



## 2021 Digital Health Sector

Highlights, Trends & Opportunities

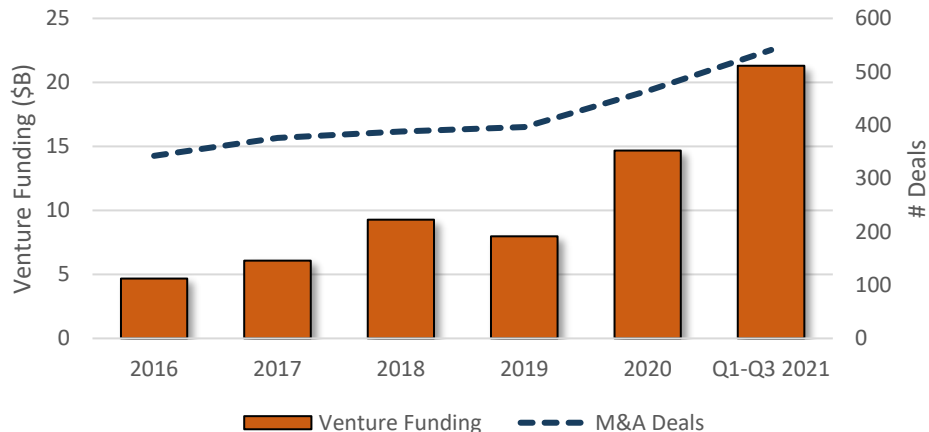
Reach the *Right Outcome*



# Digital Health Demand Drives Venture Funding & Strategic Consolidation


## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### Venture & M&A Activity



 Record M&A & funding activity indicative of segment maturity

 Digital Health strategies driving consolidation & positively influencing private-market valuations

 Strategies seek bolt-on acquisitions to expand offerings & address an ever-broadening spectrum of patients' digital healthcare journeys

### Key Trends & Drivers

- **Shift to value-based models** & patient-centered (consumerization of) healthcare; away from traditional fee-for-service models, in turn shifting risk away from payers
  - Covid-19 revealed weakness of fee-for-service reimbursement models based on in-person / brick & mortar utilization, volume
- **Covid-19** accelerated the digitization of healthcare
- **Need for improved clinical & financial outcomes for patients** has led to population-level data & care management facilitating identification of demographic-based disparities (SDOH as a component of diagnosis, condition and/or treatment) & community outreach
- **Use of big data analytics** to improve patient- and population-level care coordination & management

*Tech-Enabled Healthcare Solutions Expand Access, Availability & Enhance Clinical Outcomes*

# Key Sectors Poised For Acquisition & Funding Targets

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### Virtual Care

- Remote interaction between healthcare providers & patients
- Digital tools allowing communication & data sharing by consumer/patient preferences
- May substitute for in-person visits
- Services cover primary & specialty care, specialty consults, diagnoses, monitoring, coaching & treatment

#### Mental Health

- Apps, SaMD and DTx aimed at diagnosis & treatment of mental & behavioral health conditions
- Major Applications:
  - Depression
  - Anxiety
  - Sleep disorders

### Population Health Management (PHM)

- Platforms acting as data aggregating & 'virtualization' hubs; prioritizing & automating clinical workflows
- Framework & processes for improving outcomes of a population via the use of PHM platforms with core capabilities set:
  - Robust & automated data gathering, sharing (interoperability) & analytics
  - Tools for patient (& care giver) engagement, education, awareness & adherence
  - Command center for care navigation, coordination & management
  - Centralized collaboration hub for multi-disciplinary care teams
  - Basis for capturing key data requisite for payment, whether FFS, FFV or VBC
  - Center of ecosystem, providing digital health programs, services & content
  - Provides singular, (near-)comprehensive tool for fulfilling all objectives of Quadruple Aim

