

# THE STRUGGLE IS REAL

EVALUATING THE BEST INVESTMENTS IN HEALTHCARE  
By Veneeth Iyengar

It's an interesting time for healthcare. There's so much going on, by the time you finish reading the morning's healthcare blogs and articles, it's already yesterday's news. The abundance of information, however, makes understanding what news matters most—and what's just so much noise—a true struggle.

Consider the sheer volume of private equity and venture capital investment opportunities happening in healthcare. The healthcare information technology sector used to be (and, arguably, still is) the frontrunner in gaining investment capital. Today, we're seeing significant new investments in healthcare provider organizations and health plans that have demonstrated their ability to innovate to deliver better quality care at lower costs.

This is creating a positive outlook for healthcare innovation. Healthcare, which lags behind the innovations and process improvements that other industries have already capitalized on, is ripe for a boom in new technology, biopharma, and care delivery enhancements.

2014 was a massively successful year for healthcare investing—so strong that industry analysts predicted that there was no way 2015 would see the same level of growth in investment and returns. Yet, 2015 is coming very close to meeting the

success of the previous year—and 2016 seems primed to continue these trends.<sup>1</sup> In fact, according to Pitchbook, more than 50 companies with a population health value proposition have been funded since 2014.<sup>2</sup>

Many of the private equity and venture capital firms we talk to say the same thing: there are so many investment options available, it's making the venture space more competitive than ever. The confusion caused by this flooded market is compounded by the risk that, as the boom of 2014 and 2015 wanes, the industry could be left with a lack of profitable investment opportunities.<sup>3</sup> To stay relevant, you have to be able to move quickly—something that can be anathema to smart investing.

There are ways to do that without draining your capital. But, it demands that venture capital and private equity firms must stay agile, mobile, and informed. Understanding these four key issues can help you stay ahead of the curve:

1

The cluttered healthcare market makes investment triage challenging.

Healthcare venture capital and investment firms need to increase their engagement with C-level executives from healthcare organizations of all stripes to serve as an extended team focused on the healthcare market. These types of executives can execute quick assignments and filter through the noise to target market opportunities, investigate the strengths and truths behind the marketing-speak, and identify the trends that can effect market size and growth trajectories.

2

We are seeing the development of value creation and operational excellence teams.

Using these teams can provide valuable insights when it comes to evaluating potential investments. Given the number of busted deals and irrational valuations, venture capital firms can reduce the transaction costs associated with healthcare IT and services companies.

3

Finding the right partner is key—but it's not easy.

There are an abundance of healthcare consulting firms that may not possess the deep, vertical industry knowledge of technology, operations, marketing, and sales. Specialized approaches founded on deep knowledge in healthcare delivery, technology, operations, strategic marketing, and sales is critical for effective due diligence. An approach founded in a healthcare-focused research methodology delivers high-quality information in a fraction of the time while extending the value of a potential opportunity post-investment.

4

The hold periods for healthcare are much larger than they are for other industries—requiring accelerated revenue growth strategies to drive ROI.

Successful companies with healthcare-specific expertise and talent can accelerate growth for healthcare technology and delivery firms can be hard to find—but the rewards are well worth it. By focusing on market depth and industry knowledge—and pairing it with strategic market insights and go-to-market strategies—the right partner can drive actionable plans to reach financial milestones quickly.

## The struggle is real.

Finding the right healthcare investment takes time—time you may not have. Find ways to continually educate your staff on how to anticipate regulatory and compliance changes and issues. Plan to pivot quickly to stay ahead of this rapidly evolving market. Finally, be sure to pick the right partner to accelerate your options and drive your growth.



### ABOUT THE AUTHOR

Veneeth Iyengar  
Vice President, Strategic Ventures  
and Business Development  
Sage Growth Partners

### ABOUT SAGE GROWTH PARTNERS

Sage Growth Partners is a healthcare strategy, technology, and marketing firm. With deep roots in the business of healthcare, Sage Growth Partners delivers solutions to complex industry and organizational challenges.

<sup>1</sup> <http://www.slideshare.net/SVBFInancial/trends-in-healthcare-investments-and-exits-2016>

<sup>2</sup> <http://pitchbook.com/news/articles/old-school-investments-what-industries-will-benefit-from-aging-populations>

<sup>3</sup> [https://www.svb.com/uploadedFiles/Content/Blogs/Healthcare\\_Report/healthcare-report-2015.pdf](https://www.svb.com/uploadedFiles/Content/Blogs/Healthcare_Report/healthcare-report-2015.pdf)