

Welcome to the NEPC Live Webcast: Healthcare Innovation Leaders Series

Redefining Strategic Investing in an Era of Technological Disruption with Harry Glorikian

July 29, 2020



This webinar is being presented for informational purposes to clients of NEPC. The opinions expressed by our guest may differ from advice NEPC has provided or will provide to clients. Past performance is no guarantee of future results.

MEETING PARTICIPANTS



Harry Glorikian, General Partner, New Ventures Funds

- Harry has more than three decades of experience building successful ventures in North America, Europe and Asia
- His experience includes life sciences, healthcare, diagnostics, healthcare IT and the convergence of these areas
- He is the former Entrepreneur In Residence to GE Ventures, the author of MoneyBall Medicine and host of the MoneyBall Medicine Podcast



Josh Beers, Senior Research Consultant, NEPC

- Josh leads NEPC's research on venture capital funds, including healthcare focused GP's
- He recently co-authored NEPC's white paper "Healthcare Strategic Investing Post COVID-19"
- Contact me at jbeers@nepc.com



Paul Kenney, CFA, Partner, NEPC

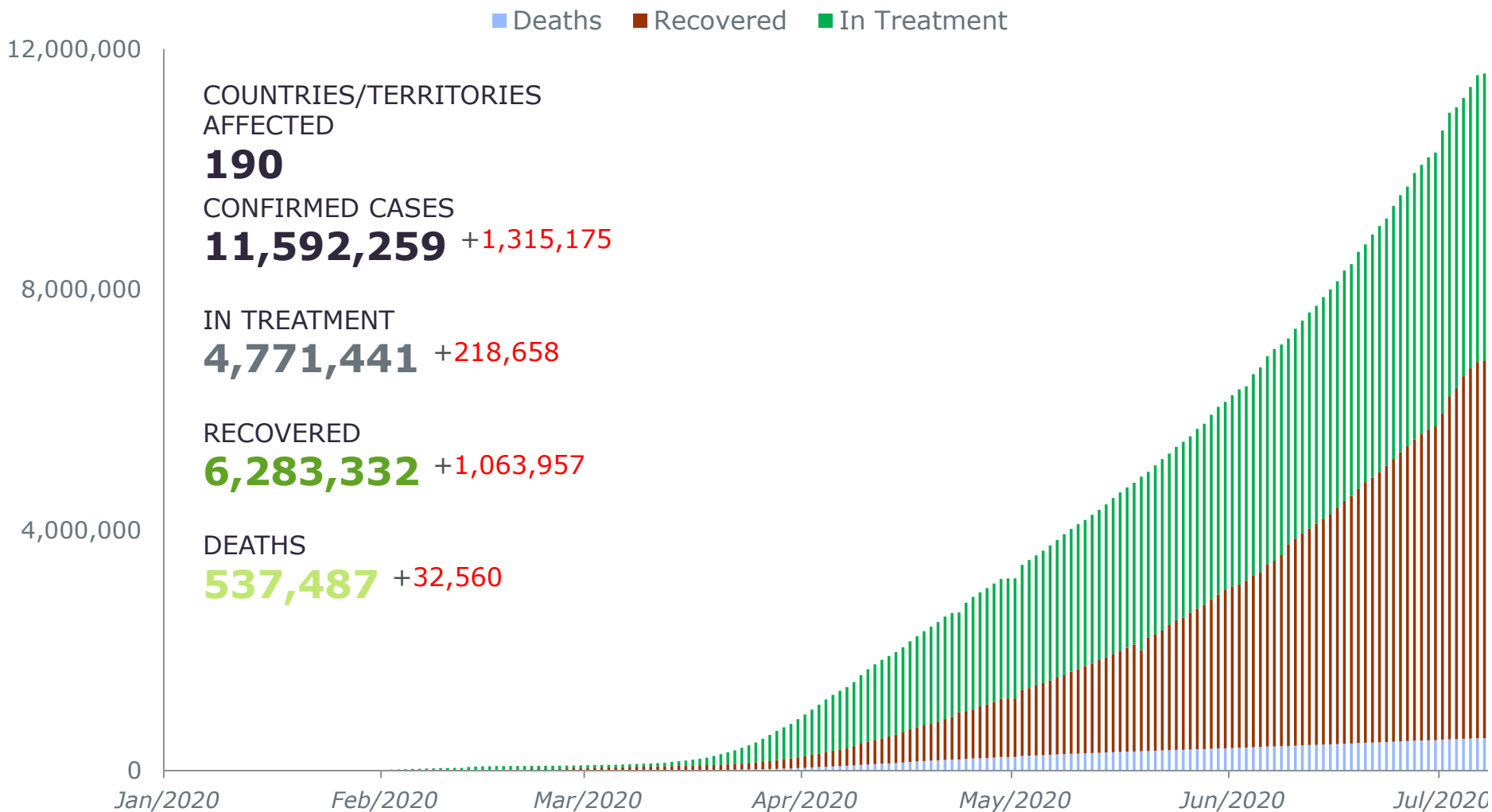
- Paul is a member on NEPC's Philanthropic Team and has led NEPC's Healthcare and Corporate DB Teams
- He has published a number of white papers on strategic investing including co-authoring a recent paper with Josh
- Contact me at pkenney@nepc.com