### Tech-Enabled Payers

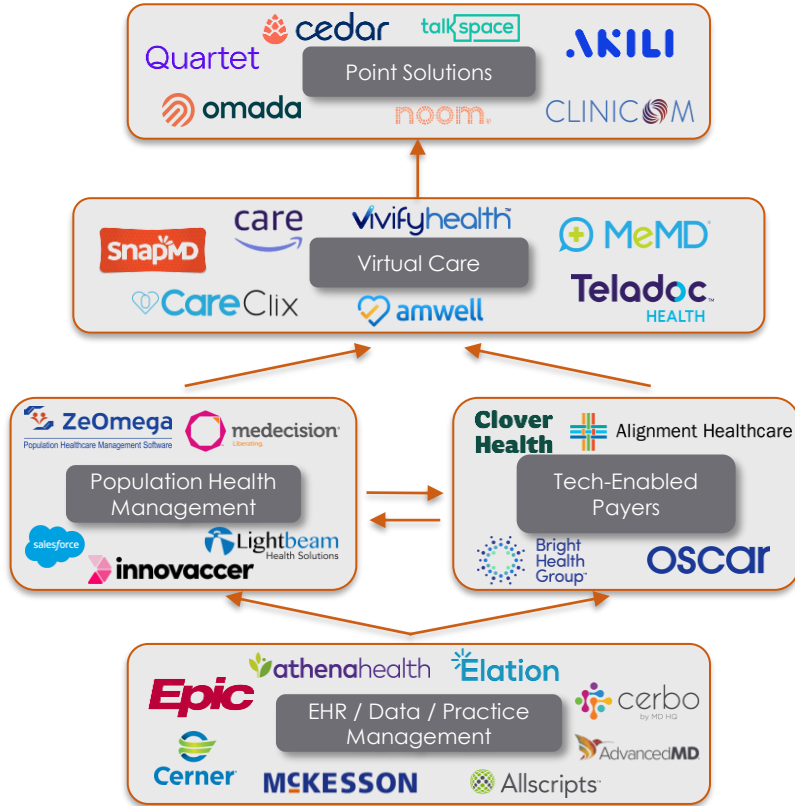
- Leveraging proprietary, internally-developed or newer enterprise software platforms to enhance, optimize and streamline typical payer operations
- These all-in-one platforms are more likely to have been designed with the consumer / member experience & the "services" aspect in mind
- Traditional players in the health insurance space hampered by antiquated legacy systems & processes, which provide for fragmented, sub-optimal member experience
- New entrants are focused on younger & more tech-savvy targeted audiences / membership, to meet the consumer "where they are" & provide optionality

Key Market Drivers Aligned For Rapid Sector-Specific Takeoff Via Growth Capital Funding & M&A

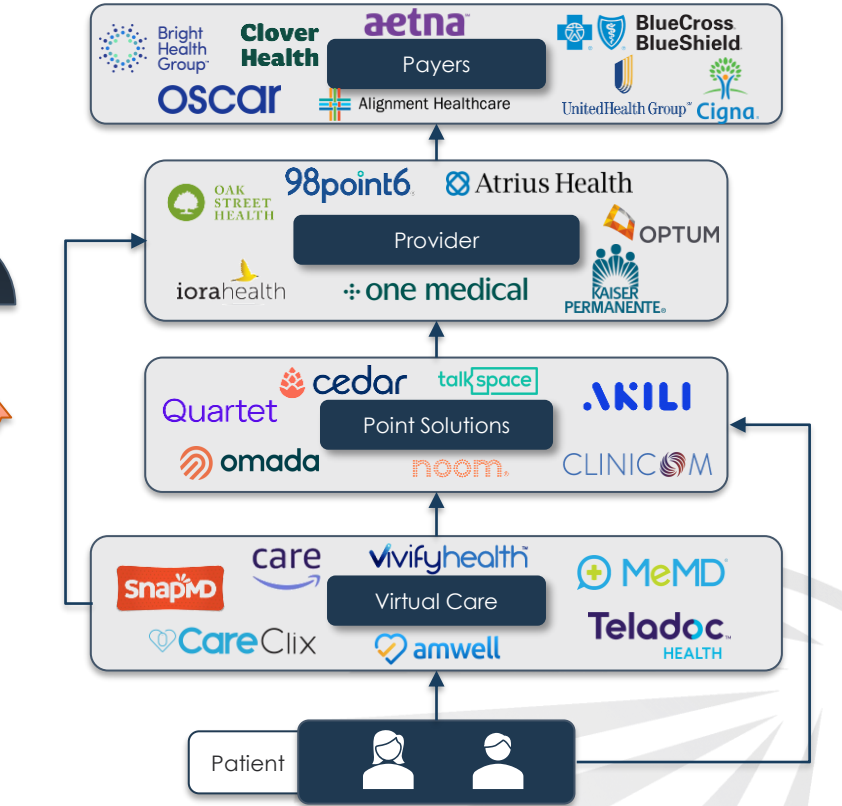
# Virtual Solutions Direct & Enable Care Across Healthcare Continuum

