# Emerging Startups Enable LGBTQ Healthcare

## Startups improve care for the traditionally underserved LGBTQ community

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## Preface

While neither comprehensive nor as nuanced as the identities behind these terms, the following definitions may aid in the understanding of this note's analysis: LGBTQ refers to individuals who do not align with overt traditional sexual and gender identities and expressions within the historically hetero- and cis-normative western society. Broken down, LGBTQ means lesbian, gay, bisexual, transgender, and queer and/or questioning. Sexual orientation, or sexual identity, refers to physical, romantic, emotional, and/or sexual attraction. Gender identity speaks to a person's inner self concept as female, male, both, and/or neither. Transgender and gender nonconforming (TGNC) individuals have a gender identity that does not align with the sex they were assigned at birth, or their natal sex.

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## Overview

When it comes to obtaining care for their physical and mental health needs, the LGBTQ community represents a largely underserved segment of the US population. This inequity can be attributed to several factors, including unequal care opportunities, fear of discrimination, and lack of insurance coverage. However, as LGBTQ individuals represent an estimated 5.6% of the US population—and potentially growing, as 20% of millennials identify as LGBTQ—serving this community is emerging as an important opportunity for healthtech startups.[1,2]

While LGBTQ people face the same health-related issues as everybody else, some health risks unique to this community include the need for gender-affirming therapies and surgery, a disproportionately high prevalence of HIV and other sexually transmitted infections (STIs), and a higher need for mental health and counseling services. Yet the LGBTQ community often faces challenges when it comes to receiving healthcare. For example, in a 2017 survey of LGBTQ Americans, 15% overall—and 28% of transgender respondents—said they had delayed care to avoid discrimination.[3] Further, 29% of transgender respondents said they had been refused medical care owing to their gender identity.[4] LGBTQ individuals also face uncertainty whether health insurers will cover treatment costs—a result of the complex patchwork of state laws that dictates what insurers must cover.

In an effort to better serve this population, venture capital going toward startups seeking to address the LGBTQ community has notably increased. While we could not find any specific LGBTQ-focused startups prior to 2019, at least 11 companies now focus exclusively on gender-affirming treatments and LGBTQ mental healthcare and family-building services. Together, these startups have raised $48.7 million in disclosed VC funding over the past three years. In addition to LGBTQ-focused startups, we note a proliferation of healthtech companies expanding services and health benefits for LGBTQ individuals. While we expect health insurers will be slow to incorporate LGBTQ-focused benefits, we see a growing near-term opportunity in helping both employers provide LGBTQ-focused workplace benefits and individuals find affirming, unbiased care. The general trend of reduced destigmatization and more laws protecting the rights of LGBTQ individuals—which is our base-case expectation—will likely drive incumbents to expand their services to the LGBTQ market, thus creating exit opportunities for startups and consolidation among providers.

1: "LGBT Identification Rises to 5.6% in Latest US Estimate," Gallup, Jeffrey M. Jones, February 24, 2021.
2: "Accelerating Acceptance 2017," GLAAD, 2017.
3: "The State of the LGBTQ Community in 2020: A National Public Opinion Study," Center for American Progress, Sharita Gruberg, Lindsay Mahowald, & John Halpin, October 6, 2020.
4: Ibid.

## Sizing the LGBTQ opportunity

### The need for unbiased LGBTQ healthcare in the US

1

**29%** of transgender individuals **and** **8%** of gay, lesbian, and bisexual individuals report being refused care due to their gender identity or sexual orientation.[5]

