

Enterprise Health & Wellness Tech

Q2 2020

Report preview

The full report is available through the PitchBook Platform





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Q2 2020 news and updates

VC ACTIVITY

- In the second quarter of 2020, enterprise health & wellness tech companies raised \$6.6 million in VC funding, down from \$1.2 billion raised in the first quarter of 2020.
- Across both quarters, 112 deals closed in this sector for a total of \$1.9 billion, a steep decline in pace relative to 2019.
- 13 exits have closed in 2020 thus far—six LBOs and seven acquisitions.
- Through H1, investors have concentrated the majority of VC funding in companies based in North America (69.8%) and Europe (27.4%) enterprise health & wellness tech companies, while those based in Asia accounted for 2.2%. This is in line with 2019.

Q2 2020 NOTABLE DEALS AND EXITS

- **June 20:** NowRx secured the largest VC deal in the prescription tech segment, raising a \$20 million Series B from SeedInvest, an equity crowdsourcing platform, and Ulu Ventures via SeedInvest.
- **June 10:** **Kyruus** procured the largest VC deal in the customer acquisition segment, raising a \$30 million Series D1 just months after its \$42 million Series D in January.
- **May 28:** LumiraDx raised a \$302 million early-stage deal, making it the largest VC deal to close in Q2 across the whole enterprise health & wellness tech sector.
- **April 28:** **Medable** obtained the largest VC deal in the clinical trial tools segment, raising a \$25 million late-stage deal.

NEWS

- **June 9:** **Masimo**, a medical technology company that designs pulse oximetry devices, files a lawsuit against **Apple**, accusing the corporation of trade secret theft and wrongful use of **Masimo** inventions related to health monitoring in the **Apple** Watch.
- **May 20:** **Apple** and **Google** launch their interoperable API, designed to measure contact tracing using Bluetooth technology in smartphones to help public health agencies track COVID-19 spread and notify exposed individuals.
- **May 19:** **Microsoft** announces **Microsoft** Cloud for Healthcare, its first industry-specific cloud offering. The service offers healthcare organizations a bundle of the tech giant's solutions, including Azure cloud platform and Teams (the company's telecommunication platform).

A NOTE ON COVID-19

The COVID-19 outbreak exposed the inadequacies of health systems in addressing fast-spreading pandemics. As a result, we expect to see significant investment into companies working to mitigate outbreaks. Disease tracking and public-healthcare data companies can help identify new viruses and at-risk populations. We expect a near-term spike in demand for businesses operating in this space, as organizations focused on public health scramble for tools to help monitor and minimize virus spread. Emergency funding will foster adoption and broaden access to government and NGOs. Elevated awareness of pandemics is likely to sustain investment in monitoring systems, though a deep recession could cause government organizations and NGOs to cut funding. Furthermore, the pandemic spurred adoption of e-pharmacy delivery offerings as individuals limit visits to pharmacies to mitigate exposure.



