

**MARKET UPDATE:
JULY/AUGUST 2020**

August 25, 2020

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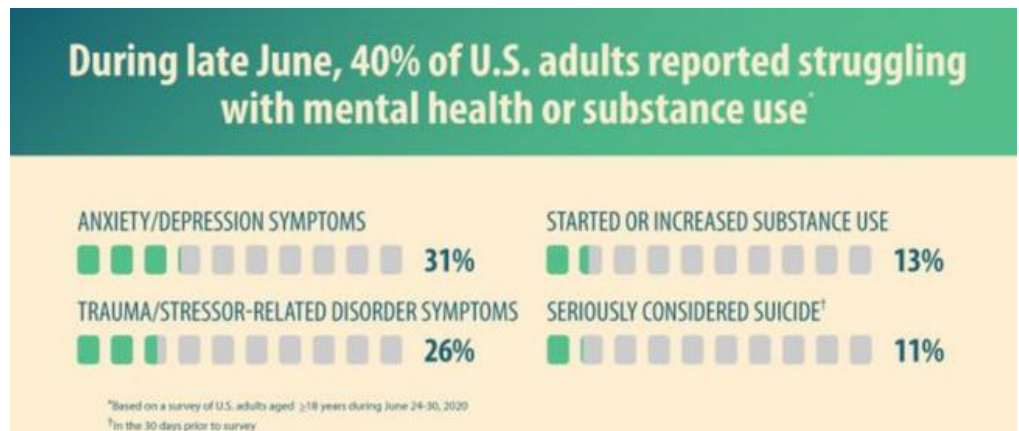
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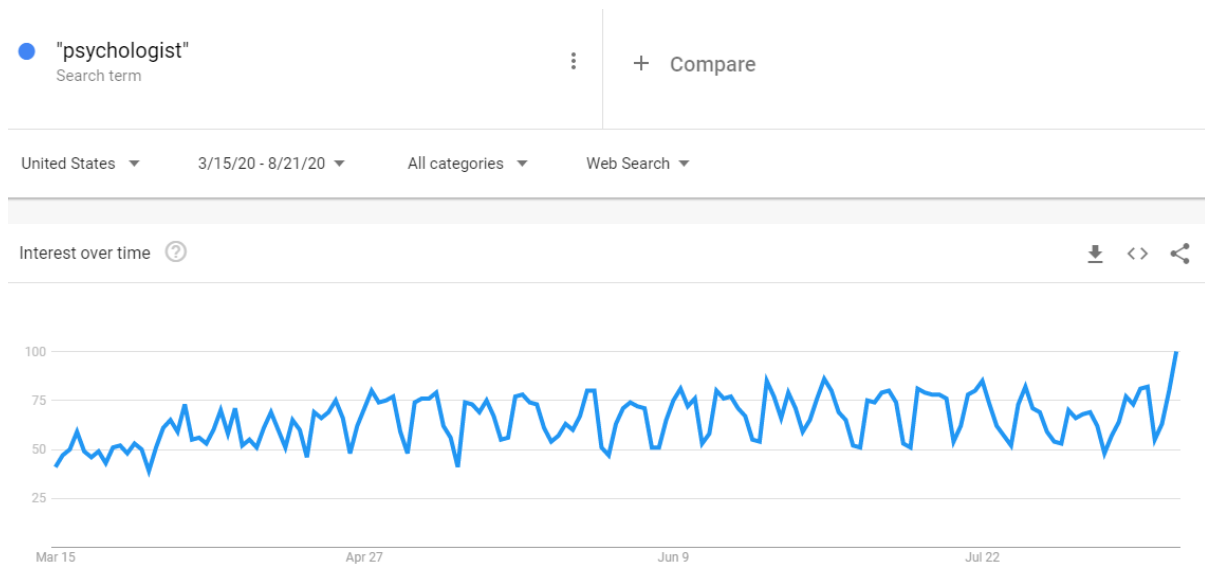
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INVESTOR EXUBERANCE AMID PANDEMIC

The pandemic continues to take a serious toll on mental health. The CDC actually quantified this at the end of June and found 40% of adults in the U.S. reported struggling with mental health or substance abuse. It's overwhelming to understand that hundreds of millions of Americans are trying to cope with mental health and substance abuse – but many of them cannot access any care whatsoever due to the age old supply/demand imbalance.





