Summer 2018 Edition

HIT*IQ Interview with Adam Dakin

*HIT*IQ had an opportunity to sit down with Adam Dakin, Managing Director of Dreamit Health, a venture fund that accelerates health tech companies. His diverse career includes building early stage venture-backed health-tech companies. To learn more, see* https://www.linkedin.com/in/adamdakin/ *&* http://www.dreamit.com/
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Adam, you've had a diverse and interesting career in healthcare, technology and investing. All sectors have unique challenges and health-tech is no different. The messaging that health-tech is a multi-billion dollar sector has drawn founders and investors new to this sector. Based on your experience, what misconceptions do these new market entrants often have about the U.S healthcare sector?

Common misconceptions often fall into three categories: **driving behavior change, workflow, and go-to-market.**

Among the most frequent is a major underestimation of the difficulty to drive behavior change in healthcare. Large systems have many layers with multiple decision makers each with veto power and different vested interest in the success or failure of a new platform or application.   Many in the C-Suite tell us that to get them interested in a new platform, there must be at least a 10x improvement in some end point. For others, they may not necessarily require a 10x, but the required change must result in enough value to weather resistance to change.

Healthcare also just tends to be more conservative, and despite all of the policy motivation and drivers to achieve better workflows, it's tough to drive behavior change. As a result, the high-performance demands, competing initiatives, and differing agendas frequently results in long, complicated sales cycles that can be 12-18 months, or longer, which is a real surprise to those new to the health-tech space. Investors with experience in SaaS models may think similar sales cycles apply in enterprise health, which is simply not the case. This can create tension between the investors and the management team.

Furthermore, they cannot just expect to pitch the idea and wait for the sales cycle to begin. Most startups don't understand that they must take a hands-on approach and manage the decision makers and their vested interests to ensure key stakeholders are communicating and staying motivated to move the process along.

And even with all of that, the sales process can stall for reasons over which the startups have little control, and this is frustrating. Among the most notorious are the challenges with EHR integration; most startups underestimate this difficulty. In fact, we euphemistically refer to the EHR as the "wood chipper" of digital health. Most IT departments are already consumed with EHR integrations and internal initiatives. They typically have neither the bandwidth nor the incentive to help startups.   We encourage our companies to pursue pilot programs for early validation without or with as little EHR integration as possible.

Can we talk more about pilots? Something I see far too often is the notion that a successful pilot will result in easy market adoption. What does Dreamit see?

We know that early pilot success is not necessarily predictive of scalability or salability and this segues to the prior point that we strongly encourage our companies to be creative, think out-of-the-box and find adjacent markets with shorter sales cycles where they can validate. Enterprise system-wide adoption takes a long time. For example, we have a terrific company, Praos that has developed an on-demand nursing platform. While they are driving towards large enterprise adoption, we encouraged them to look at corporate wellness companies and ambulatory care groups. The value proposition is similar, but they can test assumptions, pilot and possibly get traction more quickly versus an enterprise system.

It can be easier to drive adoption in a smaller setting with fewer decision makers that are not tied to the varying complexities of enterprise health system. One of our CEO's likes to say, "When you have sold to one enterprise health system, you have sold to one enterprise health system." Unfortunately, every system has its nuances, idiosyncrasies, and complexities.

Understanding the importance of workflow is another oversight made by founders and investors alike. In addition to the complexity of the protracted sales cycle and resistance to change, a new health tech solution must be considered at a granular level and how it fits into the workflow. You can have a great solution, but if it adds 5 minutes to someone's day…it doesn't have a chance. Even the smallest change (and for many, there is no such thing as a "small" change in workflow) can have a domino effect.

Another misconception is that go to market (GTM) strategy can be constructed after the platform is developed. Too many think that if they build a better mousetrap, that the GTM doesn't. Wrong. Clearly understanding how to find customers, convert them into commercial agreements, building out the pricing and business model, and quantifying an actual ROI to customers - these are essential.

We see many GTM pivots driven by lack of focus during the initial development of the platform. Investors have limited patience. A renowned VC I know likes to say "There is not enough time to do it right, but there's always enough time to do it over."

