



EMERGING TECH RESEARCH

# Healthcare IT Report

VC trends and emerging opportunities

**Q2**  
2023

## REPORT PREVIEW

The full report is available through the PitchBook Platform.





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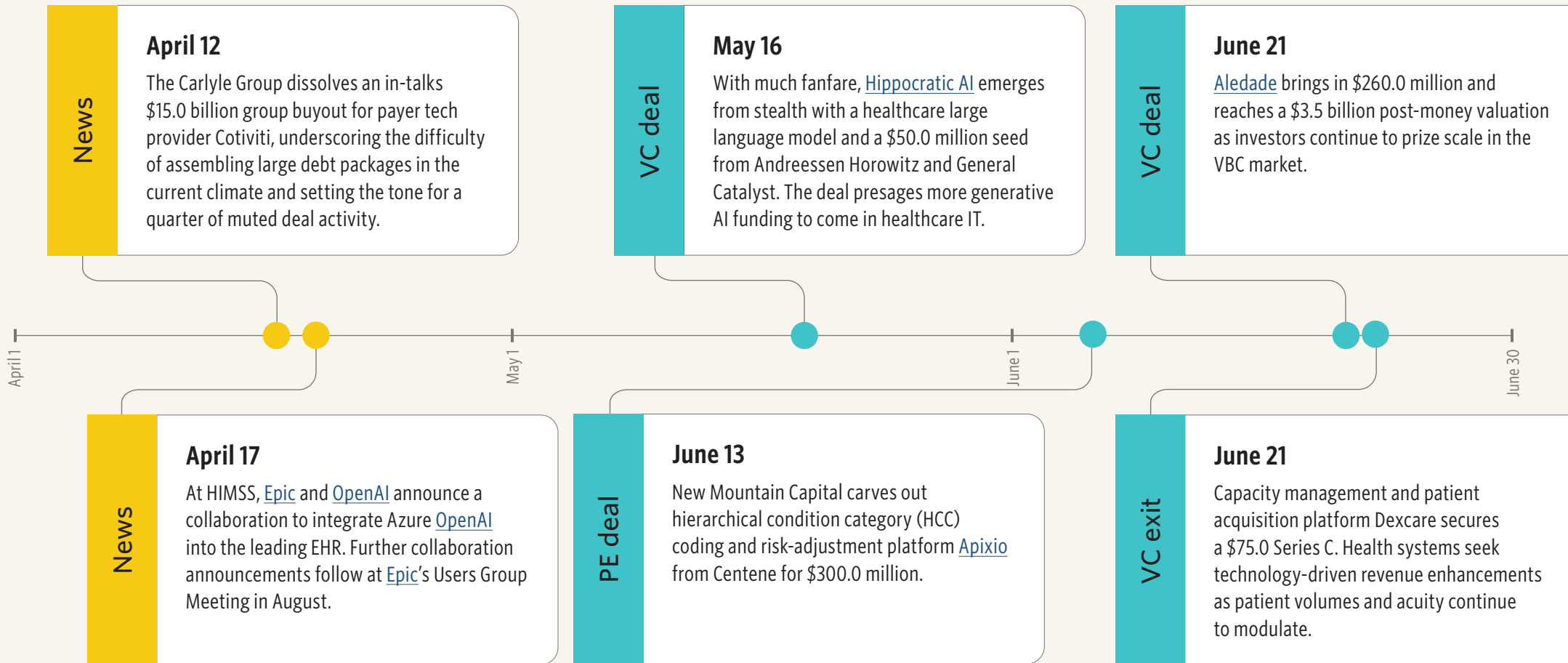
### Publishing

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# Q2 2023 timeline



## Q2 VC deal value summary

**\$1.0B**

Q2 2023 deal value

**-25.6%**

QoQ change in deal value

**-45.8%**

YoY change in quarterly deal value

## 2023 PE deal count summary

**15**

Q2 2023 deal count

**-48.3%**

QoQ change in deal count

**-53.1%**

YoY change in quarterly deal count



# Healthcare IT landscape

- 1** EHRs & clinical information
- 2** Revenue cycle
- 3** Operations
- 4** Analytics
- 5** Infrastructure & compliance

