

## Show 3 -- The Impact of COVID on the Healthcare Market: New Applications

In today's show, you'll hear investor perspectives on the COVID-19 impact on the healthcare market.

This is Investor Perspectives, I'm the host of Investor Connect, Hall T Martin, where we connect startups and investors for funding.

It's the time of COVID-19. Healthcare is currently undergoing tremendous change across the U.S. The lockdown has put the spotlight on the healthcare system as an essential service. We have investors and startup founders describe the impact of COVID-19 on the healthcare market.

Our guests are:

- **Steve Shapiro**, Partner, eHealthVentures: [www.ehealthventures.com](http://www.ehealthventures.com)
- **Yousuf Mazhar**, Managing Partner, [TEAMFund Health](http://TEAMFundHealth.com)
- **Stefanie Wojciech**, Investment Manager of Life Sciences and Healthcare, [LBBW VC](http://LBBWVC.com)
- **James Lancaster**, Managing Director, Texas Branch, [VIC Technology Venture Development](http://VICTechnologyVentureDevelopment.com)

I hope you enjoy this episode.

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Our guest is Steve Shapiro, Partner, eHealth Ventures.

**Hall T Martin:** [00:13:15] Would love to hear about some new applications coming up that you think are going to be game-changers here.

**Steve Shapiro:** [00:13:20] Ok, so one of my portfolio companies is called Olive Diagnostics, and we're close to having a prototype, and they have a device that goes underneath the rim on your toilet seat and he uses AI, through a smart spectrometer that will analyze urine as you pee. It's totally passive. You just go to your toilet, pee, and it's able to detect the molecular composition of your urine. So, when when we start commercializing it, our theme is going to be urine, the next blood.

**Hall T Martin:** [00:14:06] It's a good tagline.

**Steve Shapiro:** [00:14:06] So, that's one. I mean, we're early yet, but this is an example of things that will happen. Another portfolio company we have, it's called EFA, which really stands for Engineering For All, and they have a home-laboratory testing kit. So, it's a point-of-care diagnostics that initially would go into your primary care or an urgent care center where they can do an immediate, complete blood count test, from the prick of your finger into a handheld device. You'll get the blood, it will go into a little slide, that will go into a handheld device, and within about eight minutes, it'll give you the complete blood count. And initially, this would work really well to go into a pharmacy where they have an urgent care and they can analyze it on the spot and then maybe give a prescription. And so, you know, it's a win-win for everybody right there. And eventually, that will go into the home. So, you know, these are examples of some new technology and there's lots and lots of examples.

**Hall T Martin:** [00:15:22] So, those are great examples and, just glad to see these new technologies coming onto the market and finding acceptance too. I remember at one point you couldn't use Skype because it wasn't HIPPA compliant, and then Medicare didn't approve of telehealth, and so, those factors are now changing, and it seems like they're just updating the laws to take into account new technologies that have come on the market. But, what about vaccines? There's a great rush to get a vaccine out and they're making good progress, and it looks like they'll come in in a fraction of the time it normally takes. Do you think these new processes, especially with the FDA, are going

to translate to shortened drug-development times in the future? And so, if I'm a device startup or a therapeutic startup, I'm going to benefit from having faster approvals and a more efficient regulatory?

