
Will COVID-19 jumpstart the digital healthcare revolution?

**Key findings from
Strategy&'s April 2020
research on German
digital healthcare
start-ups**

Contacts

Global

Kelly Barnes
Partner,
PwC US
+1-214-754-5172
kelly.barnes@pwc.com

Stephan Danner
Partner,
PwC Strategy& Germany
+49-30-88705-868
stephan.danner
@strategyand.de.pwc.com

UK

Nick Meadows
Director,
PwC Strategy& UK
+44-7843-372620
nicholas.meadows
@strategyand.uk.pwc.com

Australia

Sarah Butler
Partner,
PwC Australia
+61-412-474706
sarah.butler
@strategyand.au.pwc.com

Patrick Grünewald
Manager,
PwC Strategy& Germany
+49-170-2238-405
patrick.gruenewald
@strategyand.de.pwc.com

United States

Douglas Strang
Partner,
PwC US
+1-215-840-5548
dstrang@pwc.com

Germany

Dr. Thomas Solbach
Partner,
PwC Strategy& Germany
+49-170-2238-477
thomas.solbach
@strategyand.de.pwc.com

Japan

Kenji Mitsui
Partner,
PwC Japan
+81-3-6757-8692
kenji.mitsui@pwc.com

Greg Rotz
Partner,
PwC Strategy& US
+1-703-682-5888
greg.rotz@pwc.com

About this study

This study was conducted by Strategy& in collaboration with the Spitzenverband Digitale Gesundheitsversorgung e.V.. The results are based on a standardized survey among digital health entrepreneurs, complemented by selected interviews with digital health experts from the start-up, public health insurance, investor and advisor community. All interviews were conducted based on a standard questionnaire in which the experts were asked about their perspective on the implications of the COVID-19 pandemic on digital healthcare start-ups.

About the authors

Dr. Thomas Solbach advises clients globally in the healthcare and life sciences industry. He specializes in helping biopharma, diagnostics, and digital health solution providers develop strategies, capabilities, and innovative operating models with a particular focus on precision medicine. Based in Frankfurt, Thomas leads Strategy&'s EMEA pharma and life sciences commercial practice and is a partner with PwC Strategy& Germany.

Patrick Grünewald advises clients globally across the healthcare and life sciences industry. He works with biopharma, diagnostics, and digital health solution providers to build cross-industry ecosystems, develop innovation strategies and business models for digital health solutions. Based in Frankfurt, he is a manager with PwC Strategy& Germany.

We would like to thank *Spitzenverband Deutsche Gesundheitsversorgung e.V.*, *RoX Health GmbH*, *Audalion GmbH*, *Selfapy GmbH*, *Teleclinic GmbH*, *mDoc GmbH*, *Kaia Health GmbH* and all our survey participants for providing insights into this study.

FOREWORD

Germany's Digital Healthcare Association

“COVID-19 has significantly impacted our lives. We are proud that digital healthcare solutions have filled a critical gap during the COVID-19 lockdown, at a time when people cannot visit some of their doctors because of the risk of infection. Patients and physicians increasingly discover that digital solutions deliver positive medical outcomes and are great tools to complement traditional, analog care.

While they play their part in the battle against COVID-19, our members are facing significant challenges imposed by the lockdown. We believe, however, that these challenges will be rather short-term and that digital healthcare solutions are set-up for success to become part of the standard of care. Our association welcomes Strategy&'s timely, in-depth study of how digital healthcare start-ups can work through the immediate crisis and how they can position themselves as a valuable part of the healthcare system.”



Daniel Nathrath

Chairman of the Spitzenverband Digitale Versorgung e.V., CEO and co-Founder of Ada Health GmbH

EXECUTIVE SUMMARY

Start-ups have been hit especially hard by the economic crisis resulting from shutdowns due to COVID-19. Globally, investors are increasingly wary of putting their capital into young companies, which applies to even those recently celebrated as rising stars. In Germany, for example, more than 80 percent of start-ups across all sectors believe their future is endangered as a result of the economic consequences of the pandemic, according to a survey conducted in March by Germany's start-up industry association.¹

Yet for digital healthcare start-ups, the social distancing required by governments to contain the virus' spread offer opportunities for growth. In April, we conducted a study among 27 German digital healthcare start-up entrepreneurs and investors, which produced the following key findings:

- **82 percent** of respondents see COVID-19 as a business opportunity
- **72 percent** expect year-on-year investment in their industry to increase in 2020
- **80 percent** have seen an increase in how frequently customers use their products, as well as a strong increase in new customers

Our respondents' relatively optimistic outlook is grounded in the fact that COVID-19 has increased public awareness of tech-enabled ways to manage one's own health. This perception has helped digital healthcare providers to convince doctors and patients to use their products and services, at a time when lockdown rules severely constrain face-to-face consultations. The cost-effectiveness of many digital healthcare solutions is an additional selling point, given the financial impact of COVID-19 on public and private healthcare budgets. Yet Germany's digital healthcare start-ups still face the challenges common to all small businesses during the COVID-19 downturn – notably access to liquidity and growth capital, and the potential for cost-conscious customers to drive down prices.

We chose Germany as a case study for digital healthcare start-ups during the pandemic for two reasons. Firstly, Germany is one of the world's fastest-growing digital healthcare markets.² Based on research for our 2019 "Driving the Future of Health" report, we believe annual digital healthcare spending in Germany will rise to around \$40bn by 2030, representing 8 percent of national healthcare expenditure.³ Secondly, German digital healthcare start-ups have benefited from new regulations for the sector at the end of last year which allows doctors to prescribe digital health solutions and outlines a process on how to qualify for reimbursement from public health insurances.⁴

In this report, we identify where COVID-19 could create potential short-term and long-term

1. Bundesverband Deutsche Start-ups e.V., 1 April 2020, "Auswirkung der Corona Krise auf das Start-Ups Ökosystem": www.deutschestartups.org/wp-content/uploads/2020/03/20200331_Report_Startups-in-der-Corona-Krise.pdf.

2. Global Market Insights, Digital Health Study, February 2019 www.gminsights.com/industry-analysis/digital-health-market?utm_source=prnewswire.com&utm_medium=referral&utm_campaign=Paid_prnewswire.

3. www.strategyand.pwc.com/gx/en/insights/2019/future-of-health.html

Statistisches Bundesamt: 05DBCDC31D69DB41872EAEDB562DA2C3.internet8742

OECD: www.oecd-ilibrary.org/docserver/4dd50c09-en.pdf?expires=1588588669&id=id&accname=guest&checksum=6C490CFE54A44CE80E281EBD4DF634 Note: Population Baseline and overall Healthcare Budget adjusted since publication of FoH Survey.

4. Bundesministerium für Gesundheit.

growth opportunities for digital healthcare start-ups. We also examine the key risks and obstacles that lie in their way, and the essential steps that start-up founders and investors should take to emerge stronger from the crisis. The findings from our survey are reinforced by further interviews with digital healthcare entrepreneurs and investors and our own cross-industry experience. Overall, we believe this research contains insights that are relevant for digital healthcare start-ups globally, given the borderless, global nature of both COVID-19 and the digital healthcare.



The bigger picture: The unstoppable rise of digital healthcare

COVID-19's unprecedented impact on conventional healthcare systems and services reinforces our prediction that by 2030, healthcare will be centered around humans, who will seek to prevent diseases rather than getting treatment. Healthcare will be personalized and integrated seamlessly into people's daily lives. All of this will be enabled by data and algorithms and provided within a healthcare system that is organized and regulated in an entirely new way. Therefore, we are standing by our forecast in last year's "Driving the Future of Health" report that global budgetary spending on digital healthcare will rise to between \$930 billion and \$1.2 trillion by 2030, compared with \$86.4 billion today.⁵

5. Global Market Insights Digital Health Market Study, February 2019.

What is digital healthcare?

Digital healthcare solutions connect and empower people to manage and improve their health, using digital tools and technologies. These solutions largely fall into three categories which are not mutually exclusive.

- **Process Enabler:** Aims to improve care delivery by making healthcare processes more efficient or by offering new channels
Examples: Drug adherence management systems, telemedicine
 - **Ecosystem Enhancer:** Breaks down healthcare system silos to enable better collaboration, data sharing and a seamless experience
Examples: Personal medical assistants, electronic health records
 - **Outcome Booster:** Uses new modes of treatment to measurably improve medical outcomes, quality of life and health economic benefits
Examples: Cognitive behavioral therapy, digital biomarkers
-

Despite being a young industry, digital healthcare has already witnessed a staggering increase in capital inflows, with investors betting that in the coming decades, digital healthcare technologies and services will make their way into public and private healthcare provision worldwide. Over the past decade, total capital invested in digital healthcare has increased by a remarkable annual average rate of 30 percent.⁶ In the US alone, investment in the sector hit a year-on-year record of \$3.1 billion for the first quarter of 2020.⁷

