

VENTURE CAPITAL

FIRMS EXPAND

OPPORTUNITIES FOR

UNDERREPRESENTED

STARTUPS

EVENING THE
PLAYING FIELD IN

Health Equity

INVESTING



One Entrepreneur's Journey



As a physician and entrepreneur with more than 20 years of experience in drug development, **Derrell Porter, M.D.**, faced a difficult challenge in 2020. He was getting ready to launch a platform to help researchers develop and commercialize gene and cell therapies, and needed investors to help fund his fledgling company Cellevolve.

Porter needed to establish contacts with financial backers, but those efforts quickly stalled due to the nation's pandemic shutdown. In meeting with investors after the shutdown, however, Porter realized he faced an even bigger challenge than getting venture capitalists to buy into his idea — getting them to buy into him as well.

"They're really making a bet on you as the entrepreneur, and therefore it's a profoundly personal decision," Porter told CNBC. "Being different or in the situation where the investor may not see themselves in you, or may not find a way to connect, that makes it harder to find capital."

In November 2021, Porter concluded his search for financial backing. He secured \$6 million in seed financing from investors including biopharmaceutical manufacturing company National Resilience, Inc. (Resilience), Hibiscus Ventures and Jumpstart Nova, an investment fund created to help support Black-founded and -led health care startups.

Porter was not alone in having difficulty finding financial backers who could identify or connect with him or would be willing to fund his company. The venture capital (VC) field has been among the least diverse in finance, and studies have shown that this contributes to the lack of capital available to startups run by Blacks, Hispanics, Asians, women and other underrepresented groups.

An Oversized Challenge

Not only have underrepresented candidates been overlooked by VC firms when recruiting and promoting talent, but startups led by underrepresented founders also face outsized challenges in securing VC investment, notes [Deloitte's VC Human Capital Survey](#) released in March.

Deloitte and its partners, Venture Forward and the National Venture Capital Association, have conducted four VC human capital surveys since 2016 to benchmark and assess the state of diversity, equity and inclusion in the VC field. The report notes that research consistently shows that diverse teams have broader networks and are more effective at decision-making. (See Other Deloitte Findings below).

Yet even with studies showing the benefits of diversity in the VC industry, progress has been uneven. For instance, in 2021, VC-backed startups raised more than \$345 billion in funding, yet only 2.4% was invested in startups led by female founders, 1.3% led by Black founders and 2.1% by Hispanic founders.

Results from the most recent survey conducted in 2022 by Deloitte and its partners show that the VC industry has made "significant but somewhat inconsistent progress" in increasing its gender, racial and ethnic diversity since 2016. Regardless, it's clear that much work remains to level the playing field in health care for startups led by underrepresented groups.

Creating Opportunity

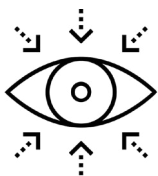
To ensure that this happens and that progress is fast-tracked, some VC firms have created health care innovation funds to provide capital to startups founded by Black individuals, women and other groups that historically have had difficulty accessing outside capital to fund their companies and innovations.

Firms like Jumpstart Nova, Seae Ventures and SteelSky Ventures are targeting their investments toward underrepresented communities in health care. The AHA has invested in all three firms to support health care technology companies and entrepreneurs who too often are left out of early financing.

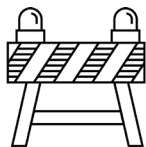
"Hospitals and health systems have a vital role to play in building more equitable communities, but they can't do it alone," said AHA President and CEO Rick Pollack. "These investments will both tackle health inequity and create meaningful economic opportunity."

Here's a look at how these three venture capital firms are making a difference and a snapshot of some entrepreneurs to whom they have provided opportunities to help transform health care while addressing health equity.

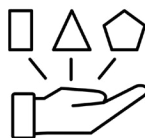
Other Deloitte Findings:



Different points of view, networks and experiences bring solutions to problems and opportunities that have been overlooked.



VC firms are starting to recognize that the lack of diversity among their respective workforces is a barrier to making successful investments and generating higher returns.



Various studies have shown that diverse VC firms fund more diverse founding teams and outperform.



Marcus Whitney, Jumpstart Nova's founder, was seeking to change the status quo in health care innovation and opportunities for Black entrepreneurs when he started the VC company.