Naturally, Google searches for “psychologist” and “psychiatrist” have skyrocketed over the course of the pandemic. If you can’t read the chart, the search term “psychologist” grew from an interest level of 41 in mid-March to 100 just a few days. Psyma (<https://www.psyma.co.uk/>), an app that offers therapy through live video calls, reported a significant increase in referrals coming through the NHS.

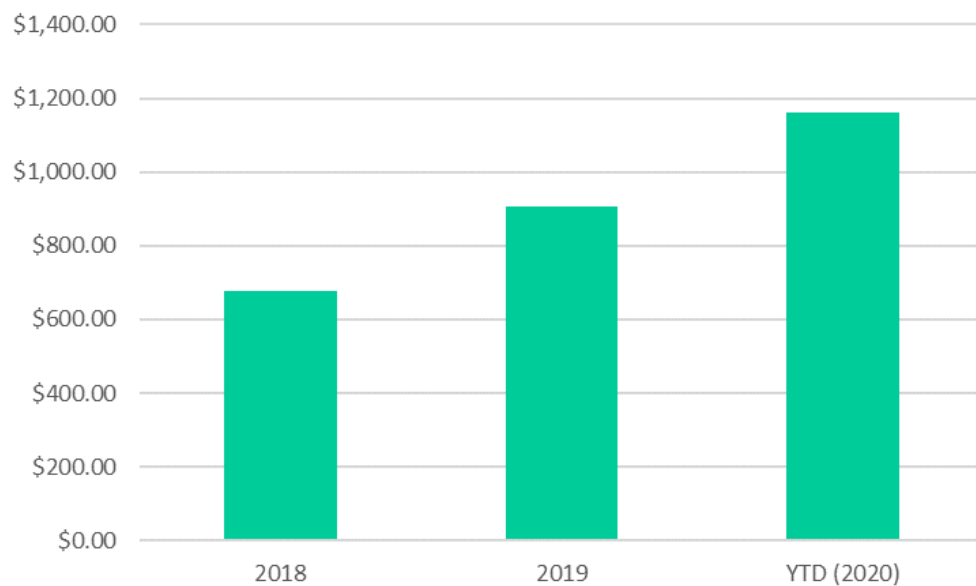
Even governments have recognized that the pandemic has triggered an uptick in demand for mental healthcare. Just in August, Monterey, CA’s elected officials approved plans to build a \$106 million children’s mental health facility. In July, Iowa’s Governor, Kim Reynolds, allocated \$50 million to provide mental healthcare to Iowans and Montana agreed to offer \$33 million in grants to behavioral healthcare providers. Those are just a few examples of local governments recognizing the dire need for mental healthcare. Of course, the majority of this funding was made available through the CARES Act, but the significant allocation to mental health all over the U.S. demonstrates the scale of our mental health crisis.

Innovation and technology have the potential to address the supply/demand gap and facilitate high quality access to care for all, and as expected, investors are continuing to bet on the



massive opportunity mental health presents. Investors continue to pour capital into mental, behavioral, and brain health startups at a fast clip.

Based on GIMBHI’s database, total funding volume for 2020 has reached roughly \$1.17 billion, year-to-date for 90+ mental, behavioral, and brain health startups ¹ (If you’d like to get more granular information on 2020 funding, feel free to reach out to me at shiv@gimbhi.com). This is up from \$920 million at the end of May.



The necessity for innovation in healthcare delivery in mental health has become apparent over the last decade and interest in mental healthcare from the incumbent healthcare payers and providers. These factors (among others) have increased investor interest in mental health tech and funding volume is likely to eclipse \$1.5 billion before the end of the year.

We’ve gotten questions about the discrepancy between GIMBHI’s funding volume and Rock Health’s behavioral health funding volume. To clarify, GIMBHI tracks mental and behavioral, and brain health startups worldwide (and we count rounds less than \$2 million as well) versus just

