

RESI conference and Digital medicine connect at Biopharm America

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Digital Health and Digital Medicine Investors Combined Conference Notes

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Comments on General Digital Health and Digital Medicine Environment

In general VC's are surprised as to how much money is being invested in digital health. \$3.5 billion so far this year. It is surprising because there have not been many exits. It seems every stakeholder has recognized tech is ubiquitous and now want to invest. From their point of view, rate of adoption is slow and companies are starting to face financing pressures. We are going to see some weeding out. Most still have difficulty sifting through what is good and what is not.

The bar for 'Series A' has just increased recently. VC's don't want to fund trials because it is too risky. To fund trials, companies should look to translational medicine programs or accelerators (UCLA has a good one) or SBIR grant.

Investors want to invest in commercialization. They expect companies to have some sales (service) already as they want proof the market is prepared to pay.

'A' rounds were being done at \$12-15 million pre-money. Discussion was that this is too high and 'B' rounds are expected to be down rounds. Consolidation is coming. Transactions are getting bigger, but with lower numbers of companies.

The first push was in non-regulated products. Now investors are pushing into regulated space. I.e. products with data.

Tips from Investors

- A company must understand the market and money flow. Sometimes the medical system is set up in such a way that no one will buy it.
- Think through your sales cycle. It takes a long time to sell all the stakeholders. 12-18 month sales cycle for \$500,000 in sales is too long and not viable.
- Management needs to have a handle on the regulatory pathway. A company should start with a class 2.
- Management must understand that rules to success are very different compared to other businesses. Digital medicine is more complicated than typical IT.
- Companies should pay attention to how many products their channel partner sells and how prominent its product will be. Sales will not spend much time to sell a \$1000 add on when they could be selling a \$2 million device.
- Compliance is needed for people to use tools-make it easy or fun
- What do you bring to the table that someone else does not i.e. do you have access to data no one else does, do you have access to customers.

- Incorporating digital health into medical practice could be difficult. Think it through. Doctors see patients from multiple carriers (insurance providers), so if a single carrier asks a physician to use a tool, it is not going to be sufficient in a multiple carrier environment.
- It is not possible for physicians to keep everything in their head. Newer generation of docs will accept the fact that they need help as there is too much information to deal with.
- Technology alone or high touch alone does not work. You need something that gives patients new insights, not already know information. "Tell me something I did not know, make it work for me."

Current stated areas of interest for investments

- Technologies that leverages physicians ability to practice (i.e. not designed to replace them)
- Diagnostics and analytics together
- Machine learning (AI) with image analytics
- Alzheimer's disease, diabetes
- Behavioral health therapies
- Neuro is moving very quickly
- Post-acute care coordination
- Anything that leverages shift to value based care
- Pharma is interested in clinical trial efficiency applications
- Product/programs that make patients and physicians life easier, saves money and send patients to treatment earlier.

Not interested in

- Analytics on their own have been disappointing. It has to be combined with something else such as electronic medical records.
- Apps, only 2 out of 130 are profitable. You need evidence that the app works before VCs will make an investment
- Testing people who are not sick does not have cost utility

Pharma in IT

Recognition that this is an important space but clarity on how to play still and business model needs to be achieved. Current areas of interest include: products for continuous monitoring (diabetes); connected health opportunities; clinical trial efficiency applications.