

Funding and Innovation in Clinical Practice Startups: Strategies and Challenges

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Disclosures

Non-Declaration Statement: I have no relevant relationships with ineligible companies to disclose within the past 24 months. (Note: Ineligible companies are defined as those whose primary business is producing, marketing, selling, re-selling, or distributing healthcare products used by or on patients.)

AI Disclosure: Parts of this presentation and/or materials were generated using AI and are labeled as such, and faculty have confirmed and validated this information (slides 25-29), also described on the references slide.

Educational Objectives

At the conclusion of this session, participants should be able to:

- Explain how to evaluate innovative ideas in healthcare, including practicality, sustainability, and potential to improve patient outcomes and satisfaction
- Identify criteria that investors may use to evaluate funding opportunities in healthcare practices
- Describe factors that differentiate successful healthcare ventures from others
- Explore startup methodologies, fundamentals of fundraising, and identify the key components of a pitch presentation

Why Innovate?

“Any combination of activities or technologies that break existing performance tradeoffs in the attainment of an outcome, in a manner that expands the realm of the possible...providing “more for less” – more value, better outcomes, greater convenience, access and simplicity; for less cost, complexity, and time required by patient and provider, in a way that expands what is currently possible.”

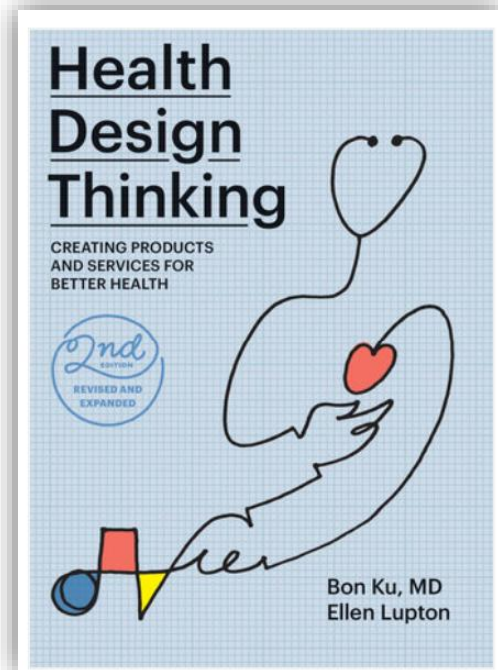
The Deloitte Center for Health Solutions

- Innovation may take place as a new venture or within your own organization

Copeland, B. (2024, July 12). *Top 10 health care innovations More value, better outcomes, for less*. Deloitte. <https://www2.deloitte.com/us/en/pages/life-sciences-and-health-care/articles/top-10-health-care-innovations.html>

Innovation and Design Thinking

Five stages: Empathy, Define, Ideate, Prototype and Test.




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Health Innovation and Leadership

