GIMBHI
Global Institute of Mental & Behavioral Health Investment

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MORE CAPITAL OR MORE INNOVATION?

"The pandemic has made clear this festering problem: the US is no longer very good at coming up with new ideas and technologies relevant to our most basic needs. We're great at devising shiny, mainly software-driven bling that makes our lives more convenient in many ways. But we're far less accomplished at reinventing healthcare, rethinking education, and making food production and distribution more efficient." David Rotman, editor at large of the MIT Technology Review, writes in an article dated April 25, 2020.

As the pandemic continues to take American lives, with the death toll at 60,000+, my first emotional reaction to this piece was righteous agreement, likely catalyzed by the anger, grief, shock, and isolation that many of us have been experiencing over the last two months. Upon sober examination, I realized I don't agree with Rotman.

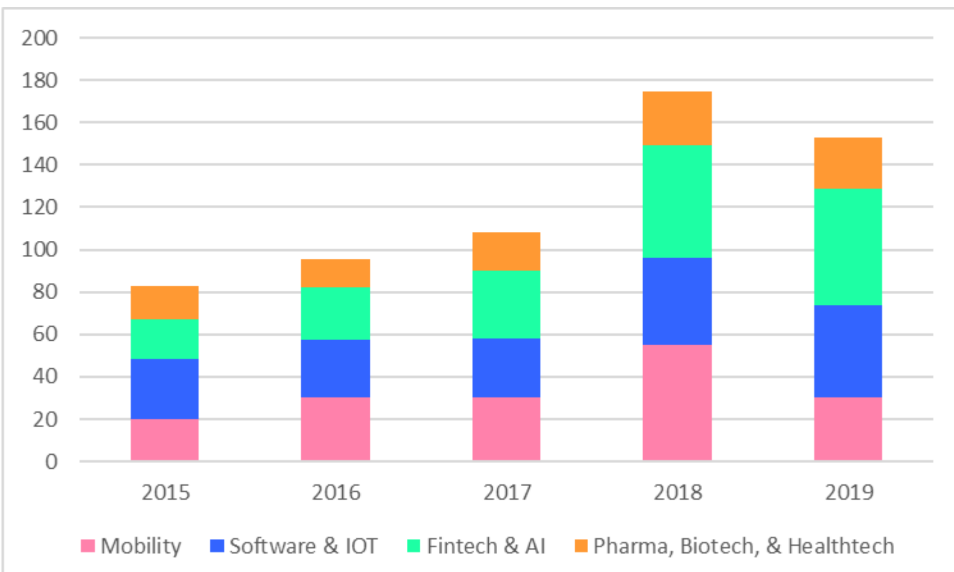
In our country, there are countless entrepreneurs that have dedicated years of their lives to solving problems within our healthcare and education systems. I don't buy that "we're not good at coming up with new ideas and technologies relevant to our basic needs." In fact, the United States has more companies and organizations dedicated to solving these issues than any other country in the world, by some measures. So what's in the way?

"Is our problem technical competence? Clearly not, or we wouldn't have the homes and skyscrapers, schools, hospitals, cars and trains, computers, and smartphones, that we already have" Marc Andreesen writes in an essay on April 18.

Andreesen is right. The problem is not technical competence. Yesterday, I played around with some AI software that could write and generate short films, based on a brief description. Everyday, I talk to a robot which orders me groceries, plays my favorite songs, and tells this other robot to vacuum my house. We are living in the future. The intellectual capital and technical-know-how in our nation and in other countries is unimaginably high. So again I ask, what is in the way? Why can't we seem to solve problems concerning our basic needs?

I believe the significant limiting factor is private capital. In the past year, I have talked to countless innovators, entrepreneurs, and medical researchers who have developed effective solutions to help fix our healthcare system. From AI-powered therapy to tech-enabled surgical devices to urgent care clinics serving low income populations, the constant theme I heard was there was not enough interest from investors to build, develop, and grow. After investing their savings or running out of grant money, many were unable to raise private capital from institutional investors.

Indeed, a quick tally of funding volumes (from Pitchbook data) for different sectors painted a disappointing picture. We grouped mobility (self driving cars and scooters), software and IOT, and fintech and AI (financial services leads AI investment so that's why we grouped them) and another group which total funding volumes for healthtech *and* pharmaceuticals *and* biotech. Sadly, healthtech, pharma, and biotech (in orange) paled in comparison to every other group. Of course, healthcare research receives significant levels of funding through the government as well, but it's strange, to say the least, that we expect healthcare innovators to fix our system with such little private funding.