2

**20%** of transgender women are living with HIV.[6]

3

**46%** of LGBTQ youth desired mental health counseling but were unable to receive it in the past 12 months.[7]

4

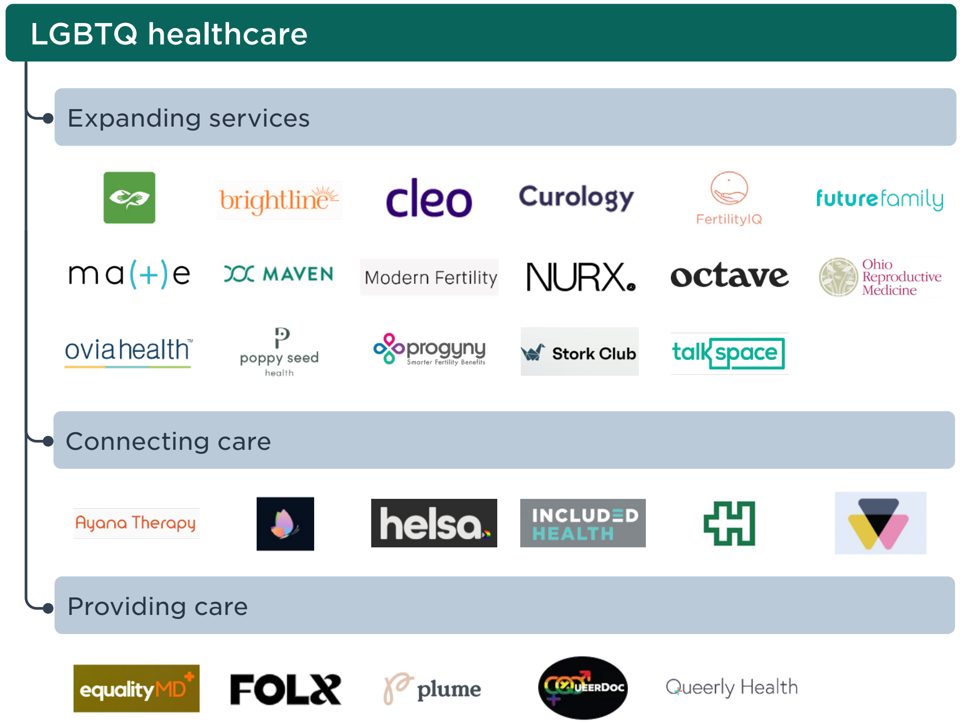
**30%** of gay and bisexual men feel uncomfortable discussing their sexual behaviors with a healthcare provider,[8] **and** **10%** of LGBTQ individuals do not disclose their sexual orientation in healthcare settings.[9]

5

**15%** of LGBTQ individuals **and** **28%** of transgender people have delayed care to avoid discrimination.[10]

**Sources:** Center for American Progress, PLOS Medicine, The Trevor Project, Kaiser Family Foundation, National Library of Medicine | **Geography:** US

5: Ibid.
6: "HIV-Related Outcome Disparities Between Transgender Women Living with HIV and Cisgender People Living with HIV Served by the Health Resources and Services Administration's Ryan White HIV/AIDS Program: A Retrospective Study," PLOS Medicine, Pamela W. Klein, et al, May 28, 2020.
7: "National Survey on LGBTQ Youth Mental Health 2020," The Trevor Project, 2020.
8: "HIV/AIDS in the Lives of Gay and Bisexual Men in the United States," Kaiser Family Foundation, Liz Hamel, et al, September 25, 2014.
9: "Emergency Department Query for Patient-Centered Approaches to Sexual Orientation and Gender Identity: The EQUALITY Study," National Library of Medicine, Adil H. Haider, et al, June 1, 2017.
10: "The State of the LGBTQ Community in 2020: A National Public Opinion Study," Center for American Progress, Sharita Gruberg, Lindsay Mahowald, & John Halpin, October 6, 2020.




