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EMERGING TECH RESEARCH

Takeaways From the 2024 J.P. Morgan Healthcare Conference

Deals, trends, and predictions

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

17 key takeaways from JPM 2024

Top trend: AI

1. AI—though not necessarily generative AI—was the headline theme of this year's J.P. Morgan Healthcare Conference.

2. Hype swirled around the potential of AI to transform drug discovery, but savvy investors are looking for proof of clinical impact over the long term. We believe AI will make drug development faster, not less expensive, primarily because of the substantial expense associated with software development and computational power.

3. Consumer-focused digital health companies jockeyed to position themselves as AI forward, while addressing provider burnout and improving explainability continued to dominate conversations around AI in healthcare IT.

Trends to watch

4. Three approaches are emerging for startups in the pharma-dominated obesity drugs market: improve on existing biology; develop treatments for GLP-1 side effects, such as muscle and bone density loss; or pursue entirely new approaches or modalities.

5. Partnerships are emerging as a key go-to-market strategy for digital point solutions and AI technologies. Headspace announced an intention to partner with digital providers in subspecialties such as PTSD, OCD, and SUD treatment, while Arcadia will partner with clinical-decision-support company Atropos.

6. Genomic sequencing is becoming more competitive as newer entrants muscle to take share from Illumina. Element Biosciences and Ultima Genomics have been competing on price, throughput, features, and quality. Both companies provided further detail on their upcoming commercial sequencer launches.

7. Private companies including Levels, Nutrisense, Signos, and Veri have been further expanding the glucose monitoring market to nondiabetics. Dexcom launched a new glucose sensor, Stelo, for FDA approval and expects a summer launch of the device, geared for diabetics who do not regularly take insulin.

Headline deals and announcements

8. Alphabet's digital biology play Isomorphic Labs, which announced strategic collaborations with Novartis and Eli Lilly, dominated VC conversations. Investors expressed both optimism for the future of the industry and concern that Big Tech's dominance could create a barrier to entry for disruptors.

9. Amazon further expanded its reach into healthcare by launching its Health Condition Programs in tandem with Omada Health. Amazon wants to be a front-door and fulfillment partner in healthcare delivery, but it remains unclear whether the company will prioritize a direct-to-consumer model or an employer-facing model.

10. General Catalyst did not announce its health system acquisition target, but it did lead a $95.5 million round in Harbor Health, an eight-location value-based primary care and multispecialty clinic in the Austin, Texas, area. The round is large for a group of this size and is likely part of General Catalyst's health system strategy.

11. Boston Scientific made a splash with its $3.7 billion purchase of urinary and bowel neuromodulation device maker Axonics. Neuromodulation—nerve stimulation treatment—is attracting significant attention from medtech VCs.

12. As consumer mobility companies continue to expand their healthcare footprints, Uber Health and Socially Determined announced a collaboration to identify at-risk patients and provide them with nonemergency medical transportation and grocery and prescription delivery.

13. Mayo Clinic was ubiquitous in AI headlines, announcing an investment in remote diabetes monitoring company UpDoc, partnerships with K Health for cardiac monitoring and Cerebras for the development of a genomic LLM, and several in-house AI-related projects.

Market conditions

14. While VC biopharma deal activity remains muted, a series of large biotech IPOs, including Metagenomi, Praxis Precision Medicines, and Dyne Therapeutics, highlighted the backlog of late-stage biotech companies needing to return capital to investors.

15. VC healthtech financing remains tight, and despite optimism around potential deal flow, there were no VC rounds over $100 million announced during the week of the conference—a sign that sluggish VC investment is set to continue through at least the first part of the year.

16. Late-stage digital health startups are holding out hope for a reopening of the IPO window. Several presenting companies emphasized paths to profitability and a desire to go public—though less profitable startups could test the public markets first, as those with strong balance sheets can afford to wait.

