PitchBook

EMERGING TECH RESEARCH

Enterprise Health & Wellness Tech

Q4 2020

Report preview

The full report is available through the PitchBook Platform

Contents

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Q4 2020 news and highlights

VC ACTIVITY

- In Q4 2020, enterprise health & wellness tech companies raised $3.2 billion in VC funding, up from $2.0 billion in Q3.
- 310 VC deals closed in 2020 for a total of $8.3 billion, eclipsing 2019's total deal value, $4.9 billion, and deal count, 301.
- 38 exits closed in the sector in 2020, with 10 exits occurring in Q4.
- Through Q4, investors have concentrated the majority of VC funding in companies based in North America (74%) with most funding going towards operations & care management companies.

Q4 2020 NOTABLE EXITS

- **October 10:** HealthStream (NASDAQ: HSTM) acquired Hospital Management Platform **ShiftWizard** for $32 million.
- **December 12:** Centene (NYSE: CNC) acquired **Apixio**, a healthcare analytics and big data company, for an undisclosed amount.
- **December 22: General Healthy** (SHA: 605186), which provides software- and hardware-based pharmacy logistic automation solutions, achieved a post-money valuation of $294.3 million after completing an IPO.
- **October 29: Ontrak** (NASDAQ: OTRK) acquired **LifeDojo**, a behavioral health coaching startup which primarily sells to employers, for about $10 million in cash and equity.

NEWS

- **October:** LabCorp's clinical research organization (CRO) unit Covance announced it will shift from a traditional site-based trial company to a siteless one, requiring it to increase adoption of virtual health tech.
- **November:** Amazon (NASDAQ: AMZN) launched Amazon Pharmacy, allowing US customers to order prescription medications for home delivery (with free delivery for Prime members).
- **December:** The US Department of Health and Human Services (HHS) launched its "Regulatory Sprint to Coordinated Care" initiative to promote care coordination and technology that enables better information exchange and safeguards the integrity of the healthcare ecosystem.

Q4 2020 NOTABLE DEALS

- **December 29: DXY**, an operations care and management startup, raised a $500.0 million Series E.
- **October 27: Honor**, a customer acquisition technology startup, raised a $140.0 million Series D.
- **October 2: ScriptDrop**, a prescription technology startup, raised a $20.0 million Series A.
- **November 11:** Clinical trial technology provider **Medable** raised a $91.0 million Series C.

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 provide better care, reduce costs, reach new markets and customers, and comply with regulations.

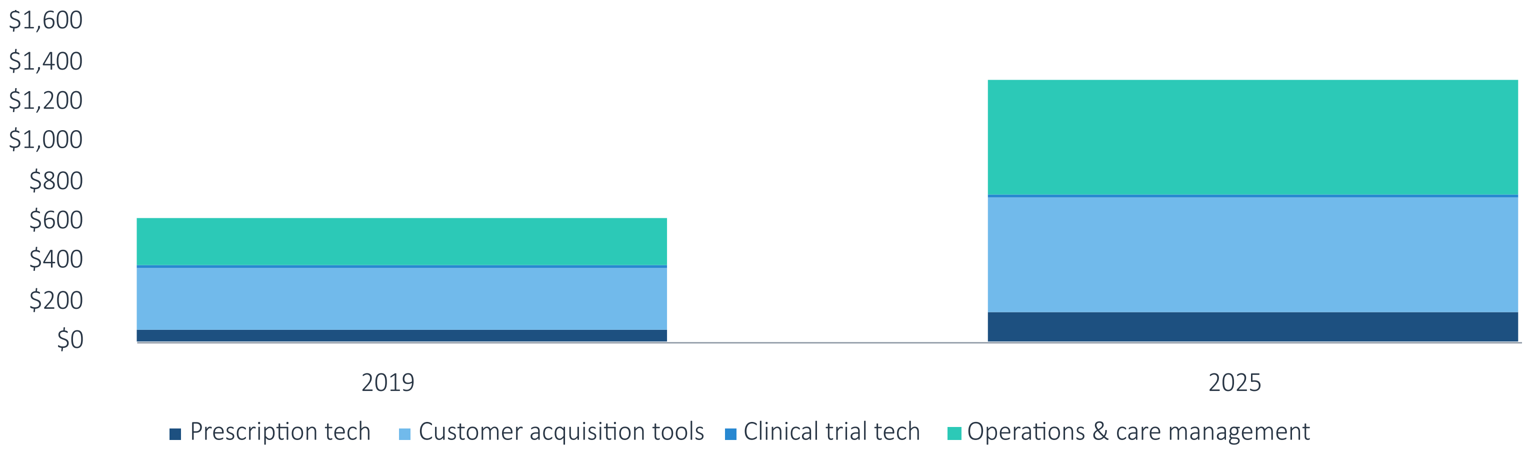
In this report, we focus on the enterprise side of the health & wellness tech industry, segmenting it into the following four categories: prescription tech, customer acquisition tools, clinical trial tech, and operations & care management. Information and analysis regarding consumer-focused startups 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 COVID-19 pandemic, we expect governments and NGOs will prioritize technologies that can help mitigate the health impacts of future pandemics. This will likely 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. In 2020, VC deal value for enterprise-oriented companies in the health & wellness tech industry totaled $8.3 billion across 310 deals, nearly doubling 2019's total deal value, but in line with deal count. We

Figure 1.