### LGBTQ healthcare market spending: A simplistic approach to sizing the market

| | Cost | 5.0% of population LGB<br>0.7% TGNC | 19.0% of population LGB<br>1% TGNC |
|---|---|---|---|
| Annual healthcare spending | $3.8 trillion | $216 billion | $760 billion |
| Annual mental health treatment spending | $225 billion[11] | $13 billion | $45 billion |
| Gender-affirming surgery (total lifetime cost)[12] | $50,000 to $100,000/person | $172 billion | $246 billion |
| Annual hormone replacement therapy spending* | $1,500/person | $2.5 billion | $3.6 billion |

**Sources:** Open Minds, The Philadelphia Center for Transgender Surgery, PitchBook Emerging Tech Research | **Geography:** US
*Assuming 75% seek hormone replacement therapy (HRT)

11: "The US Mental Health Market: $225.1 Billion in Spending in 2019: An OPEN MINDS Market Intelligence Report," Open Minds, May 6, 2020.
12: "Male to Female Price List," The Philadelphia Center for Transgender Surgery, n.d., accessed September 20, 2021.

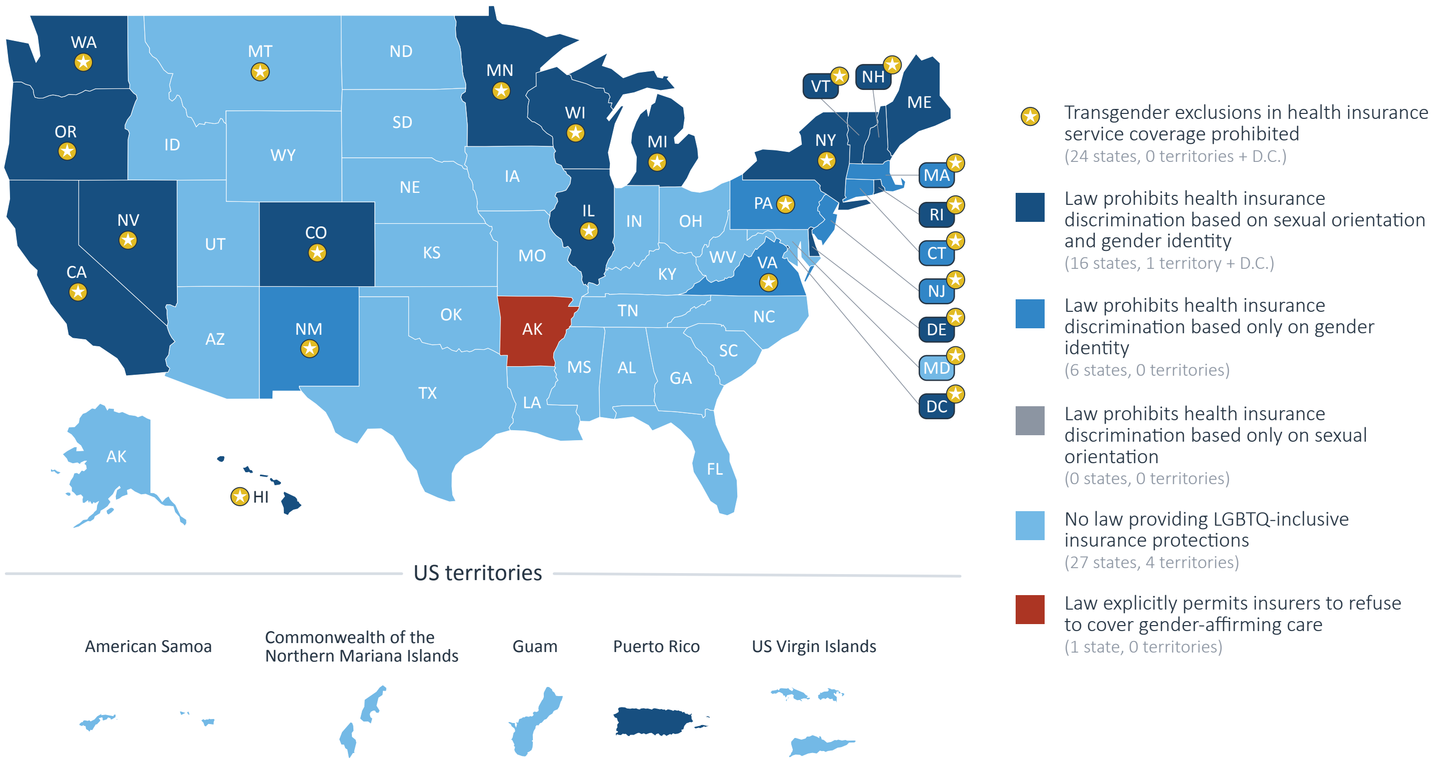
Currently, 20% of millennials and 5.6% of the total US population identify as LGBTQ.[13,14] A simplistic approach to estimate healthcare spending associated with this demographic is to consider that it represents roughly $216 billion of the $3.8 trillion annual US healthcare spending. Yet this likely overstates the opportunity given that older adults represent a disproportionate share of healthcare spending and only a portion of LGBTQ individuals' healthcare spending is related to LGBTQ-specific needs. Nevertheless, we believe the opportunity to serve this demographic is significant, vital, and growing, with mental health treatment, gender-affirming surgery, and HRT easily representing an opportunity in the tens of billions of dollars annually.

