



# POISED FOR DISRUPTIVE CHANGE: Healthcare Innovators Weigh in on the Future of the Industry

*Takeaways from Our Voice of the Innovator Survey*



# EXECUTIVE SUMMARY

The healthcare industry has faced turbulent conditions in recent months – from the macroeconomic pressures of rising inflation and interest rates to industry challenges like capacity constraints to promising technological advancements like artificial intelligence (AI). Still, opportunities are plentiful for those willing to drive change. Much has been reported about how large payers, providers and systems are responding to the dynamic marketplace; but what about the many small, innovative companies serving the healthcare ecosystem? How are they navigating the industry’s rapidly changing landscape?

TT Capital Partners, in partnership with Employer Health Innovation Roundtable (EHIR), recently sought to capture the collective “voice of the innovator.” We invited 35 founders and CEOs of early- and growth-stage health solutions companies to participate in a survey about the current and future state of the industry. We asked these market innovators to share their perspectives on the pressing industry challenges their businesses address, the headwinds and tailwinds they face, and their predictions regarding future disruption in healthcare.

As we dove into the results of our *Voice of the Innovator Survey*, an interesting dichotomy emerged: although innovators expressed concern about the financial pressures on the industry and large players’ ability to innovate, overall, they are optimistic about the future of healthcare and energized about emerging opportunities for disruption and advancement.

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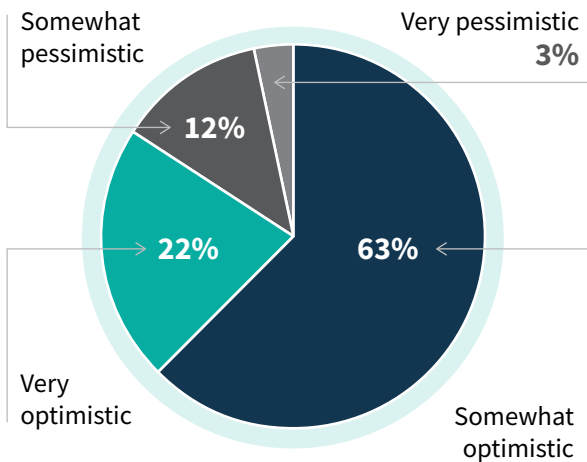
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# KEY FINDING 1:

## *Strong optimism driven by advances in AI and improved outcomes and access*

An overwhelming majority of respondents expressed excitement and optimism about the future of healthcare. Nearly 85% of participants reported being either somewhat or very optimistic (See figure 1).

*Figure 1: When you think about the future of healthcare, do you generally feel...*



What’s driving that positive outlook? When innovators shared why they are optimistic, two key themes emerged:

### **HARNESSING AI AND DATA:**

Many innovators expressed optimism about the potential to leverage artificial intelligence (AI) and data across the healthcare system. There’s a prevailing sentiment that advanced analytics and AI algorithms can lead to more accurate diagnoses, personalized treatments, and improved operational and clinician efficiency.

As one respondent noted, "What excites me is the use of AI to provide clinician-level knowledge and frontline responses to patient questions and needs, and the

use of AI to dramatically reduce the documentation burden on providers (e.g. automated data capture into electronic health records)."

### **IMPROVING OUTCOMES AND ACCESS TO CARE:**

Respondents also identified the potential to enhance healthcare outcomes and increase access to care as a driving force behind their optimism. They envision a future where technology-enabled solutions help address existing healthcare disparities and gaps to make healthcare services more accessible and ultimately improve outcomes.

"There are some real opportunities to expand access, intervene earlier, and drive healthier outcomes through a responsible use of technology and human clinical expertise," said one respondent.

Another said, "What most excites me is the growing awareness of the need to enable healthcare-related data and information to be connected across and throughout the American consumer's entire healthcare experience."

*"What excites me is the use of AI to provide clinician-level knowledge and frontline responses to patient questions and needs, and the use of AI to dramatically reduce the documentation burden on providers."*



## KEY FINDING 2:

### *Innovators predict continued disruption in AI and home-based care*

According to innovators, two significant disruptors in the industry in the next two years will be growth in artificial intelligence and home-based care models. “The rise and use of artificial intelligence in healthcare and home-based digital health and telemedicine offerings [will be the most significant disruptor],” said one respondent. Another added, “I think AI’s intrusion into clinical services is real, and frankly, I’m supportive.”