Enterprise health & wellness tech market size ($B) by segment



Source: PitchBook

recorded 11 VC mega-deals ($100 million+) in Q4—nine of which were completed by operations care and management startups. While we forecast strong market growth, ongoing risks for new startups include competition from legacy providers, buyers' 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 trial research organizations and virtual clinic trials (a result of COVID-19)
- Increased focus on employee benefit programs and workplace wellness

VC activity

The enterprise health & wellness tech industry generated $8.3 billion in VC deal value in 2020. In Q4 2020, 49 deals closed for a total of $3.2 billion, marking the largest quarterly deal value over the past five years. The median VC pre-money valuation reached $36.5 million in 2020, up from $25.0 million in 2019 and $17.2 million in 2018, signaling industry maturity.

The operations & care management segment experienced the largest infusion of VC in 2020, bringing in $5.3 billion across 184 deals. The three largest VC deals to close in 2020 all occurred in Q4: **DXY's** $500.0 million Series E, **Tempus Lab's** $450.0 million Series G, and **LumiraDx's** $389.2 million late-stage round. A total of 26 VC mega-deals closed in 2020, eleven of which occurred in Q4. These large deal types only occurred within the operations care and management (nine deals) and clinical trial technology (two deals) segments in Q4.

Enterprise health & wellness tech VC ecosystem market map

Market map is a representative overview of venture-backed or growth-stage providers in each segment.
Companies listed have received venture capital or other notable private investments.

Operations & care management

- Patient management
- Healthcare analytics & Big Data
- Hospital management

Customer acquisition tools

- Scheduling & marketing platforms
- Corporate distribution

Clinical trial technology

- Patient recruitment & retention
- Clinical trial management (CTM) & electronic data capture (EDC) systems
- Electronic clinical outcome assessment (eCOA)

Prescription technology

- E-pharmacy
- Pharmacy automation technology
- E-prescription

E-pharmacy: E-pharmacies represent e-commerce 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. E-pharmacies are generally able to offer lower prices

Figure 2.
Legacy value chain of prescription receipt

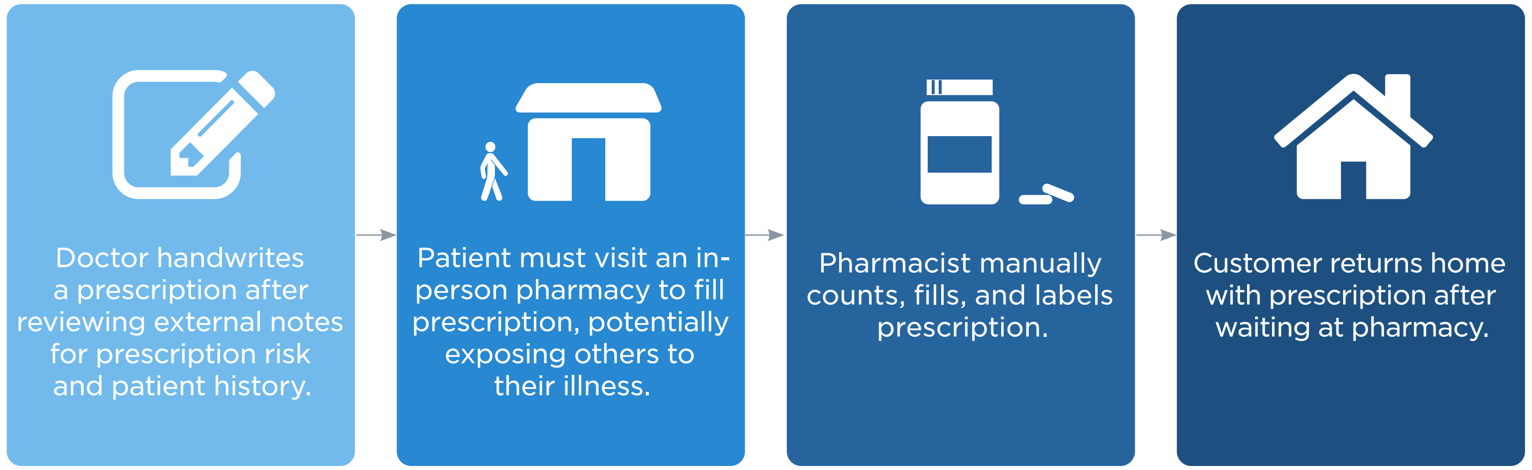


Figure 3.
Revamped value chain of prescription receipt

PRESCRIPTION TECH

Figure 10.