17. PE investor sentiment was muted during the week of the conference. Although we heard of a few deals in progress, industry participants do not expect deal activity to reaccelerate materially until the second half of 2024. Some PE firms that have traditionally focused on healthcare providers are now pivoting toward healthcare IT and pharma services.

In case you missed it

At PitchBook's Investor Lounge at the J.P. Morgan Healthcare Conference, Senior Analyst Kazi Helal spoke with leading biotech VCs about the current state of biopharma deal activity and outlooks for the year ahead. You can view the recording here.

Introduction

The J.P. Morgan Healthcare Conference (JPM) brought an estimated 10,000 participants to San Francisco from January 7 to 11, 2024. The conference has expanded beyond its roots as a life-sciences-focused, sell-side event to a sprawling dealmaking and networking week for most of the major VC, PE, and strategic players across the healthcare industry. Although relatively few headline announcements were made, the mood at healthcare's premier industry event felt somewhat more optimistic than last year's, with AI, weight loss drugs, and the exit outlook dominating both presentations and the cocktail hour conversations. While most news coverage focuses on public company earnings and announcements, PitchBook's healthcare analyst team attended the private company presentations and spoke with investors, service providers, and both established and up-and-coming companies throughout the week. Below, we share our thoughts on the key themes that emerged and why they matter for healthcare PE and VC investing.

Deal outlook

In our 2024 healthcare outlook report, we predicted that healthcare will decrease as a proportion of both VC and PE deal count globally. This will be the result of a confluence of factors: depressed risk appetite among life sciences investors, the difficulty of commercializing healthcare point solutions, and ongoing pressures on care delivery economic models. Although many conferencegoers struck an optimistic tone, the conference set the stage for a subdued dealmaking environment at least for the first half of 2024. Remarkably, no VC deals over $100 million or PE deals over $1 billion were announced during JPM week, although a few splashier headlines, including Devoted's Series E at a $12.9 billion post-money valuation, trickled out in the two weeks prior to the conference. Many of the companies we spoke with were focusing their investor meetings on gauging interest and establishing milestones for fundraises or M&A events planned for late 2024 or even 2025.

Biopharma VC

Our 2023 biopharma deals data evidences a significant flight to quality among investors, with fewer and later-stage companies receiving funding on average. In the current risk-off environment, investors remain laser focused on clinical validation, with standard clinical milestones shifting back to earlier funding stages. Examples include in vitro data and mouse models at the seed stage, or a full demonstration of

academia-sourced AI & machine learning algorithms or validated high-throughput biology platforms before Series A. In 2021, many biopharma companies went public without advanced clinical candidates, but a greater proportion of biotech IPOs in 2022 and 2023 began phase 3 trials at the time of their public listing, and we expect this trend to continue. Finally, in our data and anecdotally, we are also seeing companies structure funding rounds and plan growth to elongate their runway between fundraises. During PitchBook's "Biopharma VC in Flux" panel, Eddie Eltoukhy, Partner at Pear VC, characterized his approach as "paranoid optimism" as markets improve with lowering interest rates and the cyclical nature of the industry.

Despite the tepid fundraising environment, JPM 2024 kicked off with a string of noteworthy exit announcements, including IPOs: Metagenomi ($100.0 million), Dyne Therapeutics ($345.0 million), ArriVent Biopharma ($100.0 million), and Praxis Precision Medicines ($150.0 million). Looking ahead, we expect more biotech companies to pursue M&A exits as the cost of late-stage trials balloons, the bar for IPO is raised higher, and investors seek an earlier return on investment. Antibody drug conjugates or conjugate technologies, as well as obesity drugs, should continue to attract funding or acquirers due to their commercialization potential in forecasts. While we expect investors to place big, concentrated bets on potentially transformative AI at the early stage, mid- and late-stage companies must strike more of a balance between technological optimism and clinical reality.