"Is the problem money?" Andreesen writes. "That seems hard to believe when we have the money to wage endless wars in the Middle East and repeatedly bail out incumbent banks, airlines, and carmakers." Here, Andreesen acknowledges a lack of funding, and subtly shifts the onus on funding innovation to the federal government. While I too am critical of the spending of the U.S. federal government, this is a side-step, on Andreesen's part. It might be more appropriate to acknowledge the world he is in, the venture capital industry which has neglected to invest in new ideas and technologies relevant to our basic human needs. Instead of ambiguous rousing proclamations of like "We chose not to *build*," it might be more appropriate to dole out a nod to impact investors trying to correct this disparity in funding, and the people who *did* choose to build. "These fields are highly lucrative already and should be prime stomping grounds for capitalist investment good both for the investor and customers who are served," he writes. While I concur, this statement created a little too much dissonance for me, considering Andreesen Horowitz' investment activity. In 2020, AH has invested in 20 companies, only 2 of which were in the healthcare. Furthermore, the firm has been the top investor in the world in fintech investing $5.5 billion over 105 deals from 2009 to 2019. While there's nothing wrong with efficient processing for payment apps and capital market tech for investment banks, I'm not sure in what universe these could be considered technologies that "take care of people directly" to use his words. Or perhaps he's confused about what actually matters to the wellbeing of a population.

Ultimately, the data doesn't lie. Institutional early-stage investors who shape the fate of American innovation, see more potential in other technologies over healthtech & healthcare solutions – and perhaps that will change with more understanding of the landscape. In a bid to curb more regulation on private equity, Jon Gray, President and Chief Operating Officer of Blackstone, writes: "Private capital will also be called upon to accelerate the testing, therapies and vaccines needed to respond to our new healthcare challenges […] Both established life sciences companies and new entrants need this support to innovate and, ultimately, to save lives." And it's not just our physical lives which matter – our mental lives and the health of our minds are more crucial than ever.

36% of Americans say that the pandemic has had serious impacts on their mental health, according to the APA, and mental healthcare innovators are working hard to address and solve these issues. The mission of GIMBHI is educate and inform the major funders, which include government, institutional investors, and healthcare companies, on the mental and behavioral healthcare innovation landscape. With a deeper understanding of the space and recognition of the dual potential of strong financial and social returns, we hope to drive more investment to this severely underfunded area within healthcare.

Of course, capital isn't the only solution, but more capital for founders building solutions for healthcare will certainly be beneficial. We didn't "choose not to build." We have the builders - but who will help them?

Shiv Bhavnani

Founder of GIMBHI

POLICY UPDATE

On April 13, The FDA released a document entitled "Enforcement Policy for Digital Health Devices for Treating Psychiatric Disorders During the COVID-19 Public Health Emergency."

The guidance is expanding digital health device availability for mental health and psychiatric conditions, through reducing regulatory barriers for products. This temporary loosening of restrictions will allow additional products to enter the market quickly to help meet the mental healthcare demand.

The guidance splits digital treatment into two categories:

1) Computerized behavioral therapy and other digital health therapeutic devices for psychiatric disorders. These are typically prescription-only devices or therapies. Examples include prescription digital therapeutics developed by Akili Interactive or Pear Therapeutics.

2) Low-risk general wellness & digital health products for mental health or psychiatric conditions. Examples include wellness and meditation apps developed by Simple Habit and Headspace. For computerized behavioral therapy and other devices (category 1), the FDA will not be enforcing regulatory requirements such as:

- Unique Device Identification standards
- Listing/registration requirements
- Premarket notification submissions

Additionally, the guidance allows treatment with these devices for pre-existing and new diagnoses. The conditions covered under this category include:

- OCD
- Generalized Anxiety Disorder
- Insomnia
- Major Depressive Disorder
- Substance Use Disorder
- PTSD
- Autism
- ADHD

Furthermore, the FDA clarified that low-risk general wellness non-devices (category 2) do not require FDA oversight. These non-devices might be intended to promote relaxation, mindfulness, meditation, or healthy sleep, among other things. The FDA will not enforce requirements for low-risk products that do qualify as devices. This category includes software that helps patients cope with diagnosed psychiatric conditions or self-manage without treatment suggestions. Due to this guidance, we expect to see more mental health tech startups launch products during this time (see **Akili** and **Hims** updates)

This guidance is in line with the recent policies of the FDA to increase flexibility for treatment during the COVID-19 pandemic, by balancing regulatory oversight and meeting the immediate needs of the public. The FDA seems to support many tech interventions that may limit face-to-face interactions. The general consensus from industry participants is that, even after the pandemic, the regulatory process for digital therapeutics is likely to be easier, in some ways.