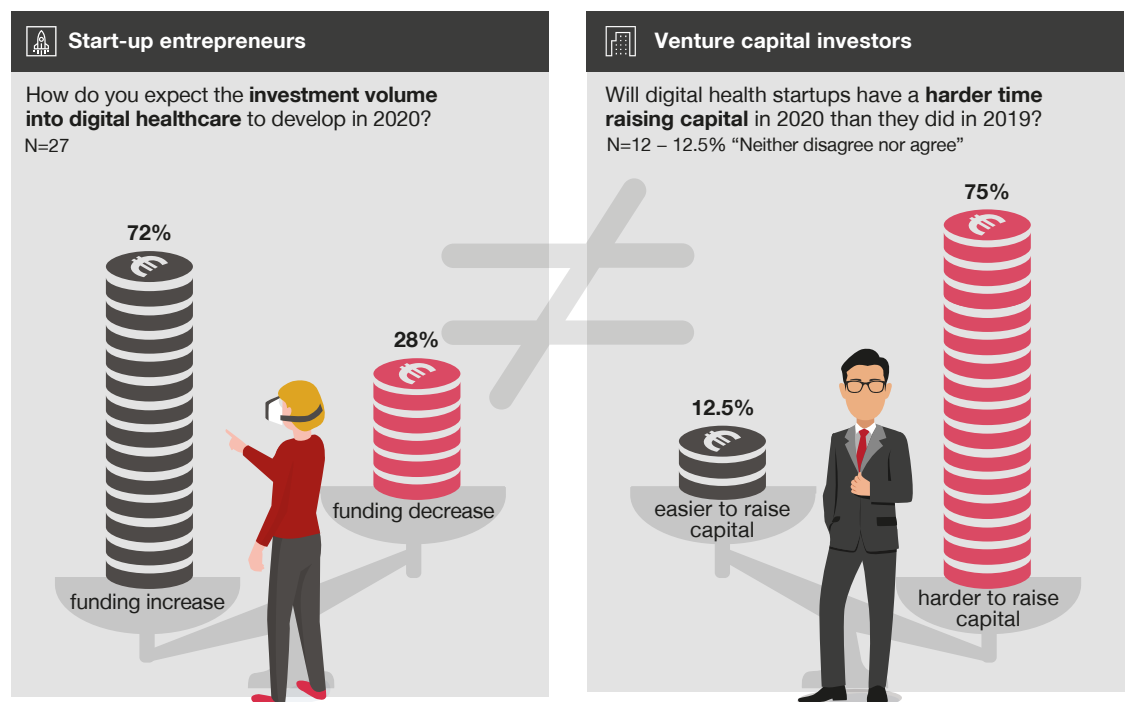
COVID-19, however, has called into question whether this upward trend will continue. While a large majority of digital healthcare entrepreneurs believe funding will continue to increase significantly in 2020, investors are less confident they will deploy as much capital as before the pandemic (see *Exhibit 1*). We therefore expect an increasing amount of investor scrutiny when investing in digital healthcare start-ups, causing a higher number to fail.

6. Strategy& analysis of PitchBook data, April 2020.

7. Rock Health report on 2020 first-quarter digital healthcare venture funding: www.rockhealth.com/reports/amidst-a-record-3-1b-funding-in-q1-2020-digital-health-braces-for-covid-19-impact/.

EXHIBIT 1

Funding digital healthcare: Start-up entrepreneurs' versus Venture capital investor's perspective



Source: (left) Strategy& survey of digital healthcare start-up entrepreneurs, April 2020; (right) Rock Health survey, April 2020











COVID-19: An opportunity or a threat for digital healthcare?

To set our study in a wider industry context, we analyzed a sample of around 160 German healthcare start-ups in order to identify their common characteristics. In general, they are younger than most German start-ups in other industries and accordingly, employ fewer people. They have also raised less money, rely more on venture capital and business angels and are still at an early stage of domestic growth, with limited foreign sales. At the same time, the number of business registrations for healthcare start-ups increased slightly from 2018 to 2019, despite an overall downward trend for newly-incorporated German companies in the same period.⁸

Given their relative immaturity, one might expect these healthcare start-ups to be more fragile and vulnerable in the current COVID-19 crisis than their peers in other sectors. Yet this does not seem to apply to the digital healthcare start-ups in our survey. Indeed, 82 percent of respondents perceive COVID-19 as an opportunity rather than a threat to their business.