Executive summary

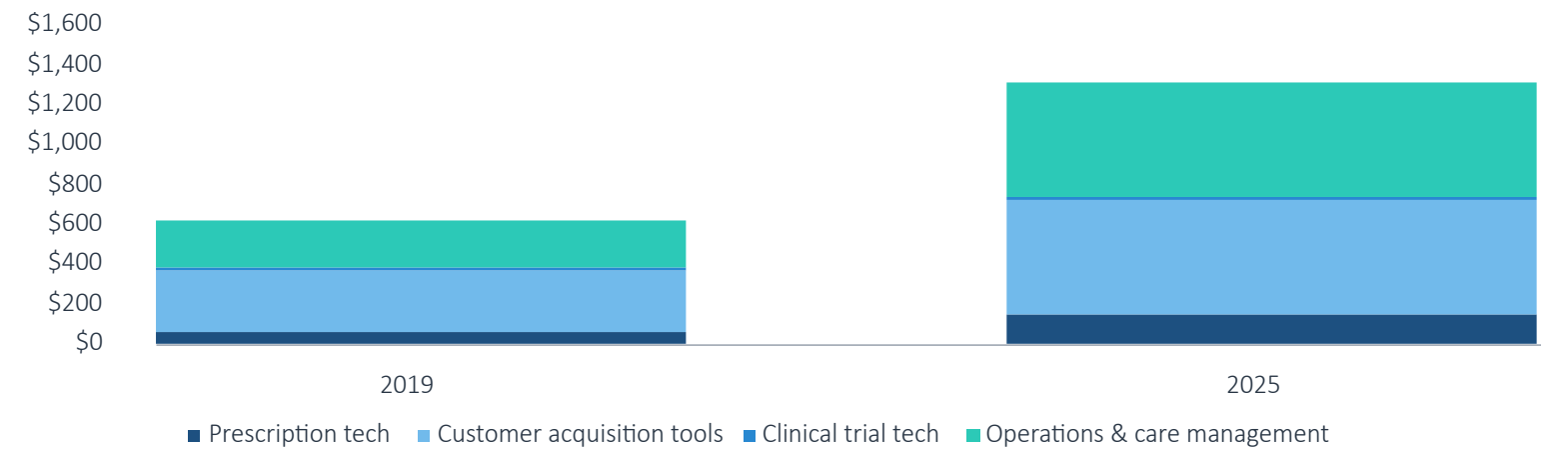
The era of patient-driven care is putting pressure on medical practices, pharmaceutical companies, pharmacies, and wellness providers such as gyms and spas to incorporate digital technologies. Emerging products responding to this demand include data collection and analysis software, practice automation tools, records and information management, and patient and customer engagement solutions. These offerings help organizations to provide better care, reduce costs, reach new markets and customers, and comply with regulations.

In this report, we focused on the enterprise side of the health & wellness tech industry, segmenting it into the following four categories: prescription tech, customer acquisition tools, clinical trial tech, and operations & care management. Information and analysis regarding consumer-focused startups can be found in the Emerging Tech Research: Health & Wellness Tech: Retail report.

We have determined that the enterprise health & wellness tech industry is valued at around \$640 billion as of H1 2020 and have projected it to reach \$1.3 trillion by 2025, growing at a 14% CAGR. VC deal activity within this space has spiked significantly as healthcare organizations, clinical trial organizations, employers, and policymakers adopt related initiatives. In the wake of the coronavirus pandemic, we expect governments and NGOs will prioritize technologies that can help mitigate the health impacts of future pandemics. This is likely to accelerate investment into technologies in the realm of disease tracking, public health tools, and pharmaceutical technology.

The venture ecosystem is a vital incubator for this space. Through H1 2020, VC deal value for enterprise-oriented companies in the health & wellness tech industry totaled \$1.9 billion across 112 deals, off pace from 2019, which recorded 158 deals worth \$2.7 billion.

Figure 1.
Enterprise health & wellness tech market size (\$B) by segment



Source: PitchBook

We believe this is a temporary drop and expect investment to rise in the near future. While we forecast strong market growth, ongoing risks for new startups include competition from legacy providers, end-user reluctance to adopt new technology, and the high cost of new product installation and integration.

We outline industry growth drivers as follows:

- Government initiatives to improve healthcare infrastructure and safety measures
- Technological innovation, including Internet of Things (IoT) and artificial intelligence (AI), and the adoption of smartphones
- Proactive measures taken by healthcare organizations to improve patient care
- Rise in number of clinical trials and clinical trial research organizations
- Increased focus on employee benefit programs and workplace wellness



Key takeaways

Core components necessary for startup success: As the health technology market grows, competition for consumers and VC funding increases. We believe startups aiming to fulfill the following criteria will have more success:

- **Personalized and integrated into existing clinical pathways and flows:** Technologies should be able to communicate with electronic medical records (EMRs). To do so they must be built with open APIs to ensure interoperability. Furthermore, the technology should create personalized data or utilize existing data to assist clinical decision support tools.
- **Focused on enhancing quality of care:** Organizations should connect social determinants to healthcare, improve patient engagement and experience, drive behavioral changes related to health and wellness, foster remote patient monitoring adoption, and promote medication adherence.
- **Cost-effective:** Technology should optimize clinical and operational workflows, create point solutions to reduce friction and waste, integrate real-world evidence into solutions using technology, and enhance clinical trial recruitment and monitoring.

