

**B8128 Healthcare Investment and Entrepreneurship – HCIT & Services- Spring 2024 (A-Term); M 2:20-5:35 PM.**

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**Course Overview**

This course analyzes the unique characteristics and strategies of investing in the healthcare sector from the perspectives of venture capital firms investing in early-stage healthcare enterprises and private equity firms seeking to build value-creating health care platforms, as well as entrepreneurs creating and managing such business entities.

The course is focused on innovative business models of early to mid-stage healthcare services companies (payers, providers, HCIT firms) that improve quality of patient care, lower costs, and facilitate access to such services. It considers how investors and entrepreneurs can assess, value and manage the inherent risks to succeed in this large, complex, and dynamic sector. Sectors that are highly fragmented, complex, and inefficient such as healthcare create attractive business and investment opportunities for sophisticated investors and entrepreneurs.

The course will also highlight innovations in the HCIT field, how payers, providers, and manufacturers are applying such technologies, unique environmental, competitive and regulatory issues healthcare entrepreneurs face in this space, and key investment considerations. This course will address these issues through a mixture of lectures, case studies, and guest speakers (investors and entrepreneurs) from the healthcare sector.

**Areas to be discussed in this course include:**

- Unique challenges in assessing risk, valuing and investing in the healthcare services and information technology sectors (government regulation, pricing/third-party reimbursement, utilization trends, cost-effectiveness analyses, provider and consumer adoption of new technology, public policy, etc.).
- Unique issues confronting entrepreneurs in this space including creating a sustainable business model, defining the market and its competitors, scale-up opportunities, constructing the Board & management team, securing funding sources, and exit options.
- Review of VC/PE firms' approach and strategies in sourcing, evaluating and executing on attractive healthcare investment opportunities.
- Understanding the different markets for HCIT product and services, including consumer engagement, aging-in-place, and care coordination/population health.
- How VC and PE firms approach risk differently--depending on where they are investing along the company maturity continuum.
- Assessing winners and losers in this space, with case studies to illustrate examples of both.

### **Connection to the Core**

The learning in this course will utilize, build on and extend concepts covered in the following core courses:

Core Course	Connection with Core
Corporate Finance	1. Time Value of Money 2. Risk 3. Firm Valuation Model
Decision Models	1. Decision Making Under Uncertainty and Risk 2. Sensitivity Analysis 3. Modeling Competitive Effects 4. Modeling in Practice
Managerial Economics	1. Analyzing Complex Decision-making Under Uncertainty
Managerial Statistics	1. Modeling Uncertainty: Random Variables, Distributions, Making Decisions Under Uncertainty
Marketing Strategy	1. Company analysis 2. Competitive Analysis 3. Market Penetration and Marketing Strategy

### **Format and Approach**

This course will present a program that is intellectually stimulating and challenging in a short time frame. Class participation will be critical for the students, and we will constantly seek to relate the information and ideas discussed in the classroom to issues currently confronting companies, investors and entrepreneurs in this sector. **Understanding of, or experience in, the healthcare sector will be highly valuable. Students need to attend the first class session to understand material covered later in the course.**

### **Materials, Classroom, Ground Rules**

Certain readings will be distributed in class or posted on Canvas. We will try to have lecture notes available in advance of each class (subject to guest speaker preference). It is important that you attend all classes, arrive on time, and give speakers and your fellow classmates your full attention. If you cannot attend a specific class or must arrive late let Prof. Mehlman or Tamburri know in advance by email. **Please refrain from using laptops, iPads, cellphones, etc. in class.**

## **Course Requirements and Evaluation**

**Class Participation (25%):** It is important that students take an active role in classroom activities and discussions and come fully prepared. The class participation grade will reflect class attendance and the quality of the student's involvement in class activities and discussions.

**Midterm Assignment (25%):** For a mid-term writing assignment, students will be given an investment case study or questions for their written analysis and recommendations. This 2-3-page paper (excluding exhibits) should summarize your recommendations to a decision-maker involved in the situation and your analysis supporting that recommendation.

**Final Paper/Analysis (50%):** The course will include a final written analysis on an investment case study or questions pertaining to the course material. The paper will be approximately 3-4 pages, excluding exhibits.

## **Class Schedule and Topics**

The following is the schedule of topics (**Note**: specific dates, topics and speakers will vary based on availability).

### **January 22<sup>nd</sup> Course Introduction, Industry Overview & Investor Considerations**

- Review course syllabus, class sessions, and course requirements/evaluation.
- Overview of the healthcare delivery system in the U.S., including funds flow, allocation of healthcare spend, and key players and their incentives
- Unique challenges of investing in healthcare sector (government regulation, pricing/third-party reimbursement, utilization trends, cost-effectiveness analyses, physician & consumer adoption of new technology, public policy/healthcare reform, etc.)
- Spectrum of healthcare venture capital and private equity investors -- overview of VC/PE firms' approach and strategies in identifying and evaluating attractive healthcare investment opportunities, and key investment themes.
- *Speakers: Ezra Mehlman and Dave Tamburri*

### **January 29<sup>th</sup> Deal Evaluation Framework and Key Healthcare PE/VC Strategies**

#### **1<sup>st</sup> Half (1H): Healthcare PE/VC Deep Dive (2:00-3:00 PM)**

- Identification and review of key sub-sectors within healthcare services and HCIT space.
- Evaluation of key investment theses within healthcare services and HCIT
- Discussion of M&A and financing activity
- *Guest Speakers: Sharon Fry and Caitlin Dowling, Partners, Bain Consulting*

#### **2<sup>nd</sup> Half (2H): Deal Evaluation Framework (3:15 PM-5:00 PM)**

- Views on risk assessment and valuation in the healthcare sector, including pragmatic approach to "thinking like an investor".