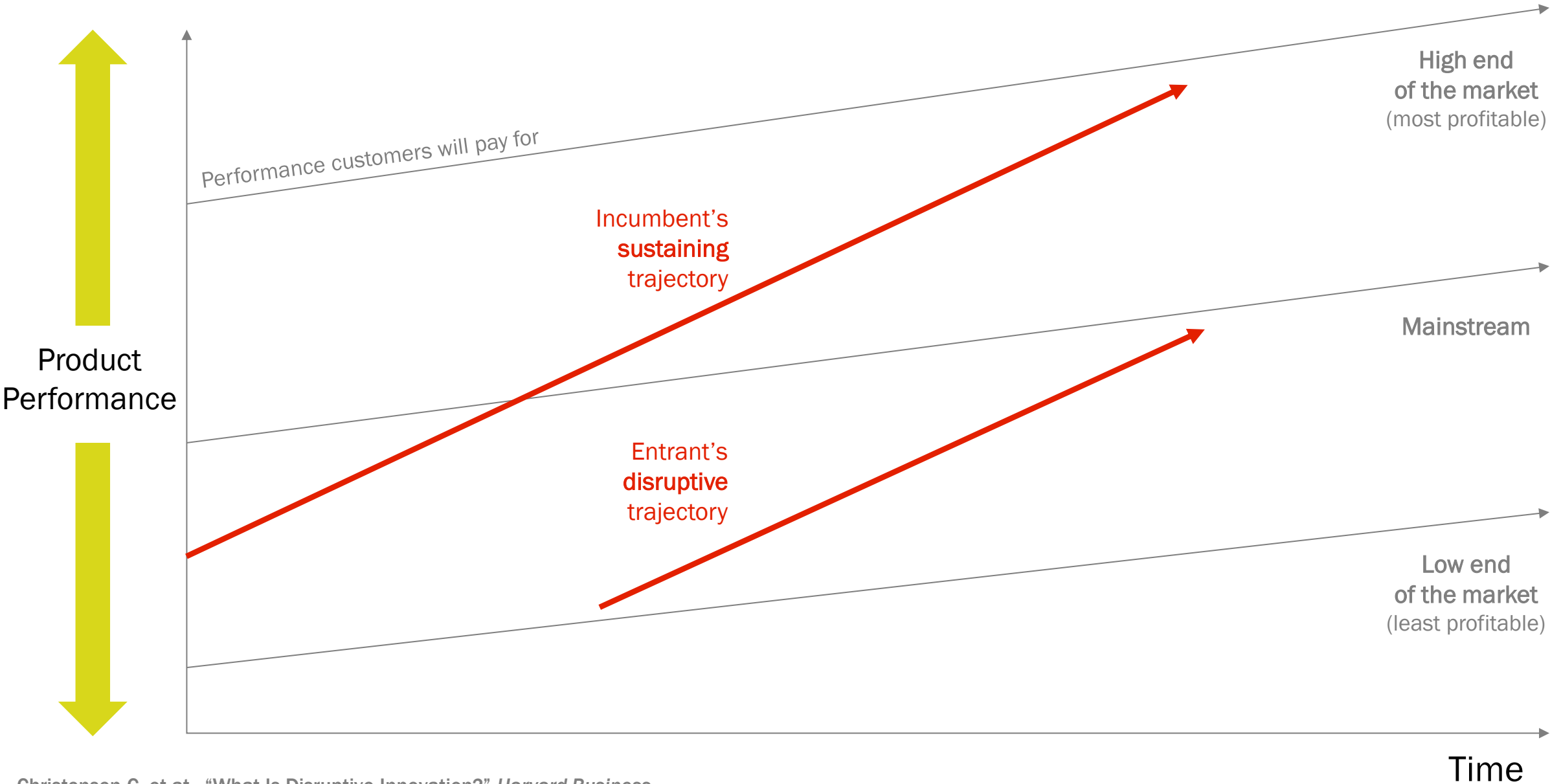
Students are prepared to be full interprofessional partners, to create innovative healing environments and to transform health care systems locally, nationally, and internationally. Graduates are prepared to lead in a range of roles.



Disruptive innovation is a “*process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.*”

-- Harvard Business School Professor Clayton Christensen

CHRISTENSEN'S DISRUPTIVE INNOVATION MODEL

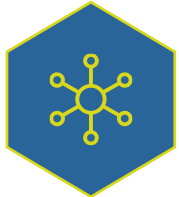


Why Innovate?

“HEALTHCARE CONSUMERIZATION”



Demands for new healthcare solutions



New business and payment models



Access is key



Increasingly Prefer “On-Demand” care



Virtual interactions are preferred for low-acuity issues



Consumers do not want to feel like a “number”



Expectation for ability to interact online

Consumer Expectations:

Major shift in consumer expectations and how they approach their health and quality of life.



Convenience and Access

- 80% of patients would consider changing providers for convenience alone.



Customer service and Engagement

- 81% of consumers are not satisfied with their healthcare experience.



Personalization and Trust

- Consumers rank a personalized experience as their top priority in choosing a healthcare provider.



Selected Healthcare System Challenges

Where are the opportunities?

Report: The Health of US Primary Care: 2024 Scorecard

No One Can See You Now

*Five Reasons Why Access to
Primary Care Is Getting Worse
(and What Needs to Change)*

1. The primary care workforce is not growing fast enough to meet population needs.
2. The number of trainees in primary care practice is too low.
3. The US continues to underinvest in primary care.
4. Technology has become a burden to primary care.
5. Primary care research to identify, implement, and track **novel care delivery** and payment solutions is lacking.