Healthtech VC

Since early 2022, VC funding in digital health has been in a lower gear from the combination of pandemic tailwinds receding and a materially different interest rate environment. VC investment in consumer-facing digital health has been treading water in recent quarters, and it appears Q2 2023 will end up being the low point of the cycle with just $0.9 billion of VC funding. A reinvigoration of deal activity will hinge on the timing of the IPO window reopening and a shift toward lower rates. Notwithstanding market conditions, we continue to expect at least three late-stage digital health startups to go public this year, as several have positioned themselves for an IPO by reaching profitability and shoring up their balance sheets. At the conference, more than a few startups emphasized their profitable status and/or provided fairly specific EBITDA projections for the next few years. Informal conversations and audience questions also emphasized investors' and analysts' strong interest around possible public listings. By our estimate, there are over 30 digital health unicorns with an approximate aggregate valuation of $95 billion—a sign of the robust backlog for potential exits in the sector going forward.

Private equity

PE investor sentiment was muted during the week of the conference. Although we heard of a few deals in progress, no significant PE healthcare services transactions were announced. 2023 was a historic low for sponsor-to-sponsor exits in healthcare services, and we have predicted that larger platform deals will not accelerate materially until the Federal Reserve begins cutting rates in earnest, which the market currently expects will take place in the second half of 2024. Numerous conversations with bankers and investors confirmed this. In the meantime, we are still seeing some deal activity in the lower middle market, with larger firms

continuing to move downmarket to pursue single-state provider groups and other smaller transactions. We also spoke with structured capital investors from two firms who expect to see strong deal flow well into 2025, especially in the provider space.

It is becoming increasingly likely that, when larger PE healthcare services deals do resume, they will not recover to the levels of activity or valuations we saw in 2018 through 2021, especially in physician services. M&A-heavy healthcare services plays may have flourished in a near-zero-rate environment, but they will be less attractive in the coming years if rates remain at or above 3%, as seems likely—especially when factoring in endemic labor shortages, multiple compression, and fierce competition for commercially insured patients. We believe this will cause generalist firms in particular to step away from investing in provider groups, leaving more mature specialist physician platforms than likely PE buyers at the top end of the market.

We saw the beginning of this strategic shift in PE healthcare investing play out at the J.P. Morgan conference. Several firms we spoke with emphasized their focus on pharma services and, to a lesser extent, healthcare IT. A few platform deals were announced in life sciences, including EQT's acquisition of Mabtech from IK Partners and Mérieux Equity Partners and TJC's $900.0 million buyout of TIDI Products.

AI

Biopharma and pharmatech

Drug discovery is broadly considered one of the most potentially transformative applications of AI. At the conference, AI's future role in drug discovery was a topic of both excitement and dubiety. In particular, the announcement that Alphabet subsidiary Isomorphic Labs has partnered with Eli Lilly and Novartis for nearly $3 billion in combined upfront and milestone payments sparked debate on the future role of Big Tech in digital biology. During PitchBook's "Biopharma VC in Flux" panel, Shahram Seyedin-Noor, Founder and General Partner at Civilization Ventures, predicted that Isomorphic would become one of the top five biopharma companies in the world, and we heard a similar sentiment echoed in other conversations. Industry participants expect AI to significantly shorten the time required for drug discovery, and company presentations cited five-year processes that could be reduced to two years.

However, because of extensive software development requirements and the lengthy nature of clinical trials, investors must take a long-term approach to playing the AI drug discovery opportunity. There is a noticeable lag time between the introduction of new AI methods and their integration into current clinical development practices. During the PitchBook biopharma panel, Rohan Ganesh, Partner at Obvious Ventures, pointed out the vast computational power required to develop and deploy AI drug development models. We believe this will create bottlenecks in funding and company development, as startups will need to partner with NVIDIA, Google, and other Big Tech companies to access these resources.