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### Data Flow



### Patient Flow



New Solutions & Integrations Are Redefining Traditional Healthcare Options

# Breakneck Adoption Of Virtual Care Offerings

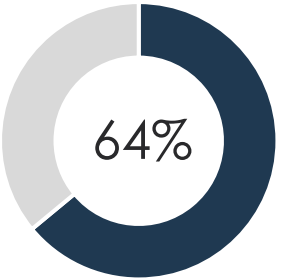
## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

**\$21B**

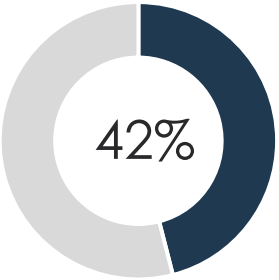
Virtual Care Market  
(U.S., 2019)

**\$250B**

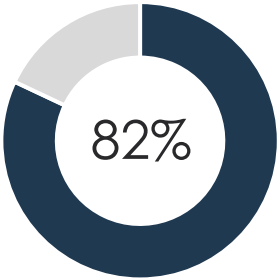
Estimated Healthcare Spend  
That Can Be Virtual  
(U.S)



Physicians more comfortable with virtual care post-pandemic



Consumers using telehealth in 2021  
(up from 11% in 2019)



Consumers who identify telehealth is equal-to or better than in-person

### Adoption Drivers

- Consumerization / demand for optionality & COVID pandemic driving virtual care adoption
- Enhanced care coordination enables hastened referrals & specialist access
- 24/7 access provides patients with near instant response

### Trends

- Expanding virtual care capabilities covers a patient's health journey across care continuum (Dx to Tx)
- AI & predictive analytics automate & optimize workflows, move Dx upstream & improve clinical outcomes
- Traditional tech and retail players using big data & cloud capabilities entering virtual care market via organic efforts & inorganic acquisitions

### Virtual Care Profile



#### Solutions

- › **Mental Health** › Women's Health
- › Primary Care › 2nd Opinions
- › Chronic Care › Specialty Care



#### Technology

- › **Telehealth** › IoT
- › AI/ML › Home-Testing
- › Chatbots › Diagnostics



#### End-Users

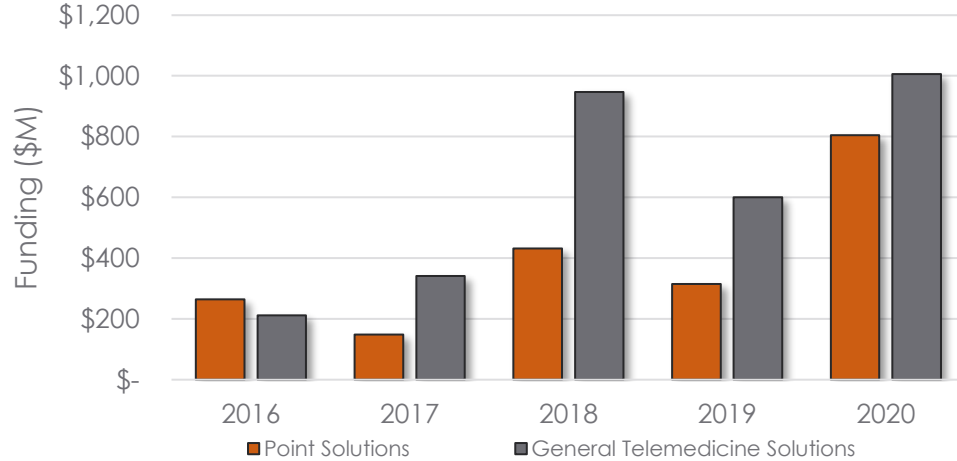
- › **Payers**
- › Providers
- › Employers
- › Patients/Consumers

