



# NEW YORK HEALTHCARE INNOVATION REPORT

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2024

# INTRODUCTION

**FUNDING IS UP!** In fact, Q2 funding doubled compared to the same period last year. There were some large raises this quarter in biotech (Formation Bio, \$372M), virtual care (Sword Health \$130M), and mental health (Talkiatry, \$130M). Late-stage funding captured the vast majority of investments, and biotech scored the most dollars. Looking ahead to the second half of 2024, we expect to see continued dealmaking and financing activity.

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Last quarter, we talked about the coming consolidation within digital health. While a significant M&A wave has yet to happen, a couple of New York deals got done. Centivo bought Eden Health; Click Therapeutics acquired the assets of Better Therapeutics; and Alfie Health joined knownwell in Boston. What will the second half of 2024 bring? We asked several digital health leaders to weigh in, and we'll give you a hint – there's a lot of talk about the role of AI/Gen AI in healthcare.

The second quarter also brought news about Walmart's closure of its health centers and Optum Virtual Care's demise. With these events in mind, we explore the future of telehealth and bring you regulatory insights on virtual health monitoring enforcement. Plus, you won't want to miss our interview with Bobby Guelich, CEO of Elion, about health system AI adoption.



DHNY had a busy spring, highlighted by our inaugural Obesity+Health conference. This half-day event brought together 150+ leaders to learn about topics related to current trends in obesity and weight management care. The conversation was informative, spirited and reinforced the incredible challenges and opportunities in treating and managing obesity with GLP-1s. We capture some of the key insights from this conference in our report.

Best,

A handwritten signature in black ink that reads "Bunny".

**Bunny Ellerin**

Co-Founder & CEO, **DHNY**

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## By the Numbers

# 56 COMPANIES RAISED \$2.2B IN H1 2024

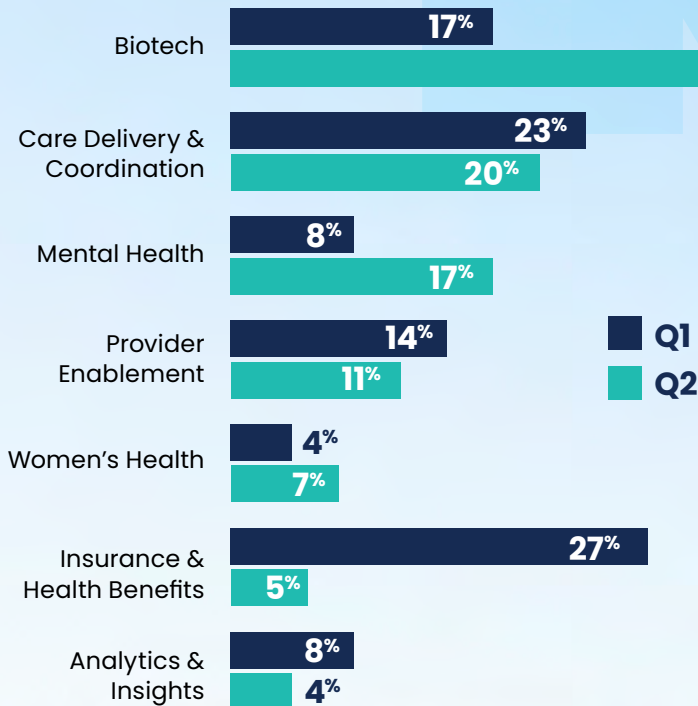
While Q1 funding was roughly equivalent to that of 2023, Q2 funding more than doubled compared to 2023. In Q2, biotech scored the most investment dollars, followed by care delivery and mental health. Late-stage funding captured the vast majority of investments.

### FUNDING BY QUARTER

#### FUNDING (IN BILLIONS)



### FUNDING BY SECTOR













### FUNDING BY STAGE



Early stage includes pre-seed, seed and Series A. Late stage includes Series B and beyond.

