




Digital Health & Healthcare Technology

Building a Company

Selling into Payers and Providers

Raising Capital

April 3, 2025



Agenda

- Building a healthcare business
- Selling to payers and providers
- Raising capital



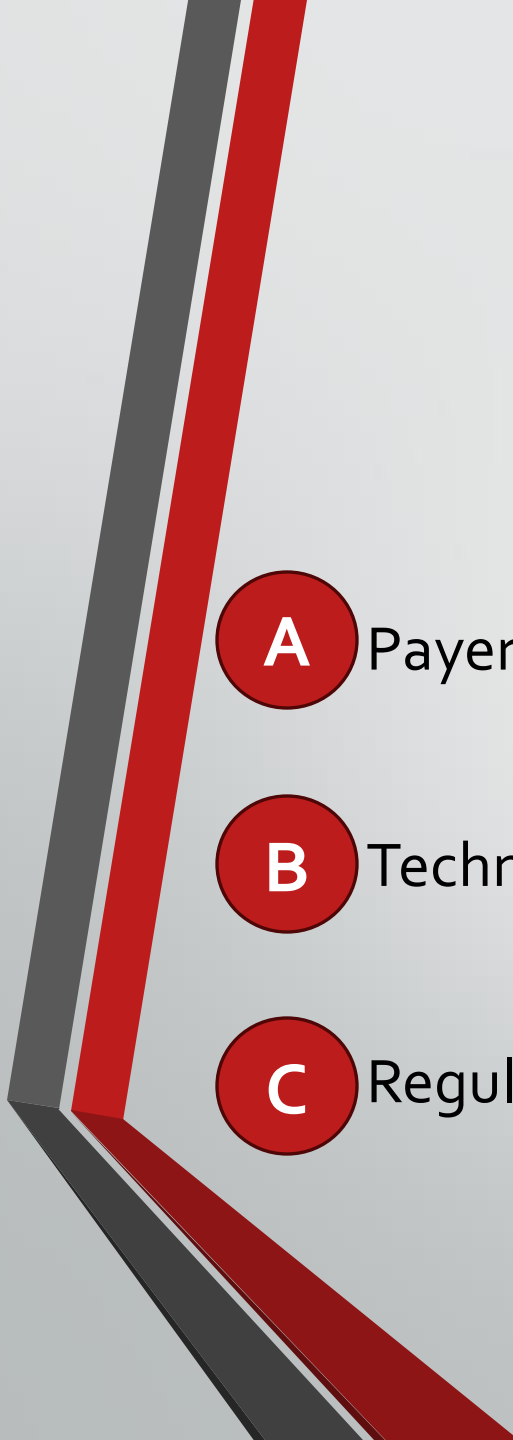
Building a healthcare business

Do you like acronyms?

Healthcare Startups require the same elements as any early-stage company and...

- 1 Problem & Market
- 2 Competitive Landscape & Solution
- 3 Team
- 4 Financials

... industry specific components



A Payer, Provider, Patient Dynamics

B Technology

C Regulatory & Compliance

Healthcare Startups require the same elements as any early-stage company and...

- Problem & Market
 - Is this a big problem?
 - Does it cost a stakeholder a lot of money or open the door to generating more revenue?
 - How aware are the stakeholders?
 - How painful is this problem? Where does it fall on the priority list?

Healthcare Startups require the same elements as any early-stage company and...

- Competitive Landscape & Solution
 - How many companies are trying to solve this problem?
 - What are the dynamics?
 - Large incumbents
 - Greenfield
 - Highly fragmented
 - Differentiation or Sustainable Moat

Healthcare Startups require the same elements as any early-stage company and...

- Team
 - Smart
 - Dedicated
 - Efficient
 - Collaborative

Healthcare Startups require the same elements as any early-stage company and...

