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TEXO Ventures , which has invested $16.5 million while building nine medical startups for the new era in U.S. health care, plans to expand by raising $75 million or more, VentureWire has learned.

Three entrepreneurs formed TEXO in 2009 to back startups that could improve health-care quality and efficiency at a time when medical costs were soaring. With holdings such as OpenMarkets Inc. progressing and launching products, TEXO plans to add to its fund or raise a second one, Managing Partner Randall Crowder said. The Austin, Texas, firm expects to raise $75 million to $100 million.

TEXO seeks startups that need a small investment to roll out a product that changes the business of health care. OpenMarkets, which helps hospitals save money on capital-equipment purchases, introduced its service in 2011 and has raised a $2.5 million Series A round led by TEXO.

The fundraising would enable TEXO to build a larger portfolio and invest more in its best performers. The firm, which works closely with companies in the early going, plans to hire a fourth partner so it can continue that approach with a larger fund.

Mr. Crowder and Managing Partners Jerry DeVries and Philip Sanger started with a pledge fund, investing their own money and showing deals to a network of investors. They sought young businesses that could benefit from their experience. Before TEXO, Mr. Crowder headed the Central Texas Angel Network. Mr. DeVries, as a general partner of Path4 Ventures , co-founded med-tech startup LDR Spine (now LDR Holding Corp .), and Dr. Sanger helped launch HealthSpring Inc., an operator of Medicare Advantage plans. Cigna Corp. acquired HealthSpring in 2011 for $3.8 billion.

TEXO portfolio companies aim to relieve some of the pressures facing medical-system players as they adjust to the changes occurring in U.S. health care. Hospitals, for example, are dealing with reimbursement cuts at a time when the health-care overhaul promises to increase demand for their services. This adds to their incentive to seek savings on imaging devices and other capital equipment.

OpenMarkets increases hospitals' buying power by banding them into a network. When network members need a product, OpenMarkets negotiates a volume discount with manufacturers, saving them 4% to 12% on their purchase. It now serves some 425 hospitals, including Seattle Children's. TEXO has made introductions that helped Northbrook, Ill.-based OpenMarkets land clients, Chief Executive Dan Michalek said.

Another holding, Austin-based Employer Direct Healthcare Inc., helps self-insured companies save money on planned surgeries by steering workers to surgeons it's selected according to quality metrics. This saves employers 30% to 50% off their health-plan discounts, Chief Executive Tom Johnston said.

The company, which originally shared these savings with clients, has shifted strategies now that it's shown it can produce savings consistently. It now charges a per-employee, per-month fee and lets companies keep the savings. The approach, which gives companies more incentive to encourage workers to use the service, could enable Employer Direct to capture just more than 1% of the 150 million lives covered by self-insured employers by the end of 2015. That would put it on track for about $30 million in annual revenue, Mr. Johnston said.

TEXO's Dr. Sanger spends 40% of his time with Employer Direct and serves as its chief medical officer. With the business expanding, however, the company plans to hire a fulltime successor, Mr. Johnston said.

By investing before companies are fully developed and by helping them fill holes in their business, TEXO seeks to own stakes of 25% or more in most of its companies, Mr. Crowder said. Seeing the progress of companies backed through the pledge fund, TEXO investors encouraged the partners in 2012 to raise a conventional investment vehicle. That year they raised $15.5 million for TEXO Ventures I LP from individuals and family offices.

TEXO expects to close the new fundraising by year-end. The firm doesn't expect to increase its fund sizes by much more in the future. It instead plans to raise a series of partnerships in the $100 million to $150 million range. Smaller funds make it easier for limited partners to hold the team accountable, Mr. Crowder said.

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