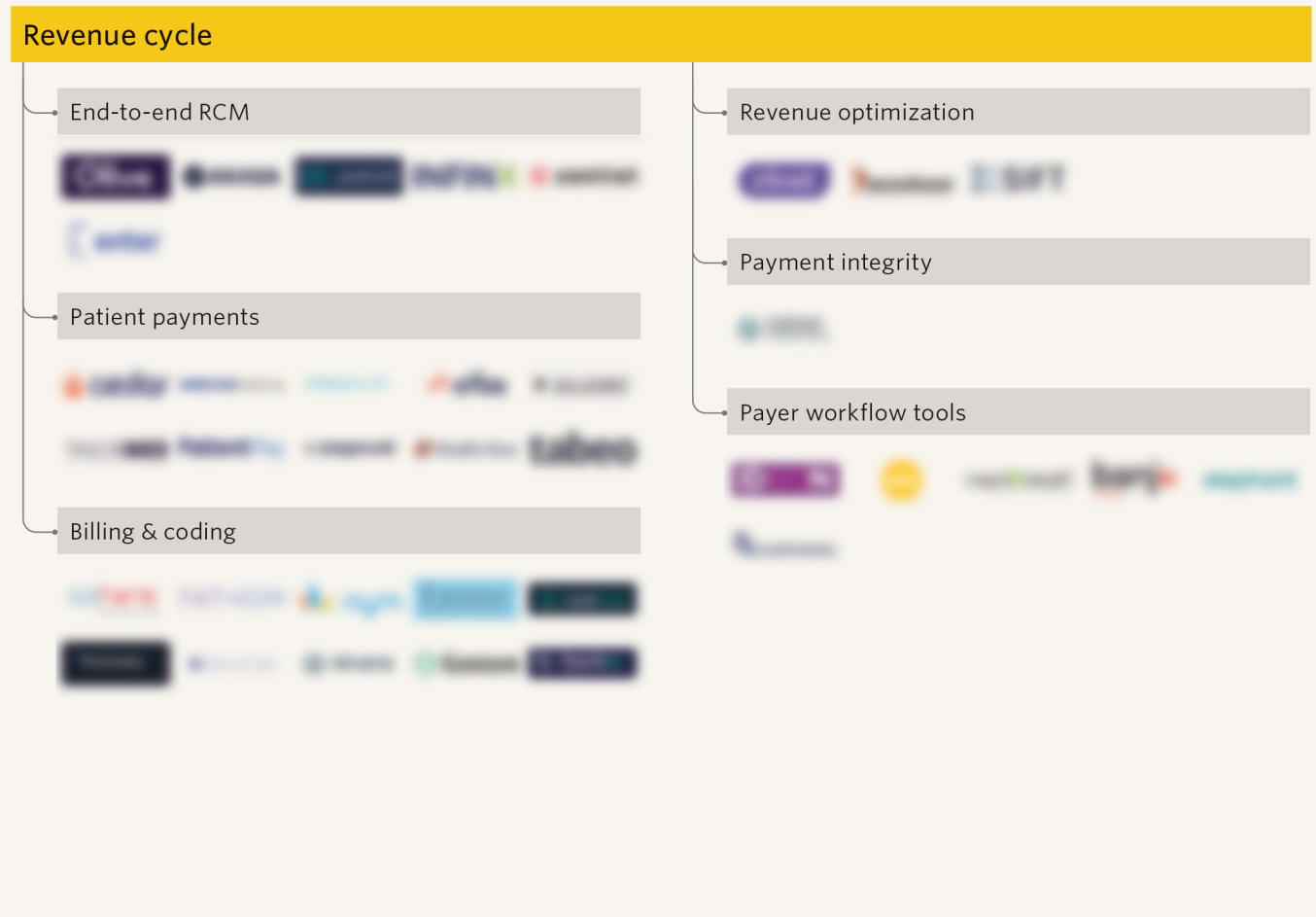
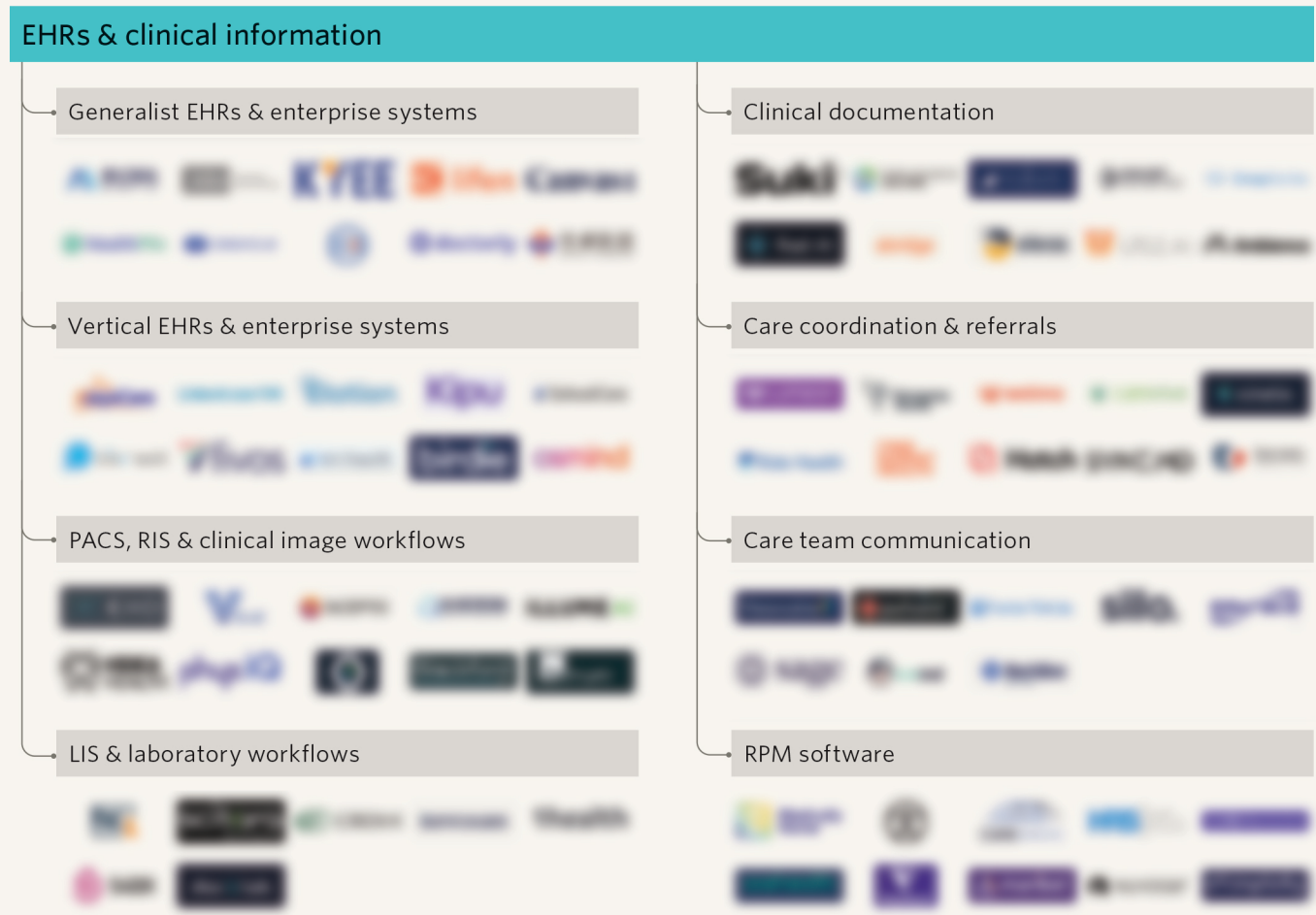