Wide-spread Capabilities Attracting Interest From Payers, Providers, Employers & Patients

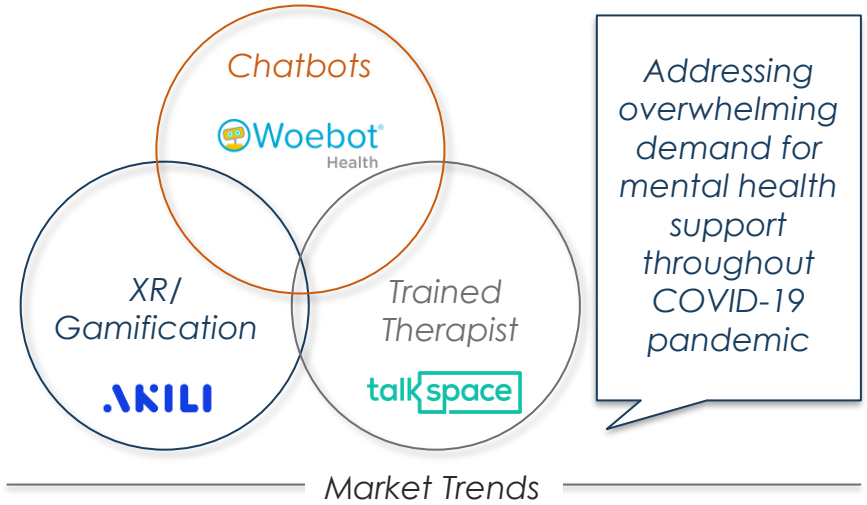
# Surging Mental & Behavioral Health Sector Positioned For Takeoff

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### Mental/Behavioral Health Venture Funding



### Emerging Platforms



**>40%**

U.S. adults report symptoms of anxiety/depressive disorder during Covid-19 (2020)

\*up from 11% pre-pandemic

**>\$193.2B**

Lost earnings in the U.S. economy due to serious mental illness each year (2019)

**40%**

Higher risk of developing cardiovascular and metabolic diseases for people with depression (2019)

### Market Trends

- **COVID-19 pandemic** led to an increase in mental/behavioral health conditions (especially anxiety & depression)
- **Growth investors** seeking “next big hit”
- **Telemedicine** focused on incorporating mental/behavioral health offerings
- **Fragmented offerings at precipice of massive consolidation**

Full Spectrum Solutions Offer Diagnosis, Treatment, & Management Via Trained Professionals, Chatbots & AI

# Population Health Management Relies On Coordinated Care

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### Data Management

- Ever-increasing amount of patient data:
  - PHR / Family history
  - Imaging & labs
  - RWE & SDOH data
  - Genomic data
- Emphasis on HIPAA / HITRUST / SOC 2

### Care Management

- Directing daily activities for optimal care:
  - Chronic condition management
  - Lifestyle management
  - Treatment adherence
  - Navigation & coordination

### Interoperability

- Required to operate across multiple EHRs ('the data layer') & many data streams
- A must for creating, sharing & managing a complete & up-to-date longitudinal record

### Data Analytics

- Risk scoring, prioritization & predictive analytics
- Social Determinants of Health (SDOH) data
- Determining applicability for community level services at individual level

### Key Capabilities

#### Reduce Cost

- Evidence-based screening and preventative measures / interventions identify and focus on patients / populations in need of care (e.g., rising risk, high cost / risk)

#### Mitigate & Reduce Risk

- Identification of risk factors via segmentation of patient populations by age, gender, diagnoses, demographics, social determinants of health, etc.