Tell us about Dreamit. There are many competing accelerators and funds out there, what makes Dreamit different?

Many key aspects make us different. Dreamit is not an accelerator that happens to invest; we are a venture fund that also accelerates companies. This has significant implications for how we work with companies. For starters, we have to be hyper-selective. We only get returns by co-investing in our companies--we do not take any equity upfront. If a company does not raise capital, scale, and create value, we don't get paid.

Dreamit was originally founded in the more traditional model as a place-based accelerator that took an up-front equity position. That worked for a while, but we've evolved our model into something unique - we focus on Coaching, Customers, and Capital. Our goal from day one is to get our companies funded. This is the KPI by which we hold ourselves accountable.

Coaching: We provide intense coaching. We spend a lot of time doing deep dives, challenging and testing assumptions, vetting go-to-market strategies, and building out almost every aspect of the business plan.

Customers: We also have access to a large and geographically diverse potential customer base. Once we feel they've validated and tightened their assumptions, we do intense customer immersions where they meet with an amazing network of stakeholders that include payers, enterprise health, large multinationals and big pharma. We get top C-level executives in the room to hear them pitch and give tough unvarnished feedback. Important relationships get made, and where there is a fit, it can cut months off a sales cycle.

We also host many other events, including demo sessions, pitch events, and startup showcases with our customer network to build lasting relationships between startups and enterprise customers.

Capital: Our access to top key investors is also strong and different from what many others offer. We also hold investor roadshows where the investors vet and hand-pick the startups with whom they want to meet. Our startups have 1:1's with top VCs and angel networks across the US to facilitate a successful fundraising process.

We think the old model of taking upfront equity may not be sustainable. Our focus on funding closely ties us to the success of every company we accelerate. And founders like this approach, since our interests are perfectly aligned.

What kind of startups are you looking for and in what rounds?

We mostly look for post-seed, pre-series A, with a mix of about ¼ med tech ¾ digital health. We will go earlier or later, however, if we believe it's a great company. We are also agnostic for geography. We just have to believe they will scale and create value.

A high number of Dreamit's spring 2018 cohort are focused on AI. What are your thoughts on that percentage and what does it say about today's market?

With the trend towards value-based medicine and cost-shifting, we look for thoughtful enabling technologies that will help meet the goals and move towards more cost-effective care delivered in lower cost settings. We expect to see trends continue shifting from expensive ER and in-hospital care into the home and utilizing greater remote patient engagement. As a result, patient engagement and remote patient monitoring platforms are starting to demonstrate real value from AI.

An exciting Dreamit company is EJENTA, which is leveraging AI developed in conjunction with and in use at NASA to monitor astronaut health at International Space Station. EJENTA monitors patients with multiple chronic conditions. However, their solution analyzes individual patient history and individualizes alarms based on that patient's specific history, not some general threshold. The problem with many patient engagement platforms is that they alarm on general set patient thresholds, and those don't work because they generate too many false positives. But if the platform can learn the patient's history and adverse event patterns, it can then predict critical events – that is what EJENTA is doing with AI.

Another Dreamit company,   Infermedica, is applying AI to patient triage. Their patient triage tool directs patients to the proper level of care, which is often self-treatment. As is well known, as much as 50% of all ER visits are unnecessary – directing patients to the right care instead of the ER, can save real money.

Another is HealthTensor which leverages AI at the bedside by bringing forward the critical data the physician needs in real time. Imagine if the very best resident gave the attending physician a comprehensive summary of all important clinical data every time he/she walked into the patient's room?

An exciting use of AI is in clinical trial management. Another in our cohort, Trials.ai is applying AI to design better protocols and improve workflows. They do this at the front end by scanning all publicly available data to optimize where, for example, they can look at past studies for inclusion and exclusion for similar indications of use and see how the change over time, how this impacted enrollment rates and more. Typical protocols go through many rounds of modifications resulting in time-consuming and expensive protocol amendments. AI can help find more of the right patients for the study and speed up so much of the process. In the end, this results in patient gaining faster access to new therapies.

It's an exciting time to be in health-tech investing.

Interview conducted by Lisa Spellman, https://www.linkedin.com/in/lisaspellman/