# TOP 10 in Q2 2024

NO.	COMPANY	FOCUS	2024 (M)	STAGE	SELECT INVESTORS (IN THIS ROUND)
1	 Formation Bio	AI-native pharma company	\$372	Late stage	a16z, Sanofi, Sequoia, Thrive Capital, Emerson Collective
2	 sword	AI care	\$130	Late stage	Not Available
2	 Talkiatry	Mental health	\$130	Late stage	a16z, Perceptive Advisors, Banc of California
4	 BYHEART	Infant nutrition	\$95	Late stage	D1 Capital Partners, Bellco Capital, Polaris Partners, Two River, OCV Partners
5	 growtherapy	Mental health	\$88	Late stage	Sequoia Capital, Growth Equity at Goldman Sachs Alternatives, PLUS Capital
6	 elion THERAPEUTICS	Invasive fungal infections	\$81	Late stage	Deerfield Management, AMR Action Fund, Illinois Ventures
7	 Chapter	Medicare navigation platform	\$50	Late stage	XYZ Venture Capital, Narya Capital, Addition, Susa Ventures, Maverick Ventures
7	 SmarterDx	Clinical AI	\$50	Late stage	Transformation Capital, Bessemer Venture Partners, Flare Capital Partners, Floodgate Fund
9	 kontakt.io	Inpatient journey analytics	\$47.5	Late stage	Growth Equity at Goldman Sachs Asset Management
10	 pomelo care	Maternal care	\$46	Late stage	First Round Capital, a16z, Stripes, BoxGroup, Operator Partners

# Looking Forward to H2 2024

WHILE THE HEADY DAYS OF 2020 ARE LONG PAST, our experts agree that there is still reason for optimism. With a focus on AI/technology as a differentiator, the market in the second half of 2024 promises to hold interesting opportunities for entrepreneurs and investors alike.



**Michelle Garland**

Founder & CEO,  
**SOUL SEARCH PARTNERS**

It's go time! All the investors in my network are busy and hustling to do deals. And, many of the founders I meet who are raising rounds are in competitive bid situations. It's busy out there!



**Abdel Mahmoud, MD**

Co-Founder & CEO, **ANTERIOR**

Having a generative AI strategy is front of mind for most organizations, but we're unlikely to see a 2024 boon in patient-facing applications. No generative AI application has regulatory approval for clinical use (yet). Instead, expect major progress in administrative tasks like ambient note-taking and operational workflows.

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**THE AVERAGE NONPROFIT HOSPITAL OPERATING** margin is 1.4%, and over a dozen hospitals closed in H1 of 2024. Hospital leaders must incorporate technology to improve their bottom line. AI solutions that ensure revenue integrity are the smart and ethical decision. Expect a shift from exciting hype to practical impact.



**Peter Micca**

National Health Tech Leader,  
**DELOITTE & TOUCHE LLP**

From bioinformatics software to AI medicinal prediction, the health tech sector is working to redefine the future of health care and life sciences. And as companies continue to innovate new ways to provide a wide range of technology, products and services – and attract the attention of investors – they also continue to challenge long-standing business models. As these models evolve, so do the financial reporting challenges that health tech finance teams may face. [Deloitte's 2024 Health Tech Industry Accounting Guide](#) contains insights intended to help navigate these issues, providing perspectives that are aligned with the unique challenges that span the wide spectrum of businesses in the health tech marketplace.

**Michael Gao, MD**

Co-Founder & CEO,  
**SMARTERDX**





# HEARD AT obesity+HEALTH

IN MAY, WE HOSTED OBESITY+HEALTH, A HALF-DAY CONFERENCE that highlighted pressing topics related to obesity and weight management care with a focus on actionable solutions. The event brought together 150+ leaders from top employers, digital health companies, investors, payers, providers and pharmaceutical companies. See what insights were shared by some of our esteemed speakers.

**WEIGHT BIAS INCLUDES NEGATIVE WEIGHT-RELATED ATTITUDES**, beliefs, assumptions and judgments toward people of different weights. They are present in many social settings such as schools, employment, the media, and even in healthcare. Patients internalize these stereotypes and may avoid regular checkups, because of concern about having a physical exam.



**Holly Lofton, MD**  
Clinical Associate Professor of Surgery & Medicine, Director of Medical Weight Management Program, **NYU GROSSMAN SCHOOL OF MEDICINE**



## Carter Gould

Director, Biopharma Equity Research, **BARCLAYS**

The rise of an oral GLP-1 is going to be the big game changer as we think out into late 2026 and into 2027. We see scalable orals as best positioned to be the workhorse of the treatment paradigm.



## AJ Ally, RPh, MBA

Principal and Pharmacy Management Consultant, **MILLIMAN**

It can be extremely complicated for HR benefit managers to assess obesity coverage, so we came up with a five-point plan to help them. It starts with benefit design and includes guidelines for member selection and oversight, utilization management and outcomes measurements.



### Barbara Senich

Patient

I want people to realize that medications are not a crutch. I started my weight loss journey in 4th grade, and

have lost 100 pounds, gained them back and lost them multiple times. Now I'm on essentially a cocktail of medications, which have worked together well to help me lose and, even more importantly, maintain my weight for over 7 years.