One respondent anticipated a combination of in-home care and AI, citing “the automation of telehealth services via AI as a disruptor.” What else do these healthcare innovators expect over the next two years? Our survey identified several themes:

- **Continued labor shortage:** The ongoing challenge of a shrinking pool of healthcare professionals is expected to persist, creating a need for innovative solutions to address this issue.
- **Precision medicine:** Innovators foresee advancements where treatments and interventions can be better tailored to an individual’s unique genetic makeup and characteristics.
- **Innovative payment models:** Hybrid payment models that combine traditional approaches with technology-enabled solutions will provide new ways to finance healthcare services.
- **AI and data utilization:** Artificial intelligence and the utilization of data can assist in diagnosis, treatment planning, and improving overall healthcare delivery.
- **Continued stress on the healthcare system:** The strain on the system could lead to significant changes and disruption.

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*“The rise and use of artificial intelligence in healthcare and home-based digital health and telemedicine offerings [will be the most significant disruptor].”*

Looking further into the future — three to five years out — innovators told us AI would continue to be a likely disruptor, along with progress on the shift to value-based care:

- **AI innovation:** Innovators anticipate significant advancements in AI technology in healthcare, including its integration into various clinical services and processes.
- **Strides in value-based care:** Progress is expected in the shift towards value-based care models, where providers are reimbursed based on outcomes rather than the volume of services provided.



## KEY FINDING 3:

*Despite their optimism, innovators are worried about the pace of innovation*

Many respondents expressed wariness about the ability or willingness of large, traditional healthcare players to adopt innovation at a pace that truly drives change.

Again, the survey results revealed two main factors tempering respondents' optimism and creating concern about the pace of innovation in the industry:

### **GROWING FINANCIAL STRAIN:**

Innovators expressed concern about the increasing financial strain on the healthcare system, highlighting rising costs and staffing shortages as significant challenges that could impede innovation.

"We're investing a ton of money in innovation, yet costs continue to rise at unsustainable rates," warned one respondent. Another expressed concern about the "overall continued expense trend," noting that "deciders get paralysis by analysis."

One respondent sounded a succinct alarm: "Healthcare delivery is at the edge," while another predicted that the industry's financial woes will ultimately drive fundamental change: "Financial stress on health systems will manifest itself in 2023, as well-known systems breach their bond covenants and realize that business as usual must change to survive."

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*"Health systems are very conservative; innovation won't come from them but be forced upon them at some breaking point."*

### **LACK OF MOTIVATION AND INCENTIVE TO INNOVATE:**

A handful of respondents noted a need for more motivation or incentive among larger healthcare stakeholders to fully embrace innovation. They believe health systems' hesitancy to change could hinder the development and implementation of transformative solutions.

One respondent lamented that buyers "lack the motivation and urgency to disrupt the status quo. Too much piloting proven approaches." Another said, "Health systems are very conservative; innovation won't come from them but be forced upon them at some breaking point."

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*"Financial stress on health systems will manifest itself in 2023, as well-known systems breach their bond covenants and realize that business as usual must change to survive."*



## KEY FINDING 4:

### *Innovators' solutions are largely aligned with the industry's top priorities*

Broadly speaking, the solutions of the survey participants are largely aligned with the top priorities of payers, systems, providers, and employers (See figure 2).

According to a March 2023 Advisory Board article, “The 6 challenges facing health care in 2023—and how to handle them,” the top issues the industry faces include financial difficulties, recruiting and retaining staff, investments in digital health, health equity efforts, system mergers, and payer-provider contract disputes. The innovators we surveyed are well-positioned to help address the first four of those challenges. Additional priorities and areas of interest identified by HPIR member payers include member engagement, network optimization, cancer, artificial intelligence, virtual care, addiction and pharmacy.