- Financials
 - Unit Economics
 - Projections
 - Pipeline
 - Cap Table

...industry specific

Trends in Healthcare areas of interest

LEADING VALUE PROPOSITIONS AND CLINICAL INDICATIONS



TOP FUNDED VALUE PROPOSITIONS

2020-2024; integers equate to funding rank

	2020	2021	2022	2023	2024
TREATMENT OF DISEASE	\$2.1B 3	\$5.0B 3	\$2.1B 5	\$1.9B 2	\$1.9B 1
NONCLINICAL WORKFLOW	\$1.3B 8	\$3.8B 5	\$2.5B 3	\$2.1B 1	\$1.8B 2
MONITORING OF DISEASE	\$1.7B 5	\$3.6B 6	\$2.4B 4	\$1.3B 6	\$1.4B 3
ON-DEMAND HEALTHCARE	\$3.0B 1	\$5.4B 2	\$2.5B 2	\$0.9B 9	\$1.3B 4
CLINICAL WORKFLOW	\$1.0B 10	\$2.3B 10	\$1.4B 9	\$0.8B 10	\$1.2B 5
CONSUMER HEALTH INFORMATION	\$1.2B 9	\$2.6B 9	\$0.9B 13	\$0.4B 16	\$1.0B 6

TOP FUNDED CLINICAL INDICATIONS

2020-2024; integers equate to funding rank

	2020	2021	2022	2023	2024
MENTAL HEALTH	\$2.4B 1	\$4.9B 1	\$2.2B 1	\$1.2B 1	\$1.4B 1
CARDIO-VASCULAR	\$1.4B 3	\$2.0B 3	\$1.4B 2	\$0.6B 3	\$1.0B 2
ONCOLOGY	\$1.3B 4	\$1.5B 7	\$1.3B 3	\$0.5B 4	\$0.7B 3
WEIGHT MANAGEMENT AND OBESITY	\$0.9B 5	\$2.2B 2	\$0.6B 8	\$0.3B 8	\$0.7B 4
REPRODUCTIVE & MATERNAL HEALTH	\$0.8B 8	\$1.9B 4	\$0.8B 6	\$0.2B 12	\$0.6B 5
DIABETES	\$0.9B 6	\$1.9B 5	\$0.8B 5	\$0.3B 6	\$0.6B 6

Note: Companies can be tagged with multiple value propositions and clinical indications; Rock Health tracks 20 value propositions and 23 clinical indications; box colors correspond to the funding rank of the value proposition and clinical indication each year; the light grey applies to any funding rank greater than six

Source: Rock Health Digital Health Venture Funding Database; includes U.S. deals >\$2M; data through December 31, 2024

