

A large, stylized green chevron graphic pointing to the right, serving as a background for the main headline.

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Insight Driven Health

Fueled by Healthcare IT Start-Up Funding, Digital Disruption is Knocking

Accenture Health forecasts funding of digital start-ups in the US healthcare market to double over the next three years, reaching \$6.5 billion by 2017.

Pressures on the US healthcare system coupled with evolving consumer expectations have fueled the appetite for funding of digital healthcare start-ups and have ushered in a new era of industry innovation. A digital disruption in healthcare is being played out, as witnessed by the emergence of new business models and technology offerings that change social interactions, alter consumer expectations and ultimately

improve health outcomes. Billions of dollars are being poured into healthcare companies that combine Social, Mobile, Analytics, Cloud and Sensor technologies (SMACS), with leading companies aiming to link both products (e.g., "wearables") and services (e.g., clinical advice lines). According to Accenture Health research, digital health funding grew at an annual rate of 31 percent from 2008 to 2013, culminating in \$2.8 billion total funding in 2013.



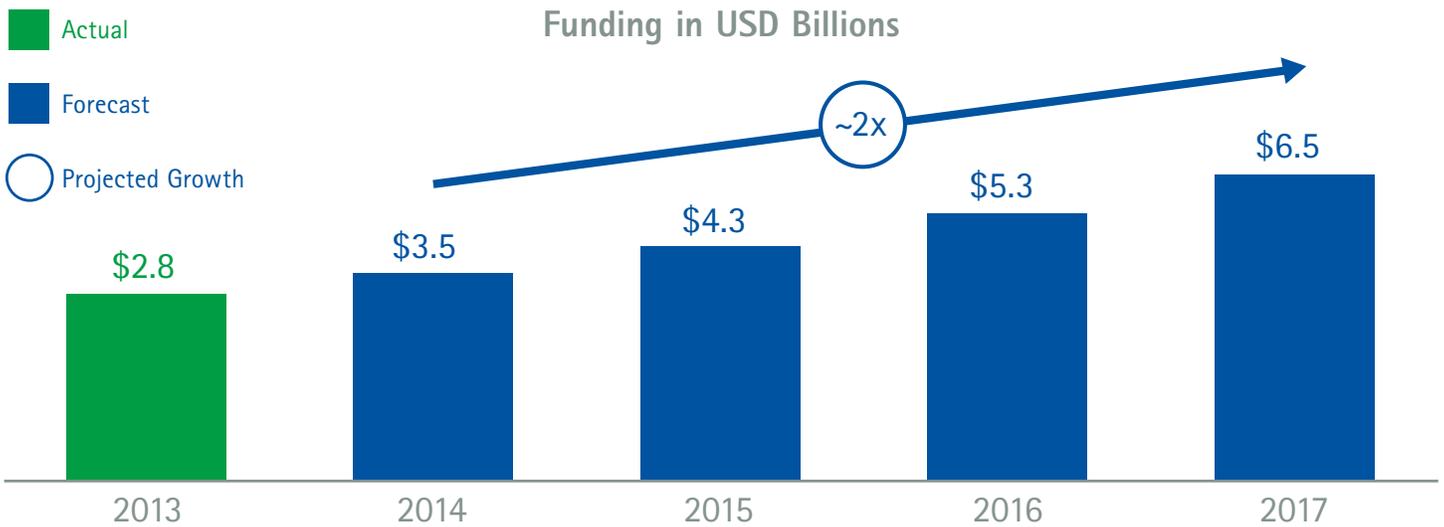
Funding momentum to continue

Opportunities to “fix” the US healthcare system will continue to accelerate start-up funding and the digital disruption. Accenture research estimates that digital health funding will double in the next three years, growing to \$6.5 billion by 2017. (See Figure 1.) The momentum will be sustained as digital health start-ups (and their funding entities) pursue a variety of ways to combine SMACS capabilities into a seamless experience that results in both medical cost savings and improved health outcomes.

Market drivers for continued digital health funding

Five key drivers are sparking business opportunities and digital health start-up funding: Healthcare system waste, the blending of physical objects with digital technology, industry newcomers, new investment models and social motivation. To varying degrees, these drivers will continue to fuel the acceleration of digital health funding, ultimately disrupting the industry. (See Figure 2.)

Figure 1. Digital health funding forecast 2014-2017



Source: Accenture Research

Figure 2. Digital health funding drivers

| Driver | Description | Magnitude |
|---------------------------|--|-----------|
| System 'Waste' | Aging and chronically ill population, economic incentives and immature technology create waste and opportunity | ↑↑↑ |
| Physical/Digital Blending | Creating a seamless physical/digital experience through combinations of SMACS capabilities | ↑↑↑ |
| Industry Newcomers | Non-traditional companies entering the healthcare space | ↑↑ |
| New Investment Models | New funding sources (e.g., Kickstarter) and models (e.g., RockHealth) limiting barriers to entry for start-ups | ↑↑ |
| Social Motivation | New generation who want to impact healthcare and social causes | ↑ |

Source: Accenture Research

Where the money is going:

Four market segments

Accenture research identified four distinct market segments that have received start-up funding between 2008 and 2013¹:

- Infrastructure, largely the bearer of regulatory mandates and incentives, includes health analytics and interoperability solutions and is the leader with \$2.9 billion of total funding.
- Treatment, which includes personalized medicine, virtual care, telehealth and care coordination, has garnered \$2.6 billion as new, alternative care channels are pursued.
- Engagement, which also received \$2.6 billion, includes wearables, incentive programs and other patient engagement solutions that target behavioral change.
- Diagnosis has captured \$2.1 billion, representing a rapidly growing segment of clinical and consumer tools that provides insights, such as remote monitoring. (See Figure 3.)

