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StartUp Health Insights Annual Report: 2014: The Year Digital Health Broke Out

A StartUp Health Insights™ Report

Report is inclusive of seed, venture, corporate venture and private equity funding
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2014 YEAR IN REVIEW

2014 was a record year for digital health with \$6.5B invested, a 125% increase from the total amount invested in 2013. Our report provides a snapshot of the market's top deals, subsectors, investors and more. Here are five trends we're watching:

1

Healthcare Reform Continues to Spur Innovation: As incentive structures change and new penalties come into effect in 2015, providers and payors look to entrepreneurs to create effective solutions. The unmet need is evidenced as Big Data / Analytics (\$1.5B), Population Health (\$1.1B) and Healthcare System Navigation (\$975M) net the largest amounts of private funding in 2014.

2

Acceleration of Chronic Disease & Aging Population Leads to Increased Consumerism: Rising costs continue to be the second largest catalyst for innovation in healthcare. Patients are not only encouraged, but enabled through mobile technology, to manage their health through preventive measures. Consumer health companies raised \$880M in 2014.

3

Clinical Decision Support & Personalized Medicine Gain Traction: With the advent of the \$1,000 genome, truly personalized medicine is in our reach. Genomic companies raised \$632M and diagnostics \$962M this year. This data, coupled with \$624M that went into clinical research companies will revolutionize the way that diseases are treated.

4

Convergence of Technology in Clinical Settings: Mobile and wireless technology has permeated not only our daily lives, but those of professionals in clinical settings. Practice management tools allowing physicians to focus on treatment, rather than admin tasks, raised \$783M, while those focusing on improving workflows raised \$681M. Payor-related toolkits raised \$699M.

5

Innovation Globalization: More than 7,500 startups around the world are developing new solutions in digital health, based on data from the StartUp Health Network. Even within the US, areas outside of the Bay Area, New York and Boston are seeing an uptick in the number of companies obtaining funding.