# Healthcare IT VC ecosystem market map

Market map is a representative overview of venture-backed companies in each segment. Companies listed have received VC investment since 2020.

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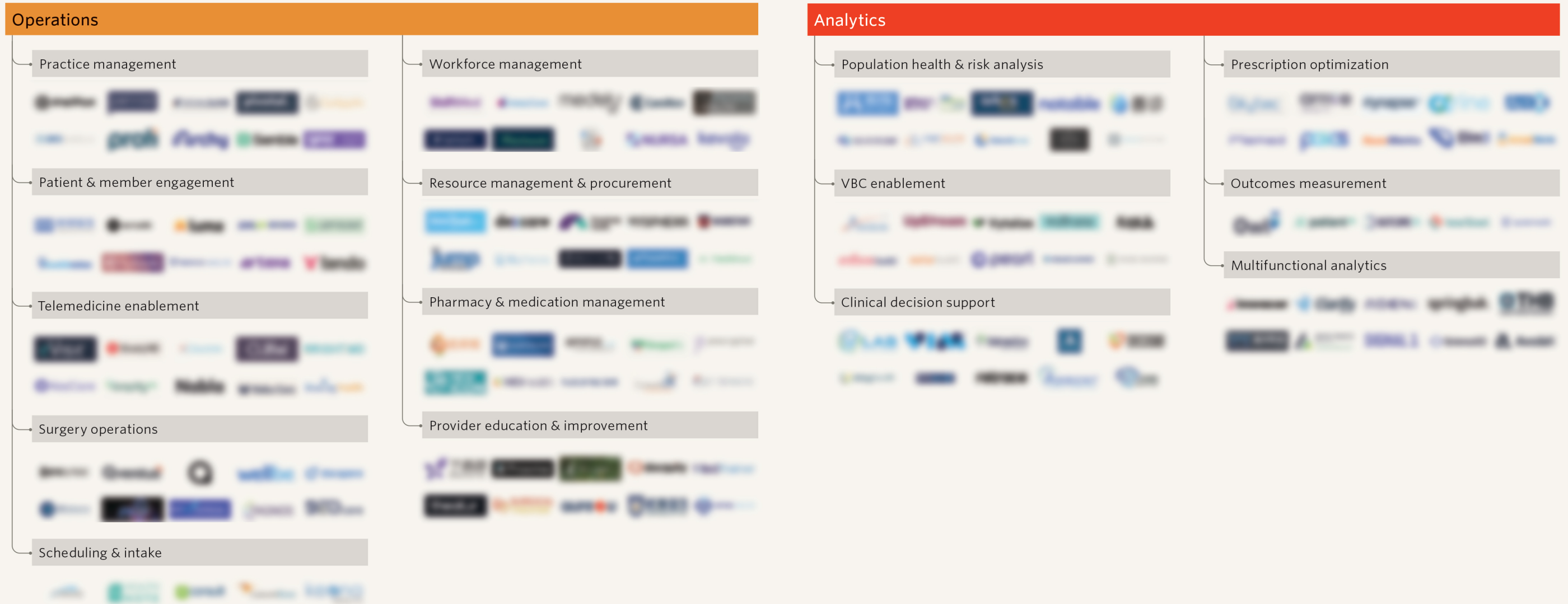