The original guidance can be found **here**.

MENTAL HEALTH STARTUPS

As chaos caused by the COVID-19 crisis ensues, private capital providers across all asset classes are focusing on their portfolio companies. In the technology startup world, conversations are rife with accounts of abruptly reduced valuations and pulled term sheets. However, capital raising for mental health tech companies has stayed incredibly strong in 2020 so far, with demand for innovative healthcare solutions continuing to soar due to COVID-19-related directives.

April alone has seen over $175 million invested into mental health startups in April alone, according to Stephen Hays of **What If Ventures**. According to the **GIMBHI** database, mental health startups have raised over $650 million in 2020.

AbleTo / Optum

According to multiple sources including **CNBC**, UHG's **Optum** is slated to acquire **AbleTo** for roughly $470 million. Founded in 2008, AbleTo is an established provider of virtual behavioral health care. AbleTo has over 140 employees, and bought another mental health startup **Joyable** (a digital mental therapy platform for anxiety) in 2019.

AbleTo's most recent funding round was in 2018, where the company raised $8.5 million from Optum at a post-money valuation of $94.3 million, according to Pitchbook. Total funding raised to date is $72.65 million. The acquisition price of $470 million implies a large valuation step-up. This figure is purportedly based on "10 times its forward revenue." It's unlikely that "forward revenue" refers to 2020 revenues, so actual EV / Revenue is probably higher than 10x. While this may seem high, a quick comparison to the Teladoc (NYSE: TDOC), virtual healthcare company, proves that this valuation isn't out of the ordinary.

Teladoc's EV/Revenue multiple currently exceeds 25x and its median multiple over the last 10 years was 9.3x.

AbleTo's platform is poised to address the massive surge in demand for virtual mental healthcare, due to shelter-in-place initiatives. The deal is also expected to expected to benefit UHG's members with increased in-network virtual behavioral healthcare.

This acquisition continues the trend of Optum's aggressive acquisition and investment activity over the past two years. Optum has spent over $7 billion since 2018 on investments and acquisitions including a $45 million Series B investment in **Mindstrong**, a mental health tech startup.

Akili

On April 22, **Akili**, digital therapeutics company, announced that AKL-T01 also known as ENDEAVOR is now available for use by children with ADHD and their families. According to Akili, ENDEAVOR is a digital treatment that has been shown in a rigorously designed and conducted clinical research program to improve attention function, as measured by computer-based testing, in children ages 8-12 years old with primarily inattentive or combined-type ADHD who have a demonstrated attention issue.

Akili is pursuing U.S. Food and Drug Administration (FDA) clearance of ENDEAVOR as a prescription treatment for use in pediatric ADHD. In parallel, the current release of ENDEAVOR is in response to new guidance from FDA recognizing the need for access to certain low-risk clinically-validated digital health devices for psychiatric conditions including ADHD during the COVID-19 pandemic.

This is just one example of the FDA's recent guidance effects on mental health tech proliferation and use. Founded in 2011, California-based Akili develops digital treatments for cognitive dysfunction with direct therapeutic activity. The startup has raised a total of $140.9 million to date, and the company's most recent post-money valuation, according to Pitchbook, is $258 million.

Hims & Hers

On April 7, **Hims & Hers**, the consumer telehealth and mail-order prescription services startup, launched anonymized group therapy and guided meditation offerings, with the therapy sessions led by a licensed mental health practitioner. Group sessions are free, in light of COVID-19 stress. This was made possible by the FDA's recent guidance, easing regulatory requirements for mental health digital therapeutics.

San Francisco-based Hims & Hers offers sexual wellness products, skincare and hair loss treatments to address problems like baldness, erectile dysfunction, and skincare. The company has raised $197 million to date, and has a post-money valuation of $1.1 billion. Lead investors include IVP, Thrive Capital, and Atomic. Other investors include Maverick Ventures, Forerunner Ventures, Founders Fund, 7 Global Capital, Redpoint, Cherubic Ventures, and SV Angel.