#### Improving Access, Efficiency & Experience

- Through digitization & hybrid care modes, care can be adapted for emerging patient needs in alignment with modern patient preferences
- Shifting from volume-based care to value-based care, focusing on outcomes

### Key Developments



September 2021 – Amazon Care plans to expand its services to more than 20 major U.S. cities this year and in 2022, offering virtual visits, in-person 1<sup>st</sup> care visits at patients' homes or offices and Rx delivery.



2021 – Microsoft acquires Nuance (Apr), an AI-based NLP platform for clinicians which integrates with EHRs, and partners with Teladoc (Jul), to integrate telehealth into the Teams app, also for providers.



September 2021 – Walmart has tapped Epic to use its EHR to connect records across all of its healthcare services, including virtual (MeMD) and in-person care at its growing number of clinics (AR, IL, GA, FL).

*The PHM Goal: Improving A Target Population's Health By Collaboratively Engaging Patients In Making Better Choices*

# Data & Digitization Spurs Shift To Value-Based Care Model

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

Current



### Fee-for-Service Models

Healthcare providers are incentivized based on the number of tests, procedures, or visits patients complete throughout their care journey

- Provider-centric model
- Focused on downside risk protection and "sick" care
- Broad-based, open access networks

Future



### Value-based Care Models

Connects physician reimbursement incentives to patient outcomes based on both quality of care rendered and cost-efficiency of care

- Patient-centric model
- Focused on overall consumer value proposition
- Embedded risk stratification & targeted analytics
- Focused on preventative care through data analytics

### Healthcare Investment & Spend

**\$4.2B**

Investments in new payer models for health insurance

**~25%**

Of healthcare spending in the U.S. is wasted

**66%**

Personal bankruptcies caused by Medical bills

### Opportunities In Value Based Care

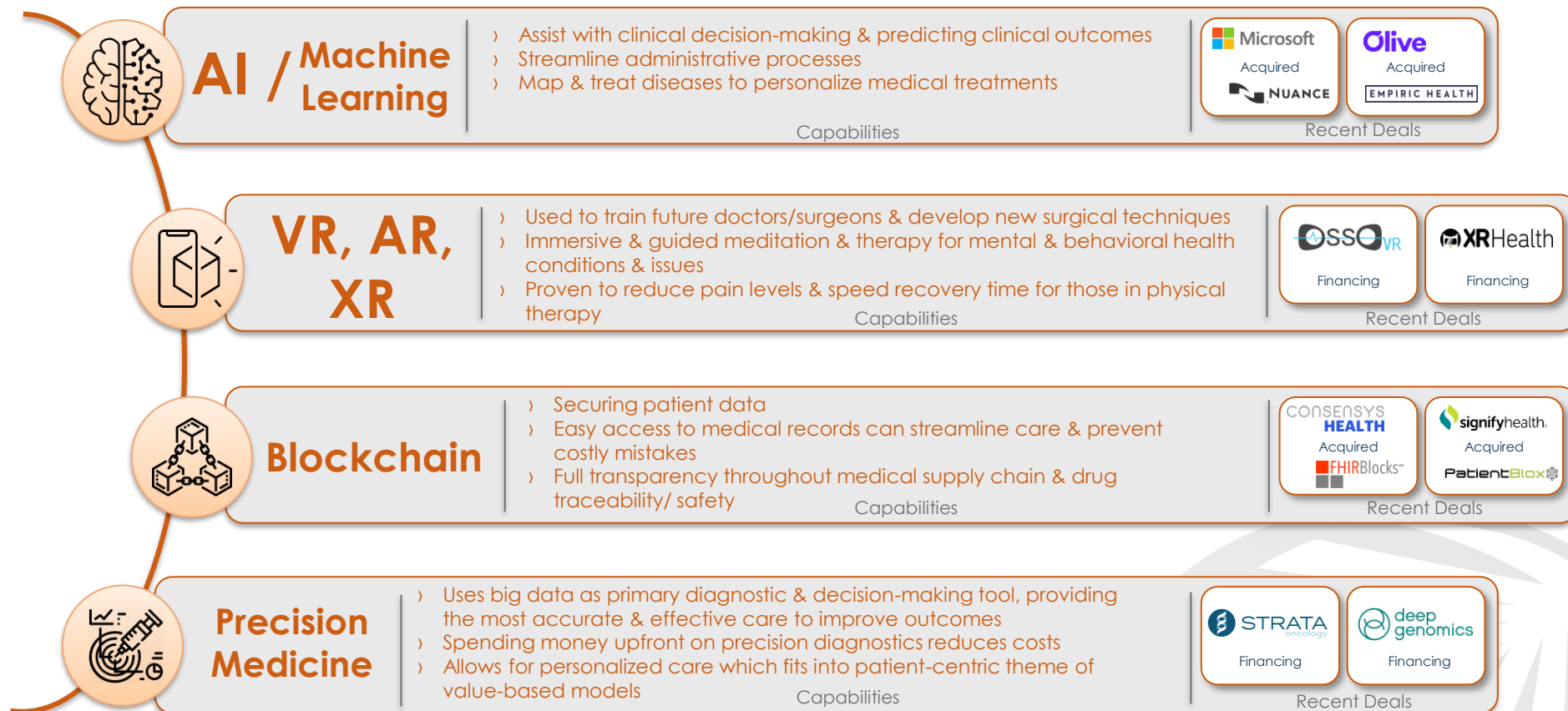
- ✓ Increased Connectivity
- ✓ Targeted Product Concepts
- ✓ Reduced Underwriting Costs
- ✓ Increased Automation & Efficiency
- ✓ Data-driven Decision Making & Insights