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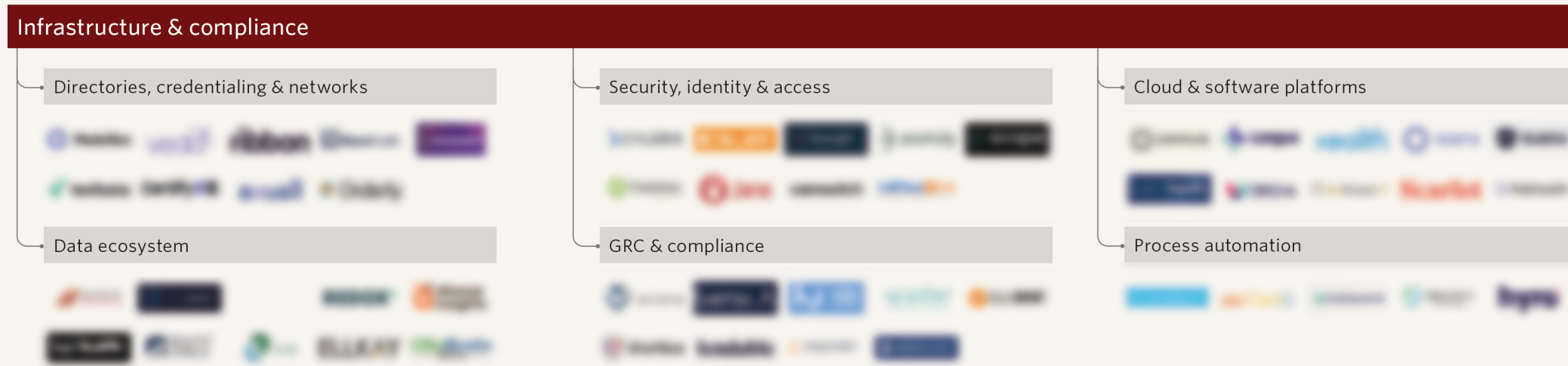




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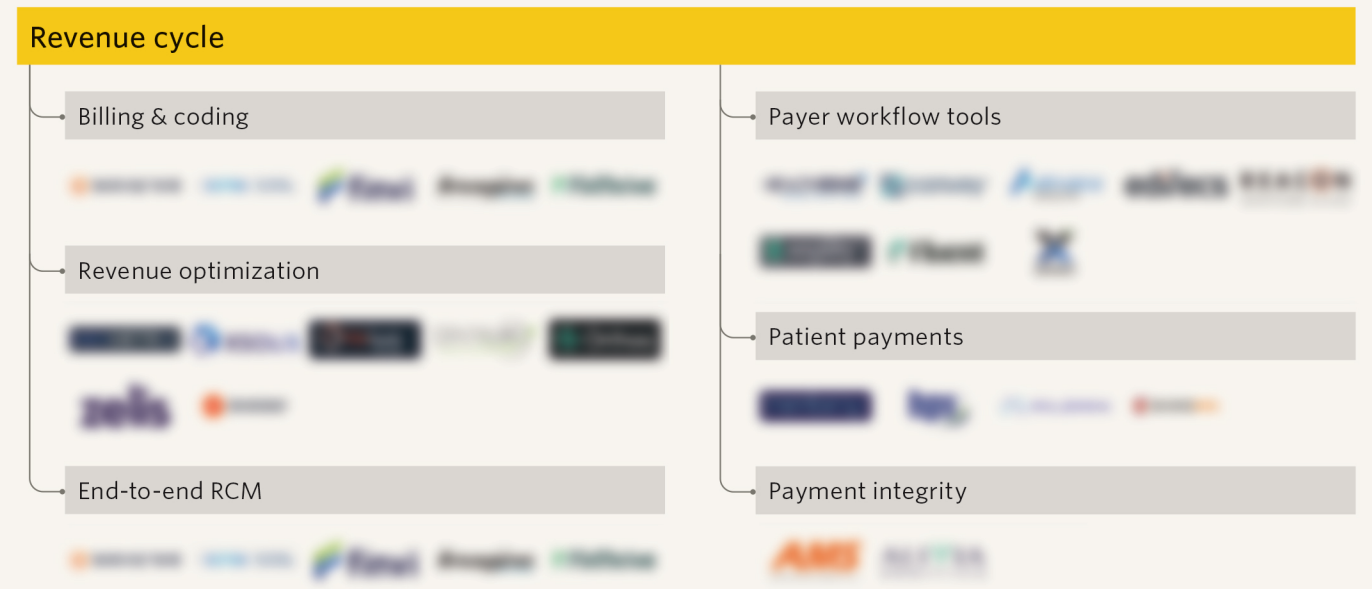
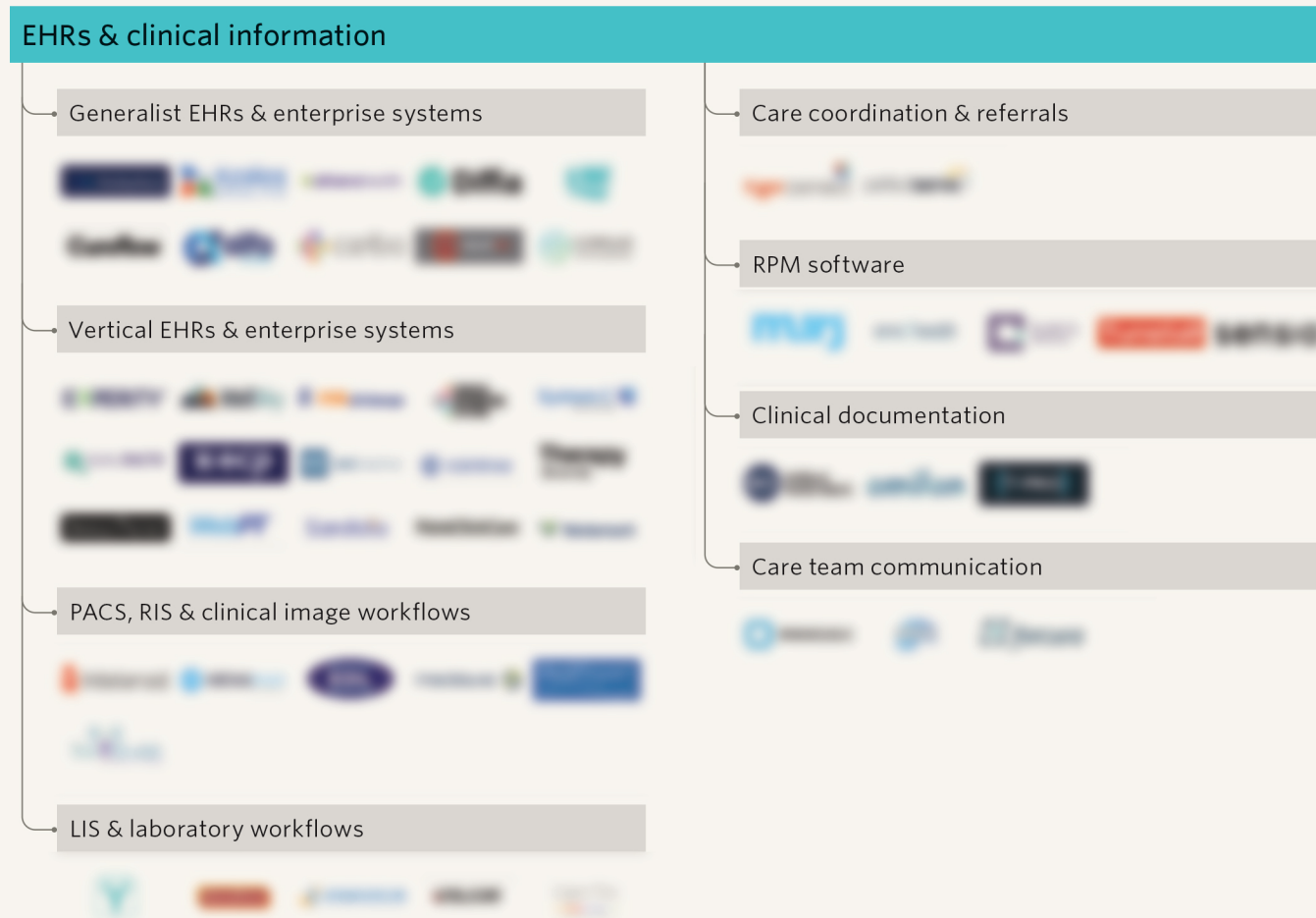