Key VC-backed prescription tech companies

COMPANY	VC RAISED TO DATE ($M)*	SUBSEGMENT	KEY PRODUCTS/COMPANY DIFFERENTIATION
Ro	$376.1	E-pharmacy	Diagnosis to deliver; offers both telemedicine services and prescription delivery
Alto	$357.5	E-pharmacy	In-house fleet of couriers deliver prescriptions to consumer doorsteps
SPH Health Commerce	$198.6	E-pharmacy	Analyzes digital prescriptions and connect patients with appropriate pharmacists and hospitals in China
7LeKang	$148.0	E-pharmacy	Operates retail stores in addition to online pharmacies
1mg	$128.6	E-pharmacy	India's largest online pharmacy

Source: PitchBook | Geography: Global | *As of December 31, 2020

Figure 11.

Key prescription tech incumbents

COMPANY	HOLDING STATUS	SUBSEGMENT	KEY PRODUCTS	LAST KNOWN VALUATION ($M)*
Baxter International	Public	Prescription automation tools	EXACTAMIX Automated Compounding Systems, ABACUS Calculation Software	$20,202
ExpressScripts	Public	E-pharmacy	Largest US pharmacy benefit management organization; mobile application enables individuals to find preferred pharmacy, refill prescriptions, and check order status	$52,800
AllScripts	Public	E-prescription	Veradigm ePrescribe	$303
Athenahealth	Public	E-prescription	EHR system with e-prescription abilities	$6,147
CVS Health	Public	E-pharmacy	Mobile app enables individuals to see script schedule, track refills, and order free delivery	N/A

Source: PitchBook | Geography: Global | *As of December 31, 2020 healthcare IT systems. End users may struggle to select the most effective combination of hardware and software components, and they often lack access to experts and trained IT professionals. Many pharmacists do not see a need for assistance and are reluctant to adopt automation systems. Until recently, only large-volume pharmacies and hospitals could justify the ROI. These issues are exacerbated in developing countries.

Growth of illegal online pharmacies and consumer hesitancy to trust new pharmacies: Illegitimate websites may offer counterfeit and unapproved drugs, making consumers increasingly skeptical of e-pharmacies. E-pharmacies must demonstrate to consumers that online pharmacies are just as safe and reliable as traditional pharmacies.

PBM agreements give incumbents the upper hand: In the US, there are fewer than 30 major pharmacy benefit managers (PBM), and the largest three—ExpresScripts, CVSHealth, and OptumRX—comprise 78% of the market.[5] Network agreements between PBMs and pharmacies may make it difficult for startups to offer competitive prices. PBMs reduce pharmaceutical costs by negotiating discounts and rebates with drug manufacturers, providing payment and claims processing, and aggregating consumer demand. Given the difficulty of developing of building or establishing partnerships with PBMs, we expect startups will likely favor M&A opportunities involving large incumbents.

Outlook

Government regulations will favor market growth: Asynchronous telemedicine, which saves patient messages and videos to be reviewed by physicians later, is not available in all states. As a result, e-pharmacies with telemedicine offerings need to adapt to individual states' legislation; failure to do so minimizes market size. For example, **Nurx** CEO Varsha Rao says her company, an e-pharmacy that offers asynchronous telemedicine—cannot operate in 20 states because of asynchronous telemedicine bans. She points out that while 90% of the population resides in the 30 states in which Nurx operates, uncovered states have the highest concentration of people without ready access to healthcare.[6] We believe states will decrease legislative barriers to asynchronous telemedicine in the coming years—as Maryland did earlier in 2020. If more states allow asynchronous medicine, burgeoning e-pharmacies such as Nurx will benefit.

Shift toward transparent pricing: Customers often do not know how much a medication will cost under their insurance until they purchase it. New technologies related to e-pharmacies will increase price transparency so that doctors and patients can see the cost of drugs at the time of prescribing. This would enable doctors to ensure medications are covered under patients' insurance and prescribe alternatives if not. E-pharmacies with telemedicine capabilities may be able to do this more quickly than traditional pharmacies.