"LGBTQ healthcare market spending: A simplistic approach to sizing the market" forecasts LGBTQ-related healthcare costs in the US based solely on a market share analysis formulated using population size. Currently, average annual healthcare spending for LGBTQ individuals could exceed that of straight individuals due to the former population's relatively higher rates of STIs, preventative care avoidance, and higher risk of experiencing mental health conditions, according to the National Alliance on Mental Illness.[15,16,17] However, to the extent that care for this group expands, these averages could equalize.

13: "Accelerating Acceptance 2017," GLAAD, 2017.
14: "LGBT Identification Rises to 5.6% in Latest US Estimate," Gallup, Jeffrey M. Jones, February 24, 2021.
15: "LGBTQI," National Alliance on Mental Illness, 2021, accessed September 1, 2021.
16: "Sexually Transmitted Diseases," CDC, March 9, 2016.
17: We would like to acknowledge that these higher rates of mental illness and care avoidance exist due to longstanding inequities and discrimination and are by no means the fault of the individual or population.

## Government regulation

### LGBTQ healthcare laws and policies by state




**Source:** Movement Advancement Project | **Geography:** US
*As of September 16, 2021

Regulation impacting LGBTQ rights has taken place primarily at the state level but tends to be a highly partisan and socially sensitive issue. A recent example of federal intervention occurred when, upon leaving office, former President Trump changed the rules related to the Affordable Care Act application of antidiscrimination laws in a way that would allow healthcare workers to refuse service to transgender patients. This rule was subsequently rewritten by President Biden to ensure protections existed. Still, the existing pastiche of state laws and lack of permanent, comprehensive, federal nondiscrimination policy leaves LGBTQ individuals at risk for discrimination and uncertainty. While this varying legislation can be complicated for startups wishing to offer services in multiple states, it also provides an opportunity to help potential customers understand the complexities of state laws vis-à-vis sexual identity. It also means that startups that sell services directly to consumers are more likely to focus on states where the potential for discrimination is higher or where insurance coverage is less certain.

The Equality Act, a bill introduced to Congress in 2019, could clarify the obligations of health and insurance providers when providing care for the LGBTQ population. If passed, the bill would amend the Civil Rights Act of 1964 to prohibit discrimination based on sex, sexual orientation, and gender identity. The act is largely supported by Democrats and has been passed by the House of Representatives. It awaits consideration by the Senate at time of writing. While the Equality Act could reduce the opportunity for startups to help the LGBTQ community navigate the legal aspects of transgender care, we believe it could pave the way to improving LGBTQ healthcare overall—which could then lead to increased partnerships between providers and insurers and entice employers to revamp corporate benefits for LGBTQ employees.