While AI promises to expedite drug development, the return potential remains uncertain, with short-term returns dependent on high-value partnerships with Big Pharma. Although AI will make drug development faster, it may not make it less

expensive, primarily because of the substantial expenses associated with software development. Although clinical impact has not yet been proven, AI is undoubtedly building a rich pipeline, with cell and gene therapy efforts still in their early stages. Examples from JPM 2024, including insitro, Generate Biomedicines, Cellarity, Enveda Biosciences, and Verge Genomics, showcase the diversity of AI-driven biotech initiatives.

Notably, few private-track biopharma companies discussed the use of generative AI and large language models (LLMs). Biology is not a language, making these models an imperfect fit for many drug development applications. (Note, however, that Recursion Pharmaceuticals is aggressively building out generative AI and LLM integrations.) Nevertheless, generative AI holds potential to improve efficiency and user interfaces for tools and services catering to biotech and pharma companies. We believe AI will one day enable the "full-stack scientist," analogous to a full-stack developer—that is, it will enable scientists to easily perform literature research, experiment design, and computational analysis rather than specializing in one or two of these areas. Presenting companies that leaned into this theme included Deepcell, which creates user-friendly life sciences tools, and Tempus, which has developed rapid genomics analysis capabilities. We also foresee academic research and scouting tech, which allows VC investors and corporates to source and diligence new deals or technologies. Companies building on this theme include Future House and Paris-based Kyutai Labs.

Select drug development AI companies*

Company	HQ location	Last deal type	Total raised ($M)	Last known valuation ($M)
Alltrna	Cambridge, US	Series B	$122.1	N/A
Cellarity	Somerville, US	Series C	$324.3	$621.0
Deepcell	Menlo Park, US	Series B	$98.00	$223.0
Enveda Biosciences	Boulder, US	Series B	$175.0	$319.0
Frontier Medicines	San Francisco, US	Series B	$155.5	$338.5
Generate Biomedicines	Cambridge, US	Series C	$693.0	$2,000.0
insitro	South San Francisco, US	Series C	$643.2	$2,500.0
Isomorphic Labs	London, UK	Corporate spinout	N/A	N/A
Sail Biomedicines	Cambridge, US	Merger of equals	N/A	N/A
Tempus	Chicago, US	Debt refinancing	$1,432.7	$10,250.0
Verge Genomics	South San Francisco, US	Series C	$172.1	$375.0

Source: PitchBook • Geography: Global • *As of January 12, 2024

Digital health

Artificial intelligence has a wide range of applications in digital health, and recent AI advancements and potential pitfalls were a common topic of informal conversations at the conference. In the private company sessions, presenting companies were eager to position themselves as AI relevant; one speaker remarked that it "wouldn't be a JPM presentation without (mentioning) AI." We heard from companies using

AI to optimize digital physical therapy (Sword Health), personalized mental health care (Spring Health), heart image analysis (HeartFlow), and clinical trials (Clario). AI-powered ECG interpretation was a prominent theme: Ceribell's presentation highlighted the startup's technology for ECG seizure detection, and K Health announced a partnership with Mayo Clinic to leverage ECG data and remote monitoring for cardiac care treatment and prevention.

Notably, although generative AI was the buzzword of 2023, it did not get a lot of airtime at the conference's private company sessions. Many companies that presented were late-stage startups that had been working on building AI technologies well before the current wave of interest. We still see transformative opportunities for generative AI in patient-facing digital health—including in care navigation, mental health chatbots, and digital-twin-based care models.

Healthcare IT

Solving healthcare workforce burnout has emerged as one of the most important applications for AI in healthcare IT. Systemic labor shortages, resulting in elevated turnover, higher costs, and quality issues have plagued healthcare provider organizations since the COVID-19 pandemic, with administrative burden—much of which involves mundane and repetitive tasks—a major contributor to burnout. Population health analytics company Innovaccer announced an ambient clinical documentation solution that operates within its point-of-care solution, jumping into what is already an extremely crowded clinical documentation AI field, and Nabla, whose ambient documentation solution Copilot is being rolled out within the Permanente Medical Group, raised a $24.0 million Series B.

