

Healthcare Technology & Distribution

Takeaways from our VC call on digital health themes for 2024

Industry Overview

Digital health still attractive to new capital

Last week, we hosted an expert call with Ms. Holly Maloney, Managing Director at General Catalyst. General Catalyst is a multi-stage, multi-sector venture capital firm with ~\$25Bn assets under management (AUM) as of May 2023. Maloney has invested in several digital health companies spanning behavioral health, telehealth, pharmacy benefits, and healthcare data providers. She is an active board member for many of her investments with a front row view into key trends in digital health. Overall Maloney remains optimistic about the long-term prospects for companies in the digital health space, noting that VCs are doubling down on portfolio companies while still finding attractive pockets to invest in. Key topics of conversation included current health system priorities, key industry themes for 2024, and items top of mind for VCs. We also discussed the creation of Health Assurance Transformation Corp (HATco), GC's unique relationship with its health system partners, and how technology can improve the US healthcare system.

The five themes health systems are prioritizing

A large part of our call focused on top priorities for health systems. Maloney outlined five themes that health systems are prioritizing, including consumer empowerment, hybrid care, workforce transformation, shift to value-based care, and administrative automation. We note that the General Catalyst team is in a good position to garner insights from health systems. The team has developed an ecosystem of 20+ health system partners with exposure to a wide range of patients across socioeconomic and geographic spectrums. **We elaborate on the five priorities in the body of the note.**

A unique partnership to drive tech adoption at hospitals

Last year, General Catalyst formed the Healthcare Assurance Transformation Corporation (HATCo), a firm aimed at highlighting the transformative benefits that technology and capital can bring to healthcare systems and caregivers. Recently, HATCo signed a letter of intent to acquire Summa Health, one of the largest integrated delivery systems in Ohio. We believe this is one of the first instances where a VC firm has intended to acquire a health system. Unlike traditional PE ownership, GC's goal is to operate a health system for a long period of time. HATCo has a unique opportunity to focus on use cases with full stakeholder alignment, which could potentially reduce implementation timelines. If successful, this could serve to accelerate the adoption of more nascent technology.

VCs finding opportunities as consolidation continues

Maloney also noted that the early-stage market is still active with plenty of companies finding new opportunities within segments of healthcare that were overlooked. She noted a focus on doubling down on portfolio companies that are operating well, especially with ongoing consolidation in the space providing opportunities for scale. This is a theme we discussed in our Year-Ahead note ([see note](#)) which could benefit incumbents and larger players in the space with scale and balance sheets to capitalize on inorganic opportunities.

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Equity
United States
Healthcare Technology & Distribution

Allen Lutz, CFA
Research Analyst
BofAS
+1 646 855 4380
allen.lutz@bofa.com

Dev Weerasuriya
Research Analyst
BofAS
+1 646 855 5707
dev.weerasuriya@bofa.com

Hanna Lee
Research Analyst
BofAS
+1 646 855 3682
hanna.y.lee@bofa.com

Health system priorities

Our expert noted five priorities that are currently top of mind for health systems as they look to transform their operations. We summarize these priorities below.

Consumer empowerment

Given hospitals are in the business of having patients come through the front-door, having a high-quality experience for patients is a key focus for health systems. Health systems are thinking about how to engage patients to improve the continuity of care by curating engagement to various population types. Part of the challenge lies in the differences in individual patient needs, not just from a clinical perspective, but also from an engagement perspective. Our expert noted there is a wide dispersion regarding where health systems stand in their own journey toward improving consumer engagement. She noted Intermountain as an example of a health system that has done a good job on this front. Most systems are still thinking about how to funnel patients through the care journey. While there are various applications available to address pain points across the journey, our expert noted that this is still a systems integration issue.

Hybrid care continuum

Offering a hybrid care platform plays into the theme of consumer empowerment, but it is also focused on cost reduction and capital efficiency. Health systems are looking to take advantage of the often-vast physical infrastructure and tap into complimentary care delivery mechanisms. This can help flex the cost structure while improving access. Use cases for completely virtual care delivery remain limited to specific acuties (behavioral health for instance). However, telehealth provides a strong value proposition to support hybrid care in the overall context of the wider care delivery ecosystem.

Value-Based Care (VBC)

Our expert noted that shifts towards VBC is driven by the need to align primary care clinics and health systems with the principles of value and capitation. This approach seeks to ensure all stakeholders understand its importance and adopt the model comprehensively. Importantly, our expert noted that the only way to really accelerate adoption is to ensure that the model is prescriptive within the wider organization. Moreover, she emphasized the need for treatments that are effective across diverse demographics and payor types. As for technologies place in the equation, she noted the importance to focus on VBC's viability across various patient groups, so that it can make a larger dent in the overall healthcare cost burden.

Workforce Transformation

Our expert also noted a focus on transforming the workforce. Physician burnout is increasing, particularly post-COVID. She noted that persistent shortages in clinical staff, including a 200k+ shortage in nurses for direct patient care highlights the stress on the system. As such, health systems are focused on finding ways to fill those staffing gaps, as well as ways to empower existing staff to reduce burnout and improve efficiency.

Administrative Automation

Tied in with workforce transformation, our expert noted that health systems are focused on reducing costs and administrative burdens in healthcare through automation. This reduces the cost burden on health systems, but also has potential to reduce the stress on a burnt-out workforce. By leveraging technology, health systems can manage the intensiveness of given data and labor more efficiently. This includes supercharging the existing workforce, automating nursing capabilities, and handling tasks such as note-taking and data ingestion around patient care journeys. The intent is to position automation at the forefront of care capacity, enhancing communications, and simplifying nuanced service engagements.

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