E-pharmacies in Asia-Pacific region to experience highest CAGR: We anticipate the Asia-Pacific market to expand at the highest CAGR due to increasing penetration of high-speed internet with smartphones, soaring adoption of e-commerce platforms, and a growing population. In addition, regulatory authorities in some Asian countries are taking steps to promote healthcare infrastructure, while brick-and-mortar pharmacies are unable to meet rapidly rising demand. China, Japan, and India are becoming profitable markets for

5: Feldman, Brian S. "Big pharmacies are dismantling the industry that keeps US drug costs even sort-of under control". Quartz. Retrieved March 29,2016.

6: Varsha Rao, telephone interview by Kaia Colban, November 24, 2020.

Overview

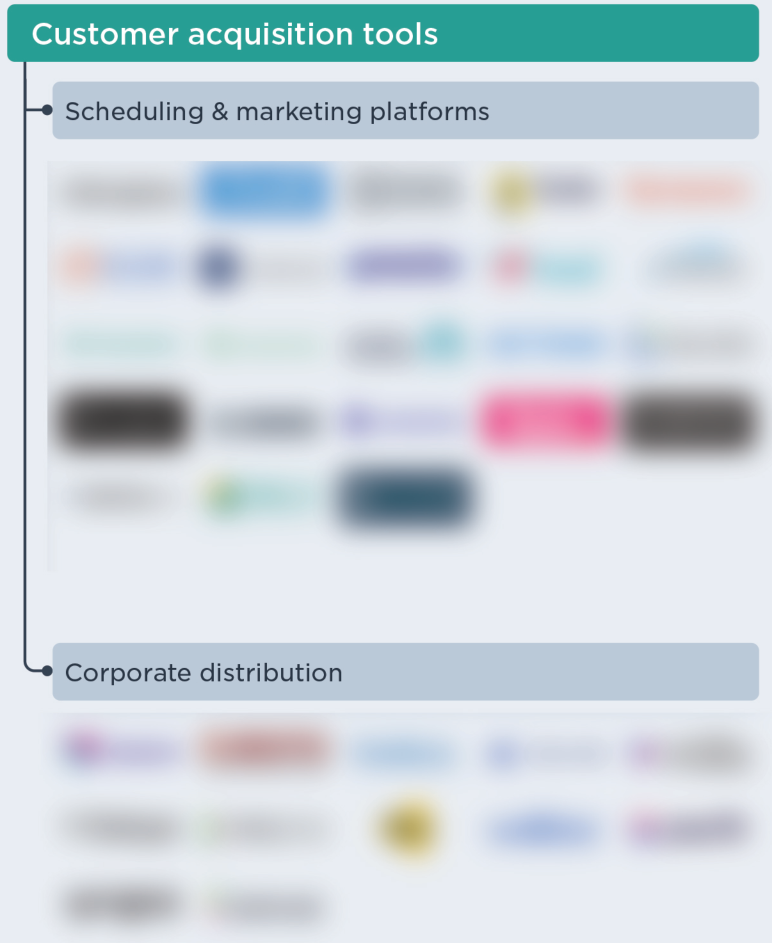
The customer acquisition tools market is categorized into two segments: scheduling & marketing platforms and corporate distribution. Industry growth is mainly driven by the corporate distribution category and the growth of technological innovations, the shift in consumer behaviors, and cost-saving opportunities. 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 and platforms that enable distribution via corporate channels. Startups in this arena 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.



