, adding business training is more important in venture capital than medical training, and he had little actual business experience when he graduated from business school.

“Just because you drive a car every day doesn’t mean you know how to build and repair it,” Jaffe explained, adding it is a common misperception physicians have, thinking just because they use medical devices every day they can understand the business behind them.

Physicians call him often, asking how they can get into the venture capital business. His advice is get business training and experience. “It is more of a marathon, not a sprint.” There are many training opportunities in a physician’s area of interest, whether it is in medical devices, biotechnology and pharmaceuticals, health care service and delivery or health care information systems.

“There is no clear path, in my point of view,” Jaffe said, “for a practicing physician, I think it can be hard.”

The number of firms investing in health care is declining, and the venture capital industry itself is small. The National Venture Capital Association says it has about 400 member firms, and Jaffe says his firm is a large firm, employing only about 10 investment professionals. Networking and relationships are important. “I was lucky to get into the industry when I did.”

But what about a physician with a great idea? Jaffe said that’s just what his firm and others are looking for, but he advises to develop that idea before looking for money. “Find some experienced people with entrepreneurial expertise to complement [a physician’s] clinical experience,” Jaffe said. Many universities have business incubators to help develop ideas for things like medical devices or information systems.

So what about the years of medical school and residency? Does Jaffe miss helping people through clinical practice?

“I enjoyed the practice of medicine, and I miss it. But I couldn’t do it well and do venture capital well. I help a lot of people, I just do so indirectly,” Jaffe said. Practicing medicine, he said, is helping one person at a time, hence the direct contact. In venture capital, he is helping to find and fund medical devices that could change the practice of medicine, an indirect service. “It’s still fulfilling, but in a different way.”

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