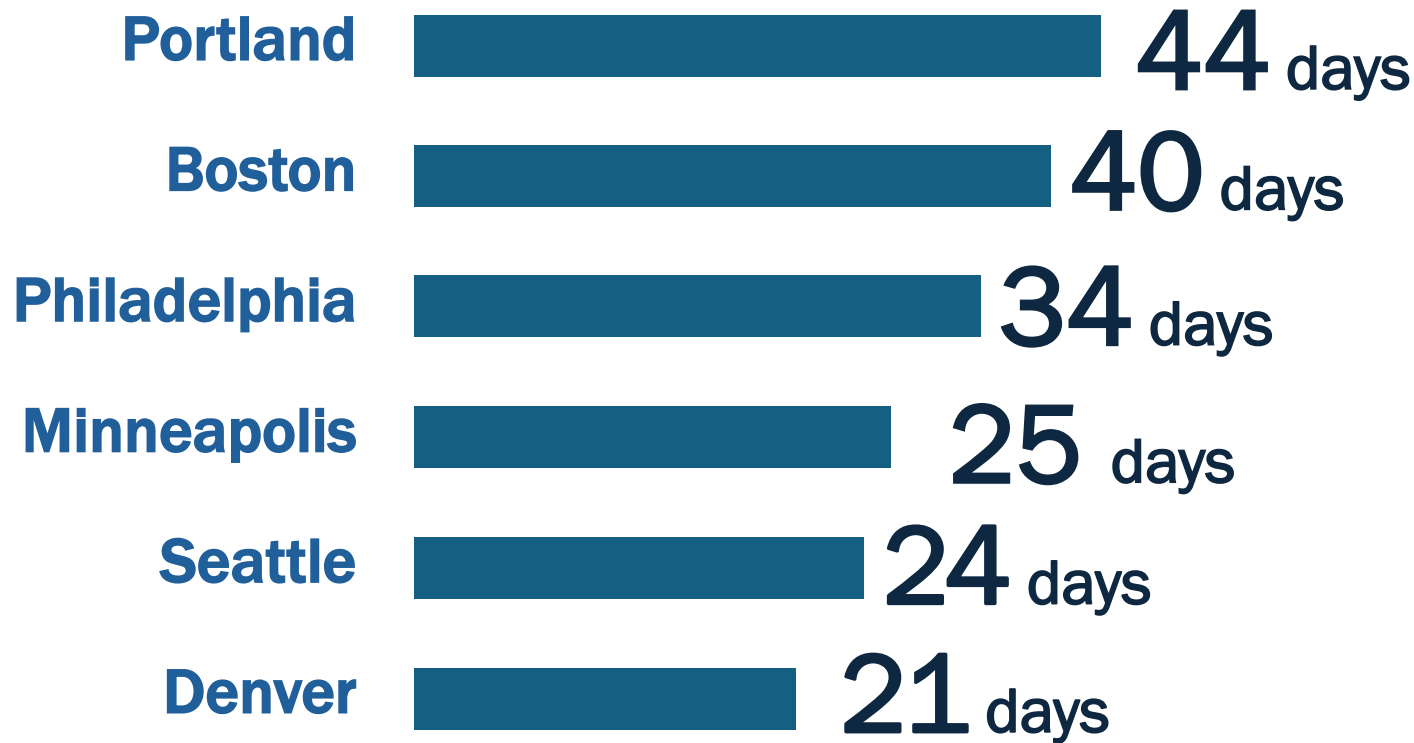
AARP cover story



Published January 08, 2025

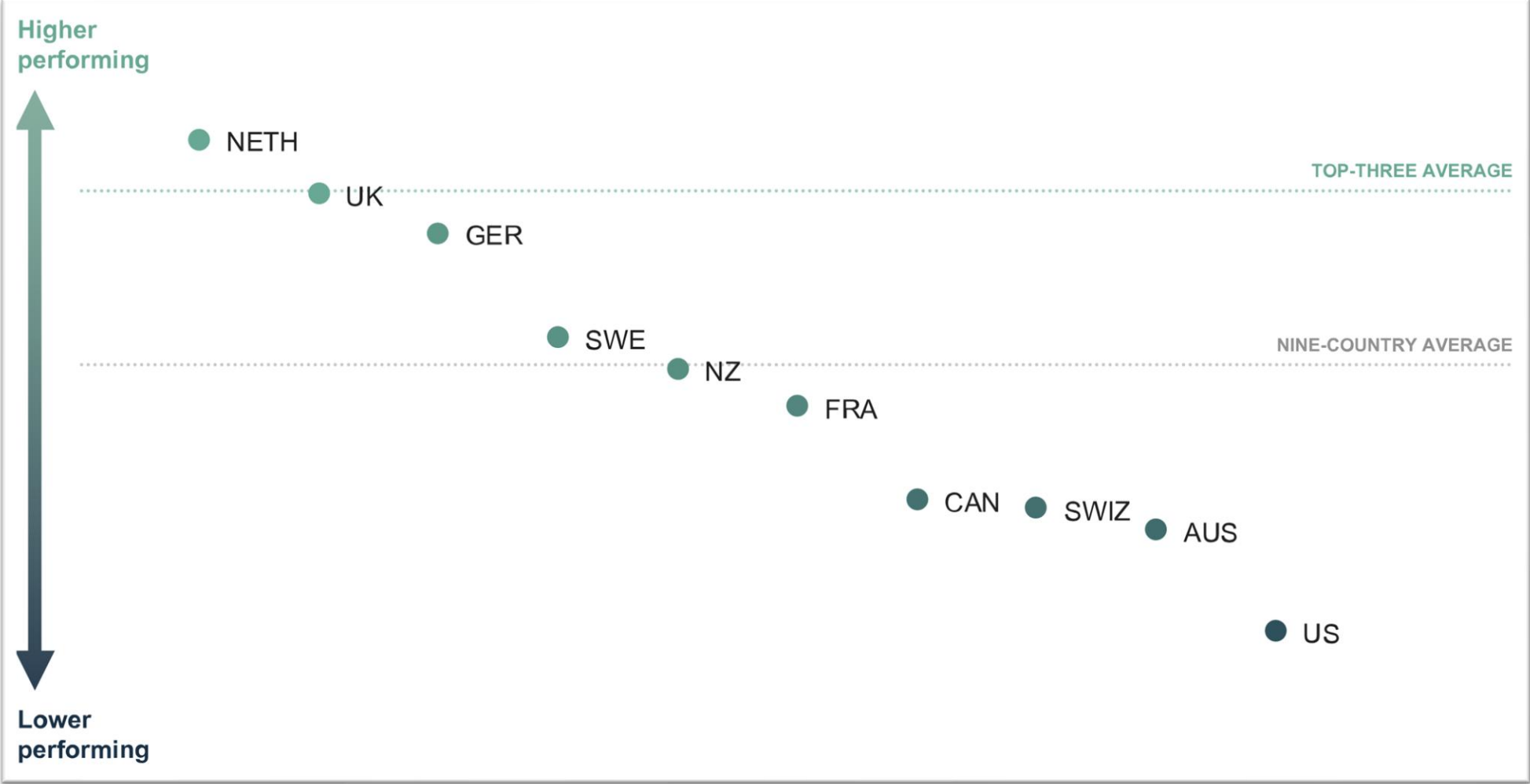
ACCESS CHALLENGES

2022: Average wait time for an appointment
Family Practice



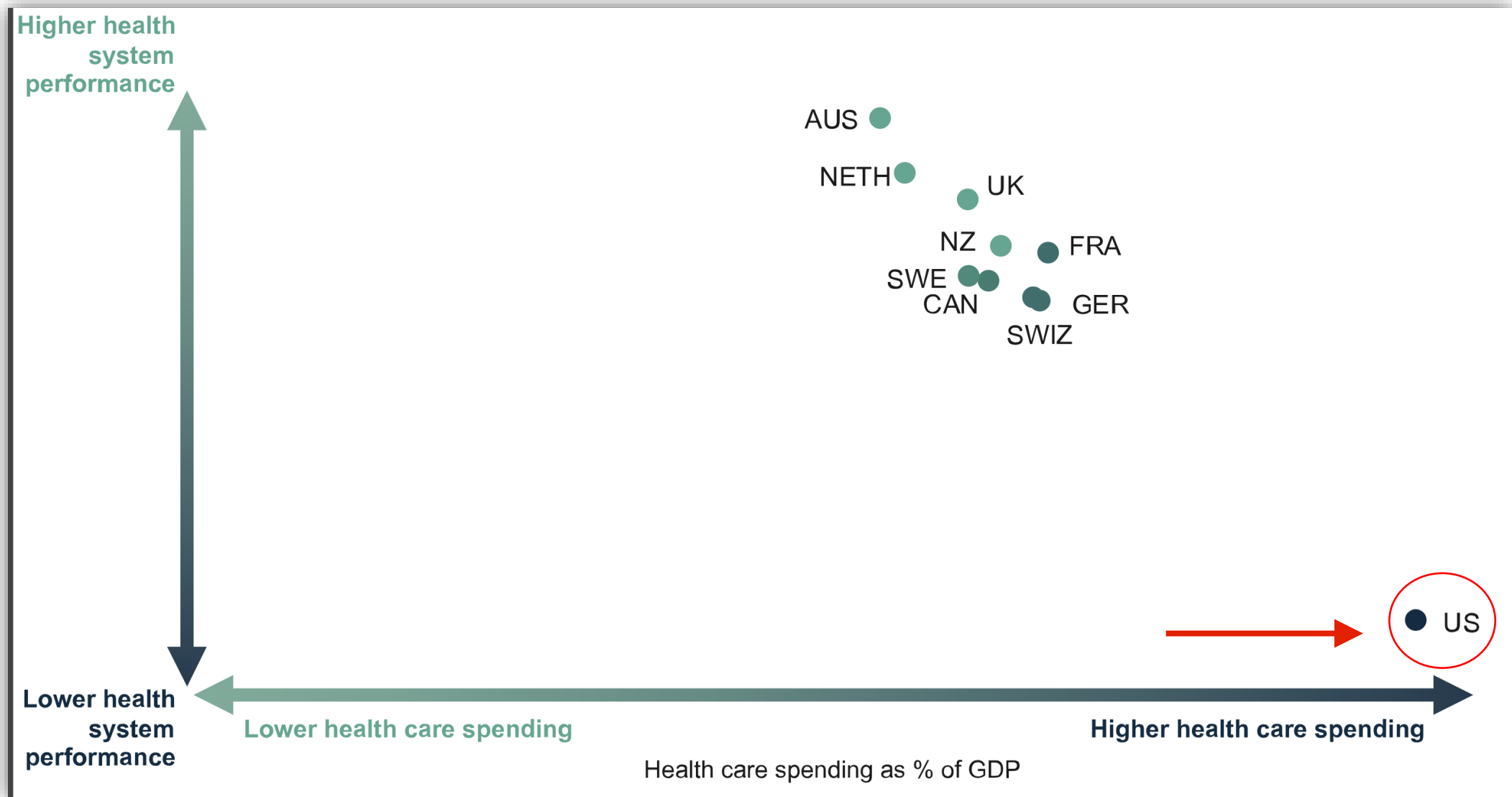
AVERAGE:
20.6 DAYS
Down from 29.3 days 2017

Access to Care Comparisons: Americans face most barriers to accessing and affording healthcare









David Blumenthal et al., *Mirror, Mirror 2024: A Portrait of the Failing U.S. Health System — Comparing Performance in 10 Nations* (Commonwealth Fund, Sept. 2024). <https://doi.org/10.26099/ta0g-zp66>

Health Care System Performance vs. Spending - *Comparisons*



U.S. - Lowest Life Expectancy Among Large, Wealthy Countries With Significantly Higher Healthcare Spending (2021)

Country	Life expectancy	Health spending, per capita
 United States	76.1	\$12,318
 United Kingdom	80.8	\$5,387
 Germany	80.9	\$7,383
 Austria	81.3	\$6,693
 Netherlands	81.5	\$6,190
 Belgium	81.9	\$5,274

Source: Health System Tracker Peterson-KFF analysis of [CDC](#), [OECD](#), [Japanese Ministry of Health, Labour, and Welfare](#), [Australian Bureau of Statistics](#), and [UK Office for Health Improvement and Disparities](#) Peterson Center on Healthcare <https://tinyurl.com/3v5773z8>

Patient Experience

Convenience and great user experiences have been defined outside of healthcare.