COVID-19 has both negative and positive market effects: We believe health IT is a promising solution to help prevent and combat future outbreaks and combat the current COVID-19 pandemic. Governments have increased support for disease tracking and public health technology, while avoidance of in-person pharmacies has expedited consumer conversion from traditional pharmacies to e-pharmacies. In addition, the pandemic may serve as a catalyst for partnerships between employee wellness providers and corporates that seek to offer mental and behavioral products and services to employees, members,

or students. However, inability to implement new programs remotely and the declining market may hinder corporate ability to invest in new employee benefits. Furthermore, the appointment scheduling software industry is expected to face substantial challenges as consumers refrain from scheduling health and wellness appointments.

Prescription tech growing at a 16% CAGR: The growth of the prescription tech industry has mainly been driven by improved digital infrastructure, a need to reduce medication error, COVID-19, and consumer and hospital demand.



VC activity

The enterprise health & wellness tech industry generated roughly \$1.9 billion in VC deal value in the first half of 2020, down from \$2.7 billion in the first half of 2019. In Q2 2020 alone, 47 deals closed for a total of \$6.6 million. This may be due to the expected recession, but we believe the long-term fundamental tailwinds for this industry appear intact. Startups may turn toward grants and funding from NGOs to continue innovation; both sources of funding have deployed more capital to sustain businesses in the wake of the COVID-19 pandemic.

The largest VC deal to close thus far in 2020 was LumiraDx's \$302 million early-stage deal. The company's smart health-management software and smart connected device allow organizations to gather and share patient information and data so as to gain efficient access. We saw no other deals close over \$50 million in Q2; however, there were four deals to close between \$25 million and \$50 million, including those of **Syapse**, **Kyruus**, **Medable**, and **Clara Analytics**.

The operations & care management segment experienced the largest infusion of VC in the first half of 2020, bringing in \$747 million across 53 deals, though this was largely driven by **LumiraDX**'s deal.



Enterprise health & wellness tech market map

Prescription technology



E-prescription



E-pharmacy



Pharmacy automation tools



Customer acquisition tools



Corporate distribution



Scheduling & marketing platforms



Clinical trial tech



Electronic clinical outcome assessment (eCOA)



Clinical trial management (CTM) & electronic data capture (EDC) systems



Patient recruitment & retention



Operations & care management



Patient & hospital management systems



Healthcare analytics & Big Data



Companies included are VC-backed, segmented by primary use case and sorted by total capital raised.



PRESCRIPTION TECH

E-pharmacy: E-pharmacies represent ecommerce sites that sell and deliver over-the-counter (OTC) and prescription medicines to consumers. E-pharmacies are gaining popularity for their convenience, a wider array of drug availability, and often lower prices.

Business model

Pharmacy automation technology: Companies in this space generate revenues from selling or leasing their devices. They can generate additional revenues from services related to maintenance and software upgrades.

E-prescription: E-prescription solutions are delivered through on-premise, web-based, and cloud-based systems to hospitals and office-based physicians. These solutions enable the prescriber to use a computer or handheld device to write and send a prescription. Companies in this space generate revenue through a SaaS business model. For example, **EazyScripts'** platform is sold to individual practitioners and small medical offices, their target customers, through a monthly to yearly subscription fee. E-prescription platforms are often integrated into patient management software. **Bravado Health** launched Avya Engage, a patient engagement solution, in June 2019. Treat is sold under Avya Engage as a standalone e prescription app but may communicate and share data with other Avya products.

E-pharmacy: E-pharmacies sell both OTC and prescription drugs, with OTC representing the largest business. Revenue is generated via sponsored listing, advertisements, and sale commissions. Commission-based revenues are the most common model. Most e-pharmacies source medicine directly from manufacturers, which enables them to sell at a lower price while still earning a sizable commission. However, some e-pharmacies, such as yodawy, source from partner pharmacies.

