

## Grace Lee of Health Enovation

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24] Hello, this is Hall Martin with Investor Connect. Today, we're here with Grace Lee, CEO of Health Innovation. Health Innovation, provides incubator and investor funding for health, tech, wellness and patient data analytics. They help startup entrepreneurs design the business and build engaging technology to aggregate and facilitate health data management to help students realize the missing components of their business that will determine if they succeed or fail and facilitate angel investors for pharma, insurance and health care, and finding, evaluating and conducting due diligence to invest in health and wellness tech startups aimed to minimize the regulatory, clinical, legal and financial risk. Thank you for joining us.

[00:01:01] All right. Thank you for having me here. Excited to speak on the topics that we're going to embark on.

[00:01:06] So what was your background before investing in early stage companies? What did you do before this tour?

[00:01:11] I've been in health care for 25 years, starting out with the launch of Lipitor, our Viagra Neurontin back in the blockbuster days.

[00:01:19] I was also in academia are with cancer research and discovering ways to cure cancer, then went on to develop new Alzheimer's drugs and then ultimately went on to the crosseyed responsible for the drug development and strategy and regulatory strategy. For one hundred and sixteen companies around the world ended up in management consulting and helping government, pharma companies and biotech build technology that integrates data and to be able to leapfrog both their competition but also for epidemic and disease management.

[00:01:54] So what excites you right now?

[00:01:56] Well, obviously we're in the middle of the current epidemic. And well, as much as it's a sad state of affairs for the world, I think that the ability for technology, for startups and for government and private sector to work together to solve some very fundamental problems and issues in our health care system, but also in our research capacity. And what generally has been a challenge throughout the history of health care is that everything is siloed. Data siloed are multiple stakeholders, patients, doctors, the payers are all siloed. So there's no real central repository for truth. And so I think given that everyone is now working from home and trying to solve a world epidemic from various locations around the world, it gives us an opportunity to look at disruption of the current state of affairs by building technology and collaborations that cross borders, that cross database silos, and to really solve problems that will be our world from this point forward. I don't see us going backwards anymore once we've discovered that telemedicine is just as good as the on site, and especially when we're talking about remote regions like we're having the African countries leapfrog the first world countries by building technology and infrastructure that enables connectivity both on the data level as well as on the communication level. And by doing so, each of those countries can really address the needs of their citizens. So I'm very hopeful that in a historical context that we're all experiencing right now, the level of collaboration that we've seen between the scientists and the government and public sector, as well as the urgency for change is certainly here.

[00:03:56] Great. Well, you work with both investors and startups. What's your advice for people investing in startups in the health care sector? What do you tell them to do before they write that first check?

[00:04:05] Always consider who their audience is. I think there's a lot of idealism with regards to startups in the health and wellness space and looking to go to market with a product aiming to disrupt the current state, either from a social impact perspective or from an organization perspective. And one of the hardest challenges is identifying the decision maker and the actual payer of that service.

[00:04:33] What I Klein and pictures to me with regard to startups is that they think everyone will pay for.

[00:04:43] And that's really the challenge here, is that when you have a nice to have, let's say, a tractor or a compliance monitor or any sort of those devices lot, or we have to really consider who gets the most benefit from paying for that service.

[00:05:02] Usually the patients are not the ones paying for it. And if they are, they really need to see your benefit right away. And so a lot of the B2C type of startups really have a huge five to 10 year challenge, getting a change in behavior of the patients and the public to be a. To either import data on a consistent basis to make the data valuable or use the feedback from the technology enough that they're willing to pay for that level change. I also see the other side of things where startups have an idealistic view that pharma companies, government and insurance companies are automatically going to shell out millions of dollars for the platform or the technology that they're about to build. And having been in the industry, having been in the decision making corner office and being an investor in this space. It's really hard to get to that wallet through which a company or government or organization feels that this is enough of a problem for them to throw money, especially when you don't have a machine behind you, a brand credible brand. So those are the two areas that's been really plaguing most startups since the start of the health care health tech bubble. And we've seen traction with some of the kids that been out there. We're seeing traction with some of the monitors that are out there. But ultimately, to get real monetization that will sustain itself, it needs to be a industry wide implementation. And that's where coalitions are really going to be the key to unlocking this type of change, either on the patient side, on the doctor and physician side or on the payers.