Select clinical documentation AI companies and products*

Company	Product	Last deal type	Last deal date	Lead investor/acquirer(s)	Last known valuation ($M)
3M	M*Modal Fluency Align	N/A	N/A	N/A	$59,400.0
Abridge	Abridge	Series B	October 26, 2023	Spark Capital	$205.5
Ambience	AutoScribe	Series A	November 1, 2022	AIX Ventures, Human Capital, Martin Ventures	$126.0
Augmedix	Augmedix Go	Reverse merger	October 6, 2020	Malo Holdings Corp.	$253.5
DeepScribe	DeepScribe	Series A	December 7, 2021	Index Ventures	$180.0
Innovaccer	Sara Scribe	Series E	December 7, 2021	Mubadala Capital	$3,200.0
Nabla	Copilot	Series B	January 5, 2024	Cathay Innovation	$180.0[1]
Nuance Communications	DAX; DAX Express	Acquisition	March 4, 2022	Microsoft	$18,800.0
ScribeAmerica	Speke	Buyout	October 1, 2016	Vesey Street Capital Partners, HealthQuest Capital	$500.0
Suki	Suki Assistant	Series C	September 3, 2021	March Capital	$400.0

Source: PitchBook • Geography: Global • *As of January 11, 2024

1: "Nabla Raises Another $24 Million for Its AI Assistant for Doctors That Automatically Writes Clinical Notes," TechCrunch, Romain Dillet, January 5, 2024.

Looking beyond ambient documentation, Navina, an AI-forward point-of-care solution currently focused on value-based care (VBC) primary care use cases, foresees opportunities to automate other physician workflows, including in fee-for-service contexts. We are also tracking companies that are reducing burnout among nurses and other clinical staff. Artisight, which uses a sensor-based system to enable remote nursing and clinical operations management, announced a $42.0 million Series B on Thursday. Another example is Laudio, an operations platform that helps clinical leaders predict and reduce burnout while automating workforce management tasks. Among the participants in Laudio's May 2023 raise was TeleTracking, which we highlighted in our Q2 2023 Healthcare IT Report, and we will be watching to see how the two companies work together in the future.

In our HLTH 2023 recap note, we wrote about the need for horizontal platforms to support responsible AI deployment. Evidium, a startup that offers a structured data and referenced AI layer that allows healthcare organizations to deploy LLMs with control and explainability, was holding meetings with potential Series A investors and health system partners at the conference. Beyond horizontal platforms, we are also anticipating that 2024 will be the year of the healthcare IT AI partnership, as smaller companies that have developed innovative technologies seek go-to-market channels and broader use cases. One example was the partnership between clinical decision support company Atropos and population health software provider Arcadia, which we featured in our Q3 2023 Healthcare IT Report.

Weight loss

Therapeutics

Obesity drugs were one of the most transformative, if not the most transformative, force in pharmaceuticals in 2023. However, Big Pharma giants such as Eli Lilly and Novo Nordisk dominate the space, while opportunities are scarce for privately held companies. In public and private company presentations, three approaches emerged for startups to compete in the pharma-dominated weight loss drugs market.

The first approach involves building upon the existing GLP-1 drug market. Companies in this category are developing medications that target obesity while also addressing side effects such as muscle or bone loss and improvements in skin aesthetics. These secondary treatments, while not medically ideal, are favored by investors and have become attractive for mergers & acquisitions, as exemplified by Eli Lilly's acquisition of Versanis Bio. The second approach evolves the GLP-1 agonist biology used by current market leaders, with companies such as MBX Biosciences aiming to achieve improved dosage and user-friendliness. Other companies, such as Structure Therapeutics, are using small molecules to target the GLP-1 receptor. This not only optimizes current drugs' effectiveness but also opens up potential new treatment avenues, such as oral delivery. The third and boldest approach involves pioneering entirely new methods of treating obesity. For example, Rivus Pharmaceuticals is experimenting with metabolic accelerators, while Fractyl Health is exploring gene therapy for weight loss.