Figure 2.
Legacy value chain of prescription receipt



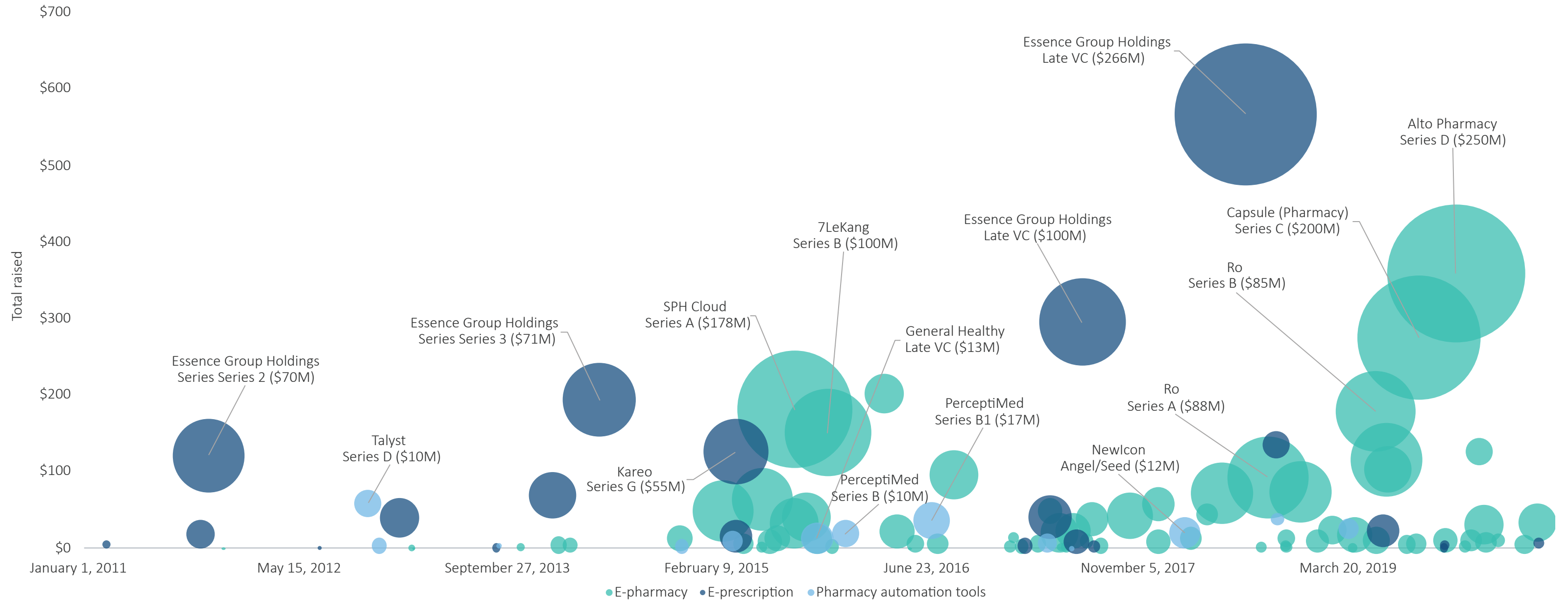
Figure 3.
Revamped value chain of prescription receipt





PRESCRIPTION TECH

Figure 7. Prescription tech VC landscape (\$M)



Source: PitchBook

Note: The left axis indicates total VC raised as of deal date. Bubbles indicate amount raised.