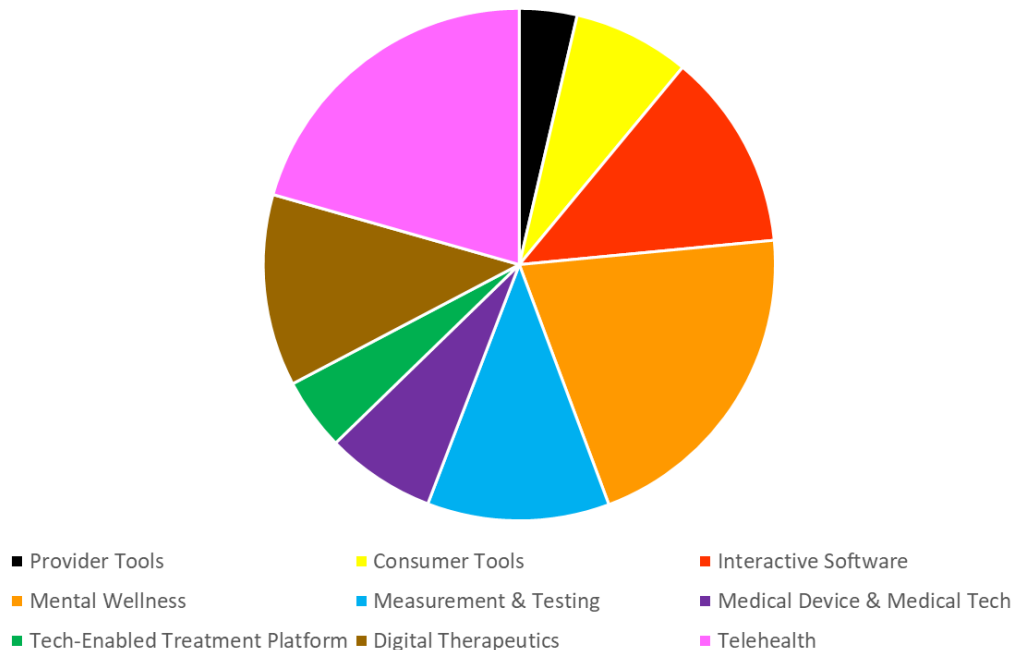
¹ The chart (in \$M) uses data from GIMBHI and CB Insights.



behavioral health startups. However, the trend of increased investor interest in the space is evident, however you define the space.

We measured total funding volume to be \$1.17 billion in 2020, but where did this \$1.17 billion go? To what areas? In our garish pie chart below, telehealth and mental wellness take the prize for hottest areas, followed by digital therapeutics, interactive software, and measurement & testing. It's no surprise that telehealth services have been in demand and from an investor perspective, the category is overheated. Looking forward, it seems as though digital therapeutics may begin to attract more interest, as the pathway to reimbursement is illuminated by the pioneers in the space such as Pear Therapeutics and others. While a telehealth platform simply changes the medium of delivery, (some) digital therapeutics have the potential to change the nature of the treatment itself.

2020 Funding by Category



There has been undoubtedly an explosion of mental health innovation and not just in the U.S – there's been lots of innovation in Turkey (i.e. Meditopia), Brazil (i.e. Viva Bem), Kenya (i.e. Wazi), India (i.e. ePsyclinic, Wysa) and many other countries. In fact, ACT Grants (an initiative



established by India's startup community to combat COVID-19) just allocated over \$120,000 USD to mental health startups.

In 2020, according to STAT News, there are nearly 20,000 mental health apps. However, with all of this innovation, funding, and growth, some crucial questions arise mainly directed at the subsegment of "Mental Wellness " (which includes non-medical meditation, sleep, stress, & emotional wellbeing apps and tools). Do people actually use these products? Do they work?

Very few mental health startups have actually scientifically tested their products. Interestingly enough, a study done in 2018 on Headspace, found that a "sham meditation app" had the same effect on executive functioning and emotional wellbeing as the actual Headspace app ² Regarding engagement, a study conducted by SilverCloud Health and Microsoft found out of 50,000 users for an online cognitive behavioral therapy program, only 10% were considered highest engagers (read more about this on page 11)

As the mental health technology industry matures, questions surrounding efficacy and engagement will have to be addressed. I have faith in the founders who make this industry to pivot and innovate, even if the first iteration of tech-enabled solutions aren't perfect.

²<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5887193/>



STARTUP FUNDING

GINGER

On August 6, **Ginger** raised a \$50 million Series D round led by Advance Venture Partners and Bessemer Venture Partners. Other investors include Cigna Ventures and existing investors such as Jeff Weiner, Executive Chairman of LinkedIn, and Kaiser Permanente Ventures. This latest round of investment brings the company's total funding to over \$120 million. With this funding round, Ginger has added David Ilnale and Steve Kraus, from Bessemer Venture Partners, to its Board of Directors. The company has 164 employees.