*Wholistic Approach Aligns Payer, Physician & Patient Interests To Eliminate Extraneous Costs*



# Emerging Technologies Upending Traditional Healthcare Models

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES



Technological Advancement & Regulatory Pathways Converge For New Market Opportunities

# Key Considerations & Strategies For Virtual Care Platforms

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

Battlegrounds	Market Forces	Keys to Win
Data	By 2025, >200 EB / day of healthcare data will be generated. What's your enterprise data strategy? Where is your data coming from / going to? Is it secure? How will you make it <i>actionable</i> ? (E.g., our "neuro-", "-omics" & "personalization" journeys are just beginning...)	<ul style="list-style-type: none"> <li>Ability to take in, normalize, store, share data from and with all relevant sources, i.e., <b>semantic interoperability</b></li> <li>Robust, secure, enterprise <b>cloud</b> storage and <b>PHM</b> capabilities, w/ petabyte-level <b>AI / ML automation</b></li> </ul>
Care Navigation	Hundreds of entities, vendors and solutions are currently vying to influence and direct where consumers/patients go to receive healthcare. This battle will only get more intense and will be won at great expense. How do / will you compete? How do you align w/ the Quadruple Aim?	<ul style="list-style-type: none"> <li><b>Prediction, personalization</b> &amp; BPA will win the day</li> <li>Continuously improve to remove patient "pain points" – <b>focus on seamless access to care</b></li> <li>Know the ROI / outcome for every asset in your portfolio</li> </ul>
Home	"Meet the consumer where they are" has become a mantra as a result of the pandemic. There were already entire subsegments of the healthcare industry focused exclusively on the home and as technology evolves, the home will become the epicenter of care.	<ul style="list-style-type: none"> <li>Having the <b>right devices and partnerships</b> will be key</li> <li>Your brand, value proposition and the experience that you provide will all be increasingly important – why would a consumer choose to utilize your services?</li> </ul>
Verticalization	Whether this happens with geography (payviders), capabilities (Apple, Amazon, PHM) or specific conditions (Onduo, Propeller Health), those who 'own' a fully-integrated vertical – built with careful consideration – will triumph over niche players by leveraging economies of scale.	<ul style="list-style-type: none"> <li><b>ID your core strengths</b> and capabilities, now and over the next ten years; Where are your gaps?</li> <li><b>Vertically integrate</b> your addressable markets and across your portfolio of assets and partnerships</li> </ul>
Virtualization	Think we've reached peak 'virtualization'? Think again: McKinsey calculates that "up to \$250 billion of current U.S. healthcare spend could potentially be virtualized," including 24% of all office visits / OP encounters. While we're adjusting to a 'new normal', the genie is out of the bottle, and younger generations will continue to push the trend.	<ul style="list-style-type: none"> <li>Consolidate your legacy systems and platforms (and/or outsource innovation) as <b>fully-integrated &gt; disconnected</b></li> <li><b>AI &amp; ML are better than people for some tasks</b>; you'll have to anticipate what those are going to be</li> </ul>