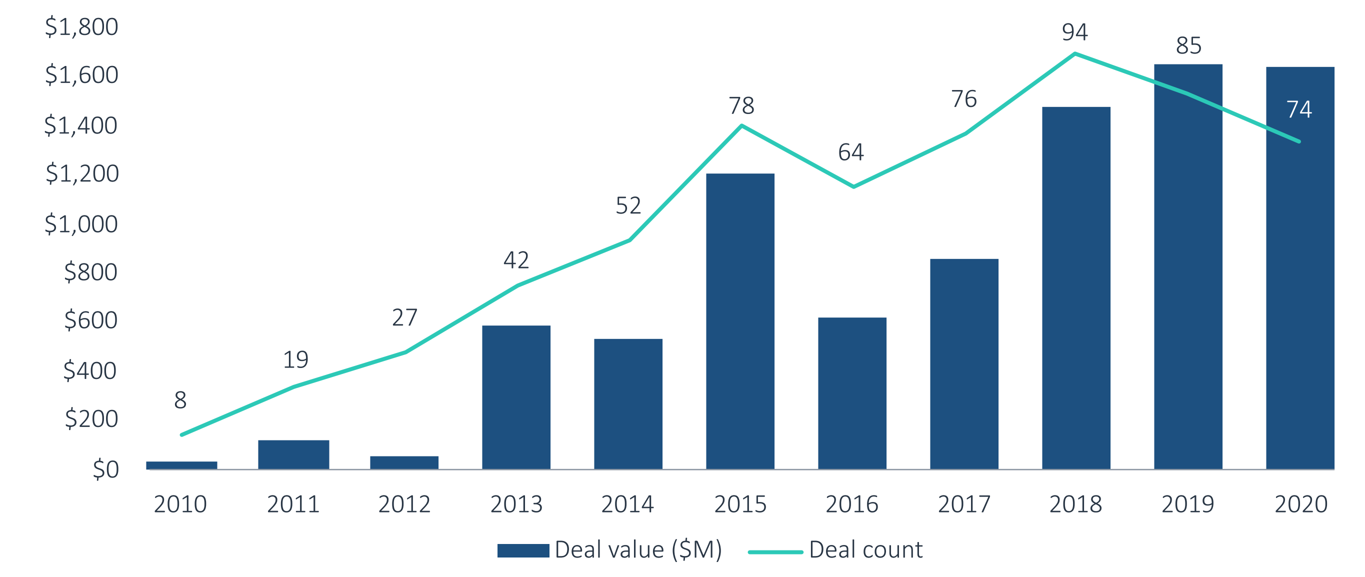
CUSTOMER ACQUISITION TOOLS

can help healthcare providers optimize their online presence through SEO and other digital marketing strategies. As consumers take control of their health and rely more on digital health channels, demand for scheduling & marketing software solutions has increased. Prior to the pandemic, consumer demand for health club memberships expanded the business opportunity to sell scheduling & marketing platforms for fitness centers, salons, spas, studios, and other boutiques, though this demand may take some time to return.[8]

Ongoing corporate strategies to reduce healthcare costs: Corporate wellness initiatives have the potential to reduce health-related costs, a powerful incentive to provide preventative health and wellness services. According to a study conducted by Harvard economists, absenteeism costs fall by $2.73 for every dollar spent on wellness programs.[9] However, the corporate wellness market remains small in comparison to the massive economic burden and productivity losses (10% to 15% of global economic output) associated with an unwell, disengaged workforce.[10] In addition, healthy employees cost less to insure, creating incentive for employers to find ways to encourage healthy lifestyles. Scheduling platforms enable businesses to decrease costs by reducing missed appointments, improving staff management, and increasing business efficiencies.

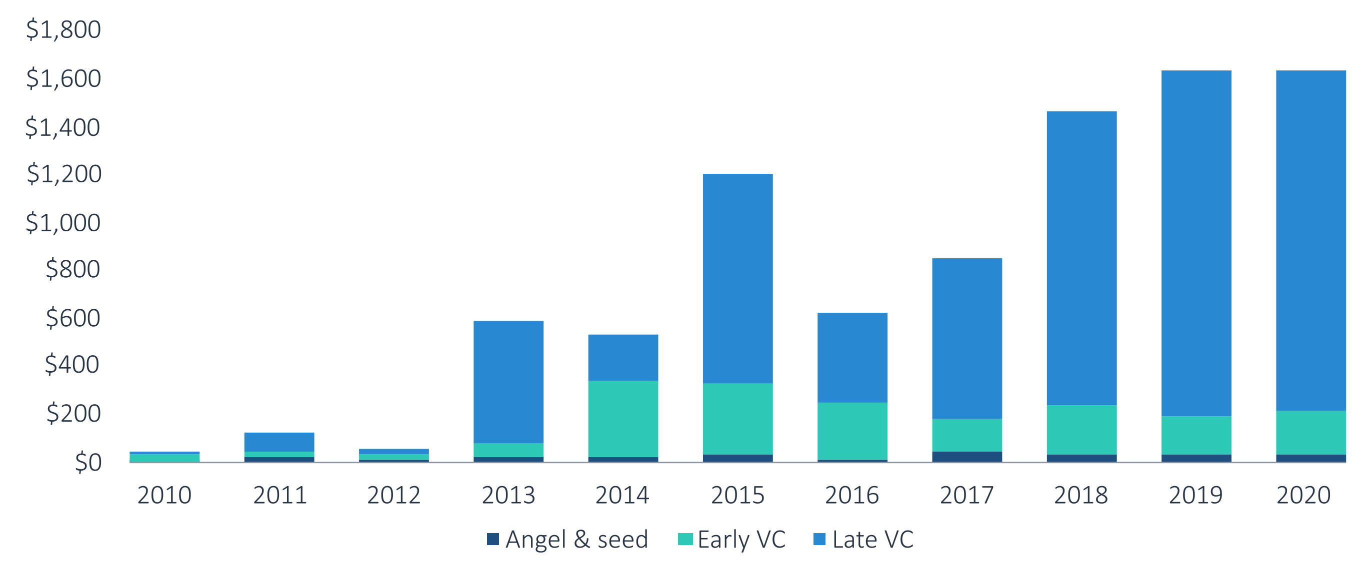
Evolving IT and increasing reliance on digitalization drives demand for scheduling software: Increased reliance on cloud computing has enabled providers to integrate services with existing platform more easily, while facilitating the use of both physical and virtual workplaces. AI and ML applications designed to improve the customer experience are finding more use-cases in the healthcare industry.