### Elina Onitskansky

Founder & CEO, **ILANT HEALTH**

Too many perspectives to obesity are "one-size-fits-all," relying on a single solution or averages. We need to

de-average care — taking a nuanced view on what is driving disease impact and associated cost and matching the type of treatment and support to specific, individualized needs. Today that will enable us to personalize care — in the future, it should enable biomarker-based treatment.

### OUR EXPERIENCE TREATING MORE THAN 50,000 PATIENTS

on LifeMD's weight management program has taught us that losing weight with GLP-1s is just a jumpstart to a broader conversation. There is an important opportunity for the patient and provider to work closely in addressing other underlying imbalances impacting their body and mind — with the ultimate goal of achieving sustainable, holistic health.

### Anthony Puopolo, MD

President, LifeMD  
Affiliated P.C.s, **LIFEMD**



Anthony Puopolo, MD

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# Digital Health Perspectives

**WITH WALMART HEALTH'S EXIT FROM THE MARKET AND THE CLOSING OF OPTUM VIRTUAL CARE**, we asked founders and funders how they were feeling about the future of telehealth. Despite these setbacks, there is still significant optimism when it comes to the role telehealth can play in shaping healthcare, with ample room for growth in this segment.

## FOUNDER/FUNDER

**7WIREVENTURES** invested in **SUMMER HEALTH**



### Ellen DaSilva

Founder & CEO,  
**SUMMER HEALTH**

I started Summer Health because I want every parent to feel like they have a

companion to guide them through moments of need. Whether it's 2am and your child is throwing up or 12pm and your kid is having a tantrum, we're there to support you. It's a game changer for busy parents everywhere.



### Alyssa Jaffee

Partner, **7WIREVENTURES**

As a mom of three, finding a trusted and consumer-friendly solution for kids' health questions has always

been a priority. With 25% of families visiting the ER annually for mostly non-urgent issues, the need for accessible care is clear. As an avid user of Summer Health, I'm excited to invest in a company that provides virtual, empathetic care to families 24/7.



### Robert Coombs

Founder & CEO,  
**BATON HEALTH**

Virtual care companies will continue to grow, but they'll be forced to optimize their rosters to ensure that every practitioner is contributing meaningfully either by expanding geographic coverage or delivering a high-demand service (likely both).



### Josh Hix

Co-Founder & CEO,  
**SEASON HEALTH**

Virtual care is the most powerful medium for high frequency, lifestyle and chronic management interventions. Our average patient interacts with their care team 3.5x per week – that wouldn't be possible in person!



### Innocent Clement, MD

Founder & CEO,  
**CIBA HEALTH**

The future of virtual care holds great promise, with increased adoption, improved technologies, expanded access to specialized care, reduced costs, enhanced patient engagement, and addressing social determinants of health. Ongoing innovation will drive improvement in patient outcomes and experiences, revolutionizing healthcare to be more efficient, effective, and patient-centered.

# The Progression of AI Adoption at Health Systems



## THIS QUARTER WE INTERVIEWED BOBBY GUELICH AT ELION

about AI adoption trends among health systems. Over the past quarter, Bobby spoke to CMIOs and healthcare leaders across the country and was surprised to find a common theme: Many of the nation's top health systems *know* they are not yet using artificial intelligence for its most promising use cases.

### Where has AI made inroads at health systems today?

It's clear that making administrative tasks more efficient can have a meaningful impact on the bottom line and increase provider and patient satisfaction. This is, in fact, where we're seeing the majority of the execs actually taking action. For example, AI is being leveraged for:

- Ambient note-taking and summarization
- Scheduling optimization
- In-basket management
- Contact center efficiency
- Medical coding, CDI, and other revenue cycle workflows

### Where do you see AI having an impact in the future?

While the comparatively low-risk administrative solutions may improve profitability and help reduce clinician burnout, they don't make the systematic improvements necessary to allow health systems to improve clinical outcomes across a larger population. This is the revolutionary endpoint many of our subjects believe AI can reach, though.

### What types of problems could AI help solve?

When asked about the future of AI in healthcare and where they see white spaces for development, many of the experts were eager to see more clinical solutions. For example:

- A true AI copilot for virtual visits, providing contextual information like relevant study data or a lab result based on clinician-patient interaction
- Automated workflows for visit follow-ups (e.g. using AI to interpret and deliver lab results and determine appropriate follow-up actions)
- A Gen AI patient history digest for providers consolidating info from patient intake as well as visit history across the healthcare system
- Diagnosis support based on patient history, order results, and clinical presentation
- Remote patient monitoring devices and software that leverage algorithms to triage patients and alert when provider action is needed

## What's holding clinical adoption back?

Many of these areas remain untested; while vendors are working on them, healthcare operators remain hesitant. In addition to the legal and safety risk, there is concern about bias in the algorithms, training staff to use AI tools, and more.