# Near-Term Corporate Transactions Will Shape Next Decade Of Digital Health

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

### M&A Drivers

- COVID-19 pandemic accelerated interest & adoption of digital health & virtual care leading to expanded acquirer universe
- Regulatory environment providing favorable & reliable landscape for digital/virtual offerings
- Market saturation is challenging niche players seeking market share
- Large strategics seeking to diversify end-to-end solutions & differentiate portfolio

### Sample Acquirers



### Financing Drivers

- Private equity sponsors hunting for growth & consolidation opportunities with earnings-positive digital health companies
- Hybrid debt/equity growth financing supports near-term & long-term value creation
- Big data/AI impact reducing healthcare costs with exciting new value proposition
- High-value exits entice both traditional healthcare & non-traditional tech/life-science investors

### Sample Investors



### Transaction Considerations



#### Team

- Does subject matter expertise need to be retained?
- What is "life" like for MGMT/partners post-transaction?



#### Technology

- What is the product differentiation?
- Is the solution addressing a niche market or is it broadly applicable (e.g., who pays?)?
- What is the competitive landscape?



#### Business Efficiency

- What is the business model? What is 'core'?
- Is business currently profitable / scalable?
- Are all accounts/offerings equally profitable?
- What are the ongoing resource requirements?









#### Growth Potential

- What are the impediments to growth?
- How much capital is required to reach a value inflection milestone?

Highly Scalable Solutions In Fast-Growing Digital Health Industry Receiving Premium Valuations

# Recent M&A Transactions Highlight Demand For Niche Solutions











## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

 Target	 Buyer	8/17/2021 Date	Not Disclosed Size	Software platform providing consumer insights for individuals in the U.S. to engage patients, close gaps in care, and optimize performance for healthcare payer and provider models. Target Description
 Target	 Buyer	7/28/2021 Date	\$320 Million Size	Companies offering digital cognitive behavioral health programs & automated healthcare management platform. Target Description
 Modern Fertility Target	 Buyer	5/19/2021 Date	\$225 Million Size	At-home fertility health testing and education platform that helps women better understand their reproductive health. Target Description
 Target	 Buyer	6/15/2020 Date	\$200 Million Size	Prescription management software that aids individuals and families in managing medicines and chronic illness; includes refill reminders, facilitated medication delivery and medication lists. Target Description
 Target	 Buyer	5/19/2020 Date	\$30 Million Size	Digital physical therapy solution for managing musculoskeletal conditions that offers access to personalized physical therapy and remote consultations. Target Description

Myriad Leading Healthcare Players Seek Gap Fill / Platform Expansion Opportunities