CUSTOMER ACQUISITION TOOLS

Overview

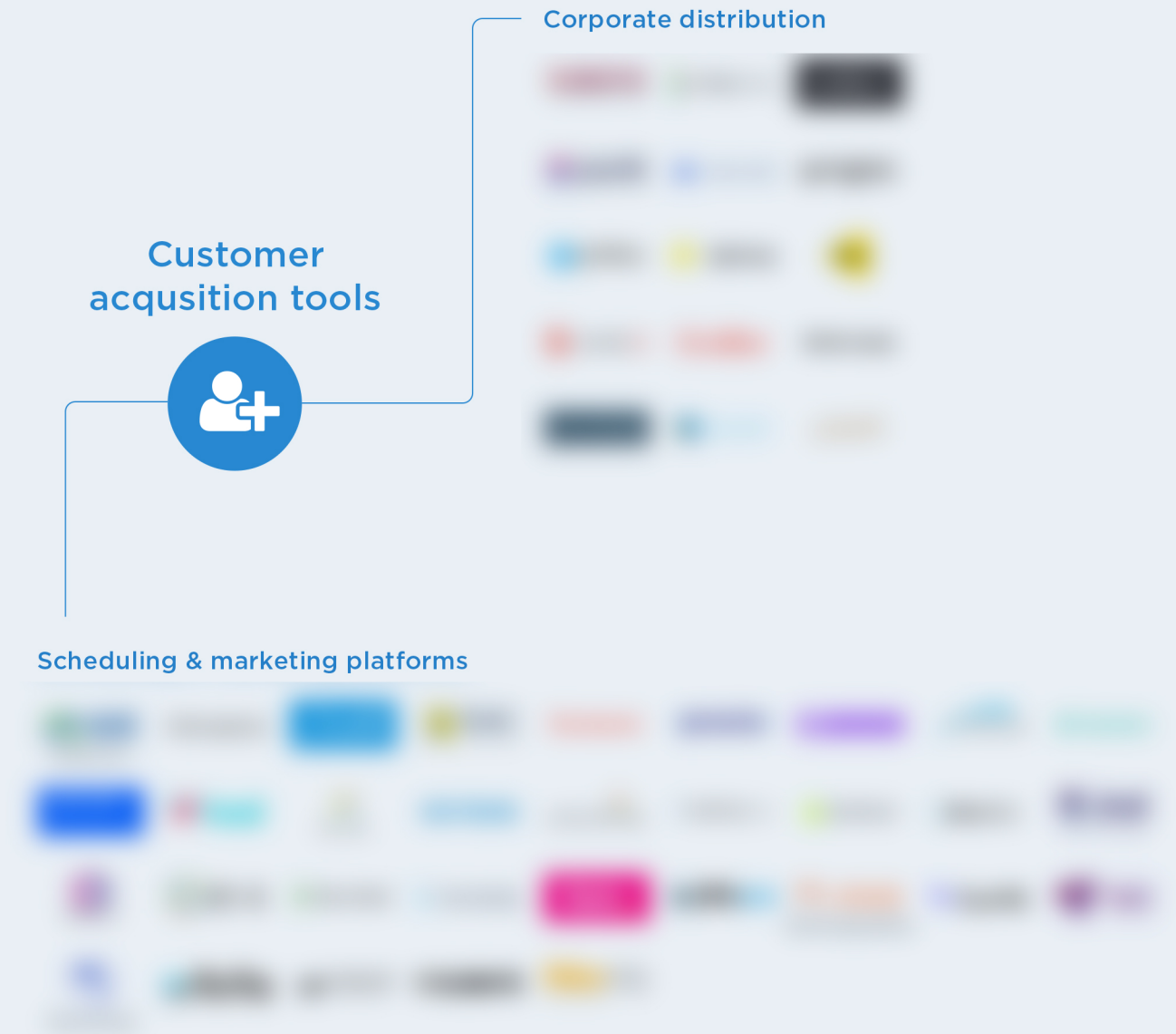
The customer acquisition tools market is categorized into two segments: scheduling & marketing platforms and corporate distribution. Industry growth is mainly driven by the corporate distribution category and the growth of technological innovations, the shift in consumer behaviors, and cost-saving opportunities. We believe the market is growing at a 10% CAGR from \$324.5 billion in 2019 to \$588.9 billion in 2025.

Scheduling & marketing platforms: Scheduling platforms enable individuals to search, schedule, and cancel appointments online, helping healthcare providers decrease customer service workload and minimize no-shows. This subsegment also includes marketing and marketplace platforms, which provide patient acquisition opportunities and drive provider discovery.

Corporate distribution: This subsegment includes corporate-focused providers as well as platforms that enable distribution via corporate channels. They typically focus on workplace wellness initiatives that include products related to physical and mental health.

Business model

Scheduling & marketing platforms: Appointment scheduling software market players typically offer various plans customized to suit the individual business' needs. These platforms charge monthly or annual fees based on number of employees or bookings in addition to add-on services, such as client text reminders. Platforms that offer payment solutions can also charge a payment processing fee.





CLINICAL TRIAL TECH

Overview

The clinical trial tech market is categorized into three subsegments: clinical trial management (CTM) & electronic data capture (EDC) systems; patient recruitment & retention software; and electronic clinical outcome assessment (eCOA) software. Industry growth is mainly driven by rising complexity and quantity of trials, growth of clinical research organizations (CROs), technological innovation, difficulty recruiting trial participants, and strict government regulations. We believe the market is growing at a 13% CAGR from \$5.5 billion in 2019 to \$11.3 billion in 2025.