Select privately held obesity drug companies*

Company	HQ location	Last known valuation ($M)	Total raised ($M)	Last financing deal type	Last deal value ($M)
Fractyl Health	Lexington, US	$870.0	$342.2	IPO announced	$100.0
MBX Biosciences	Carmel, US	$210.0	$289.9	Series B	$115.0
MindRank	Hangzhou, China	N/A	$30.0	Series A1	$20.0
Sciwind Biosciences	Hangzhou, China	N/A	$138.2	N/A	N/A
Rivus Pharmaceuticals	Charlottesville, US	$432.0	$167.0	Series B	$132.0
Kallyope	New York, US	$1,136.0	$479.0	Series D	$236.0
D&D Pharmatech	Seongnam-si, South Korea	$332.2	$204.7	Series C	$51.0
GMAX Bio	Hangzhou, China	$142.7	$90.0	Series C	$78.0
CinRx Pharma	Cincinnati, US	N/A	$36.0	Series B	$10.0
Scohia Pharma	Fujisawa, Japan	$87.2	N/A	Joint venture	$87.2

Source: PitchBook • Geography: Global • *As of January 12, 2024

Payer outlook

We also spoke with healthcare services and digital health companies grappling with the potential challenges and opportunities of widespread adoption. We find that the weight loss drug pipeline—which holds promise for greater efficacy and tolerability as well as price reduction via competition—is not well understood outside the life sciences world. Other outstanding questions include what the actuarial implications of Medicare coverage would be in terms of both cost and Medicare Advantage risk adjustment, and how widespread adoption will be among Medicaid-insured populations in states that have negotiated preferred pricing for the drugs.

What is clear is that employers and companies that sell into the employer healthcare space are on the front lines. Even employers that have not covered GLP-1s for weight loss indications are seeing costs skyrocket for diabetes indications. And although current approaches vary widely, we believe many employers will be forced to cover weight loss indications in the coming years—with requirements such as lifestyle program adherence, duration limitations, body mass index thresholds, and comorbidities. As a result, the employer-facing care delivery companies we spoke with at the conference were focused on helping their clients navigate this volatile landscape. For example, Premise Health, the nation's largest direct primary care provider, recently launched an integrated primary care, nutrition, and pharmacy weight loss solution.

Digital health

VC investment in pure-play weight management digital health startups is still in early innings. Weight management broadly is a good match for virtual health solutions given the easily understood health goals and recurring nature of injectable prescriptions, though virtual weight loss providers may face differentiation challenges as more players rush to the space. We expect additional VC funding for startups primarily focused on weight management and believe, over time, that

certain platforms could also build consumer brand awareness comparable to what drugmakers have accomplished with the brand-name weight loss drugs such as Ozempic and Mounjaro. Recently, we have seen several VC funding rounds in the sector, including Signos' $20.0 million Series B, knownwell's $20.0 million Series A, and Form Health's $6.7 million early-stage round. For many startups in this space, exit possibilities are on the distant horizon; however, we expect some exits to ultimately come from brick-and-mortar companies moving into virtual weight management through acquisitions—for example, WW's purchase of Sequence. We also see a strong probability that one or more of the large telehealth platforms (such as Teladoc and GoodRx) could pursue a bolt-on transaction in the space. Although we did not see any digital weight loss funding rounds or M&A announced during the conference, this was all top of mind, and we expect to see more news over the coming year.