Can you think of Examples?

**WE NEED TO
CATCH UP.**

Examples: Models and Innovations

CONCIERGE AND DPC

- Individual funding
- Private investors
- Bank loans
- Partnership options
- Friends and family investors
- Franchise options



CONCIERGE CARE CLINIC



DIRECT PRIMARY CARE CLINIC

RETAIL AND URGENT CARE

- Established corporate funding
- Corporate partnerships
- Community partnerships
- Significant market presence



TELEHEALTH

- Established corporate funding
- Publicly traded
- Private investors
- National reach



Nurx

hims & hers

amazon one medical

NICHE PRACTICES

- Individual funding
- Private investors
- Bank loans
- Partnership options
- Located in select markets

 Herself Health



The US wellness market continues to boom

Estimated spend on wellness products and services - more than \$450 billion in the United States and growing at more than 5 percent annually.

1. *Health:* OTC medicine, vitamins, supplements, personal hygiene
2. *Fitness:* clubs, studios, at-home equipment, and wearables
3. *Nutrition:* diet programs, subscription food services, nutrition apps, and juice cleanses
4. *Appearance:* skin care, dermo-cosmetics, hair care, and salon services
5. *Mindfulness:* counseling or therapy, meditation studios, and mindfulness apps
6. *Sleep:* supplements, app-enabled sleep trackers, and other sleep-enhancing products

Three trends can inform healthcare consumer strategy

1. Consumers are spending more on health and wellness but are not satisfied and want more innovation
2. Consumers trust the healthcare industry with their data and healthcare organizations can respond by delivering a more personalized and differentiated experience to consumers
3. Consumers are actively shopping and making trade-offs

Opportunities? Examples: Quality of Life Products & Services

Market size expected to grow rapidly in the coming decade.

CAGR GROWTH 2024-2033

Primary Care The provision of integrated, accessible healthcare services.	\$271B	3.4%
Medical Weight Loss Prescription medications used to aid weight loss.	\$11.9B	3.8%
Hormone Replacement Therapy (HRT) Used to treat symptoms of menopause and male performance issues.	\$7.7B	5.2%
Aesthetic Facial Injectables Non-surgical cosmetic procedures that use injections to improve appearance.	\$3.9B	11.1%
Biohacking Programs Stem cells, platelet-rich plasma therapy, exosome, shockwave therapy.	\$7.8B	19.5%
Peptides Short chains of amino acids that play an essential role in biological processes: protein synthesis, cell signaling, and immune response.	\$18.4B	7.0%
Regenerative Medicine Personalized care to increase lifespan and reverse biological age.	\$14.5B	33.9%

Criteria that investors may use to evaluate funding opportunities in healthcare practices

Category	Key Factors
Market Opportunity	Demand, underserved sectors, target demographics
Business Model	Core service offering, revenue diversification, scalability, service mix, target populations
Financial Viability	Start-up cost, timeline to reach break-even, payor mix or payment model, sustainable profit margins, growth potential
Team Expertise	Experienced leaders, success track record, experienced providers
Regulatory Compliance	Licensing, HIPAA compliance, credentialing, risk management
Differentiation	The innovation model is unique, compelling, and differentiated among the competition.

Predictions: “*Why private equity healthcare investment may rise in 2025*”

- 1. Current Political Climate:** Anticipated business-friendly policies, encouraging private equity firms to pursue healthcare mergers and acquisitions.
- 2. Regulatory Environment:** Failure of state-level bills aimed at restricting private equity control over physician groups has reduced regulatory pressures, making healthcare investments more attractive.
- 3. Interest Rates:** A projected decrease in interest rates will lower borrowing costs, facilitating increased merger and acquisition activity within the healthcare sector.
- 4. Shift in Investment Focus:** Private equity firms are likely to prioritize investments in HIT, revenue cycle management, and EHR management, as safer bets vs. direct investments in physician practices.
- 5. Opportunities in Ambulatory Care:** Example; ambulatory infusion and surgery centers are expected to attract private equity interest due to the ongoing shift towards outpatient care and the potential for operational efficiencies.