# Recent Financings Showcase Breadth Of Digital Health Investors

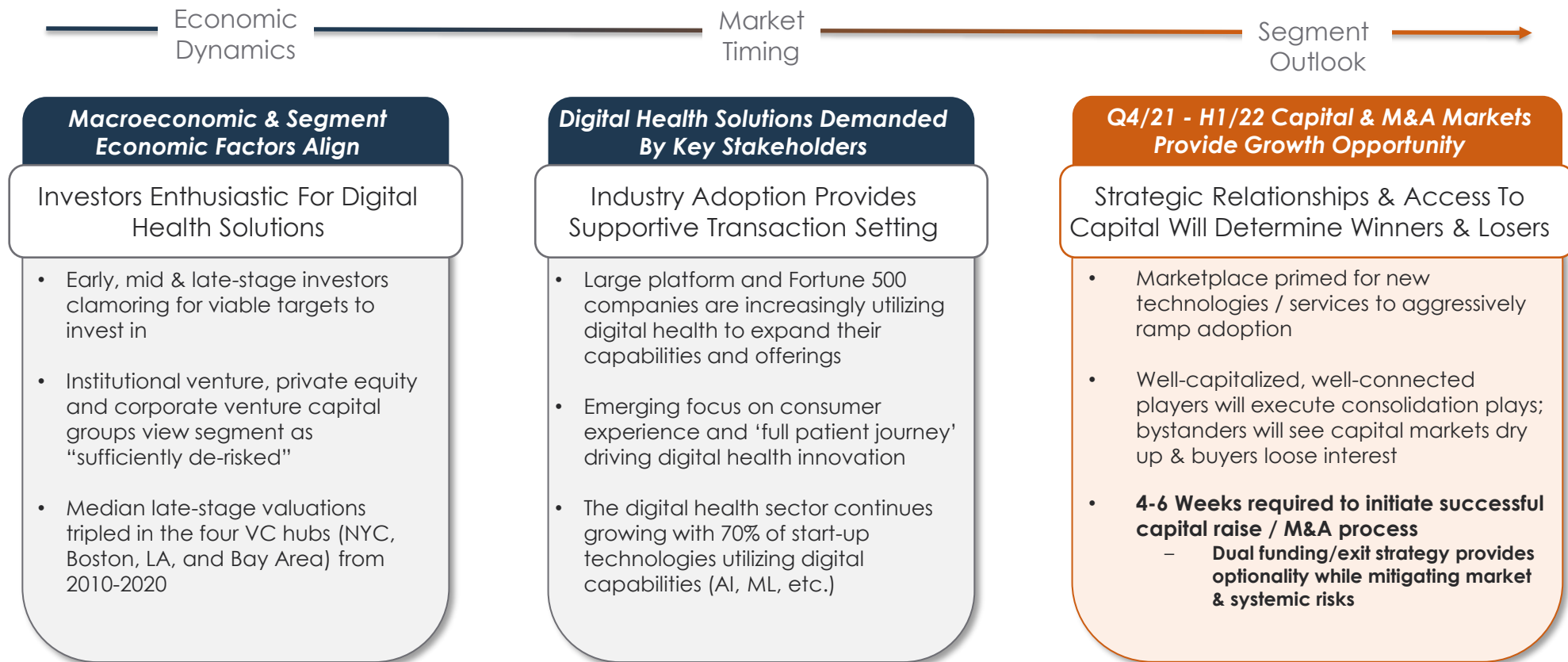
## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES

 <b>BioIntelliSense</b> Target	 Investors	7/28/2021 Date	<b>\$45</b> Million Size	Data-as-a-service (DaaS) platform and on-body sensors that provide medical grade remote patient monitoring, radiology, and management. Target Description
 <b>AKILI</b> Target	 Investors	5/26/2021 Date	<b>\$110</b> Million Size	Prescription digital medicine company that provides personalized digital therapeutics to improve cognitive impairments. Target Description
 <b>wheel</b> Target	 Investor	5/19/2021 Date	<b>\$50</b> Million Size	Healthcare technology platform that provides the infrastructure needed for clinicians & companies to build out virtual care services/platforms and provide digital care to their patients. Target Description
 <b>VIM</b> Target	 Investor	5/5/2021 Date	<b>\$60</b> Million Size	Healthcare technology platform that aligns incentives between payers & providers in order to enable value-based care decisions Target Description
 <b>current health</b> Target	 Investor	4/23/2021 Date	<b>\$43</b> Million Size	Remote patient monitoring platform designed to identify & predict the onset & progression of disease to enable preventative healthcare to improve patient health outcomes and reduce healthcare costs. Target Description

Robust Investor Activity Spans Healthcare / Tech / Life Science / Finance Institutionals

# Market Factors Drive Growing Digital Health Market

## DIGITAL HEALTH SECTOR | 2021 HIGHLIGHTS, TRENDS & OPPORTUNITIES



*Optimal Value Creation Opportunity Available For Middle Market Digital Health Sector Companies*



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