SonderMind

On April 6, **SonderMind** announced a $27 million Series B financing, led by General Catalyst. Other investors for this round included F-Prime Capital, Kickstart Seed Fund, Diōko Ventures, and Jonathan Bush. Proceeds of the financing will be used to support future growth objectives. To date, SonderMind has raised $32.9 million, from the Series B investors, Crawley Ventures, Notley Ventures, Lanoha Ventures, Preview Ventures, AVG, Total Access Fund, Service Provider Capital, Purple Arch Ventures, and SpringTime Ventures. SonderMind continues to expand the number of insurance companies, currently accepting Anthem, Aetna, Blue Cross Blue Shield, Bright Health, Cigna, Kaiser Permanente, and UnitedHealthcare. SonderMind combines an array of software tools, a provider network, and other services to serve consumers, employers and health systems with high-quality behavioral healthcare.

SilverCloud Health

On April 8, Boston-based **SilverCloud Health** announced a $16 million Series B funding led by MemorialCare Innovation Fund. Other investors included LRVHealth, OSF Ventures, and UnityPoint Health Ventures. The funding brought the company total funding to roughly $30 million. The funds will be used to further expand program offerings in North America, enhance the current global portfolio, and conduct additional research and clinical trials.

SilverCloud provides programs for several mental health issues that include overall emotional health.

Pray.com

In April, What If Ventures closed their 3rd investment in Pray.com, alongside TPG and Greylock. Pray.com is an interfaith social networking application designed to inspire people to grow their faith and cultivate their community. While further details of the financing are not available, prior to this round Pray.com raised $14 million in a Series A round led by TPG Growth. Greylock also participated in this round. The post-money valuation was $49 million at that point in time.

TelebehavioralHealth.Us

On April 7, **TelebehavioralHealth.us** won the TCNewTech Pitch Contest. TelebehavioralHealth.us provides an online direct-to-consumer behavioral healthcare platform. TCNewTech is a community of tech enthusiasts, businesses, and entrepreneurs whose goal is to build a culture of innovation, economic growth, and opportunity for local talent in the Traverse City Region in Michigan. The mission of TelebehavioralHealth.us is to reduce the leading source of disease burden in the United States by increasing access and reducing barriers to affordable, compassionate and evidence-based behavioral healthcare. To achieve this, TelebehavioralHealth.us is making the process of being seen by a therapist much simpler, by facilitating the online infrastructure in which patients can be seen by therapists and other professionals.

BRC

On April 9, the **Bringing Real Change** (BRC) family of programs has received investments from Veronis Suhler Stevenson (VSS) and NewSpring Health Capital. According to Pitchbook, it was a buyout. Financial terms of the private transaction were not disclosed. The Austin, Texas-based BRC owns and operates specialty behavioral health and addiction treatment facilities, programs, and services. This latest round of investment will help BRC accelerate how it provides treatment for chronic relapsers. BRC provides behavioral health and addiction treatment services

BACE Collective

BACE is a New York-based developer of hemp solutions for improving human health. Hemp contains CBD in addition to over 100 other cannabinoids with clinical potential, including mental health, sleep, and pain. In April, after 18 months of iteration and immersion, BACE launched an array of products.

Olivia's Fund

Colorado-based EVBH, an outreach of Vail Health, has partnered with Vail Health Foundation to launch Olivia's Fund, a financial assistance program for local behavioral health resources. The fund is named after Olivia Ortega, who's life was cut short by suicide at 13. Olivia's Fund will provide needed financial assistance to patients for behavioral health services. The fund will cover up to six free sessions per year for anyone who lives or works in Eagle County and cannot afford treatment, regardless of their insurance situation. The provider will discuss alternate and sustainable funding options with the patient if more than six sessions are needed.

Eagle Valley Behavioral Health was formed in the summer of 2019 to lead the community in transforming the Eagle River Valley's behavioral health system. It grew out of 18 months of planning by community leaders, parents, philanthropists, and nonprofits, as well as a $60 million commitment over 10 years from Vail Health. In Dec. 2019, the Vail Health Foundation launched the campaign, "It Takes A Valley: Transforming Behavioral Health," to raise $100 million for a total investment of $160 million to address the issue during the next decade.