[00:06:59] All right. So let's talk about the state of health care investing. How do you see the industry evolving post covid?

[00:07:05] Well, I think the interest is certainly there, either by any product or service that was covid related to certainly had a lot of funding over the last 12 months. I also think that anyone who jumped into either the testing area, PPE area or any sort of telemedicine area as an investor learned the hard way that even with an epidemic, those areas are pretty tough to penetrate.

[00:07:34] And so what I would see the investors veering towards is looking at sustainability beyond covid and to look at these solutions as an ability to pivot or be sustainable beyond at

epidemic condition of the world and whether it's using it as proof of concept or that through covid, you get the collaboration of the key stakeholders to gain trust in the technology being built or to realize how they could implement it within their ecosystem. And that's really the entrenchment that will make us a health tech startup successful. So I'm hopeful that the health tech investors will start to see which startups are able to go for the marathon as opposed to the current emergency at the moment and really see some returns on their investments in that way.

[00:08:36] Right. So let's talk about your investment thesis. What exactly is it for the health care sector and what's your criteria?

[00:08:43] Criteria is user first. Wherever, however, the startup defines the user, whether it's corporate user or a patient user. A lot of technology that I've seen presented or or developed today focused on data. So they design it from a data perspective, the structure of the data or the flow of the data rather than usability and what actual problem solving for the user. And without solving the user problem, it just becomes another data base, another dashboard persay.

[00:09:20] And so the challenge and adaptability is, well, if I can do everything by paper manually or go around it in three shorter ways, then I'll just do that. It's it's much harder to get someone to continually use a device or a technology more than once unless you can prove that it is valuable for more than one use case.

[00:09:45] So let's say example of a lot of the technology for covid right now is, let's say, how to find testing facilities or how to diagnose your symptoms.

[00:09:54] The challenge is there really is once they've done it once, they won't use it again. And so if you look at government or business technology, it's even worse because once they implement a sample of it, if the employees don't see a value in it more than once, then really it's not going to be sustainable or entrenched to make change in the industry. Right.

[00:10:20] So what are the challenges in the health care space for the. Esther, what is the investor face when trying to fund startups in the health care space?

[00:10:27] Yeah, I get that question a lot. I've been advising other investors for about 15 years now, and these include Wall Street investment bankers and bases and he and angel investors. I think what most investors underestimate is the regulatory aspect of health care. One easy example is GDP or just hip hop. I think most startups misunderstand what I mean with regard to that. Every data point, if it's downloaded on any laptop or personal device, is a violation of hip and PR. And so this is an example where the understanding of how long it takes, let's say, to get through phase one, two, three of drug development or device development and to get approval or the amount of effort it takes to create security around the data collection, analysis, reporting and distribution. These are things that that startups that are outside the health care system really are not familiar with. They have an idealistic view that, oh, yeah, everyone will download data and that be fine.

[00:11:45] But when we come to California's new rules on data privacy or Europeans becoming more stringent, nothing that we develop can be in isolation of those two major jurisdictions. So I would advise any investors that if you're being pitched a product or service, get a good understanding of whether the startup founder and the team has advisors or personal experience going through the regulatory and compliance aspects of health care.

[00:12:19] Right. So you see a lot of subsectors and applications in the health care space. If you had to pick one or two to put at the top of the list that you think are good opportunities today, where would you put at the top?

[00:12:31] Well, I think if you look at today where the biggest challenge challenges, we're trying to solve logistics and supply chain logistics of let's give an easy example that everyone's familiar with, how to get enough vaccines. Where does the vaccine get distributed to? Who gets access to those vaccines? How do you prioritize your order at which vaccine is distributed once you have vaccine available and distributed? How do you document it and make it available for use in practical applications, such as getting on a plane or entering the workplace so that you have an entire supply chain challenge that remains to be solved.