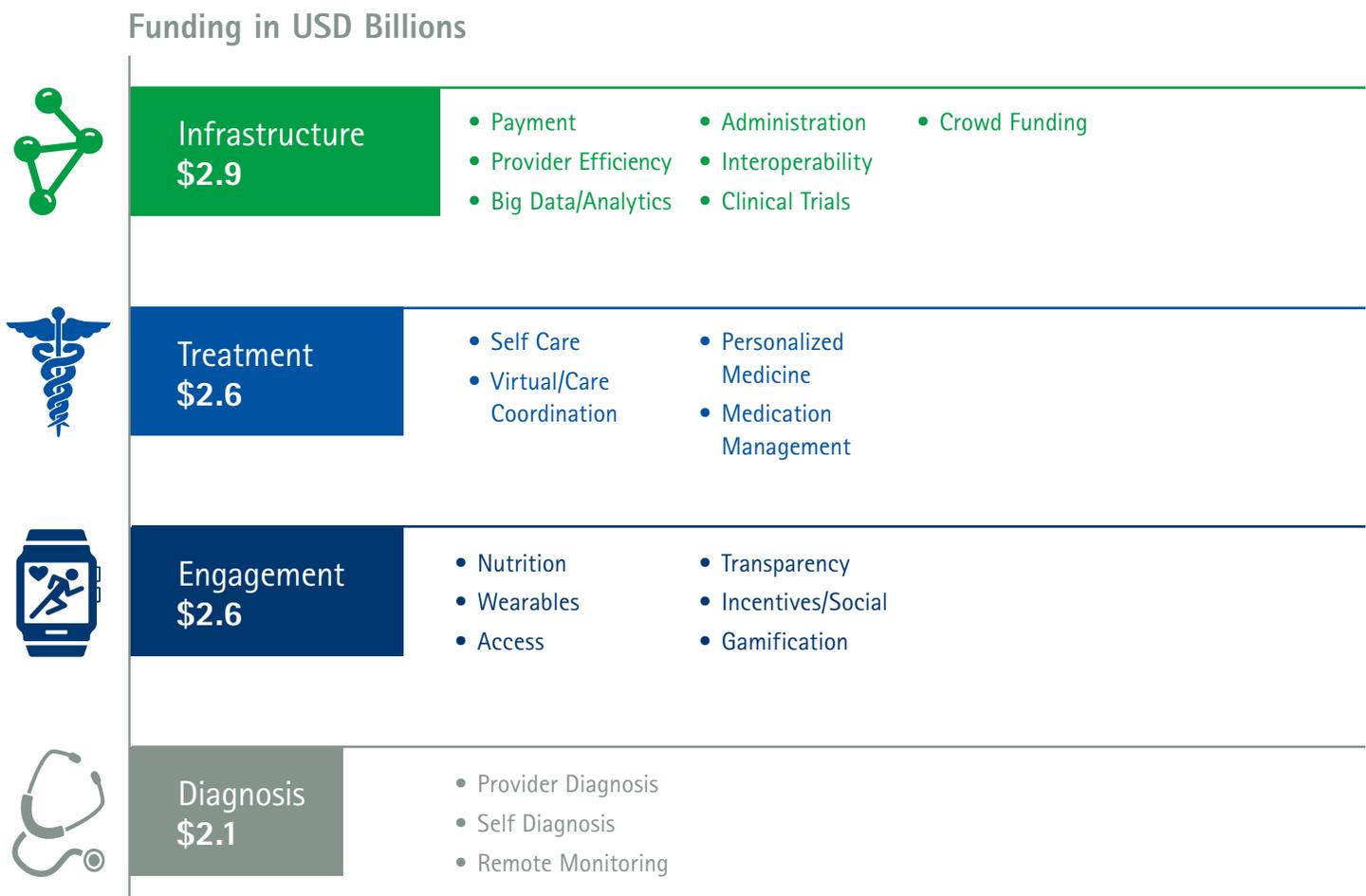
Through 2017, Accenture predicts that stand-out organizations, and their applications, will succeed through the linkage of capabilities across these four segments. Emerging technologies will include clinical applications that meet regulatory approval and solutions with more advanced analytics capabilities (e.g., quantum computing).

What digital disruption means to stakeholders

Patient engagement and experience in healthcare will be different in the not-too-distant future. All stakeholders—payers, providers, IT vendors, life sciences, pharma and industry newcomers—will need new strategies to respond to inevitable digital disruption and its potential to dis-intermediate target patients, health consumers and members. Traditional healthcare organizations must develop ways to be relevant to the new health consumer, by encouraging and embracing, rather than resisting, digital healthcare start-ups. Strategies may include establishing external R&D arms (e.g., ventures and accelerators), acquiring start-ups for talent (e.g., "acqui-hiring") or implementing novel investment models. Healthcare leaders will also need to modify business objectives, while establishing structures to efficiently and effectively identify, test and prove clinical applications. Finally, all stakeholders will face increased pressure to cultivate a diverse ecosystem of partnerships and alliances.

¹ Diagnosis and Treatment market segments do not correspond to regulatory definitions (e.g., FDA-regulated 501k).

Figure 3. Digital health start-up market segments and funding 2008-2013



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Methodology

Based on information derived from public sources including news releases, company websites and third parties, Accenture analyzed more than 2,000 digital health start-up companies. Accenture included in its analysis companies that employ in their solutions one or more technologies and capabilities across Social, Mobile, Analytics, Cloud and Sensors (SMACS). Pure-play medical devices, bio-tech, consulting/advisory firms and public companies are excluded from the research. Accenture did not evaluate the business soundness of individual companies. Funding analysis is based on a representative sample of start-ups that received funding between 2008 and 2013.

About Accenture Insight Driven Health

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About Accenture

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