## What is the opportunity for AI vendors?

Today, hospitals and health systems are prioritizing their AI implementations by a combination of the greatest ROI and the lowest medicolegal or clinical risk. We believe the vendors to win in this environment will be those that can get in the door solving an immediate administrative pain point, and then extend into clinical workflows based on the credibility they've earned.

## Can you provide an example?

One specific example cited by two of our experts is using AI to interpret clinical notes for clinical registry reporting. It solves a real pain point for clinical staff and builds trust in the ability to derive information from clinical records in a lower-risk environment.

The question for AI developers is not how revolutionary your solution is, but rather how you can help health systems navigate the very real risks they face and create a culture of AI adoption.

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# Elion

## ABOUT ELION

*Elion is the authoritative healthcare technology marketplace and intelligence platform. We make it easier for hospitals and health systems to make better, faster technology decisions via unparalleled insight into the landscape, usage, and market perceptions of healthcare technology products and vendors.*



# Virtual Healthcare Monitoring Enforcement Trends



**Richard Zall**  
Partner,  
**KING & SPALDING**



**Taylor Whitten**  
Senior Associate,  
**KING & SPALDING**

**MORE PROVIDERS ARE ADOPTING VALUE-BASED CARE REMOTE PATIENT MONITORING (RPM) TECHNOLOGIES** as government and commercial payors expand reimbursement for these services. Providers and technology companies have increasingly viewed RPM as a space for investment and growth. RPM services are primarily targeted at reducing the overall healthcare spend for conditions, primarily chronic diseases, that can be remotely managed through monitoring devices. CMS has recognized the importance of these virtual monitoring tools to reduce cost of care by allowing more providers and types of arrangements to be reimbursed for providing these services. As adoption of these services increases, there is also increasing scrutiny of whether these arrangements are complying with fraud, waste and abuse laws.

The Office of Inspector General (OIG) has signaled that the agency will be closely monitoring these types of arrangements going forward. The OIG is expected to issue a work plan in 2025 that will examine the extent to which provider billing for RPM services may implicate fraud, waste, or abuse. The OIG will also be auditing RPM services provided during the pandemic as part of a telehealth work plan.

There are several fraud and abuse risks that could arise when offering RPM services such as overutilization, access to care including whether the patient is able to properly use the device, and whether the patient is getting value from the

remote monitoring services provided. Another unique aspect to False Claims Act (FCA) enforcement in this space is that the look-back period for FCA liability is six years. RPM rules have changed from 2019-2023 and providers and vendors who have not kept pace with the most recent guidance may be particularly vulnerable to government audits and investigations.

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**Providers and vendors should employ risk mitigation tactics when providing RPM services to ensure that the services being provided are medically necessary and effective.**

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Providers and vendors should employ risk mitigation tactics when providing RPM services to ensure that the services being provided are medically necessary and effective. Since the patients are remote, it is essential that providers and vendors adequately document required elements including establishment of a patient-physician relationship, patient consent to receive RPM services, track data transmissions to meet the 16 days of data requirement (99454) and bill the precise amount of time spent with the patient (99457 and 99458).



# DHNY

DIGITAL HEALTH NEW YORK

## REPORT METHODOLOGY

Data was obtained from a variety of sources including but not limited to company representatives, press releases, Crunchbase and HolonIQ, and covered the period from 01/01/2024 to 6/30/2024. A company was included if it (1) listed New York City as its corporate headquarters or an office with over 10 people; (2) the company received seed, angel, early-stage or late-stage funding of at least \$1M during the period 01/01/2024 to 6/30/2024; (3) the company was not publicly traded. Companies that won grant funding, prize money or acceptance into accelerators/incubators were not included in the analysis nor companies that received less than \$1M in total funding.

## ABOUT DHNY

Digital Health New York (DHNY) is the premier network of CEOs, founders, investors, payers and providers driving New York's healthcare ecosystem. DHNY works to increase the visibility of New York as a leader in healthcare innovation, showcases the organizations and leaders creating the future of healthcare, and brings people together to share ideas, spark new directions and create success. For more information, visit [www.dhny.co](http://www.dhny.co).

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