AGENDA

- **Impact of COVID-19, Evolution of Strategic Investment Programs based on the Financial Challenges ahead for many Health Systems**
- **The Speed of Change in Technology and the Power of Information**
- **Technologies Healthcare Systems Need to Evaluate and Embrace**

INFECTIONS CONTINUE TO RISE

OUTBREAK IS EVOLVING



Source: GlobalData Analysis; 2019 Novel Coronavirus COVID-19 (2019-nCoV) Data Repository by Johns Hopkins CSSE

COVID-19 IMPACTS: *THE PANDEMIC HAS UPENDED THE WORLD*

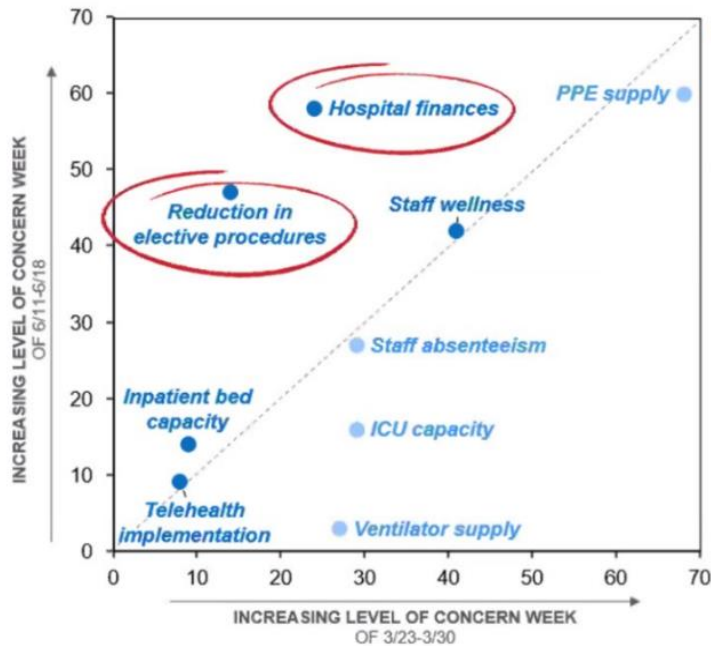
- Estimated 18 million individuals stopped receiving employer-sponsored healthcare coverage, ~11 million additional individuals receiving Medicaid
- World GDP growth projected to drop dramatically
 - US down 6%, Europe down 10%, China +1%
- Expected elective procedure volume expected at 85% to 95% of pre-COVID levels
- Supply chain and demand disruption will add costs and require contingency plans
- *Capital available to fund strategic and innovation investments likely to be squeezed*