Below is some interesting commentary on from Steve Kraus on Cigna (HealthXL Videocast from Aug. 14) [paraphrased]:

*“What I appreciate about **Cigna Ventures** is that they are pushing their thinking [...] we have standard CPT codes but some of these aren't set up for standard CPT codes. If you're using chat-based function to interact with patients around a behavioral healthcare condition as sort of a digital front door, so not everyone's going to a costly therapist or psychiatrist, if you're using that chat-based function – like how do you pay for that? Cigna's been pretty innovative in thinking about how bundle a bunch of chats or interactions and make them the equivalent of a CPT code. I think that kind of thinking is what we need to see in the industry.”*

Listen to the whole episode hear – it's excellent: <https://www.healthxl.com/blog/investment-consulting-policy-the-steve-kraus-story>

BRIGHTLINE

On August 20, **Brightline** formerly known as Emilio Health announced a \$20 million Series A led by Threshold Ventures and Oak HC/FT. Blue Shield of California and Blue Cross Blue Shield of Massachusetts also participated in the round, alongside SemperVirens, Rock Health, and City Light Capital. Brightline is a teletherapy startup dedicated to helping children and families facing behavioral health issues. The company has raised \$25 million to date. Annie Lamont from Oak HC/FT and Emily Melton from Threshold Ventures are Board Members.



AHEAD

On July 8, **Ahead**, a startup that connects patients with psychiatrists, raised a \$9 million round from **Truepill**. Ahead allows you to book psychiatrists appointments online and have your medication delivered to your home. **Truepill** simultaneously announced closing a \$25 million Series B round from Trusted Insight, Optum Ventures and Initialized Capital Management. Sound Ventures and d:tribe capital also participated in the round. Truepill provides B2B pharmacy API, fulfillment of medications, and invests in a portfolio of consumer brands including Ahead. Truepill has raised \$38.5 million to date.³

KERNEL

On July 9, **Kernel** raised a \$53M Series C round led by **General Catalyst**. Other investors included Tiny Blue Dot, Manta Ray Ventures, Khosla Ventures, and Eldridge. Los Angeles-based Kernel is a neurotechnology company with two products: Flux (measures magnetic fields in the brain) and Flow (measures blood flow). The company's brain recording technologies could revolution brain research and the treatment of neurological disorders. According to Bryan Johnson, the founder, Kernel aims to "quicken the pace of clinical neurology, and become the platform for accelerated discovery for intractable neurological disease."⁴ **Kernel** has raised \$107M to date.⁵

MEDITOPIA

On July 16, **Meditopia**, a Turkish-German mental health app, announced a \$15 million Series A investment, co-led by Swedish VC firm Creandum and Highland Europe. According to Crunchbase, Meditopia "works with trained therapists, psychologists, meditation experts and writers in its 75 regions—mainly non-English-speaking markets—to develop customized mental wellbeing programs that take into account culture, language or country." Meditopia has coached over 14 million members since its launch. The company received a seed round in August 2019 of \$2.57 million from Berlin-based Atlantic Labs and SF-based Vela Partners. The company has raised over \$18 million to date and has roughly 40 employees.⁶

³ <https://www.globenewswire.com/news-release/2020/07/08/2059308/0/en/Truepill-Raises-25-Million-in-Series-B-Funding-Round.html>

⁴ <http://syntheticneurobiology.org/PDFs/news.170222.medium.pdf>

⁵ <https://www.crunchbase.com/organization/kernel-co>

⁶ <https://news.crunchbase.com/news/meditopia-raises-15m-series-a-to-personalize-mindfulness-services/>



SPROUT THERAPY

On July 21, autism care startup **Sprout Therapy** has recently secured \$10 million in seed funding. Backers of the round include General Catalyst, Bling Capital, Thermal, and Felicis Ventures. Sprout aims to streamline autism care by facilitating interaction between experts and children so that treatment can be personalized and easily administered. The seed round will help Sprout conduct product development and research.⁷

UWILL

On July 21, therapy startup **UWill** raised \$3.25 million in a seed round. UWill has managed to secure funding from prominent people and organizations such as Darryl McDaniels of hip-hop group Run-DMC, Bright Horizons CEO Stephen Kramer, and Princeton Review founder John Katzman. The platform enables students to communicate with therapists and other mental health professionals via video, phone, chat, email, and text.⁸ Check out Run DMC talk about investing in Uwill here - https://www.youtube.com/watch?v=tY_LtwM1HG8.