[00:13:14] And it's almost like 9/11 where we thought, yes, it was a catastrophic event, but we didn't realize that it was completely going to change our lives after 9/11. And I think same thing

here, that we're really not going to come out of this epidemic in the near future. I think even if every country has the ability to manage through the supply chain fast enough, we have seven billion people to vaccinate. So just the logistical challenge of getting that achieved until that is achieved, we will need to prove our antibody status or our infection status and our vaccination status. And we have a huge challenge coming up in terms of how do you validate that piece of paper? How trustworthy is that piece of paper, the yellow card that we use to trust in the past to enable someone to get on the plane and travel to another country in reinfect country if that piece of paper was fraudulent? So I can see a lot of new technology coming out in the near future, just dealing with integrity, data, integrity, and to validate that that stamp is indeed coming from a real vaccine with a real serial number. And that's not a replica.

[00:14:33] And how do we validate that on a yellow card? We can. In the past, we really didn't have an issue with that because we talk about measles, mumps and rubella. Yeah, you couldn't go to school without it, but you can travel around the world. But now that we're in a situation where each country is going to be highly impacted by who they let in, what we're working on, a million patients cured is working with various governments to create the roadmap to how they're going to manage not only their internal citizens, but the influx and outflux of people as the vaccination status fluctuates throughout the course of the next three years. And what's going to complicate it even further is, as we see in the South Africa situation, the virus is mutating faster than our vaccines are. So the AstraZeneca vaccine that is in South Africa is actually not effective for the South African strain. So we were playing a sort of a race game against the virus mutation capabilities while trying to build an infrastructure that is akin to our reaction with the TSA and to really look at how do you monitor compliance, migration and validity of disease status and vaccination.

[00:15:54] And I think that this is going to evolve to change a lot of identity change, a lot of flow of people in and out of buildings and countries and transport and companies are working on this now, really will be part of the revolution, right?

[00:16:13] Well, the last few years that we have here, well, we cover that.

[00:16:15] We haven't well, I think there's a I represent a group of three hundred investors that invest with their female founders.

[00:16:23] And given the last few years and the rising number of female founders as the last two weeks, we saw that Bumble was able to achieve something that most would not have considered as possible in a very crowded space such as dating apps. But as a female founder, she was able to evolve a concept well beyond the original intent to business, networking and friendships. And if you can see how difficult it is for all of us working from home to connect with another individual from another circle, you can see how this type of technology, just in the same way I zoom, zoomed up during the epidemic. We can see that in the future this is ability for multiple circles to connect will be even harder. So I present this as an example in that female founders are looking at different ways and multiple dimensions of how to impact the world. And the technology and the services and the companies that are developing are often unaddressed so far in the history of investing. So I encourage other investors to look at female founders, but also for female founders to realize that there are going to be a momentum to support these unmet needs and that there are organizations such as Pipeline Angels and Thirty Seven Angels that would support the type of efforts that female founders are basically pioneering. And so I'm hopeful that in the next few years we'll see more and more of these IPOs and these unicorns come out of spaces that were previously unaddressed and led by female founders looking at the world's problems in a different way.

[00:18:17] That's great. So how best for listeners to get back in touch with you?

[00:18:20] I'm sure that's emails probably gracefully and helping the nation come. I'm usually accessible there or on our website, on the patients board or innovation platform and happy to chat with startups in this space. And I will be curious to how to get into the industry and get through the muster that is needed from a regulatory or from a user acceptability standpoint. Right.

[00:18:48] We'll put those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

[00:18:52] Thank you. It's great to talk to you and good luck with everything you as well.

[00:18:58] Investor Cadec helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

[00:19:15] Alti Martin is the director of Envestra Connect, which is a five one C3 nonprofit dedicated to the education of investors for early stage funding of opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinions of investors. Connect. His podcast is for informational purposes only and should not be relied upon for the basis of investment decisions.