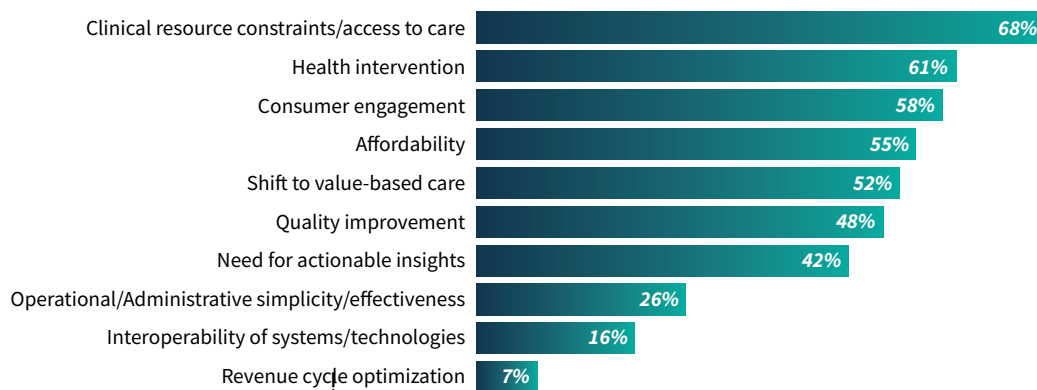
Innovators whose solutions align well with buyers' top priorities are naturally more optimistic: “Adoption of virtual care and the desire for value-based payments are accelerating our business with payers and providers,”

said one. Another noted, “Increased focus on social determinants of health, telehealth and member engagement are all tailwinds for our company as state and the federal government has made them a priority.” Yet another said, “The adoption of personalized medicine and genetics across broader populations” is creating positive momentum for their business.

With many health systems today focused on containing costs and creating efficiencies, the innovators we surveyed recognized the importance of not only providing highly relevant solutions – but also demonstrating measurable results.

Some innovators view this focus on value as a plus for their business: “Health systems are hurting financially, and rightfully should be focused exclusively on ROI-driven initiatives. This lends itself to our core value proposition.”

**Figure 2: What healthcare pain points does your business address?**



# KEY FINDING 5:

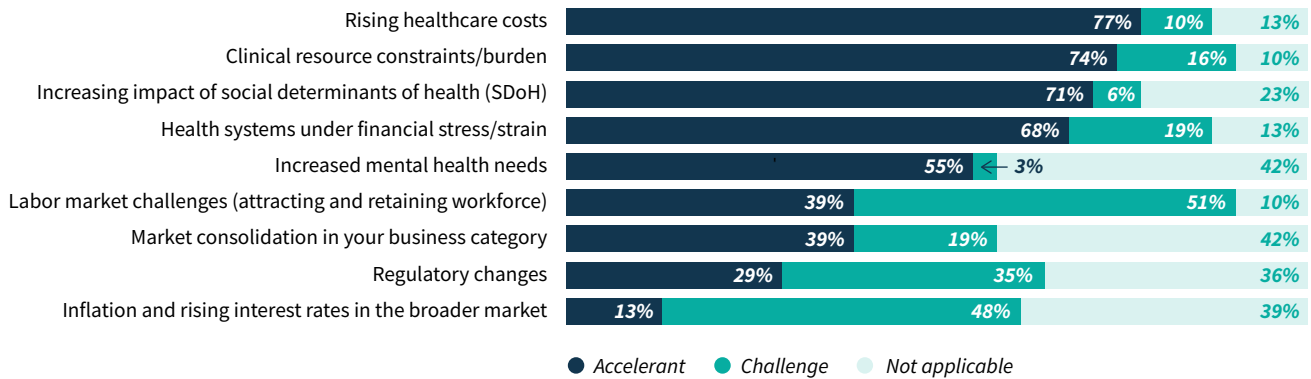
## Innovators find opportunity amid challenges

### INDUSTRY HEADWINDS AND TAILWINDS

There is no shortage of challenges – and accordingly, opportunities – in healthcare today, and many innovators believe they have what the industry needs to drive advancement. More than two-thirds of innovators we surveyed said four of the biggest issues in healthcare – seen as headwinds by most in the industry – are tailwinds for them, creating opportunities for their business. Those include rising costs (77%), clinical constraints (74%), social determinants of health (71%), and the health system’s financial strain (68%) (See figure 3).