**Steve Shapiro:** [00:16:17] So, that's an excellent question, and I wish I had all the answers, I hope we get a vaccine soon and I hope it's fully tested, and the key here is, what's the science behind it and to go through all the necessary testing to make sure it's safe. But, to hit it on the head what you're saying is, we're readdressing the whole regulatory process and how can we shorten the window when a startup has a product to go? And, a number of our companies need FDA approval before we really take it directly to the consumer, and, it's being expedited and we're seeing a lot of that happening where they're shortening the process, but obviously, [00:17:08] we've got to make sure we're not shortcutting the safety of the new product coming out. [00:17:13] But maybe we can cut out some of the bureaucracy and maybe they'll utilize technology. Like, we have so much predictive technology using AI and we learn from it and we kinda predict outcomes before it happens. [00:17:30] So, maybe the FDA can utilize some type of technology to speed up and to streamline their process while not giving up on the safety of it. [00:17:42] But that's going to be the magic question. I mean, that's a big frustration to startups or any company is, what the clearance is? You know, [00:17:52] another big area is the testing that we've suffered, and I've seen a number of companies that are moving for COVID testing to be fast. O [00:18:03]ne of the interesting ones I just saw last week is a kit that you would have at home and it's basically a bag that you breathe into through your nose, and it seals, it puts it into a device, and the device can analyze the air from your nostrils and to be able to come up with a prediction. Right now they're like 80% reliant to say if it works, and they've been approved in Europe for it, but they have not had FDA approval; so their first trials and their first customer bases are in Europe. And so, it's getting reliability, and speed, and access, and low cost. You know, those are our challenges. And even if we're 80% accurate, if it's something that's accessible, you could do it every few days and you'll know if you really have it or not or if you have to stay away from all your friends and family or not.

Our next guest is Yousuf Mazhar, Managing Partner, TeamFund Health.

**Hall T Martin:** [00:09:30] What new applications within healthcare do you think are going to come out of COVID? You've talked about different sectors like remote-patient monitoring and point-of-care diagnostic tools, but what applications specifically do you think are going to take hold?

**Yousuf Mazhar:** [00:09:46] Yeah, again, and I think in line with those themes, I think lower-cost products that are more consumer-friendly, I think is going to be one category. People are going to look to see how much of their health can they actually monitor at home and be able to provide that information back to their physician, even if it's through a remote situation, a virtual console, et cetera. So, I think what that means is that [00:10:12] as we look forward, there's not going to be as much of a separation between devices and services. I think the more integrated that those can become, the better those solutions also become. [00:10:26] And so, I think a lot of the winners here will be those companies that can integrate their digital solutions with a medical device product, with a service, and whether they do that through partnerships, or they develop that in-house, those are all different approaches to it, but I think at the end of the day, that [00:10:46] integration really between devices and services is a pretty interesting new sector that we see emerging and that we see coming up. [00:10:54] And to give you an example, I think the teledoc Livongo is an example of that, where telemedicine is now getting married with chronic-disease-management programs and that's a perfect example of how I believe is going to continue to unfold across this sector.

**Hall T Martin:** [00:11:14] Well, as they rush a vaccine out as fast as they can, of course, we want it all to be safe, do you think there are any innovations that are coming out of the process to improve vaccine development in the future? Any techniques, any strategies, or any new technologies that you think are going to come up that would be available to us for other conditions in the future?

**Yousuf Mazhar:** [00:11:36] Yeah again, it's another great question, and I do think, again, I'll kind of stick more to my areas of expertise, which are more on the medtech side versus on the drug-development or vaccine side. So, what I'll say kind of lightly is that I do think that there are, again, AI-enabled technologies that can allow for more rapid drug development, right? So those, I think tools will really help short cut and

shorten timelines and costs for the development of drugs and vaccines alike. But the other thing that I think is quite interesting, again, as a result of COVID, is there's a new area where people are looking at conducting clinical trials also remotely, and this has traditionally been a challenge because you've had centers that have had to enroll patients and then for every check-in or checkup they've had to come in for that and if you can recruit and screen for patients remotely and then, you know, they can match the protocol and everything of what the clinical trial is but then have their follow-ups be done remotely, again, through the use of remote tools and devices, then you can actually have clinical trials that are done much quicker, much more efficiently, and much more conveniently for the patients without them having to come in and so forth. And so, I think that change also will dramatically affect the way that drugs and vaccines will also conduct their trials and hopefully the speed with which they can get them done.