# Healthcare IT PE ecosystem market map

Market map is a representative overview of private equity-backed companies in each segment. Companies listed are currently active in PE portfolios.

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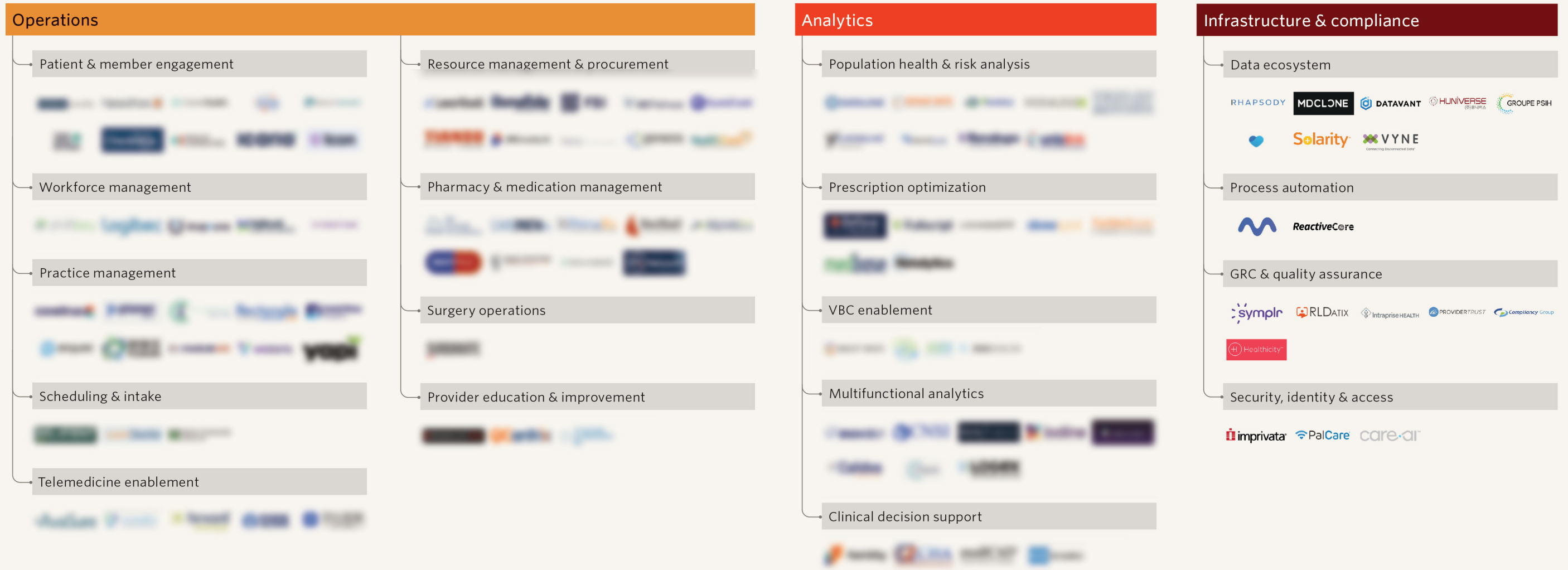