Changing the Status Quo to Support Black-led Startups



JUMPSTART NOVA

Company: Jumpstart Nova

Assets under management:

\$55 million

Fund I focus: Invests in Black-founded and -led health care startups offering tech-enabled services, biotech, diagnostic devices, health IT, digital health and consumer health and wellness

Jumpstart Nova, an offshoot of Tennessee-based Jumpstart Health Investors, launched to the public in January 2022 after raising \$55 million, blowing past a \$30M initial target for its first fund and increasing the hard cap to \$55 million. That offering generated huge interest among

the press and innovators. The experience quickly gave the firm an indication of how much demand existed among Black health care entrepreneurs for the opportunities provided by the firm and its more than 90 limited partners.

The firm's strategic limited partners, including the AHA, Advocate Health, Eli Lilly, HCA Healthcare, Henry Ford Health System, LHC Group, Cardinal Health and Meharry Medical College, help the firm to understand the field's challenges and how innovative companies can be successful in solving them, so that Jumpstart Nova can make progress in partnership.

"Our offering brought an avalanche of Black-founded and -led companies reaching out to us — more

than we ever expected, more than 100 in 90 days," said Kathyne Cooper, partner at Jumpstart Nova.

Cooper joined Marcus Whitney, Jumpstart Nova's founder, who was seeking to change the status quo in health care innovation and opportunities for Black entrepreneurs. Whitney had co-founded Jumpstart Health Investors and had seen firsthand the power of health care venture capital on the field.

Together, Whitney and Cooper are working with Black-founded and -led startups offering tech-enabled services, biotech, diagnostic devices, health IT, digital health, and consumer health and wellness solutions. Jumpstart Nova has



provided funding to support Porter's Cellevolve launch and has invested in [11 other companies](#), including [Time Study](#), a platform that transforms time studies into an efficient, accurate and insightful experience to improve hospital performance and patient experience.

Working shoulder to shoulder with founders

What Jumpstart found appealing about Time Study is the company's track record of success with its health care customers and the value it brings to hospitals and health systems so they can dramatically improve efficiency with rapid automated analysis of how clinical and nonclinical staff spend their time.

"They conduct time studies efficiently and effectively with software in three clicks and they have never lost a customer, which is an incredible feat," Cooper said.

In evaluating companies, Jumpstart Nova focuses on early-stage health care investors and works shoulder to shoulder with entrepreneurs. That philosophy fit well with Time Study's founder and CEO, Kishau Rogers.

"In the health care space, it's critically important to have investors who understand the sector. That's a lesson I had to learn and that's why Jumpstart Nova has been such a good partner. They specifically focus on health care," Rogers said.

Time Study's road map is moving toward a platform that enables provider organizations to automatically tell the story of how staff spend their work time in a way that does not interrupt optimal workflow. "We have to work extremely closely with our customers to align our road map with their needs," Rogers said.

Rogers' computer science background and longtime experience in health care IT have prepared her for this moment. She understands the challenges that health systems face in adopting new systems and that they need to work closely with their vendors.

"We don't waste a lot of time building before working with clients. That's important in the health care setting. We have to work extremely closely with our customers and have them buy in completely to what they are doing. For us, that means we have to staff more of an executive team on the front end as we are building the company to work with this type of clientele," Rogers said. ●

Maria Toler, SteelSky Ventures' founding partner, helped to create the VC firm to address the entire sphere of women's health services throughout their lives as well as those they care for.



Bringing Equity to Women's Health



Company: SteelSky Ventures

Assets under management:

\$73 million

Fund focus: Invests in companies that improve access, care and outcomes in women's health

SteelSky Ventures has a clear premise. This female-led venture capital firm is laser-focused on improving access, care and outcomes across women's health.

The fund, one of the world's largest focused on women's health, has provided investments to 16 compa-

nies in the consumer health, digital health and medical device sectors, among others.

"When we think about women's health, we are thinking about the entire spectrum of a woman's life and the underpinnings that enable quality care. So, while we've invested in companies focused on maternal care, sexual and reproductive health, menopause and fertility services, we're also thinking about aging care, cardiovascular care and the broader health care infrastructure. That wider perspective enables us to drive change across areas where women are disproportionately or indirectly affected," said Mia Farnham, principal at SteelSky.

With \$73 million in assets under management across its platform,

SteelSky continues to expand its commitment to improving women's health while seeing a cascading effect from its investments.

More than 2,000 jobs have been created across the portfolio of companies in which SteelSky has invested. About \$500 million in annual recurring revenue has been achieved by the portfolio, which has a combined valuation of \$5 billion.