Innovators themselves also face the broader economic challenges affecting the industry. Roughly half identified inflation, rising interest rates, and labor shortages as challenges that impact their businesses, which could inhibit their own innovation.

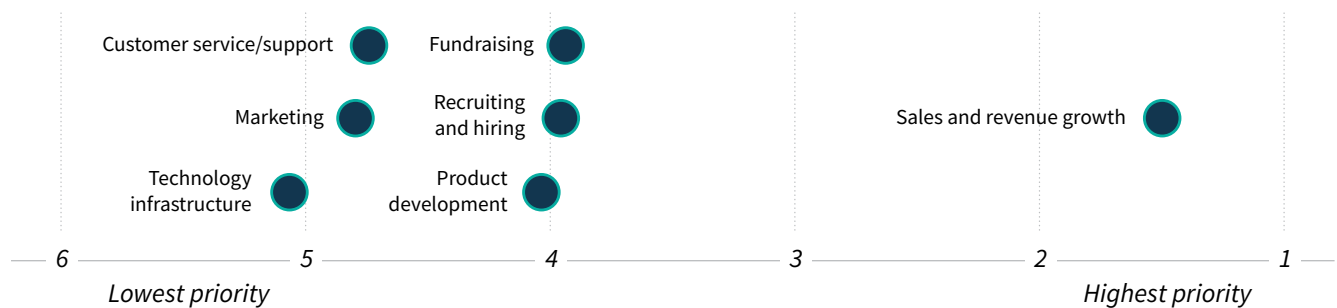
Figure 3: Please indicate whether each of the following healthcare trends is an accelerant or a challenge to your business.



### GROWTH TOPS INNOVATORS’ LIST OF PRIORITIES

When we asked innovators to rank order the top priorities for their own businesses, growth was far and away the top area of focus (See figure 4):

Figure 4: As you grow and scale your own business, what are your top priorities/challenges?



# SURVEY METHODOLOGY

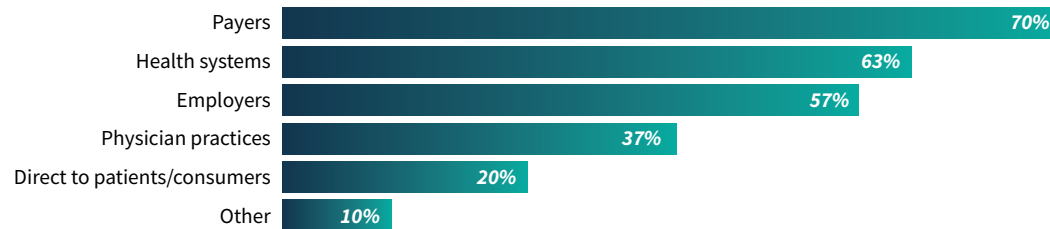
Who did we survey?

The survey participants comprised leaders from early and growth-stage healthcare companies offering solutions to various stakeholders, including payers, systems, providers, employers, and patients/consumers.

## MARKETS SERVED

A significant majority of respondents (85%) reported selling their solutions to multiple segments, indicating diversity in their target markets. Only 15% indicated they sell to a single segment. Breaking it down by segment, respondents reported selling to payers (70%), health systems (63%), employers (57%), physician practices (37%), direct-to-consumers (20%), and others (See figure 5).

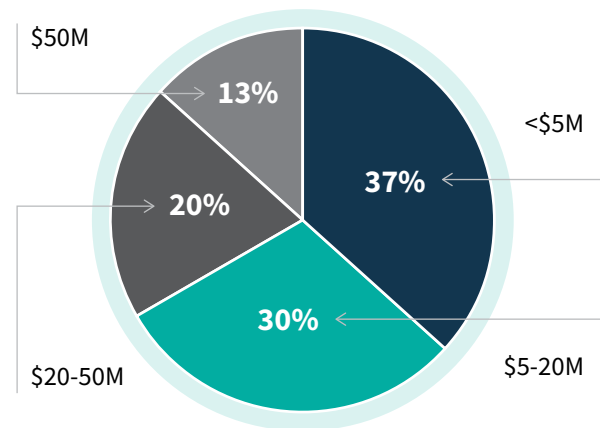
Figure 5: What segment(s) of the healthcare market do you sell to?