# Healthcare IT PE ecosystem market map

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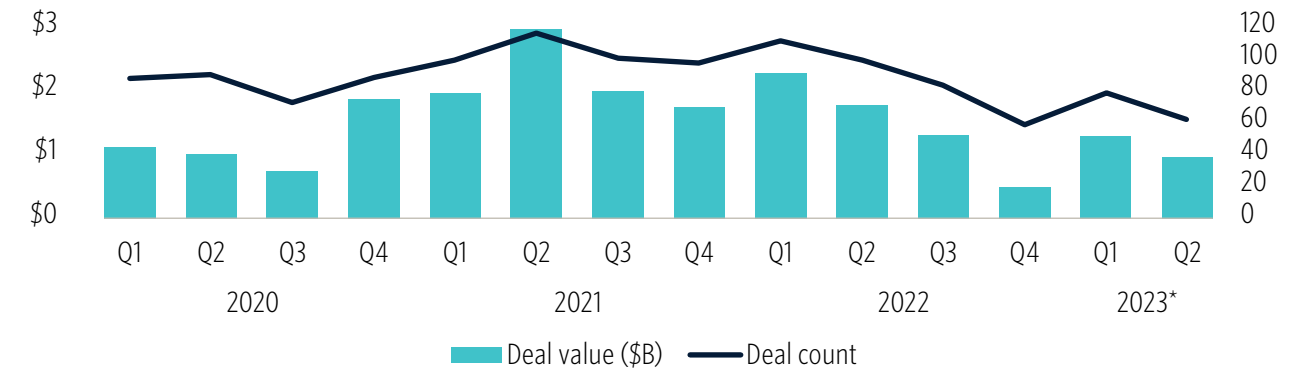
# VC and PE activity

VC funding declined slightly from Q2 but remained well above the Q4 2022 nadir. Startups raised \$1.0 billion across 62 deals, slightly below Q1 2020's deal activity levels. The quarter began on the heels of Silicon Valley Bank's collapse and ended with macroeconomic indicators pointing in a more positive direction. Nevertheless, the VC ecosystem continues to be characterized by valuation correction—we recorded 14.2% of US VC deals in the quarter as down rounds across all industries—and a historically investor-friendly fundraising environment. As investors retreat to quality, the share of angel, seed, and early-stage VC deals in HCIT YTD has plummeted to 26.2%, compared with an average of 48.9% in the 2020-2022 period. In an environment that prizes the path to profitability at increasingly early stages, it remains difficult for investors to buy into commercialization plans for young companies facing long health system and payer sell cycles and a contracting self-funded employer market. Generative AI companies bucked this trend: Four of the top 10 early-stage VC deals of the quarter were for companies with a generative AI story to tell, while a fifth company, [Lucem Health](#), offers an AI image analysis platform.

VC exits remained tepid. Topping the quarter's late-stage deal activity was a \$260.0 million Series F for [value-based care enabler Aledade](#). With the round, the company notched an eye-watering \$3.5 billion valuation. In exits, Chinese pharmacy management company [Yaoshibang](#) listed on the Hong Kong stock exchange at a \$1.7 billion valuation, while Samsung-backed Human API, which provides underwriting data retrieval and analytics tools, sold to LexisNexis.