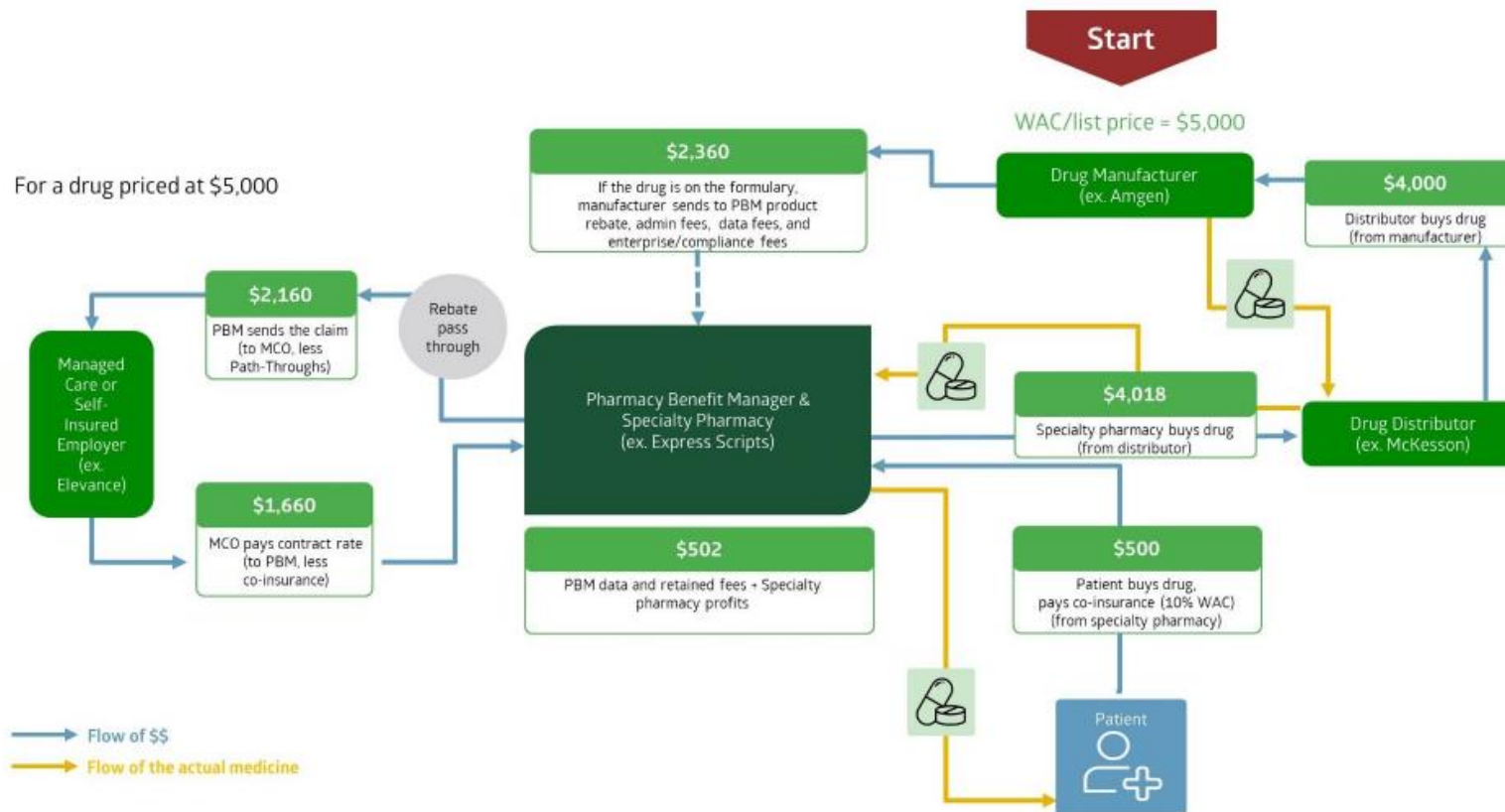
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...industry specific

Clinical Healthcare Services are extremely complex

- End User - often the Patient
- Who educates, recommends to patient? Physician
- Who pays? Insurance Company, Government, Employer, Patient
 - Don't' forget about the Pharmacy Benefits Manager

...industry specific Pharmacy Prescription Workflow



Source: TD Cowen.

... industry specific components

- Technology
 - Clinical workflow - EMR Integrations
 - Population health – Data ingestion
 - HITRUST
 - Enterprise Architecture Review