## REVENUE

The revenue breakdown among participants was balanced. Just over one-third (37%) of respondents reported revenues below \$5 million, while 30% of companies fell between \$5 million to \$20 million. Roughly 20% of companies generated revenue between \$20 million and \$50 million, and another 13% reported revenue exceeding \$50 million (See figure 6).

Figure 6: What was your company's revenue in 2022?

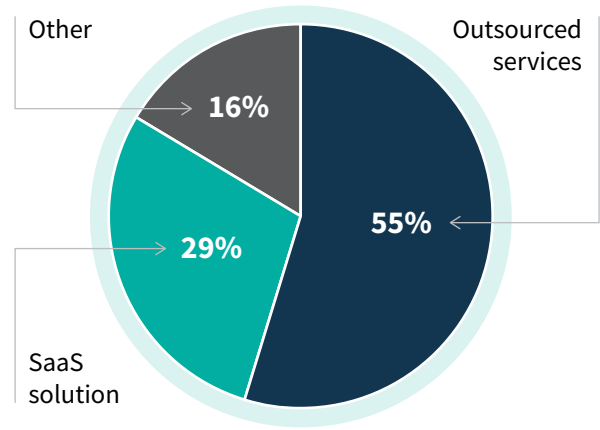




**SOLUTION TYPE**

Looking at the type of solution the innovators provide, the most prevalent solution type is outsourced services (55%), followed by 29% of companies that provide Software-as-a-Service (SaaS) solutions and 16% that cited “other” services (See figure 7).

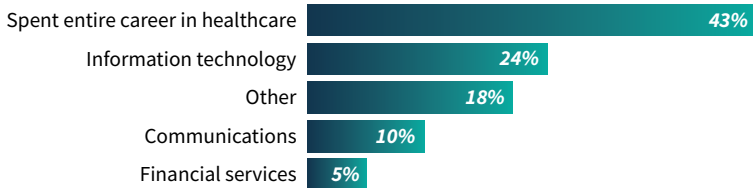
Figure 7: What best describes your company?



**PREVIOUS EXPERIENCE OF FOUNDER**

We also asked these innovative founders and CEOs about their past industry experience. Nearly 43% of respondents reported spending their entire careers in healthcare, while others have also worked in information technology (24%), communications (10%), financial services (5%), and other industries (19%) (See figure 8).

Figure 8: Prior to working in healthcare, in which industry sector did you spend the most of your career?



## CONCLUSION

This *Voice of the Innovator Survey* from TTCP and EHIR provides a glimpse into the collective views of early- and growth-stage healthcare innovators. In our survey, we invited about 35 leaders to weigh in on how they are navigating the rapidly changing landscape, what challenges their businesses face, and where they see opportunity for growth and innovation.

Their responses revealed some common concerns but also overwhelming optimism. They told us that they are worried about the financial pressures on the system and the slow pace of innovation among large players. Yet despite these concerns and a variety of headwinds facing the industry, these innovators expressed a strong sense of optimism about the overall state of healthcare, both today and in the future. Many of them believe they are well positioned to help address the industry's most pressing priorities, from clinical constraints to health intervention to consumer engagement. And they pointed to the fact that many of the current industry headwinds actually serve as accelerants for their own businesses. As a group, they are energized about emerging opportunities for disruption and advancement, especially in the areas of AI and home-based care.



TT Capital Partners (TTCP) is a value-add healthcare investor that provides capital, expertise and insight to healthcare technology and services companies that have the potential to become market leaders. With its exclusive focus on healthcare, extensive industry network, and deep investing and operating experience, TTCP invests in high-growth businesses that are innovating and disrupting how healthcare is delivered, managed and consumed.

Learn more at [www.TTCapitalPartners.com](http://www.TTCapitalPartners.com).



EHIR (Employer Health Innovation Roundtable), a World 50 Group company, creates communities of senior executives from leading companies with a focus on innovation — while providing a trusted space for them to discuss emerging trends, assess cutting-edge innovators, and share learnings with cross-industry peers. Our bespoke events are designed to help leaders save time while accelerating transformation across their function and teams.

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