HOSPITALS UNDER MASSIVE FINANCIAL AND CARE BURDENS

HEAVY LOSSES, REDUCTION IN ELECTIVE PROCEDURES

ISSUES OF CONCERN FOR HOSPITALS AS A RESULT OF COVID-19

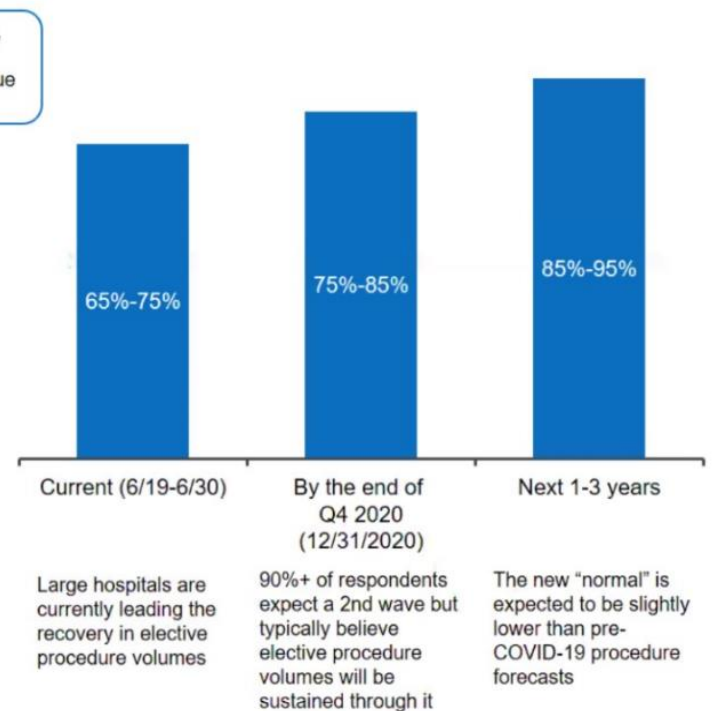
Week of 6/11-6/18 (Y-axis) vs. week of 3/23-3/30 (X-axis)



KEY:
 ● Greater concern in June
 ● Greater concern in March

EXPECTED ELECTIVE PROCEDURE VOLUME

Average percentage of pre-COVID-19 volumes



Source: LEK

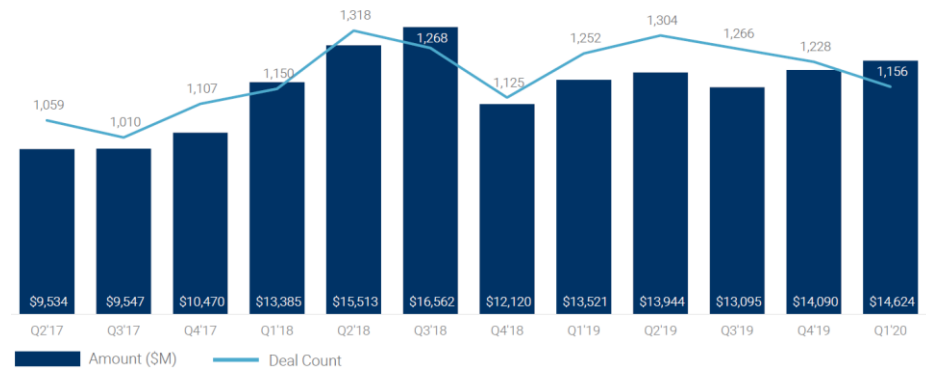
PROVIDERS WILL NEED TO LOOK INTO OTHER AVENUES SUCH AS DEVELOPING VENTURE PROGRAMS TO RESPOND TO MARKET DISRUPTION

- Developing innovative venture programs may become an essential element to ensure long-term financial viability
- These programs can be used to respond to market disruption in the wake of today's COVID-19, as well as to pressures to control cost and the shift to value-based payments
- Health systems will need to double down on new revenue approaches that can be scaled to rebuild their balance sheets

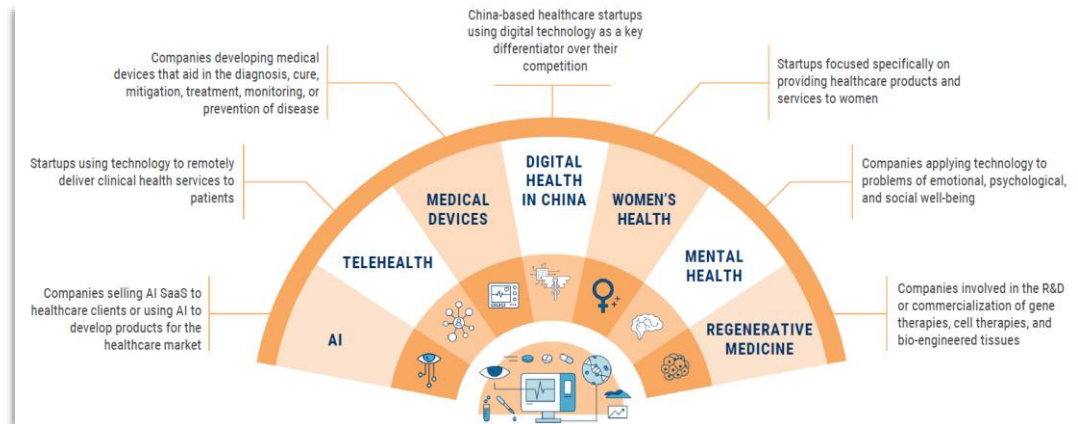
Despite uncertainties from COVID, the health innovation market remains robust