Select VC-backed digital weight loss startups*

Company	HQ location	Capital raised to date ($M)	Last deal type	Last deal value ($M)	Last deal date	Lead investor(s)
Lark	Mountain View, US	$204.8	Series D	$100.0	October 13, 2021	Deerfield Management
Oviva	Zurich, Switzerland	$113.2	Series C	$80.0	September 1, 2021	Sofina, Temasek Holdings
Signos	Burlingame, US	$37.0	Series B	$20.0	October 24, 2023	GV, Cheyenne Partners
Form Health	Boston, US	$26.9	Early-stage VC	$6.7	November 3, 2023	N/A
knownwell	Needham, US	$24.5	Series A	$20.0	December 19, 2023	Andreessen Horowitz
Embla	Copenhagen, Denmark	$14.6	Series A	$11.0	August 16, 2023	Seed Capital, Inovo VC
Alfie Health	New York, US	$4.0	Seed	$2.1	June 29, 2023	Y Combinator, Nina Capital

Source: PitchBook • Geography: Global • *As of January 12, 2024

Value-based care

As Medicare Advantage economics tighten and the Medicare value-based care landscape becomes increasingly crowded, investors and value-based care companies are beginning to look toward other payer types—a move we have been predicting since last year's J.P. Morgan conference.[2] Medicare-focused VBC enablers Aledade and Vytalize have begun to establish Medicaid and commercial footprints—although Aledade's presentation during the conference did not highlight this. Medicaid value-based care differs materially from Medicare in payer landscape, care model, and economic incentive structure. Stepping across that line is no small feat, and we will be watching carefully to see how well the Medicare enablers adapt.

Two built-for-Medicaid value-based care companies also presented at the conference. Equality Health, which has been cash-flow positive since 2018, announced its entry into Virginia, where it may now find Aledade a direct competitor for the first time via Aledade's Medicaid partnership with Anthem.[3] And Cityblock, which builds de novo clinics focused on serving vulnerable populations, made waves by announcing it has

2: "InnovationRx: Final JPM Thoughts, Better Covid Antibodies and Pfizer's Non-Profit Pricing," Forbes, Alex Knapp, January 18, 2023.
3: "Aledade, Anthem Form New Value-Based Medicaid Partnership for Virginians," MedCity News, Marissa Plescia, December 4, 2023.

surpassed $1 billion in revenue. The company has been focused on increasing its dual-eligible membership; dual-eligible populations tend to offer greater economic upside than Medicaid-only populations.

Another key value-based care trend at this year's J.P. Morgan conference was specialty care. At-risk primary care providers and enablement companies are increasingly focused on their specialty care strategies, including predictive analytics and remote monitoring for chronic conditions, network construction, and in some cases sub-capitation to specialists. For instance, Aledade highlighted its work in chronic kidney disease in its presentation. Nephrology is the specialty that has advanced furthest in value-based care and was well represented in the private company presentations, with Monogram, Strive, and Somatus all presenting. Somatus indicated that it is currently raising a Series F and plans to go public once market conditions permit. Although not represented in the private company track because it is a more nascent space, cardiovascular care is also a growing area of interest.

Challenges and opportunities in hybrid care

Innovation in healthcare delivery has been progressing rapidly since the pandemic fueled the rise of virtual-first and tech-enabled hybrid care practices. Still, new primary care models have not been immune to challenges from the high expense inherent in opening and operating de novo clinics. As an example, in our view, Amazon has not yet built out a fully comprehensive strategy for how it will integrate One Medical with its digital direct-to-consumer play Amazon Clinic and its newly announced chronic condition offering, Health Condition Programs. In the meantime, the limited number of clinic locations currently restricts its attractiveness to large employer customers. We have also seen a pullback from hybrid care providers that grew their clinic network too quickly. So far, Carbon Health has been unable to drive profitable growth from its primary care clinic business, while Walgreens has been closing unprofitable VillageMD locations. At the conference, Carbon provided details on its pivot toward the software business—a shift that is likely to take time but could potentially result in a more profitable business model at scale. The company plans to rely on investor and partner CVS as an early adopter of its software offering through implementation in select CVS Minute Clinics over the coming years.

