

What Makes Your Digital Health Startup Stand Out?

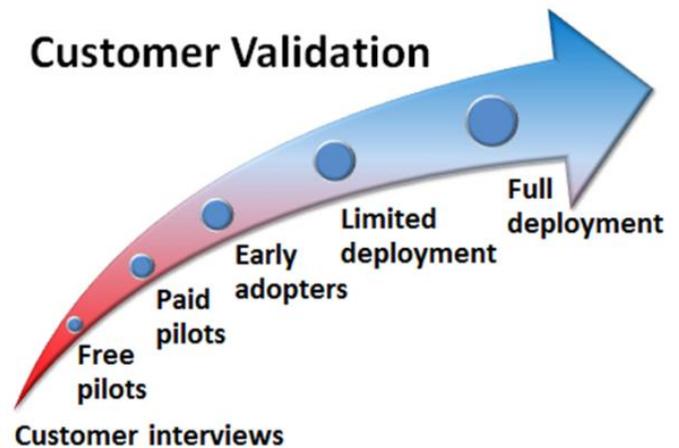
By Don Ross

Among the deluge of Digital Health startups, new solutions are targeting all aspects of wellness and healthcare, including healthcare cost transparency, big data healthcare analytics, quantified self, “on demand” healthcare, and personalized medicine. How can your Digital Health startup stand out from the crowd and interest investors?

Several challenges reoccur across Digital Health companies. If you can clearly articulate answers to these challenges, your application will move to the top of the pile. Carefully considering the following will help:

- **Who’s on your team?** Healthcare experience is essential, especially experience in healthcare domains directly related to your company. Business models and market adoption are major risk factors for Digital Health companies. Does your team include relevant marketing/sales experience? Has anyone launched a product/service into the target market? Do you have experience with your proposed sales channels?
- **Who’s the paying customer?** A remarkable number of companies talk about savings to the healthcare system without identifying the specific entity receiving the savings and who will be paying them. Broadly speaking, digital health serves two primary markets: direct to consumer (DTC or B2C) and business to business (B2B).
 - Digital health has opened the door to a huge expansion in the ability to deliver solutions direct to consumers using both retail and internet channels. This requires an understanding of retail marketing and business models not typically found in healthcare professionals.
 - In B2B situations, primary value may be delivered to one party (the patient receives better outcomes) but another party (a provider or payer) pays based on a secondary value (reduced costs). Demonstrating a clear understanding of what organization pays, who within the organization makes the buying decision, and the sales cycle is crucial.
- **Customer ROI.** With the focus on healthcare costs, buying decisions carefully consider whether the purchase of a new product or service will increase revenue or reduce costs. Will they realize a return on their investment? What data or proof do you have to prove that ROI? How long will it take the customer to realize a return?
- **A foot in both worlds.** As the US healthcare system transitions from fee-for-service to value-based reimbursement, does your business model adapt? As you launch, how do you make money in today’s world, and as you scale, how do you make money in tomorrow’s world?

- **Customer validation.** Most companies with new products and services move through a series of steps to reach full deployment. Paying customers are the ultimate customer validation. Prior to reaching the stage of paying customers, how have you validated customer interest and willingness to pay?
- **Workflow integration.** Does your solution fit seamlessly into current practices? If a software solution, is it optimal to integrate with existing software platforms? In clinical decision support, how do you avoid “alert fatigue?” Are you “changing the practice of medicine?”



- **Actionable information.** New data sources such as wearables and breaking down old data silos is creating an avalanche of data. There is an old expression “too much data, not enough information.” To be useful, information must be actionable. It is useful to apply the criteria for whether to order a diagnostic test: “Will this information change the course of therapy?” Actionable information is a “need to have” rather than a “nice to have.”
- **Competitive barriers.** In Digital Health, software patents rarely provide strong sustainable barriers. Digital Health barriers generally come in other forms, including network effects, significant data sets proving effectiveness for potential customers, and sticky customers who face high switching costs once they integrate your solution. Can you articulate how will you create barriers that block well-funded competitors and provide you with unfair pricing power?

Don Ross is Board Director and Managing Partner Digital Health at Life Sciences Angels. He also is a member of Sierra Angels and Sand Hill Angels, and was co-founder a group of private investors dedicated to investing in digital health. Mr. Ross serves on several company boards and is a frequent speaker on entrepreneurship and startup investing. He pioneered software development for psychological testing, anxiety intervention, health risk appraisal, health behavior change, and blood pressure monitoring. Mr. Ross is a published author and has two textbooks currently in 6th editions.