... industry specific components

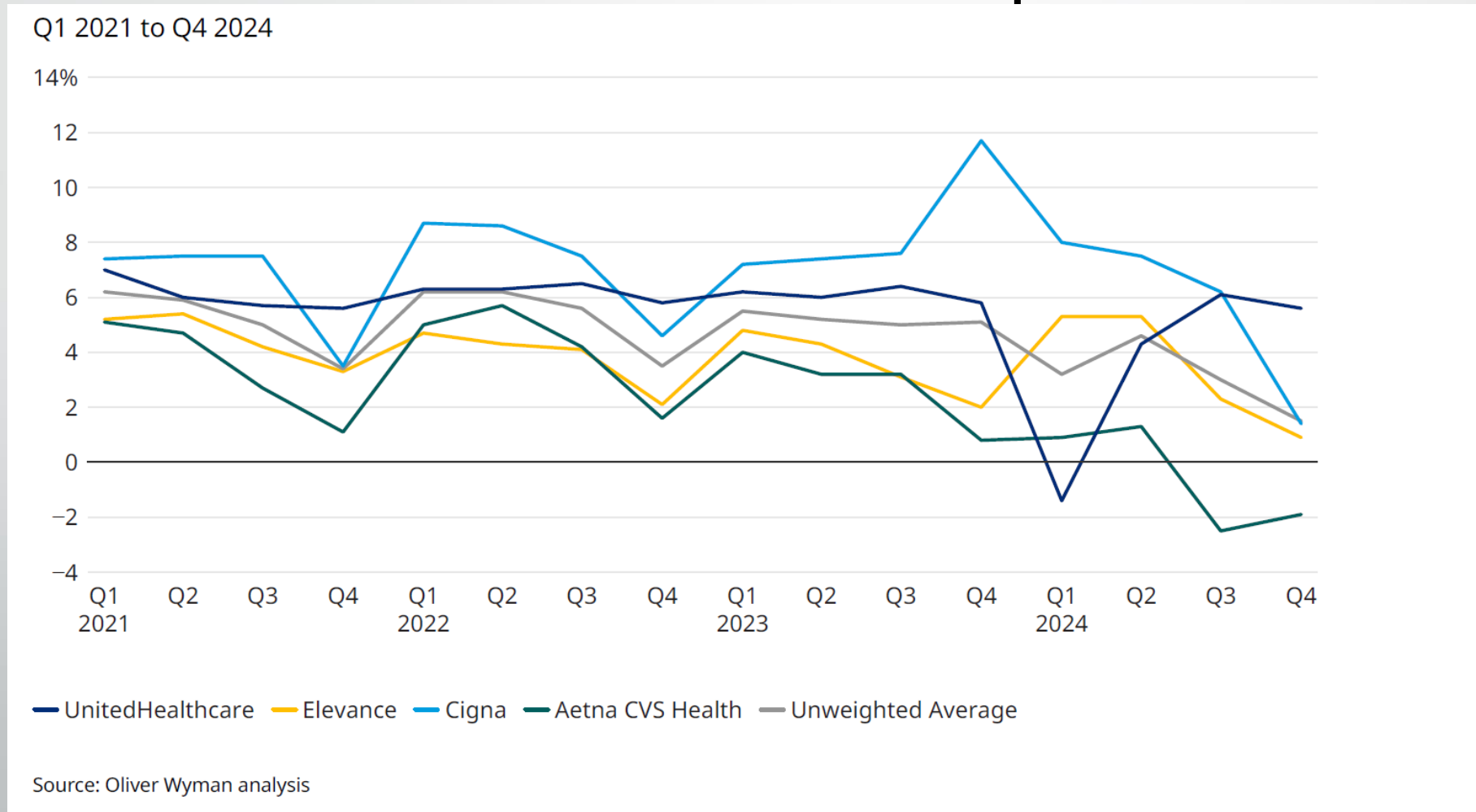
- Regulatory & Compliance
 - FDA
 - Therapeutic
 - Device
 - CLIA (Labs)
 - HIPAA & PHI
 - FWA, Stark Anti-Kickback
 - PCI DSS – payments
 - Other