### Opportunity areas

| | Overview | Outlook |
|---|---|---|
| Expanding care | Healthcare incumbents are expanding to address the LGBTQ community by developing LGBTQ-focused solutions.<br>Top focus areas include infertility, mental health, and sexual wellness. Business models include partnering with insurers and employers or selling direct to consumer (D2C). | Companies providing both LGBTQ and non-LGBTQ services are well positioned to establish partnerships with employers seeking holistic solutions. We expect the market size for family-planning-focused employee benefit services will increase as employers boost benefits. |
| Providing LGBTQ-exclusive care | Startups are providing specialized care for LGBTQ individuals.<br>Companies in this area tend to focus on providing gender-affirming-related healthcare for TGNC individuals (Plume) or mental healthcare for the broader LGBTQ population (Ayana Therapy). | While startups currently sell primarily D2C, we foresee startups developing partnerships with insurers. |
| Connecting care | Companies are helping LGBTQ individuals connect with affirming care providers.<br>These models generate revenue by charging providers a fee to be listed on their platform (Euphoria.LGBT) and by partnering with employers as a corporate benefit (Included Health). | While nonprofit organizations, such as GLMA,[18] compile information regarding LGBTQ-friendly doctors, we believe startups can differentiate and justify fees by providing a more personalized experience or direct connection to the vendors. Startups will also likely provide a streamlined app experience or a platform that integrates easily with other health benefit services. |

18: "GLMA For Patients," GLMA, n.d., accessed September 1, 2021.

## Key care type opportunities

*Mental health*

Due to the embedded effects of stigma, bias, and discrimination, LGBTQ individuals are at higher risk of experiencing mental health illnesses than non-LGBTQ people.[19] A similar need exists for specialized mental health providers in other marginalized communities in the US. Providers may target numerous marginalized communities to increase market size and apply an intersectional lens to improve service quality.

*Gender affirming*

Most startups in this category focus on providing hormone replacement therapy. As 80% of transgender individuals have either already pursued or intend to pursue HRT,[20] we believe the US market is worth about $2.5 billion annually, with steady growth driven by increased acceptance and destigmatization. Startups such as Plume and Euphoria are also facilitating access to gender-affirming surgeries by developing fintech solutions and providing medical letters to insurers in support of surgery and HRT.

*Sexual wellness*

We see an opportunity for startups to provide at-home STI test kits, which can provide a discreet alternative to in-person doctor visits. While we do not track any at-home test providers actively pursuing the LGBTQ opportunity, we believe providers such as EverlyWell and LetsGetChecked are well positioned to enter this market either via direct sales or by partnering with nonprofits that provide free at-home tests for LGBTQ individuals.

*Family planning*

Driven by a combination of employers increasing family planning benefits, technological advances enabling geriatric pregnancies, and the continued influx of women into the workforce, in recent years, more and more startups are providing family planning services. Some of these startups, such as Poppy Seed Health and Modern Fertility, are now offering services catered to the LGBTQ community. And with 63% of LGBTQ millennials considering growing their families,[21] we believe a vast market opportunity exists.

19: "LGBTQ+ Communities and Mental Health," Mental Health America, 2021, accessed September 1, 2021.
20. "Gender-Affirming Hormone Use in Transgender Individuals: Impact on Behavioral Health and Cognition," US National Library of Medicine National Institutes of Health, Hillary B. Nguyen, et al, October 11, 2018.
21: "LGBTQ Family Building Survey," Family Equality, 2019.

## Notable startups

### Startups providing LGBTQ healthcare*

| | Opportunity | | | Focus area | | | Business model | | |
|---|---|---|---|---|---|---|---|---|---|
| | Expanding care | Providing LGBTQ-exclusive care | Connecting care | Mental health | Gender affirming | Family planning | Employee benefit | D2C | Accepts insurance |
| Ayana Therapy | | X | | X | | | X | X | |
| Brightline | X | | | X | | | X | X | X |
| Helsa | | | X | X | | | | X | |
| Poppy Seed Health | X | | | | | X | | X | |
| Included Health | | | X | X | | | X | X | |
| Stork Club | X | | | | | X | X | | |
| Progyny | X | | | | | X | X | | |
| Cleo | X | | | | | X | X | | |
| FertilityIQ | X | | X | | | X | | X | |
| Octave | X | | | X | | X | | X | X |
| FOLX | | X | | | X | | | X | |
| Plume | | X | | | X | | | X | |

**Source:** PitchBook | **Geography:** Global
*As of September 13, 2021

### Company highlight: Helsa

helsa.