BLUEHEART

On July 27, **Blueheart**, a London-based sex therapy app announced a roughly \$1.2 million in a seed round led by PROfounders Capital. Singapore-based Antler Innovation participated in the round. According to Pitchbook, the company's post-money valuation was \$4.85 million as May 7. Blueheart aims to provide digital sex therapy. According to Sachin Raoul, CEO of Blueheart, the goal is to improve the sex lives of 100 million people.

MINDRIGHT HEALTH

On August 24, **MindRight Health** announced that it has raised more than \$1 million in funding. According to Forbes, "Notable investors in MindRight include: angel investor Esther Dyson, executive founder of Wellville; Newark (NJ) Venture Partners, an early-stage VC firm that works with leading business-to-business companies; Telosity, a fund launched by Vinaj Ventures & Innovation that invests in companies improving children's and young adults' mental health; Acumen

⁷ <https://www.fiercehealthcare.com/tech/startup-sprout-launches-tech-enabled-autism-care-program-10m-seed-financing>

⁸ <https://www.americaninno.com/boston/inno-news-boston/former-examity-ceo-launches-uwill-a-mental-health-startup-for-students/>



America, which offers seed capital and support for mission-driven founders, and Impact America Fund, which invests in exceptional founders whose businesses create new frameworks of ownership and opportunity and generate meaningful returns. MindRight has also developed a unique partnership with the renowned RWJBarnabas Health (NJ) system to increase access to mental health care among the children of workers on the frontlines of the pandemic.”⁹ MindRight works to make mental-health support radically accessible and inclusive for communities of color.

MINDOULA

On July 28, **Equality Asset Management**, a Boston-based growth equity firm, made an investment in **Mindoula**. Equality typically invests \$25 million to \$150 million of capital per company. Silver Spring, Md.-based Mindoula’s existing investors include AXA Venture Partners and Morgan Noble Healthcare Partners. According to Crunchbase, Mindoula offers 24/7 case management to individuals and families facing mental health and emotional challenges. The company specializes in populations with behavioral health challenges and comorbid medical conditions, specialty populations such as victims of interpersonal violence, as well as those who benefit from behavioral treatment in a primary care setting or within their communities.¹⁰

HARVARD INNOVATION LABS

Harvard Innovation Labs selected multiple mental & behavioral focused health startups to be part of the Build It Summer Venture Program. The startups include **BeenThere**, **Dia Health**, & **DreamWorldVR**. **BeenThere** provides free, instant, anonymous, text-based online 1-on-1 peer support for Chinese youth around the globe to improve mental health and prevent mental diseases. **Dia Health** is developing a data-driven platform to support parents with the behavioral development of their kids, starting with picky eating. **DreamworldVR** combats loneliness and helps develop emotional and social intelligence for isolated pediatric patients.¹¹

⁹ <https://www.forbes.com/sites/forbespr/2020/08/24/forbes-under-30-lister-ashley-edwards-attracts-1-million-in-venture-funding-for-mindright-a-mobile-first-mental-health-coaching-service/#58f0fc223100>

¹⁰ <https://finance.yahoo.com/news/mindoula-announces-strategic-investment-equality-123000405.html>

¹¹ <https://innovationlabs.harvard.edu/about/news/harvard-innovation-labs-launches-virtual-venture-program-for-summer-cohort/>



RARE IMPACT FUND

On July 22, Rare Beauty, Selena Gomez's brand, recently announced the launch of the **Rare Impact Fund**, which will raise \$100 million over the next 10 years to help address the gaps in mental health for underserved communities. "With the Rare Impact Fund, Rare Beauty is cultivating partnerships with leading foundations, nonprofit organizations, and companies to make a measurable impact on mental health by helping people feel more authentically connected by providing the tools, resources, and mutual support they need to thrive." In addition to donors, 1% of all Rare Beauty sales would be dedicated to the Rare Impact Fund, which is expected to be one of the largest charity efforts dedicated to mental health.