During the conference we also heard from Kindbody, a hybrid provider of fertility and family care planning services, and we came away optimistic that certain success stories will emerge from the new class of tech-enabled care providers. Kindbody operates in a market with high margin opportunity and reimbursement rates—in contrast to primary care—and crucially this does not come at the expense of higher costs for patients due to a vertically integrated model with in-house genomics and robust automation. Kindbody is currently EBITDA positive with a path to $425 million of revenue by next year and is targeting being free-cash-flow positive in 2024. CEO Gina Bartasi stated Kindbody intends to pursue an IPO once market conditions improve, though the startup is in no rush given its strong balance sheet and is likely to let others test the IPO waters first.

Cell and gene therapy manufacturing

Cell and gene therapy is a pivotal sector within the biopharma industry, where the demand for new technologies, approaches, and products in the cell therapy domain is ever-present. Examples from JPM 2024, including companies such as Scribe Therapeutics for CRISPR engineering by design, Sail Biomedicines for programing RNA, and ADARx Pharmaceuticals for RNA editing, underscore the industry's willingness to bet on novel technologies even while existing approaches such as CRISPR-Cas9, CAR-T, and TCR cell therapies are still in development.

Despite its promise, cell and gene therapy biomanufacturing remains a bottleneck due to cost, quality, and speed. To address these issues, one prominent trend is the increasing collaboration with emerging contract development and manufacturing organization startups such as ElevateBio and Resilience, both of which presented at the conference. These partnerships aim to harness the specialized manufacturing expertise of these startups to facilitate the production of advanced cell and gene therapies.

Automation is another key aspect of manufacturing in this field. The industry is actively exploring automation solutions to reduce its reliance on highly skilled technicians, thus mitigating the risks associated with attrition and ensuring greater consistency in the production of therapies. This move toward automation not only enhances efficiency but also contributes to the overall scalability of manufacturing processes. In the realm of gene therapy for cell therapy, a groundbreaking approach is emerging, with companies such as Umoja Biopharma leading the way. This innovative technique involves using gene therapy to enable the body to manufacture engineered cells for treatment, circumventing the traditional manufacturing bottleneck and opening up new possibilities for more effective and personalized cell therapies. Finally, the development of off-the-shelf products remains a critical focus in the field. Companies such as Be Biopharma and Neurona Therapeutics are actively working on allogeneic treatments that have the potential to reduce costs and increase accessibility to these curative therapies.

Select cell and gene therapy biopharma and pharmatech companies*

Company	HQ location	Last known valuation ($M)	Total raised ($M)	Last financing deal type
Affini-T	Watertown, US	$390.0	$175.0	N/A
Cellares	South San Francisco, US	$675.0	$355.0	Series C
ADARx Pharmaceuticals	San Diego, US	$840.0	$352.5	Series C
Kriya Therapeutics	Redwood City, US	$865.0	$617.6	Series C
QuellTX	London, UK	$289.2	$264.3	Series A
ElevateBio	Waltham, US	N/A	$1,269.0	Series D
ReNAgade Therapeutics	Cambridge, US	N/A	$300.0	Series A
Scribe Therapeutics	Alameda, US	$300.0	$120.7	N/A
Neurona Therapeutics	South San Francisco, US	$230.5	$125.9	Series D
ArsenalBio	South San Francisco, US	$1,020.8	$305.8	Series B
Be Biopharma	Cambridge, US	$278.0	$182.0	Series B
AbelZeta	Rockville, US	$411.0	$120.0	Series A
Umoja Biopharma	Seattle, US	$660.0	$271.0	Series B
Orca Bio	Menlo Park, US	$1,192.0	$325.0	Series D
Resilience	San Diego, US	$9,000.0	$2,030.0	N/A

Source: PitchBook • Geography: Global • *As of January 12, 2024