**Founded**
2019

**VC raised to date**
$50,000

Helsa supports the LGBTQ community by providing well-being tools, mental-health-related educational content, and a directory of more than 50 LGBTQ+ specialized partner therapists. Its training workshops are underpinned by research and provide education and awareness about sexual and gender minorities. Its research focuses on understanding sexual and gender identity formation and its relationship with mental well-being. The company provides employers with LGBTQ-specific workplace training, as well as mental health support for LGBTQ employees. It also offers free well-being tests and a partner therapist directory. Management intends to pursue partnership-driven growth opportunities with insurance companies to provide LGBTQ-specific support to members. Helsa's leadership team views its largest competitors as LGBTQ-focused mental well-being companies and charities, such as Stonewall. Helsa seeks to differentiate both through its reliance on research and by providing a more comprehensive offering than other companies.

### Company highlight: Euphoria.LGBT

euphoria

**Founded**
2017 as a nonprofit
2019 transitioned to for profit

**VC raised to date**
Undisclosed amount

Euphoria.LGBT's suite of free mobile applications affirms users, enables gender discovery, and provides financial assistance for gender-transition-related health costs. It launched in 2017 as a Kickstarter-funded nonprofit and transitioned to a for-profit, VC-backed company in 2019. Euphoria's small internal team focuses on defining the user experience and partners with external developers to build the apps. The company generates revenue from listing fees on Solace, its care navigation app. Partners, such as transgender-focused legal firms, clothiers, and healthcare companies, pay a flat rate to be featured in the applications. In addition, Euphoria is launching a debit card for TGNC individuals to help them prepare financially for gender-affirming surgeries. The card will generate revenues via interchange fees and will be connected to Euphoria's app, Bliss, which helps users itemize transition expenses and save intelligently.

Euphoria competes mainly with nonprofit organizations. Bliss competes with more traditional fintech firms that guide individuals to make smarter saving and banking choices, such as Acorn.

### VC investing in the LGBTQ-focused healthtech space

- Investment in LGBTQ-focused startups is on the rise, with $48.7 million raised since 2019. While many investors historically deemed this market to be too niche, it is increasingly viewed as part of the broader opportunity for community- and demographic-focused products and services, such as those geared toward older adults, children, and women.

- Recent deal activity indicates a mix of impact and traditional VCs are investing in the LGBTQ market, though impact investors are more active. Further, several startups, including MyTransHealth and Euphoria, are raising initial funds via crowdfunding platforms such as Kickstarter. Impact investors in this space include Gaingels (Euphoria) and Bethnal Green Ventures (Helsa). While Euphoria targets investment primarily from impact VCs, its leadership team expects traditional VCs will express more interest as business models mature. FOLX's top three investors are all non-impact funds: Bessemer Venture Partners, Define Ventures, and Polaris Partners.

## Outlook

**Employer partnership market will see quicker near-term growth over insurer-focused opportunity:** For the most part, we believe incumbent insurers are not focused on improving LGBTQ care. While it is estimated that 15% of LGBTQ people living in the US are uninsured versus 7% of non-LGBTQ people,[22] insurers are focused on initiatives related to cost saving, value-based care, and preventative care. However, employers around the country are actively increasing benefits catered to LGBTQ employees. For example, in 2020, 74% of employers that offered health insurance coverage to different-sex spouses also provided insurance for same-sex spouses, as compared with only 43% in 2016.[23] Additionally, 40% of LGBTQ respondents to a 2020 survey reported being closeted at work.[24] We expect this number will gradually decline as social stigmas recede, which will likely increase employer-sponsored LGBTQ benefits. Companies focused on helping LGBTQ workers locate affirming healthcare providers may find success via corporates wishing to offer the service as a workplace benefit. In addition, employers will seek benefit providers that offer a range of services broad enough to address the needs of the entire workforce. This will likely place more pressure on workplace benefit incumbents to develop LGBTQ-focused solutions. For example, Maven Clinic and Cleo are both expanding their family-planning and health solutions to incorporate the needs of LGBTQ employees.