ARK BEHAVIORAL HEALTH

On July 20, **Hunter Street Partners and Healy Capital Partners** have partnered to invest in Ark Behavioral Health, a network of drug and alcohol addiction treatment facilities. Proceeds of the investment will fund the growth of ARK through expansion opportunities, bringing addiction treatment to underserved markets. Additionally, the investment will provide working capital for patient care facilities across the Northeast. Ark is Hunter Street's second investment in the behavioral health space, following its investment in BridgesMN. Currently, Ark operates four treatment facilities. Hunter Street Partners is a Minneapolis-based alternative investment management firm that provides capital solutions to operating partner teams and lower middle market companies across corporate finance, real estate, and specialty finance. The firm is focused on fundamentals-driven, asset-oriented credit and equity opportunities.

MENTAL HEALTH DEVELOPMENTS

QUARTET

Quartet has established partnerships with Centene and SilverCloud Health.



On July 16, **Centene** and Quartet “announced a nationwide expansion of their existing partnership to help members quickly and easily access the behavioral health care they need.”¹² Centene is a publicly-traded healthcare insurer. NYC-based Quartet is a behavioral health startup that offers appointments with mental healthcare providers and operates a platform to help primary care physicians to collaborate with mental healthcare providers. “Quartet’s HIPAA-compliant technology platform will integrate with Centene’s population health software, making it simple for Care Managers and Utilization Managers to refer members to Quartet for behavioral health care, track member progress, and collaborate with the referred behavioral health providers -- all within their existing workflows.”

In June 2019, Centene led a \$60M Series D investment in Quartet Health. Other investors in this round included Echo Health Ventures, F-Prime Capital, GV, Oak HC/FT, and Polaris Partners. According to Pitchbook, the post-money valuation of the company was \$497M after this round.

On August 4, Quartet announced collaboration efforts with **SilverCloud Health** to expand patients’ access to digital behavioral healthcare on smartphones, tablets, etc. Through the collaboration, Quartet’s patients can use SilverCloud’s computerized CBT tools. According to Fierce Healthcare, “Quartet and SilverCloud first partnered in April to launch Care for our Caregivers, a program of free computerized CBT programs to support Quartet’s network of mental health and primary care providers and employees throughout the pandemic.”¹³

SILVERCLOUD HEALTH

On July 17, **SilverCloud Health** announced clinical findings from a 14-week study that surveyed more than 50,000 users. The study was conducted by Microsoft Research Cambridge and SilverCloud.

The study separated the users into 5 groups, based on their engagement levels with the internet-delivered CBT tools:

- Class 1 (“low engagers”; n = 19,930; 36.5%)
- Class 2 (“late engagers”; n = 11,674; 21.4%)

¹² <https://www.prnewswire.com/news-releases/centene-and-quartet-health-expand-partnership-nationwide-to-help-ensure-members-have-access-to-critical-behavioral-health-care-during-covid-19-pandemic-and-beyond-301094586.html>

¹³ <https://www.fiercehealthcare.com/tech/quartet-taps-silvercloud-health-to-broaden-access-to-digital-mental-health-services>



- Class 3 (“high engagers with rapid disengagement”; n = 13,936; 25.5%)
- Class 4 (“high engagers with moderate decrease”; n = 3,258; 6.0%)
- Class 5 (“highest engagers”; n = 5,799; 10.6%)¹⁴

While the study noted different relationships between engagement and outcomes, the bottom line is that patients who engaged more saw better outcomes. Interestingly enough, only 10.6% of the users were in the highest engagement group.

While there has been an explosion of digital health tools available to patients, there hasn't been much engagement with these tools. Studies like these can help develop personalized delivery strategies to ensure higher levels of engagement, and ultimately improve outcomes.¹⁵

In July, Snapchat rolled out Mini apps, include a Headspace Mini app.

Snapchat has certainly made a push to promote mental health and emotional wellbeing.

“We believe compelling content can help demystify and destigmatize mental illness, and earlier this year we launched a documentary series from Barcroft titled “Mind Yourself” that followed the mental health journeys of 10 young people. We’re also making it easier for Snapchatters in crisis to access resources in our app. Our in-app reporting tools allow Snapchatters to alert us when they worry their friends are at risk for self-harm, and we notify that friend of the help available to them. We’re now significantly improving that experience, by immediately showing Snapchatters how they can get connected with emergency services, message a trained counselor through Crisis Text Line, or talk live with someone at the National Suicide Prevention Hotline.”¹⁶

Nevertheless, it's important to recognize social media's detrimental effects on mental health and emotional wellbeing. Snapchat use has been connected to increased anxiety and depression, according to a survey conducted by RSPH.