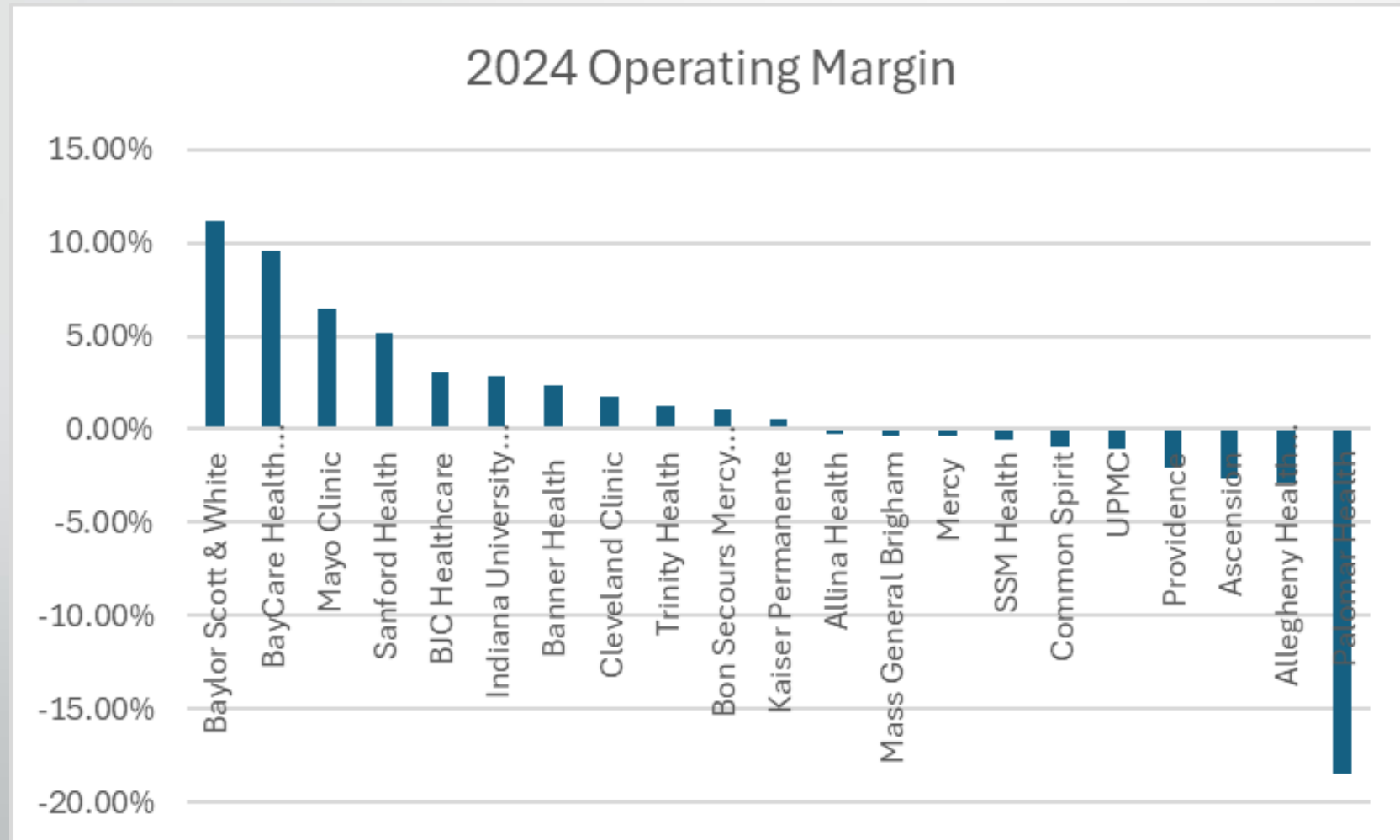
Selling to Payers and Providers

How much time do you have?

Payer Margins (Net Income as % of Premium) declined in 2024



Provider Margins



Presenting a compelling (and correctly calculated) ROI is key to credibility

- Pay attention to what falls to the bottom line
 - Generate new revenue but is it profitable revenue?
 - Example: - New Revenue 200, Charge customer 100, 2x ROI **X**
 - Gross Margin on that Revenue is 50 before paying vendor so negative ROI
- For Payers and Value-Based Care – how are you measuring the impact of your solution?
- Evidence: Case Studies, Publications
- Time to ROI

Understanding customers and decision rights is critical for success

- Many have to say, “Yes”
- Physicians vs. Administrators vs. CFOs
- Approval process
- Supply Chain / Legal





Raising Capital

How resilient are you?