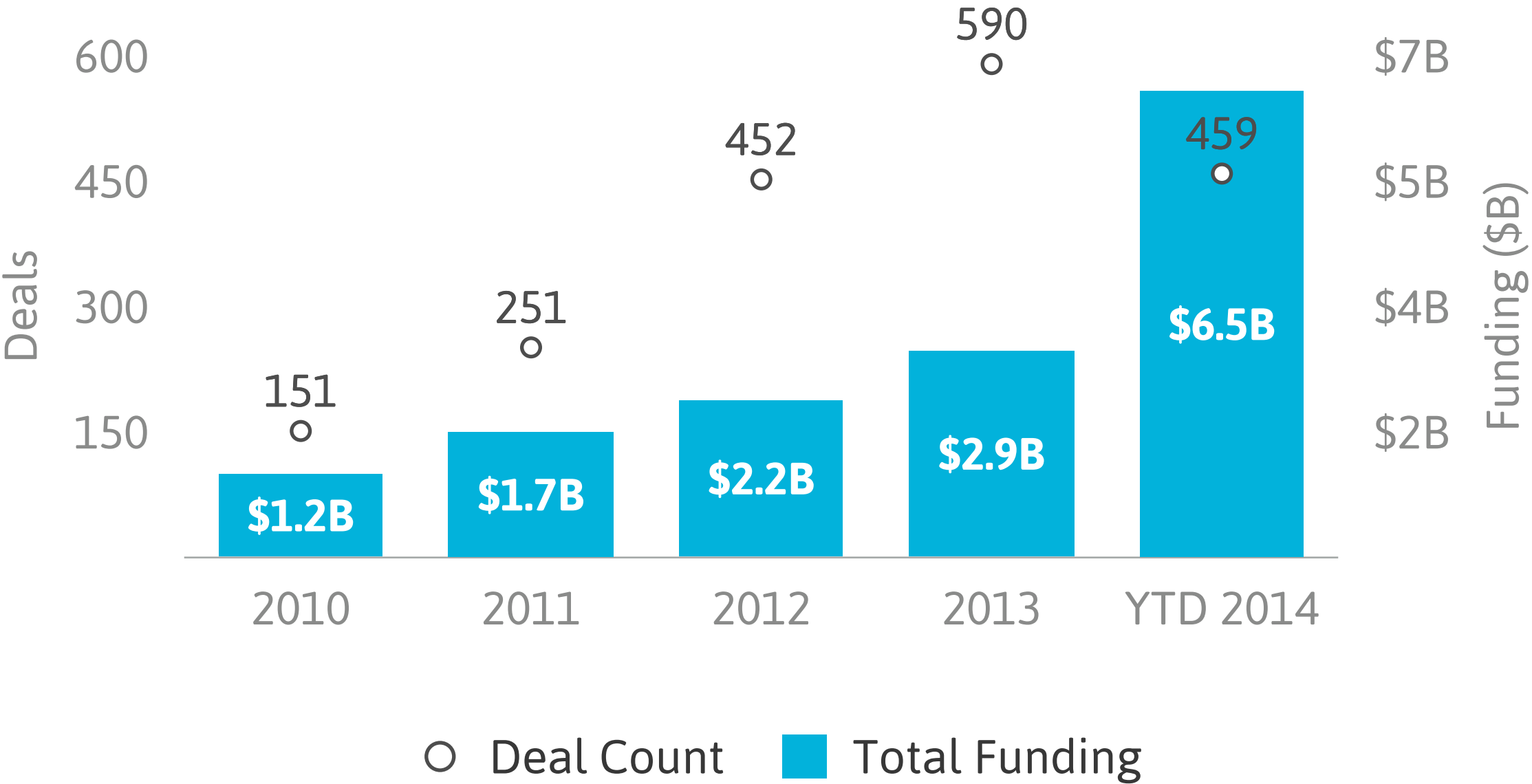
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"The healthcare industry continues to be one of the biggest opportunities for entrepreneurs and investors. Over-employment and declining productivity has plagued our healthcare system industry for decades, but today market forces are driving new incentives and paving the way for disruption. The walls are clearly coming down and we see increased demand across the health care ecosystem to address inefficiencies and focus on creating value."

- Bob Kocher, MD, Partner

DIGITAL HEALTH FUNDING SNAPSHOT

Funding in 2014 more than doubled from last year with \$6.5B invested compared to \$2.9B in 2013, with each quarter in 2014 attracting more capital than all of 2010. Signs of a maturing market continue, as investors place larger bets on fewer companies.