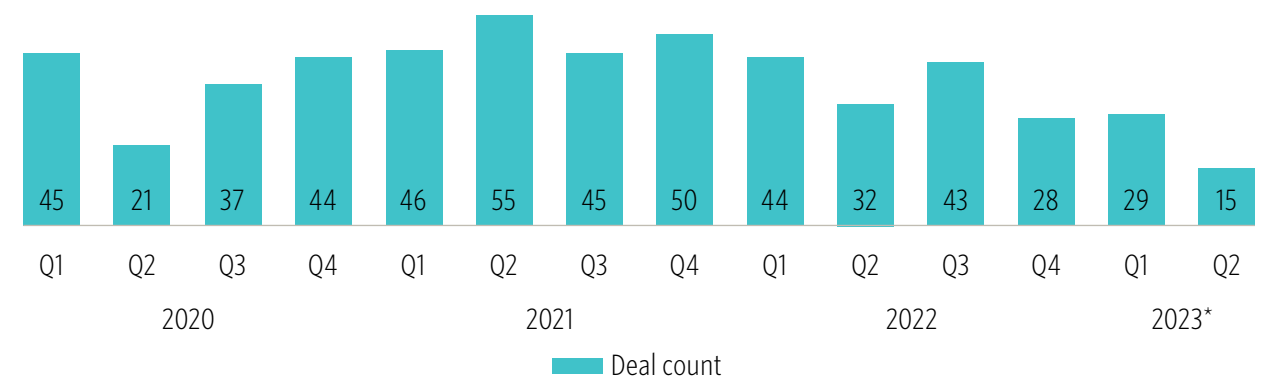
After holding steady for the last three quarters, PE healthcare IT deal activity faltered in Q2. PE firms closed 15 healthcare IT deals in the quarter, a lower quarterly deal count than Q2 2020. Anecdotally, we are continuing to hear of PE healthcare investors looking to increase their exposure to healthcare IT (especially revenue cycle and payer services) as well as pharma services, as opposed to providers. However, deal flow did not materialize in the quarter as buyers

## Healthcare IT VC deal activity by quarter



Source: PitchBook • Geography: Global • \*As of June 30, 2023

## Healthcare IT PE deal count by quarter



Source: PitchBook • Geography: Global • \*As of June 30, 2023



## VC AND PE ACTIVITY

### Key Q2 HCIT early-stage VC deals

Company name	Close date (2023)	Category	Deal size (\$M)	Deal type	Lead investor(s)
<a href="#">Hippocratic AI</a>	May 16	Process automation	\$50.0	N/A	Andreessen Horowitz, General Catalyst
<a href="#">Verifiable</a>	June 12	Directories, credentialing, and networks	\$27.0	Series B	Craft Ventures
<a href="#">RxLightning</a>	June 6	Payer workflow tools	\$17.5	Series A	LRVHealth
<b>Nelly</b>	June 15	Patient payments	\$16.1	Series A	Lakestar, Motive Partners, arc Investors, b2venture
<a href="#">Outbound AI</a>	June 21	Process automation	\$16.0	N/A	Madrona Venture Group, SpringRock Ventures
<b>Sonio</b>	June 30	Clinical decision support	\$14.1	Series A	Cross Border Impact Ventures, Elaia Partners
<b>AvoMD</b>	June 23	Clinical decision support	\$13.1	N/A	AlleyCorp
<b>GenHealth.ai</b>	June 9	Clinical decision support	\$13.0	N/A	Craft Ventures, Obvious Ventures
<a href="#">BeeKeeperAI</a>	June 27	Cloud & software platforms	\$12.1	Series A	Santé Ventures
<a href="#">Lucem Health</a>	May 5	Cloud & software platforms	\$7.7	Series A	Granger Management, Mayo Clinic Ventures, Mercy

Source: PitchBook • Geography: Global • \*As of June 30, 2023



## VC AND PE ACTIVITY

### Key Q2 HCIT late-stage and growth deals

Company name	Close date (2023)	Category	Deal size (\$M)	Deal type	Lead investor(s)
<a href="#">Aledade</a>	June 21	VBC enablement	\$260.0	Series F	Andreessen Horowitz, General Catalyst
<a href="#">DexCare</a>	June 21	Resource management & procurement	\$75.0	Series C	Craft Ventures
<a href="#">1upHealth</a>	April 3	Data ecosystem	\$45.0	Series C	LRVHealth
<a href="#">TeleVet</a>	May 22	Practice management	\$32.5	Series B	Lakestar, Motive Partners, arc Investors, b2venture
<a href="#">Helium Health</a>	June 5	Generalist EHRs & enterprise systems	\$30.0	Series B	Madrona Venture Group, SpringRock Ventures
<a href="#">Memora Health</a>	April 18	Patient & member engagement	\$30.0	Series A1	Cross Border Impact Ventures, Elaia Partners
<b>Practice Better</b>	April 27	Practice management	\$27.0	PE growth	Five Elms Capital
<a href="#">Inbox Health</a>	April 21	Patient payments	\$22.5	Series B	AlleyCorp
<a href="#">Medfar Clinical Solutions</a>	April 18	Generalist EHRs & enterprise systems	\$22.1	Series C	Craft Ventures, Obvious Ventures
<b>Hyro</b>	May 31	Process automation	\$20.0	Series B	Santé Ventures

Source: PitchBook • Geography: Global • \*As of June 30, 2023



## SELECT COMPANY HIGHLIGHTS: POINTCLICKCARE

# PointClickCare®

**Founded**  
1995

**Last financing valuation**  
Over \$5 billion

**Last financing**  
2021

**Largest institutional investor:**  
Hellman & Friedman

## Overview

[PointClickCare](#) is a leading post-acute care coordination and cloud software platform operating across the US and Canada. Founded in 1995, the company is led by co-founder and CEO David Wessinger and backed by Hellman & Friedman, Dragoneer Investment Group, Pohlads Companies, and JMI Equity. Headquartered in Mississauga, Ontario, the company has over 2,000 employees across five offices in Canada and the US. In 2021, at the time of Hellman & Friedman's investment, the company was reportedly valued north of \$5 billion.<sup>8</sup> In 2022, it had annual recurring revenue (ARR) of around \$500 million and was growing ARR at 20-25% annually.<sup>9</sup>