- Evaluative framework for sourcing and assessing deals, including understanding market risk, product/technology risk, and execution risk.
- *Speakers: Ezra Mehlman and Dave Tamburri*

## **Feb. 2nd Buyout & Entrepreneur Perspectives & Valuation & Terms Deep Dive**

### **Part I: Buyout Perspective: Summit Partners (9:30-10:30 AM)**

- This class will feature the perspective of one of the most successful healthcare investors.
- Deal sourcing, key triage factors, what makes an attractive buyout/growth equity candidate?
- Due diligence: business plan review, site visit, references, market and competitive analysis, legal/regulatory, other risk factors, etc.
- Financial analysis, valuation methodologies, term sheet.
- What makes a good healthcare PE professional?
- *Guest speaker: Darren Black, Managing Director, Summit Partners*

### **Part II: Valuation and Terms (10:30-11:30 AM)**

- Valuing healthcare services/HCIT companies.
- Venture math deep dive and valuation assessment
- Returns modeling and exit options (investor perspective)
- Key terms: economic and control
- Midterm is assigned
- *Speakers: Ezra Mehlman and Dave Tamburri*

### **Part III: Entrepreneur Perspective (11:30 PM-12:30 PM)**

- Models of decision making in financing a growing HCIT company
- Navigating the entrepreneur-investor journey
- What opportunities do SPACs present within HCIT?
- What are the implications of the re-opening IPO window for digital health companies?
- Midterm is assigned
- *Guest Speaker: Anita Pramoda (Co-Founder Health Assurance Acquisition Corporation ex-CFO, Epic Systems, Serial Board Members)*

## **Feb. 5<sup>th</sup> Case Study: Privia Health**

### **Investment Case Study: Privia Health**

- Using the risk framework introduced in the prior session, we will evaluate Privia Health. Management will be present for the sessions.
- Market/product overview, value proposition, competition, go-to-market strategy, capital formation, scale-up/growth strategy, etc.
- Key opportunities and challenges, and lessons learned (entrepreneur perspective).
- Investment thesis, risk and valuation assessment, exit options (investor perspective)

- Guest speaker: **Jeff Butler**, Founder , **Privia Health**
- **Midterm discussed**

**Feb. 12th Growth Equity Perspective & “Day in the Life” of a PE Professional**

**Part I: Growth Equity Perspective: Bijan Salehizadeh (2:00-3:00 PM)**

- NaviMed Capital at a glance.
- Idiosyncratic considerations that one must weigh when evaluating opportunities in HCIT, healthcare services, and medical devices
- Evaluating market risk, product risk, and execution risk in early stage and growth equity investments.
- Reflections on the evolving healthcare services and healthcare IT investment environment.
- Guest speaker: **Bijan Salehizadeh**, Managing Partner, **NaviMed Capital**

**Part II: How to Get a Job in Healthcare PE/VC (3:15 PM-4:00 PM)**

- Advice on career paths into PE/VC
- Identifying your passion and honing a sub-specialty
- Best practices in outreach
- Open Q&A
- Guest speaker: **Ezra Mehlman** and **Dave Tamburri**

**Part III: “Day in the Life” of a PE Professional (4:15-5:00 PM)**

- Daily activities of a healthcare investment professional
- Tips on launching a career in PE/VC
- Most important attributes of a PE/VC professional
- Guest speaker: **Jessie Laurash**, Principal, **Health Enterprise Partners**
- **Midterm is due at 11:59 PM on February 12th**

**Feb. 19<sup>th</sup> Fund Dynamics, Board Membership & Capstone Case**

- This class, our final one, will synthesize the core investing concepts introduced from guest speakers and prior lecture into a core set of lessons learned. We will deploy these lessons into an “end to end” capstone case: **Twistle**

**1H: Capstone Case: Twistle**

- Modes of effective sourcing and diligence
- Choosing a capital partner: key considerations
- Deal structuring: aligning management and investor returns expectations
- When to sell, and when to hold, market timing
- Lessons learned and pitfalls to avoid
- Guest Speakers: **Kulmeet Singh**, Founder and CEO, **Twistle**; **Matt Revis**, President and COO, **Twistle**, **Dave Ross**, Founder and CTO, **Twistle** (Current CTO Health Catalyst)

**2H: Fund Dynamics, Board Membership and Course Wrap-Up**

- Fund dynamics and how they inform investing strategy

- Various forms of negotiation: intra-fund, inter-fund, and with entrepreneurs
- What makes a good healthcare PE professional?
- Final Assigned. **Final due at 11:59 PM on March 4th**
- *Speakers: Ezra Mehlman and Dave Tamburri*