THE TOP 10 MOST ACTIVE SUBSECTORS OF 2014

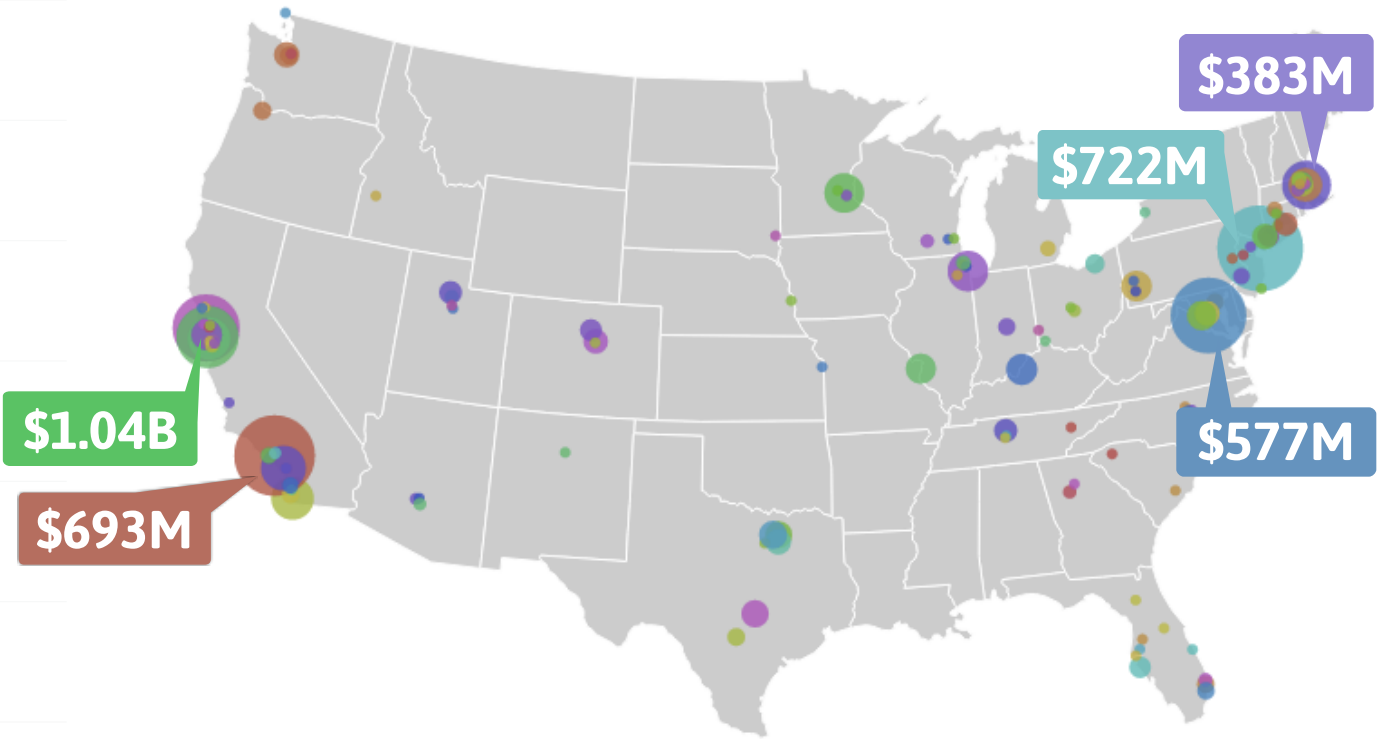
Big data is clearly a big winner; companies that may not have been traditionally labeled as “big data” are now leveraging analytic and predictive methods to drive value in niche subsector areas.

	Subsector	\$ Invested	# of Deals	Largest Deals
1	Big Data / Analytics	\$1.46B	90	<ul style="list-style-type: none"> NantHealth Flatiron Health
2	Population Health	\$1.14B	33	<ul style="list-style-type: none"> PriviaHealth Alignment Health
3	Navigating the Care System	\$974M	52	<ul style="list-style-type: none"> Oscar Preventice
4	Diagnostics	\$962M	60	<ul style="list-style-type: none"> FlatironHealth HeartFlow
5	Consumer Health	\$880M	69	<ul style="list-style-type: none"> One Medical Group Misfit Wearables
6	Practice Management	\$783M	40	<ul style="list-style-type: none"> PriviaHealth Guahao
7	Payor / Insurance	\$699M	33	<ul style="list-style-type: none"> Oscar Zenefits
8	Workflows	\$681M	38	<ul style="list-style-type: none"> MedHOK Health Catalyst
9	Genomics	\$632M	36	<ul style="list-style-type: none"> Flatiron Health Invitae
10	Clinical Research	\$624M	17	<ul style="list-style-type: none"> NantHealth medFusion

THE TOP 10 MOST ACTIVE US METRO AREAS OF 2014

The Bay Area continues to attract the most capital, while interest in New York startups increases. Los Angeles rounds out the top three, mostly due to NantHealth, while Boston is the third most active area by deal count.

	Metro Area	\$ Invested	# of Deals
1	SF Bay Area	\$1.04B	81
2	New York City	\$722M	44
3	Los Angeles	\$693M	12
4	DC / MD	\$577M	17
5	Boston	\$383M	36
6	San Diego	\$186M	16
7	Dallas / Fort Worth	\$168M	6
8	Chicago	\$150M	12
9	Minneapolis	\$134M	5
10	Seattle	\$80M	7





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