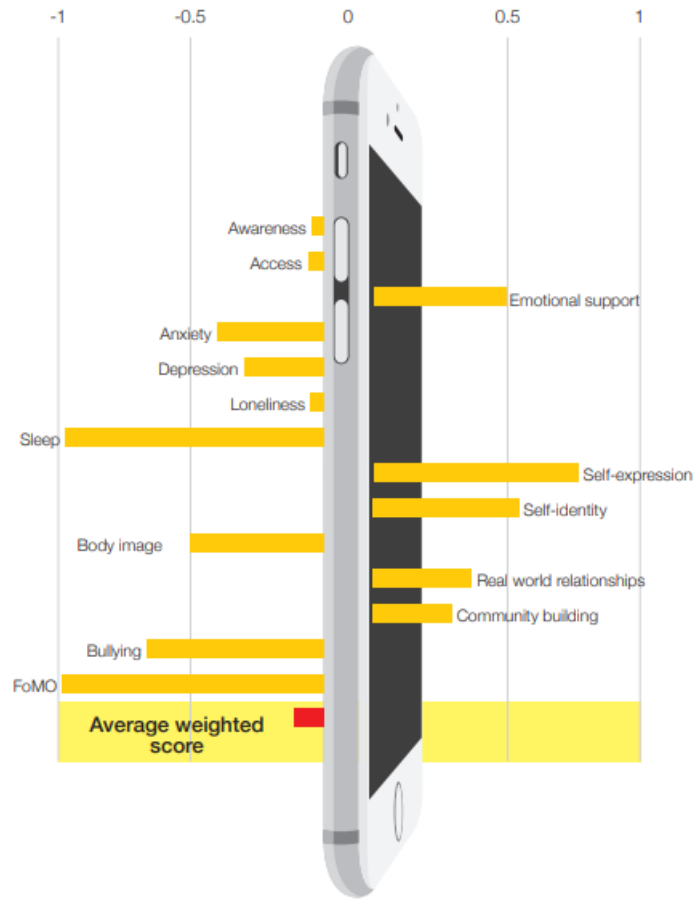
¹⁴ <https://www.microsoft.com/en-us/research/blog/a-path-to-personalization-using-ml-to-subtype-patients-receiving-digital-mental-health-interventions/>

¹⁵ https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2768347?utm_source=For_The_Media&utm_medium=referral&utm_campaign=ftm_links&utm_term=071720

¹⁶ <https://www.snap.com/en-US/news>



Snapchat



17

EXPPER TECHNOLOGIES

In July, **UCLA Children’s Hospital** implemented a new AI robot to improve mental health during treatment. Expper Technologies, based in Armenia, has unveiled “Robin”, an AI robot that is

¹⁷ <https://www.rsph.org.uk/static/uploaded/d125b27c-0b62-41c5-a2c0155a8887cd01.pdf>



designed to keep kids in hospitals from becoming lonely and stressed. The robot is designed to be friendly to the children, so that they can take their minds off the medical stresses they may be otherwise enduring. Robin has been developing since 2018, and has raised funds from ventures such as HIVE Ventures and SmartGateVC.¹⁸

THERAWE

In June, Kansas City-based startup **TheraWe**, designed to assist parents of kids with autism, was acquired by New York-based Rethink Autism. TheraWe is a HIPAA-compliant mobile video platform that enables therapy providers to record personal home program video clips, as well as provide notes that are instantly sent to all caregivers via the app. Rethink Autism plans to continue to offer the services of TheraWe.¹⁹

LIGHTHOUSE BEHAVIORAL WELLNESS CENTERS

A \$2 million federal grant was recently awarded to **Lighthouse Behavioral Wellness Centers**. This grant was awarded in hopes that it will assist the organization in expansion of services and access for those suffering from mental health issues. This is the first federal grant that Lighthouse Behavioral Wellness Centers has received, and the organization will use the funding to enhance its reach of mental healthcare across its network in southern Oklahoma. Additionally, the grant will allow Lighthouse to change its structure so that it can become a Certified Community Behavioral Health Center (CCBHC). This kind of certification will enable Lighthouse to provide a more comprehensive range of services to vulnerable individuals.²⁰