RESEARCH UPDATE

Stanford University & Depression Relief

On April 6, 2020, Stanford researchers devised a treatment that relieved depression in 90% of the study's participants. The researchers used high doses of magnetic stimulation and targeted individual neurocircuitry in an effort to treat patients with severe depression. Currently, the researchers are conducting a larger, double-blinded trial in which half the participants are receiving fake treatment. The researchers are confident that the second trial will prove to be similarly effective in treating people whose condition hasn't improved with traditional medication or therapy. The treatment is called Stanford Accelerated Intelligent Neuromodulation Therapy (SAINT) and has been approved by the FDA for the treatment of depression. The press release can be found here.

The Return on the Individual: Time to Invest in Mental Health

Speak Your Mind, a mental health campaign, powered by United for Global Mental Health, published an extremely innovative report called: The Return on the Individual: Time to Invest in Mental Health. The Return on the Individual report makes the wider social and business case for investing in mental health. Some highlights of the report:

- 20 percent of the world's working population has some form of mental health condition at any given time
- Companies on average receive a $5 return for every $1 invested in employee mental health and wellbeing.
- Depression and anxiety are two of the most common mental disorders, prevalent across demographics. Estimates from 2017 show 284 million people are living with anxiety and 265 million with depression.

- Suicide claims the lives of close to 800,000 people every year 5 and is attempted by many more.
- The estimated proportion of people aged 60 and over with dementia at any time is between 5 and 8 per cent.
- Half of all mental health conditions start by age 14, and three quarters by their mid-20s.
- Tragically, suicide is the second leading cause of death for young people aged 15-29 years.
- 80 per cent of people with mental health or substance use conditions do not seek treatment
- The WHO Mental Health Atlas reports the median number of mental health workers globally is 9 per 100,000 people
- Funding for mental health typically accounts for between 1 and 4 per cent of a country's health spending
- Poor mental health costs the world economy approximately US$2.5 trillion per year in reduced economic productivity and physical ill health. This cost is projected to rise to US$6 trillion by 2030 alongside increased social costs.
- The OECD noted the employment rate of people with chronic mental health disorders
- (CMDs) is around 60 to 70 percent, or 10 to 15 percentage points lower than for people with no mental disorder
- Based on a study of the world's 36 largest countries, it is estimated 12 billion productive days are lost each year due to depression and anxiety, at a cost of US$925 billion.
- Treatment coverage between 2016 and 2030 could generate an estimated US$230 billion in productivity gains and US$310 billion in the value of extra healthy life years

Provident's Q1 2020 Behavioral Health Update

Consolidation continues within the behavioral health sector. The market saw a slew of new platforms and strategic add-ons in the autism services, addiction treatment and mental health segments. Autism services continues to be the most active subsector within the space, with multiple landmark transactions taking place within the first quarter. According to Provident, the most notable deal was Blue Sprig Pediatrics' recap of Shore Capital-backed Florida Autism Centers. This was the fourth autism deal in the last six months valued over $100M. Additionally, NexPhase-backed Action Behavior Centers is rumored to be out to market, less than one year after taking on investment, which indicates just how seller-friendly an environment the space has been prior to disruptions associated with COVID-19.

Select subsectors within behavioral health, such as telepsychiatry and mental health, are expected to see increased demand from the pandemic but, overall, Provident expects M&A activity to be impacted in Q2, with transactions delayed to Q3 and Q4 closings. The link to full report is **here**.

EVENTS & EVERYTHING ELSE

Breaking Down Stigma & Building New Models of Care on April 29 | Junto Health

Sandeep Acharya (co-founder and CEO of Octave), Julia Bernstein (COO of Tempest), and Matt Kennedy (co-founder and COO) of Mantra Health will be discussing new models of healthcare and stigma in mental health.