Our next guest is Stefanie Wojciech, Investment Manager of Life Sciences and Healthcare, LBBW VC,

**Hall T Martin:** [00:09:33] Aside from a vaccine, what new applications within healthcare do you think are we going to see more of now?

**Stefanie Wojciech :** [00:09:42] I mean, [00:09:43] there are two things I think that will benefit from COVID-19. On the one hand, it's also going to be diagnostics [00:09:52]. Diagnostics is a difficult field with getting not well reimbursed, which always, for us as investors is a little bit critical because we feel like, yeah, diagnostics could be great, but for us, we do not see really the returns, so, there's not a lot of investment on diagnostics. While now, as diagnostics of COVID-19 plays also an important role, and especially also in the beginning there have been a lot of attempts and financing of new diagnostics, [00:10:23] I think there will be a bigger awareness in diagnostics and maybe also better reimbursement, especially in infectious diseases. [00:10:29] Of course, [00:10:32] the other sector that is really benefiting from COVID-19 itself and more to a circumstance that we are facing is digital health for sure. [00:10:42]

**Hall T Martin:** [00:10:42] And inside digital health, where do you think the innovations might come in the next 6-12 months because of COVID-19?

**Stefanie Wojciech :** [00:10:52] So, [00:10:54] I don't know whether there are going to be really new innovations in turn, but where it's going to be more a speeding up what has already been there. [00:11:02] So, I mean, what mostly will be affected is everything that's related to like telemedicine, means that, yeah, everything that makes the patient-doctor-physician interaction like digital to digitize everything, because, I mean, there might be a big difference, but here in Germany, people were a little bit more reluctant about adapting digital practices and this is now getting much quicker. So, companies that have solutions for the digitization of the healthcare sector in general, I think they will benefit because they can be much quicker in adapting it. But of course, there will also be a lot to come, so there's going to be a strong competition anyway.

Our next guest is James Lancaster, Managing Director, Texas Branch, VIC Technology Venture Development

**Hall T Martin:** [00:10:21] What new applications within the healthcare sector do you think we'll see come up?

**James Lancaster:** [00:10:27] Well, there's a whole lot of innovation that was thrown in place very, very quickly around reducing touch. Now, whether it's reducing touch on paperwork, automating more things, contactless payment has really jumped to the forefront here and a whole lot of retail stores who had pushed off on, you know, creating credit card transactions touchless, so, there's going to be new infrastructure to support more breadth of contactless transactions that may range not just from payments that may include medical samples, for example, processing stuff like that. So, the development of new non-invasive non-human-touch technology will likely increase, as well as the fact that [00:11:12] with more contactless payment in place, you have an infrastructure that may allow new forms of transactions that weren't previously available. In [00:11:22] the past couple of years, the Apple Pay and other companies have tried to step into providing different payment terms, but now the infrastructure has been accelerated. The number of companies that will accept Apple Pay has increased dramatically in the past several months, and that'll create new opportunities down the road. I'm not really, I either one, don't know, or I won't admit to telling you what I think those innovations are, maybe because I want to pursue them, right? But, [00:11:49] there's going to be a dramatic increase in low-touch contactless-payment types of innovations over the next couple of years, I believe. [00:11:58]

**Hall T Martin:** [00:11:58] Well, I used to hear many VC firms and private equity groups, their theses in the healthcare space was, healthcare is moving to the home, and I think that's still happening, but it seems like healthcare is also moving to the mobile with the Apple Watch, and mobile phones, and those type of things. Where do you think that's going to go?

**James Lancaster:** [00:12:17] Well, there are certainly, you know, patients and individuals that are locked at home, home healthcare, whatever, but I think you're going to find acceleration, just like you say, of advanced mobility, that my health is related to where I'm at, and if I'm not home, then it needs to follow me to where I'm going to be at. So, [00:12:38] it's really important that mobility, and contactless payments, and a clean healthcare system is available wherever I'm going to be, it doesn't [00:12:48] matter whether I'm home or not.