ROSE

On August 17, Baltimore-based **Rose**, a mental health platform that leverages machine learning to transform the therapy process for therapists and their patients, was chosen by Boston-based Brigham and Women's Hospital's emergency department to support mental health of clinicians treating COVID-19 patients. The hospital received over 80 submissions and chose Rose because it

¹⁸ <https://www.zdnet.com/article/ucla-childrens-hospital-implements-new-ai-robot-to-improve-mental-health-during-treatment/>

¹⁹ <https://www.startlandnews.com/2020/06/therawe-exit/>

²⁰ <https://www.ardmoreite.com/story/news/2020/06/26/lighthouse-behavioral-wellness-centers-receives-2-m-grant-to-expand-mental-health-services/3257529001/>



can identify early warning signs of various mental health conditions using artificial intelligence. In January, Rose received seed funding from StartUp Health.

RIA HEALTH

Overdoses due to drug & alcohol use disorder have increased significantly due to the pandemic. This is in addition to the already increasing rates of alcohol use disorder in women and men. According to a 2019 study in Neurobiology of Stress, rates of alcohol use disorder (AUD) have increased in women by 84% over the past ten years, relative to a 35% increase in men. **Ria Health** is helping combat alcohol use disorder, through personalized treatment via its mobile app. According to a 2019 study, patients in the Ria program, on average, decreased their alcohol consumption by 66% after 6 months in the program. Just last year, Ria announced coverage under Anthem for Alcohol Treatment Telemedicine Program. Ria is also contracted with UnitedHealth Group Optum and Beacon Health Options. San Francisco-based Ria (www.riahealth.com) received an undisclosed amount of grant funding from Ignite and TMC Innovation in 2019.

DIGITAL THERAPEUTICS

Check out Brian Dolan's phenomenal coverage and tracking of the digital therapeutics industry²¹ at <https://exitsandoutcomes.com/livongos-ipo-anniversary-dtx-pipelines/>. In addition, this was fascinating panel of gaming and AI for pediatric ADHD and Autism led by Marta Milkowska.²² - <https://www.youtube.com/watch?v=L9LaOX5nd6w>

BIG HEALTH

On July 29, the University of Oxford and **Big Health** announced the publication of a randomized controlled trial study on Daylight (Big Health's digital therapeutic) & generalized anxiety disorder.²³

"The study found that Daylight significantly reduced symptoms of anxiety in trial participants, as compared to the control group at six weeks after intervention. By week 10 follow-up, 71% of

²¹ <https://exitsandoutcomes.com/livongos-ipo-anniversary-dtx-pipelines/>

²² <https://www.youtube.com/watch?v=L9LaOX5nd6w>

²³ <https://onlinelibrary.wiley.com/doi/full/10.1002/da.23079>



Daylight users in the study achieved remission of GAD, as compared to 33% of those in the control group. Improvements were maintained at week 26 (uncontrolled) follow-up. The sustained maintenance of results is especially noteworthy since the 6-month follow up period coincided with the COVID-19 pandemic - a time of heightened anxiety for people throughout the world.”

This is a phenomenal accomplishment as the study confirms the safety and efficacy of a digital therapeutic to treat anxiety, a disorder that affects more than 40 million Americans.²⁴

PEAR THERAPEUTICS

On August 20, **Pear Therapeutics** announced that its prescription digital therapeutics, reSET and reSET-O (which previously received authorization to treat disease from the FDA, have been added to **Serve You Rx’s** standard formularies and are being administered as standard pharmacy benefits for its members. Serve You Rx is a full-service pharmacy solutions provider based in Milwaukee, Wisconsin that specializes in pharmacy benefit management. Serve You Rx will provide prescription benefit coverage of reSET and reSET-O to their members as adjunct therapy to substance use disorder and opioid use disorder treatment, respectively. This is a major development for the entire class of prescription digital therapeutics.²⁵

²⁴ <https://www.businesswire.com/news/home/20200729005155/en/Landmark-Randomized-Controlled-Trial-Demonstrates-Efficacy-Big>

²⁵ <https://www.businesswire.com/news/home/20200820005180/en/Pear-Therapeutics-Serve-Rx-Announce-Formulary-Coverage>



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