Key Tips for Financing a Clinic or Innovation

- 1. Create a Detailed Business Plan:** Include financial projections, market analysis, and a clear plan for how funds will be used.
- 2. Assess Your Ability to Secure Credit:** Ensure your credit history is strong, as it will influence loan approvals and interest rates.
- 3. Diversify Funding Sources:** Combine multiple financing options to reduce reliance on a single source.
- 4. Build Relationships:** Network with industry professionals, investors, and lenders to increase opportunities.
- 5. Prepare for Due Diligence:** Be ready to provide detailed financial and operational data and projections to potential lenders or investors.

Approach to funding a practice: Estimated Startup Costs

Small Clinic (1–2 Providers): \$100,000–\$300,000

Medium Clinic (3–5 Providers): \$300,000–\$500,000

Large Clinic (6+ Providers): \$500,000–\$1,000,000+

Financing Options – Least Risk

Grants

- Non-repayable funds.
- Highly competitive application but no personal financial liability. Often focused on innovation in underserved areas or populations.

Crowdfunding, i.e., Kickstarter or GoFundMe.

- No repayment for donation-based campaigns.
- Limited to smaller-scale funding, time intensive, dependent on public interest.

Partnerships and Joint Ventures

- Shared financial burden and decision making, access to expertise.
- Complex agreements, potential risk for partner disagreements.

Financing Options – Least Risk, cont.

Leasing or Financing Equipment

- Reduce upfront costs required, access to latest models and tech.
- Long-term costs may exceed outright purchase costs.

Small Business Administration (SBA) Loans

- Loans guaranteed by the U.S. SBA for small businesses, including medical clinics.
- Requires eligibility and some personal guarantees.

Financing Options – Moderate Risk

Bank Loans

- Access to substantial funding.
- Monthly repayment obligations, regardless of clinic performance.
- Requires good credit and collateral.

Family and Friends

- Flexible terms but potential for personal relationship strain.
- Risk of loss if the business fails.
- Informal agreements could lead to misunderstandings.

Revenue-Based Financing

- Flexible repayment structure based on cash flow.
- Higher cost of capital over time.

Financing Options – Higher Risk

Personal Savings

- Full control AND personal liability.
- High risk to personal financial stability if the business fails.

Private Investors

- Equity or repayment-based.
- Investors may bring valuable expertise and connections.
- Risk of losing business control.
- Potential conflicts over business strategy.

Financing Options – Higher Risk, cont.

Angel Investors

- May require significant equity stakes.
- Often invest in innovative or niche ideas.
- Moderate funding amounts compared to VCs.

Venture Capital (VC)

- Large funding potential but requires high equity and rapid growth.
- Can result in loss of strategic and operational control.

HOW TO EFFECTIVELY PITCH A BUSINESS IDEA

1. Know Who You're Pitching:
It's about more than money; you enter a partnership.
2. What industries do they invest in?
Many firms specialize
3. What stage do they invest in?
Early stage, growth stage?
4. What's the investor's track record?
Do they function as partners?

PITCHING, CONT.

- Your plan and ideas matter – but who you are and how you present yourself is equally important
- Tell a story: Your supporting documentation is important, but a compelling story can engage investors
- Show the roadmap
- Type of pitch: Elevator (brief) or long-form (they want all the details)
- Landing your pitch: Be clear about the market opportunity and the opportunity (exit strategy – return on investment) for them

Take Home Points

1. Innovation may take place as a new venture or within your own organization.
2. Patients have become consumers; they are wanting and are asking for more from our healthcare system.
3. There is a significant need to improve access, quality, and outcomes of care.
4. Opportunities abound for new and creative healthcare solutions and services.
5. You have many options for pitching your great idea and finding funding – for a new venture or for an innovation within your current organization.

“The real voyage of discovery
consists not in finding new lands but in
seeing the territory with new eyes...”

Marcel Proust

Questions?

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