Figure 14. CUSTOMER ACQUISITION TOOLS VC DEAL ACTIVITY



Source: PitchBook | Geography: Global

Figure 15. CUSTOMER ACQUISITION TOOLS VC DEALS ($M) BY STAGE



Source: PitchBook | Geography: Global

8: "2018 Shows Continuing Uptrend of U.S. Health Club Industry," IHRSA, April 12, 2019.
9: "Workplace Wellness Programs Can Generate Savings," Health Affairs, Vol 29, No 2, Katherine Baicker, David Cutler, and Zirui Song, February 2010.
10: "2018 Global Wellness Economy Monitor," Global Wellness Institute, Ophelia Yeung and Katherine Johnston, October 2018.

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).

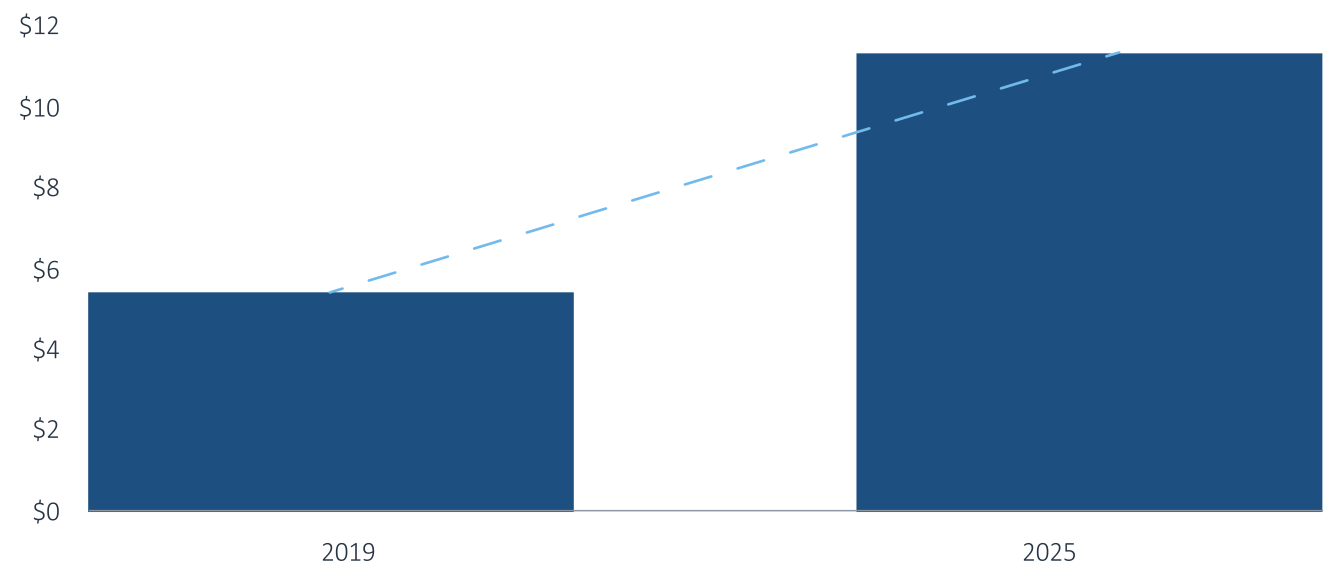
Business model

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 & 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 22. **CLINICAL TRIAL TECH MARKET SIZE ($B)**