Funding grew 4% in Q1'20 while deals fell 6% since Q4'19

Quarterly global healthcare funding and deal count, Q2'17 - Q1'20



Key Areas of Investment



Source: CB Insights

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EMERGING DIGITAL SOLUTIONS DURING COVID

LIKELY TO BECOME THE NEW NORMAL

	Patient-centric				Diagnostics-centric			R&D-centric	
HealthTech Clusters	 Education	 Triage	 Telemedicine	 Distribution	 Chronic Disease Management	 Point-of-Care Testing Diagnostics	 Screening	 Research	 RCT
HealthTech Capabilities	<ul style="list-style-type: none"> • Health Information Platform • Consumer Education 	<ul style="list-style-type: none"> • Medical Concierge • Chatbots • Track & Trace Apps 	<ul style="list-style-type: none"> • Tele-consultation 	<ul style="list-style-type: none"> • Consumer Market-places 	<ul style="list-style-type: none"> • Digital Therapeutics • Disease Management 	<ul style="list-style-type: none"> • On-Demand Lab Tests • Medical Diagnostics 	<ul style="list-style-type: none"> • Medical Imaging • Teleradiology 	<ul style="list-style-type: none"> • Drug Discovery 	<ul style="list-style-type: none"> • Research Clinical Trials

- Digital biomarkers and AI can be used potentially to be early warning systems for COVID -19
- Digital biomarkers can be used to gather patient physiological data in virtual care trials
- Regulatory barriers to Telehealth have seen significant change: reimbursement, HIPPA hurdles reduced for virtual visits, prescriptions can be issued without in person visit
- Those organizations that had their toe in the water with telehealth were able to ramp up quickly – *the benefit of being engaged in innovation*

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KEY TRENDS THAT WILL ENABLE THE RE-SHAPING OF HEALTHCARE

SMART PHARMA

Pharma collaborating with providers to use real world evidence and using big data, mol. markers for drug discovery & clinical trials

TRANSPARENCY

Healthcare transparency initiatives from Government to divulge price and quality metrics to consumer

DIGITAL HEALTH

Remote patient monitoring with wearables, apps, and mhealth interventions are changing disease management

RESULTS DRIVEN PAYERS

Payers shifting to evidence based, outcomes based coverage policies and collaborating with providers to share risks

DIGITIZATION

Growing use of AI*, databases, software to help diagnose condition and recommend treatment options

PRECISION MEDICINE

Precision medicine enabled by growing use of data analysis and treating a patient based on their individual risk factors

MORE AWARE PATIENT

Patients becoming more active, using social media to find others patients, spurring research and comparing prices and quality

PATIENT CENTRIC HOSPITAL

Hospital Systems starting to compare their outcomes against competitors to identify best treatment strategy and practices

** Artificial Intelligence - the science of making computers do things that require intelligence when done by humans*

GIVEN THE SHIFTS TOWARDS DIGITAL, INTERESTING INVESTMENT AREAS

Segment		Examples
DISEASE/CARE MANAGEMENT	➡	<i>Patient engagement platforms, telehealth platforms and digital apps</i>
HOME CARE PRODUCTS	➡	<i>Wellness and monitoring devices & apps</i>
THERAPEUTIC: PROCEDURE SPECIFIC	➡	<i>Interventional oncology, Structural Heart, and General Surgery</i>
THERAPEUTIC: ACROSS PROCEDURES	➡	<i>Robotic / digital surgery, smart drug delivery</i>
HEALTHCARE IT	➡	<i>Predictive analytics and AI</i>
OUTSOURCED MANAGEMENT SOLUTIONS	➡	<i>Equipment management solutions</i>
DIAGNOSTIC AND POINT OF CARE TESTING	➡	<i>Self diagnostic testing, remote patient monitoring</i>
Common Theme: All Data Driven		

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