**Gender identity market to surpass sexual identity market long term:** As the LGBTQ community becomes more accepted and destigmatized, instances of health-provider discrimination will likely decrease. While this could reduce demand among cisgendered LGBTQ individuals to proactively seek affirming practitioners, TGNC individuals will likely continue to pursue providers with transgender and gender-nonconforming health expertise as their physical health needs differ. This implies that over the long term, the market for providers focused solely on services related to sexual identity may not materialize, whereas the market for gender identity services could experience robust growth.

**HRT providers to partner with insurers:** Insurance laws require payers to cover hormone replacement therapy for TGNC individuals if they provide coverage for non-TGNC individuals. In other words, if a plan covers hormone treatment for postmenopausal symptoms, it must also cover hormone treatment for TGNC individuals. As a result, we believe startups will partner with incumbent payers to help cover treatment costs while continuing to offer cash prices for the uninsured.

22: "Why Repealing the Affordable Care Act Is Bad Medicine for LGBT Communities," Center for American Progress, Kellan Baker & Laura E. Durso, March 22, 2017.
23: "Access to Employer-Sponsored Health Coverage for Same-Sex Spouses: 2020 Update," Kaiser Family Foundation, Lindsey Dawson, Matthew Rae & Jennifer Kates, November 30, 2020.
24: "A New LGBTQ Workforce Has Arrived—Inclusive Cultures Must Follow," Boston Consulting Group, Pierre Dupreelle, et al, June 23, 2020.

**LGBTQ virtual healthcare provider fees***

| | Plume[25] | Folx[26] | Pride Counseling[27] |
|---|---|---|---|
| Cost | $99/month, plus $20 to $40/ month for medications | $119 to $139/month for first year, then $59 to $89/month thereafter, including medications | $90 to $120/week |
| Includes | Initial evaluation, labs, letters, sending medications, and 24/7 virtual access to care via app | Clinical check-ins, quarterly labs to track hormone levels, and access to clinical care team | Patients can interact with therapists through video conferences, messaging, and/or phone calls. |
| Accepts insurance | No | No | No, but users may submit receipt to insurance for reimbursement. |

**Source:** PitchBook | **Geography:** Global
*As of September 13, 2021

**Increased acceptance and destigmatization will drive market consolidation:** While the opportunity for LGBTQ-specific services is likely to grow in the near term, the industry could see consolidation over time as more traditional healthtech companies enter the market. Examples of M&A activity in the space include Grand Rounds Health and Doctor On Demand's agreement to acquire Included Health in May 2021. Consolidation among marketplace providers also seems likely, such as combining Zocdoc and QSPACES. Still, while government regulations ensuring LGBTQ acceptance—such as the Equality Act—signal a societal shift toward acceptance, new regulations on their own will not entirely mitigate provider discrimination. Though unlikely, should dominant sociocultural acceptance of the LGBTQ community reverse or pause at current levels, the provider market will likely remain fragmented, with startups focused on the kinds of hyperspecialized unique needs that incumbent providers fail to address.

**Inclusive language, currently a differentiating factor, to become the norm:** Traditional digital health providers are increasingly adopting language and marketing strategies that are inclusive of the LGBTQ community. For example, while customized skincare provider Curology does not specifically develop LGBTQ-focused products, its blog explains how its skincare products can benefit TGNC individuals, especially those undergoing HRT. While inclusive language may currently provide marketing value, we expect it will become common practice in the near term.

25: "Services & Pricing," Plume, n.d., accessed September 17, 2021.
26: "Plume vs Folx: What's the Best Online Trans Healthcare Provider?" Fin vs Fin, Jessica Turner, June 15, 2021.
27: "FAQ," Pride Counseling, n.d., accessed September 17, 2021.