Source: PitchBook | Geography: Global

COMMON INDUSTRY KPIS

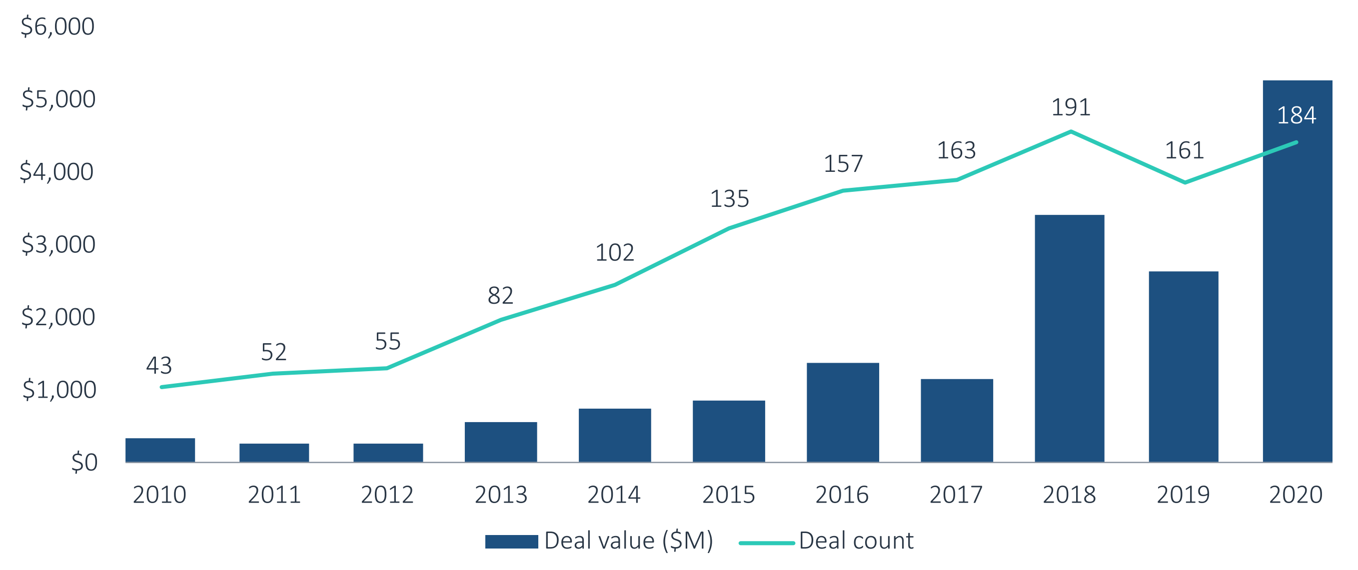
- Revenue growth and profit/customer
- Customer acquisition cost
- Patient recruitment & retention: Number of patients reviewed or engaged on platform, number of patients referred, % of patients who complete trial
- Net promoter score
- LTV
- Size of dataset per customer
- Churn rate
- Records managed
- Users under license
- Market penetration proportion

VC activity

Operations & care management startups raised $2.6 billion in venture funding in Q4 2020, over double Q3's deal value. However, deal value decreased from 51 deals in Q3 to 30 deals in Q4. The large deal value was driven by nine VC mega-deals. The largest deals this quarter were **DXY's** $500.0 million Series E, **Tempus Lab's** $450.0 million Series G, and **LumiraDX's** $389.2 million late-stage deal. **DXY** developed and hosts a knowledge-sharing platform for physicians, consumer-facing medical consultation service offerings, and an advertising channel for healthcare organizations. When COVID-19 hit, **DXY** was one of the first companies to introduce a real-time COVID-19 tracker in China.

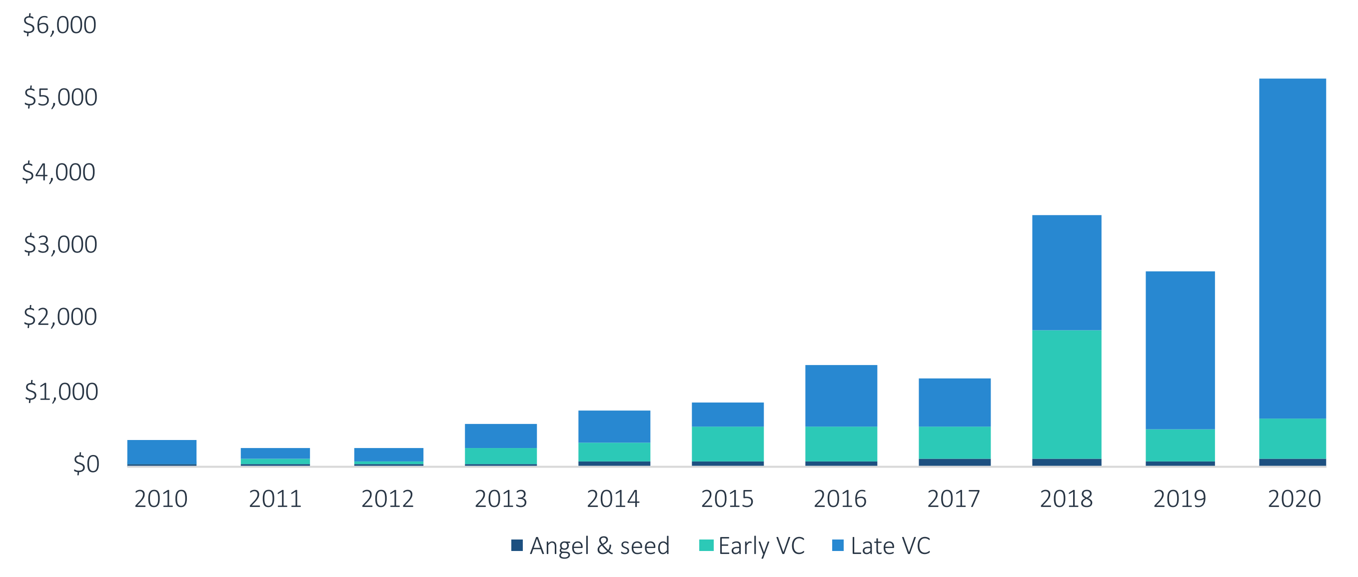
We tracked 23 exits this year within the operations and care segment, seven of which occurred in Q4: four mergers, two buyouts, and one reverse merger. HealthStream (NASDAQ: HSTM) acquired hospital management platform **ShiftWizard** for $32.0 million. **ShiftWizard** helps healthcare organizations maximize staff availability, minimize cost, and ensure that caregivers are properly matched to patient needs.