Timing is everything

U.S. DIGITAL HEALTH FUNDING AND DEAL SIZE

2014-2024

ROCK
HEAL+H



Source: Rock Health Digital Health Venture Funding Database; includes U.S. deals >\$2M; data through December 31, 2024

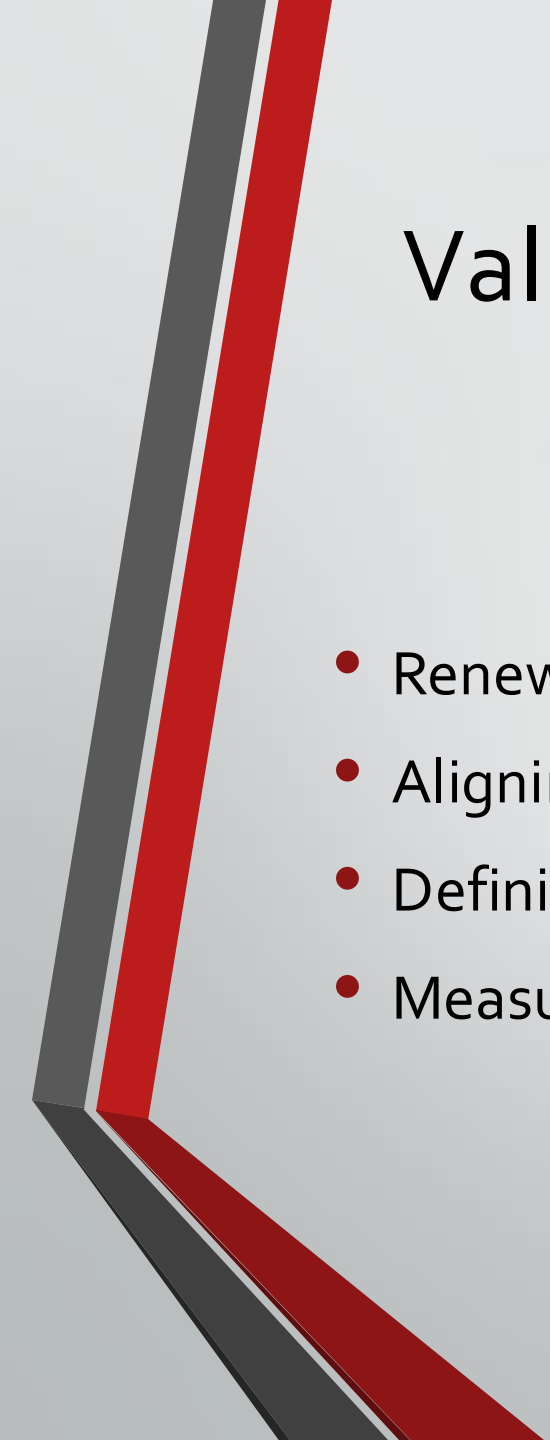
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Investors evaluate the elements from earlier, then dig deeper

- Problem and Market Size, Competitive Landscape and Solution, Team, Financials, Technology, Regulatory & Compliance, Legal
- + Venture Math
- +Evidence of progress toward de-risking (e.g., proof points)
 - Product Market Fit
 - Pipeline Conversion
- +Balance of confidence and humility

AI is a double-edged sword

- You must be able to answer the question, “How are you using AI in your business?”
- The response must be credible, doesn’t have to be customer-facing
- Don’t over index on AI – Jim Gaffigan “Bacon Bits are the fairy dust of the food community” AI is not the fairy dust of healthcare startups
- Customers worry about their data ownership rights and PHI & PCI data leakage/breaches
- How are you protecting your company’s intellectual property from leaking into an LLM? (For example: Engineers checking code)
- How are you training your model? Synthetic data, De-ID RWE
 - What is required for regulatory approval?



Value-Based Care is the future and has been for many years

- Renewed energy
- Aligning incentives across stakeholder groups
- Definition varies – be clear on scope
- Measurement criteria and mechanisms for adjudication

Strategic investors offer significant value, but define expectations from the outset

- Priorities – cash returns vs. use of solution
 - Desire to acquire?
 - Dedicated fund or balance sheet investor
- Technical guidance and support – cost, IP rights, access
- Customer relationship – pre-investment vs. post-investment
- For-profit vs Non-profit implications




Financial Investors

- Capital
- Guidance
- Network
- Advisors & Support

Navigate rights and board representation carefully

- Attorneys will paper for the downside case
- Preferred Stock - Liquidation Preference
- Protective Provisions
- Board Members
 - Voting
 - Rights to seat
 - Who represents the investor
 - Manage / Be Managed



Q&A