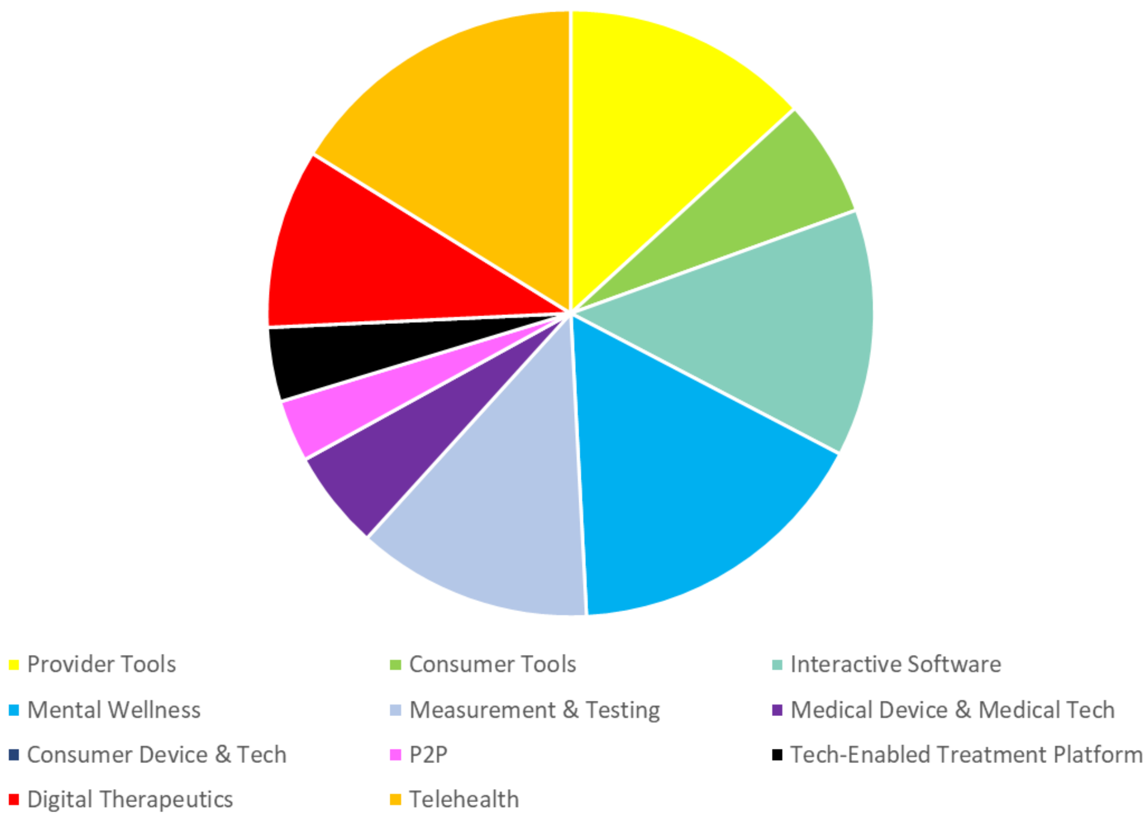
GOING DIGITAL: BEHAVIORAL HEALTH TECH ON JUNE 17 | COGNIFIC

Solome Tibebu of Cognific is hosting an interactive virtual behavioral health summit, **Going Digital: Behavioral Health Tech** on June 17. I urge anyone who's made it this far in the monthly market update to join **here**. This virtual forum will showcase the changing technological and policy landscape for telehealth and other virtual behavioral health solutions. But this isn't any ordinary online webinar- we will have plenty of opportunities to network with attendees and strengthen emerging, innovative behavioral health companies' ability to partner with key customers and investors at a critical time in our world's need for accessible, scalable healthcare. All proceeds from the event will go to the National Council for Behavioral Health's COVID-19 Relief Fund.

LONG-TERM IMPACT OF THE PANDEMIC RELATED ANXIETY on May 12 | OPTT

Hosted by OPTT and Mohsen Omrani, join OPTT for this webinar session to look at the long-term impact a sudden shift to everyday life caused by this epidemic can have on individuals, your team, and your business.

U.S. MENTAL HEALTH STARTUP BUCKET TRACKER



The colorful pie chart above represents funded U.S.-based mental healthcare startups by count, based on data from GIMBHI's proprietary database. Measurement & Testing, Mental Wellness, Interactive Software, and Telehealth are the largest buckets in the mental health tech startup ecosystem. Mental Wellness includes startups focused on meditation, mindfulness, positive psychology, sleep, emotional health, among other areas. **Headspace**, **Calm**, and **Happify** are companies included in the Mental Wellness category. Interactive Software includes companies focused on software to help treat or cope with mental health disorders, intellectual disabilities, or developmental disabilities. However, this category would exclude prescription software therapeutics. **Rethink** and **myStrength** are companies in this category. The Telehealth bucket includes startups **Talkspace** and **AbleTo**. Measurement & Testing includes startups such as **Lineagen** and **Neurotrack**.

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