Figure 32. OPERATIONS & CARE MANAGEMENT VC DEAL ACTIVITY



Source: PitchBook | Geography: Global

Figure 33. OPERATIONS & CARE MANAGEMENT VC DEALS ($M) BY STAGE

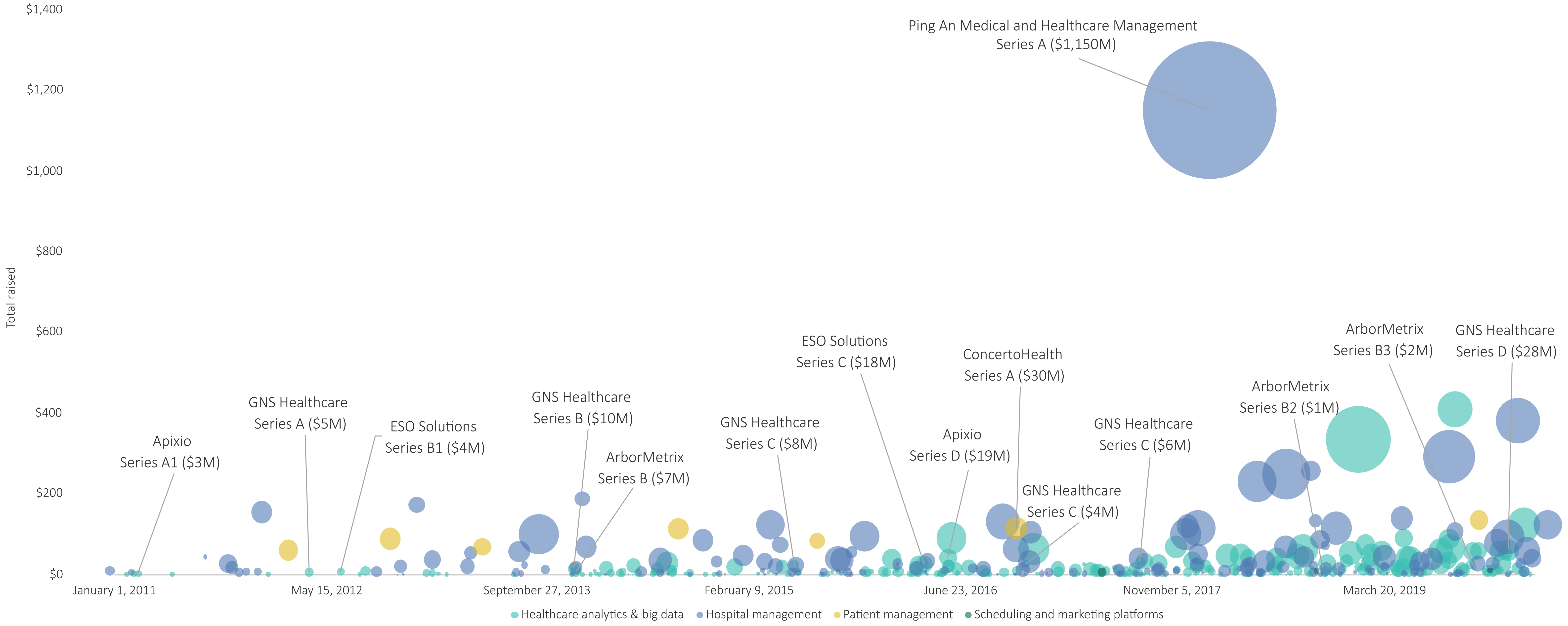


Source: PitchBook | Geography: Global

OPERATIONS & CARE MANAGEMENT

Figure 34.

Operations & care management VC landscape ($M)



Source: PitchBook | Geography: Global

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

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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