"By design, we don't have diversity mandates embedded within our diligence process; however, 88% of our portfolio companies are led by a diverse founder," noted SteelSky founding partner, Maria Toler. "It's been incredible to watch these companies

become leaders in their respective markets and reaffirms our belief that the most innovative companies serving underserved populations are often led by founders whose very own community has been historically overlooked.”

SteelSky is committed to investing in companies addressing the entire sphere of women’s health services throughout their lives and those of the people they care for.

That fits with the fund’s launch by Toler, who recognized that women are often the “chief medical officers” for themselves and their loved ones. The following investments illustrate SteelSky’s far-reaching goals:

- **Midi:** Midi is a virtual menopause clinic designed specifically for women 40 and older, which provides personalized expert protocols delivered by clinicians trained in female midlife health.
- **ConcertoCare:** ConcertoCare offers in-home and virtual primary care and Program of All-inclusive Care for the Elderly services to dual-eligible seniors and those enrolled under Medicare Advantage.
- **Bend Health:** Bend Health is a virtual mental health clinic focused on teens and children. Bend Health’s comprehensive digital solution will service more than 70% of U.S. counties that have no psychiatrists to treat un-/misdiagnosed children.

Farnham says partnerships like that with the AHA help bridge strategic

introductions among SteelSky’s portfolio companies and hospitals and health systems. These introductions can help provider organizations as they develop pilot programs to not only improve women’s health, but also to drive broader service-line growth.

Connecting all the dots in women’s health

Given its dedicated focus on women’s health startups, it’s interesting to see SteelSky investing in [Zipline](#), a drone and delivery logistics company. However, the company has an impressive track record of improving health outcomes globally for women and other underserved populations. In fact, according to a [Wharton study](#), Zipline’s logistics and delivery system helped reduce Rwanda’s in-hospital maternal deaths due to postpartum hemorrhage by 88% and more than 150 deaths may have been averted.

Zipline powers Rwanda’s national blood delivery network and Ghana’s COVID-19 vaccine distribution. The company has made more than 800,000 deliveries to customers ranging from consumers to health systems like Intermountain Health, Cleveland Clinic, Michigan Medicine, OhioHealth and Novant Health and companies like Walmart and Pfizer.

“We initially agreed to deliver blood to 21 hospitals, and that’s what we did the first few years,” said Keller Rinaudo Clifton, Zipline’s CEO and co-founder. “We now deliver

all types of medical products to 4,500 hospitals and health facilities in seven countries.”

The company was founded to create the first logistics system to serve all humans equally. Zipline’s technology is complex, but the firm’s mission is simple: Transform the way goods move to give people what they need when they need it. In Ghana, that meant transporting vaccines to remote villages via drone rather than by car or motorcycle.

Zipline’s logistics and delivery system helped to improve clinical outcomes and prevent disease among children in Ghana’s Western North Region, saving an estimated 727 lives by enabling an additional 15,000 children younger than 5 to access vaccines, according to a [study](#) published in the peer-reviewed journal *Vaccine*.

As Zipline continues to expand its operations in the U.S., SteelSky’s Farnham believes women and women’s health will be the beneficiaries.

“Innovations like these alleviate a lot of the burden associated with those women — those chief medical officers at home — to make it easier to get the products they need, whether it’s lifesaving medications or expediting materials for medical trials aimed at new drug discoveries,” she said. ●



Seae Ventures' Leadership Team: (from left to right) Arianne Kidder, partner; Karlos Bledsoe, principal; Jason Robart, co-founder and managing partner; Tuoyo Louis co-founder and managing partner; Tricia Brock, CFO; Justin Williams; senior associate; Leah O'Donnell, head of partnerships.

Advancing Equity Through Opportunity



Company: Seae Ventures

Assets under management:
\$107 million

Fund focus: Investing in entrepreneurs focused on developing technologies that address mental health, women's health and personalized medicine

Seae Ventures is committed to advancing equity by investing primarily in entrepreneurs who are women and Black, Indigenous and people of color whose companies seek to reduce the health disparities affecting traditionally underserved and vulnerable populations.

Founded in 2019 by the former leaders at Zaffre Investments, the venture capital arm of Blue Cross Blue Shield of Massachusetts, Seae Ven-

tures has seen steady success, launching a \$107 million inaugural fund. The fund has more than 30 investors representing both health care payers and providers, financial services companies, endowments and foundations, and major U.S. corporations.