CTM & EDC systems: Clinical trial management systems address inefficiencies in research management and operations. These tools focus on the many processes involved in conducting trials, including site selection and monitoring, randomization and trial supply management (RTSM), contact management, financial management, and regulatory document tracking. EDC systems improve the way data is indexed and stored, making it easier for trials to conduct research more quickly.

Patient recruitment & retention software: Patient recruitment & retention software automates the recruitment, screening, and management of clinical trial patients. Patient recruitment software can provide several different capabilities along the trial lifecycle, including recruitment, data exchange, and post-enrollment tracking. Other tools, such as **Antidote** Base, give researchers access to candidate health data points before inviting patients to a trial. Some players manage all aspects of recruitment and post-enrollment tracking in addition to recruitment. **Ripple** helps clinical trial sites enroll more patients, increase retention, simplify reporting, and automate tasks.





CLINICAL TRIAL TECH

eCOA software: eCOAs allow patients, clinicians, and caregivers to directly report granular data using handheld devices, tablets, or websites. Real-time trial connectivity improves adherence to protocol execution, ensures patient safety and engagement, and reduces trial risks. eCOA measures include electronic patient-reported outcome (ePROs), performance-reported outcomes (PROs), clinical-reported outcomes (eClinRO), and observation-reported outcomes (eObsRO).

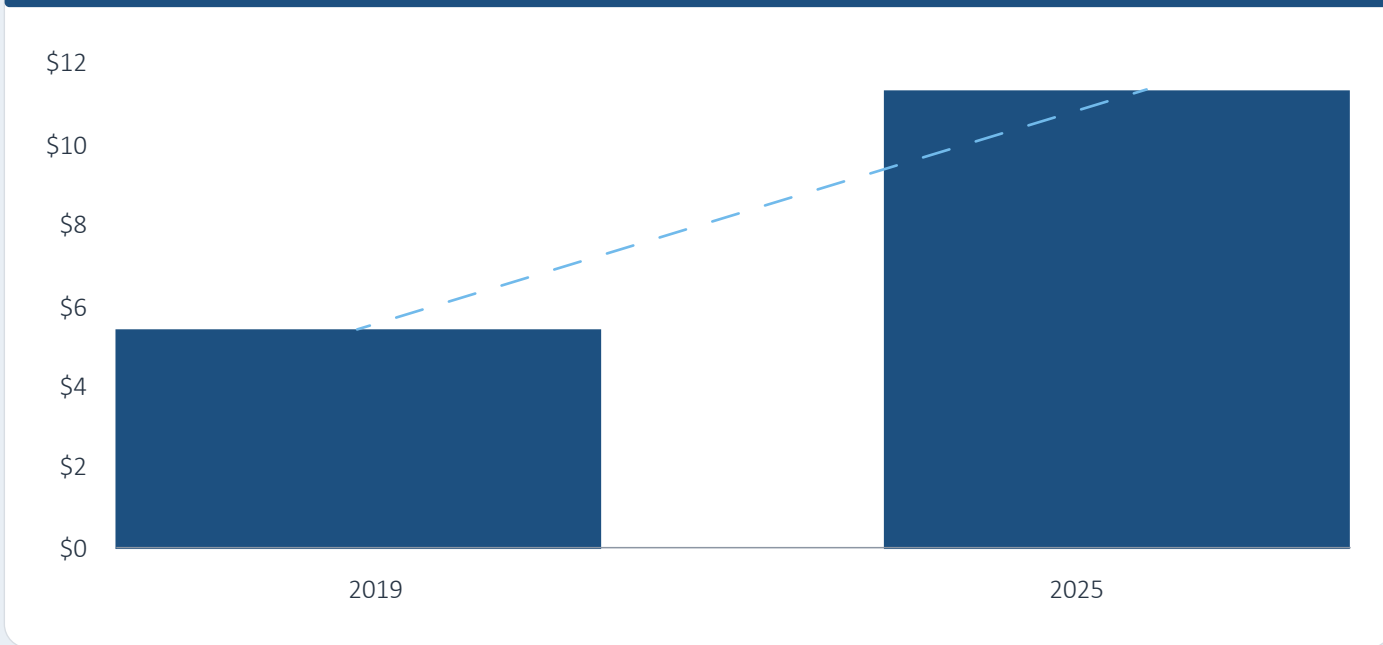
Business model

Key customers include pharmaceutical and biopharmaceutical companies, CROs, medical device companies, and others. Providers generate revenues via installation, subscription, consulting, and support fees. Patient recruitment and retention providers may offer pay-per-performance options, where payments occur when candidates accept a trial invitation.