The company's core product is a cloud EHR for long-term care and senior living facilities with broad functionality ranging from customer relationship management and resident engagement tools to revenue cycle management, to quality and outcomes benchmarking, to e-prescribing and medication management. [PointClickCare](#) also offers solutions to additional market segments that interact with skilled nursing facility (SNF) providers. These include transition-of-care solutions for health systems, a network management product for ACOs and risk-bearing providers, and provider engagement and risk management tools for health plans.

## Competitive landscape

[PointClickCare](#) competes with a range of different vendors depending on the product. Competitors to the core post-acute HEHR market include Netsmart, Allscripts, and Matrixcare. Senior living software providers include [August Health](#), [Extended Care Pro](#), and [K4Connect](#). Bamboo Health is another acquisitive PE-backed company that specializes in ADT alerts, care-gap closure, and other care coordination functions, although Bamboo has a greater focus on the behavioral health market. Profility and ABOUT Healthcare offer post-acute care-transition solutions, while Hatch supports capacity and referral management for health systems and orthopedic specialists. [Watershed Health](#) provides care coordination technology across provider types.

## Strategic direction

[PointClickCare](#) currently controls around 70% of the US SNF market. This puts the company in an interesting strategic position. [PointClickCare](#) has unparalleled visibility into the SNF market; however,

<sup>8</sup>: "[PointClickCare's Value Rises to \\$5bn from Hellman & Friedman and JMI Equity](#)," *Private Equity insights*, July 14, 2022.

<sup>9</sup>: "[PointClickCare to Buy Audacious Inquiry in a Health Tech Move](#)," *Axios*, Sarah Pringle, February 2, 2022.



## SELECT COMPANY HIGHLIGHTS: POINTCLICKCARE

that market is shrinking, with the number of federal facilities declining at a rate of around 100 per year since 2018<sup>10</sup> due to financial pressures and a site-of-care shift toward the home. At the same time, SNFs remain a vital component of the healthcare ecosystem for the many patients who require 24-hour supervision or whose home environment is not an appropriate care setting. Close coordination between discharging hospital physicians, SNFs, and primary care providers is required to optimize patient outcomes and succeed under alternative payment models. Moreover, SNFs have lagged acute and ambulatory providers in digital transformation and often face severe provider shortages, meaning that the opportunity to leverage technology for improved care and operations is significant.

Amid these industry dynamics, [PointClickCare](#) has evolved from a vertical EHR vendor to a full-continuum care collaboration platform. The story of this evolution can be told through the company’s more recent acquisitions. The company acquired [Collective Medical](#), which offered a real-time care collaboration platform, for \$650.0 million in 2020. In 2022, its \$284.3 million acquisition of [Audacious Inquiry](#), which offers an encounter notification system to alert providers to ADT and other clinical

10: “The Upheaval at America’s Disappearing Nursing Homes, in Charts,” *The Wall Street Journal*, Jon Kamp et al., August 23, 2023.

events, further expanded the company’s footprint among hospitals and ambulatory sites. And in 2023, the company enhanced its value-based care capabilities by acquiring [Patient Pattern](#), which offers payer and provider tools such as risk adjustment, HCC tracking, quality gap closure, and predictive risk stratification.

In addition to acquisitions, [PointClickCare](#) has made significant investments in interoperability architecture. The company is in process of obtaining its full Certified EHR Technology (CEHRT) designation; this includes the rigorous FHIR (g)(10) criterion for patient and provider data access, which only 5% of healthcare IT developers had achieved as of 2022.<sup>11</sup> However, utilization of these technologies may lag technological capabilities for some time due to a lack of operational bandwidth on both the post-acute and acute sides of the table. The company’s efficiency-focused solutions, which can help guide staff to high-value tasks and automate tedious administrative tasks such as patient intake, will likely continue to be an important development area in the short term. The company is also building data normalization processes and developing machine learning tools to predict clinical outcomes and risks and is potentially interested in acquiring a machine learning technology developer.

11: “On the Road to Cures Update: Certified API Technology,” *HealthITbuzz*, Avinash Shanbhag and Robert Anthony, August 19, 2022.

### Acquisition history

<a href="#">Patient Pattern</a>	<a href="#">Audacious Inquiry</a>	<a href="#">Collective Medical</a>	<a href="#">Co-Pilot Analytics (Consonus Healthcare)</a>	<a href="#">QuickMar</a>	<a href="#">COMS Interactive</a>
March 13, 2023	March 16, 2022	December 30, 2020	May 5, 2020	March 6, 2019	October 8, 2018
N/A	\$284.3 M	\$650.0 M	N/A	N/A	N/A

# About PitchBook Industry and Technology Research

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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 Industry and Technology 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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