Since then, Seae has lived up to its promise to invest in talented entrepreneurs who the venture community historically has overlooked, with 94% of the fund's

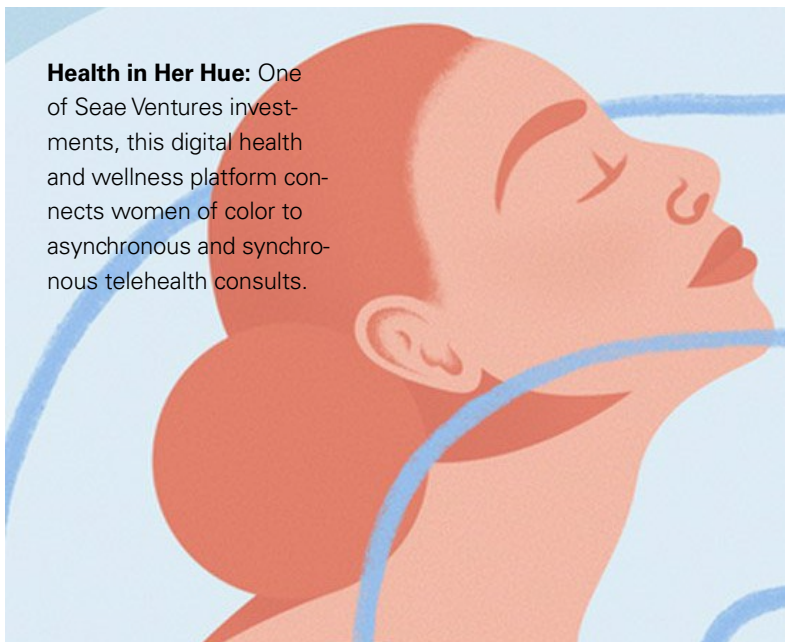
portfolio companies led by women or Black individuals, Indigenous people and people of color. In April 2023, the team launched Seae Ventures Fund II. The Seae team recently has expanded with the addition of a principal, senior associate and chief financial officer.

Seae has invested in 18 companies concentrated on women's health, behavioral health, financial health, value-based care, diagnostics and digital health. However, Seae Ventures is about more than providing financing.

"We write checks, yes, but we are very hands on; it's capital plus a team of experienced health care operators. We are not passive investors," said Arianne Kidder, partner. The firm works with entrepreneurs, payers and health care providers to create value.

Among the companies to which it has provided funding are:

- **Altopax:** This virtual care site connects patients with highly specialized mental health services. Its remote group therapy platform is powered by 3D avatars, making affordable and scalable clinical group therapy a safe, personalized and confidential experience for people who otherwise may not be able to access care.
- **Health in Her Hue:** This digital health and wellness platform connects women of color to asynchronous and synchronous telehealth consults, while offering health con-



Health in Her Hue: One of Seae Ventures investments, this digital health and wellness platform connects women of color to asynchronous and synchronous telehealth consults.

tent, connections and community.

- **Movn Health:** This platform helps clinicians implement virtual cardiac rehab and other secondary care programs.

Kidder cites [Tia](#) as a great example of a company to which Seae Ventures has provided funding and that is having a significant market impact. The company, which started as an app to help women track their periods, has expanded into brick-and-mortar clinics and a full-service women's health platform. It has built a personalized health care model fusing OB-GYN, primary care, mental health and wellness into an integrated experience focused on prevention.

"In about four years, Tia has expanded across the country in partnerships with health systems

like UCSF in San Francisco and Cedars-Sinai in Los Angeles, which is a brilliant capital go-to-market strategy," Kidder said. "It enables them to partner with the health systems to innovate and drive value in primary care for women who control a majority of health care spend."

Leah O'Donnell, Seae's head of partnerships and corporate development, recognizes that her firm's progress and the growing number of venture funds similarly targeting underrepresented entrepreneurs are having an impact, but this will be a long process. "Our work is just beginning," she said. "We are really excited about the opportunity to work more closely with provider groups and hospital systems to close gaps in health equity and health disparities." ●

ADDITIONAL RESOURCES

- [6 KEYS TO STRATEGIC INVESTMENT IN HEALTH CARE INNOVATION](#)
- [AHA INVESTS IN STARTUP FUNDS FOCUSED ON EQUITY IN FINANCING HEALTH CARE SOLUTIONS](#)
- [BECOME AN AHA EQUITY TRANSFORMATION PARTNER](#)
- [AHA INSTITUTE FOR HEALTH EQUITY ROADMAP](#)
- [AHA INSTITUTE FOR DIVERSITY AND HEALTH EQUITY WEBSITE](#)



Advancing Health in America