Market size

We estimate the global clinical trial tech market to be \$5.5 billion in 2019. We forecast clinical trial tech to grow at a 13% CAGR between 2019 and 2024, almost on pace with the overall global enterprise health & wellness tech market, which is projected to grow at a CAGR of 14% over the same timeframe.

Figure 21. CLINICAL TRIAL TECH MARKET SIZE (\$B)



Source: PitchBook

COMMON INDUSTRY KPIS

All subsegments

- Revenue growth and profit/customer
- Customer acquisition cost
- Net promoter score
- LTV
- Size of dataset per customer
- Churn rate

- Records managed
 - Users under license
 - Market penetration proportion
- ### Patient recruitment & retention
- Number of patients reviewed or engaged on platform
 - Number of patients referred
 - % of patients who complete trial



OPERATIONS & CARE MANAGEMENT

Opportunities

Clinical decision support (CDS) systems: We see tremendous opportunity in improving the ability of healthcare organizations to make data more accessible and useful. CDS systems help sift through enormous amounts of data to suggest treatments, alert providers to information they may not have seen, and spot potential problems such as dangerous medication interactions. Startup **Health Catalyst** focuses on complex and data-intensive care initiatives such as population health management and value-based care that require sophisticated data management tools. These companies integrate data from electronic health records, wearables, genomics, and other sources to develop insights and support decision making.

Population-health-management and disease-tracking solutions: Population health management software uses data and predictive analytics to detect and monitor the most at-risk populations and communities to help inform how research organizations and physicians make public health recommendations to governments. Tracking and monitoring solutions alert key stakeholders, such as governments and research organizations, of potential disease outbreaks and provide critical information related to how infection might be spreading. For example, **BlueDot**'s early-warning system flagged the COVID-19 outbreak in Wuhan approximately nine days before the WHO announced the discovery of the virus. In addition to pandemic awareness, the rising senior population is viewed as a key area of innovation within population health management. Elderly-focused applications can improve our understanding of chronic diseases such as diabetes and cancer. Startup **Syapse** focuses on oncology and aids in care, prevention, and treatment.

Post-care systems: Lack of adherence to treatment is a major cause of hospital readmittance and adds significant costs to providers and payers. While it is easy to monitor in-patient care, post-care treatment is more difficult, and hospitals generally lack the kinds of seamless systems needed to make this easier. Remote care-management software systems, such as preventative-care communication platforms and patient monitoring devices (see Health & Wellness Tech: Retail report), improve providers' ability to care for and monitor patients both in and out of the hospital. Directly observed therapy (DOT) is an emerging area of focus for startups. DOT confirms that patients have taken their medication by watching the patient do so, as opposed to relying on derivative measures such as pill counts, electronic pill bottles, or other methods that imply but do not confirm medication is taken. A leading startup in this space is **AiCure**.

Considerations

Need for significant investments into infrastructure development and high deployment cost: Implementing enterprise software can be a complex and expensive endeavor. It can also be disruptive, which can have an immediate impact on care outcomes. While cloud-based services can improve the implementation process, shifting to cloud infrastructure can also be challenging and costly, requiring hospitals to add IT staff, train existing staff, and configure new systems. These headwinds can lead some hospitals to avoid upgrading to new systems altogether. These barriers may be more burdensome for small healthcare organizations or those with controlled budgets, primarily in developing countries. However, smaller organizations with ample funding and limited red tape may have an easier time adopting new tech than large organizations. Lastly, the benefits of electronic health record solutions are often intangible and take time to realize.

About PitchBook Emerging Tech Research

Independent, objective and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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