8. Sub-set analysis of Deutscher StartUp Monitor 2019 data in cooperation with Bundesverband Deutsche Startups e.V..

EXHIBIT 2 COVID-19-related opportunities for digital healthcare start-ups

| | | | | |
|----------|-------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------|-----|
| External |  | General | Increased public awareness and openness towards digital healthcare | 88% |
| |  | General | Demonstrated medical and/or economic value | 54% |
| |  | Payers | Favouring cost effective digital healthcare solutions | 35% |
| |  | Investors | Capital inflow into 'crisis proof' digital healthcare space | 23% |
| |  | Regulators | Less strict requirements and administrative processes | 19% |
| |  | Providers | Improved technical infrastructure | 19% |
| Internal |  | Internal | Introduction of new ways of working | 19% |
| |  | Internal | COVID-19 specific business opportunities | 12% |
| |  | Internal | Increased availability of top talent | 8% |
| |  | Other | | 23% |

Source: Strategy& survey of digital healthcare start-up entrepreneurs, April 2020

Thriving in a crisis: COVID-19 as a jumpstart for digital healthcare

At a time when COVID-19 has left start-ups in other sectors fearing for their future, we were struck by the optimism of most of our respondents about their medium-term prospects on a two-year-plus horizon. We asked them to list the top three medium-term business opportunities that they believe the COVID-19 crisis will create (see *Exhibit 2, page 6*) and the answer is pretty clear: They see COVID-19 as a chance for digital healthcare to become an integral part of everyday healthcare delivery and personal health management.

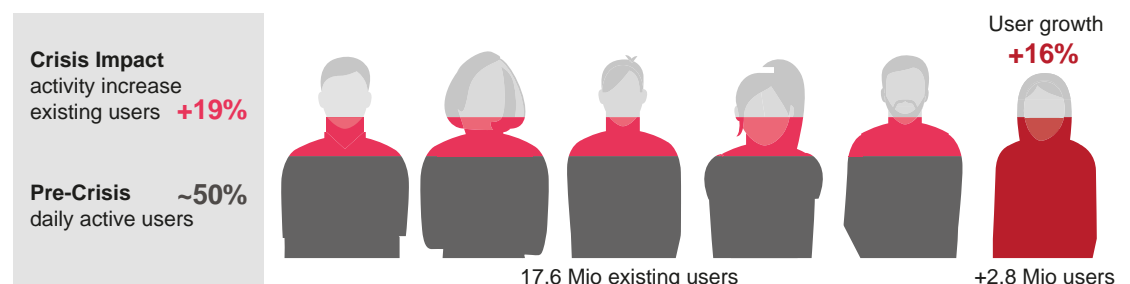
Three business opportunities in particular were highlighted by our respondents:

1. Increased public awareness of digital healthcare

Almost all respondents anticipate a major business opportunity as the pandemic makes people more conscious of the need to self-manage their health, in a “new normal” context where it may not be possible to have personal contact with providers such as physiotherapists. At the same time, the devastating impact of COVID-19 has heightened the public’s awareness of the shortcomings of healthcare systems under pressure. Both sources of concern are prompting doctors and patients to consider digital tools as an integral part of delivering healthcare in the future. As a consequence, digital health solutions already see a significant increase in new users (+16% per month) and increased user activity (+19% daily active users) (see *Exhibit 3*).

EXHIBIT 3

COVID-19's effect on digital health and fitness solution usage



Source: www.mhealth.jmir.org/2017/12/e197/, www.stanford.edu/~emurnane/files/UbiComp15_Mobile.pdf, www.de.statista.com/statistik/daten/studie/36146/umfrage/anzahl-der-internetnutzer-in-deutschland-seit-1997, www.tab-beim-bundestag.de/de/pdf/publikationen/berichte/TAB-Arbeitsbericht-ab179.pdf, Strategy & Survey (April 2020)

2. Demonstrating medical value

Doctors and patients have proved more open to trying digital healthcare products and services during the COVID-19 lockdown, when most direct face-to-face consultations have been impossible. The increasing number of new users has enabled digital healthcare providers to capture more data that can be processed and analyzed to demonstrate that their solutions deliver positive medical outcomes and health economic benefits.

3. Pressure on healthcare budgets

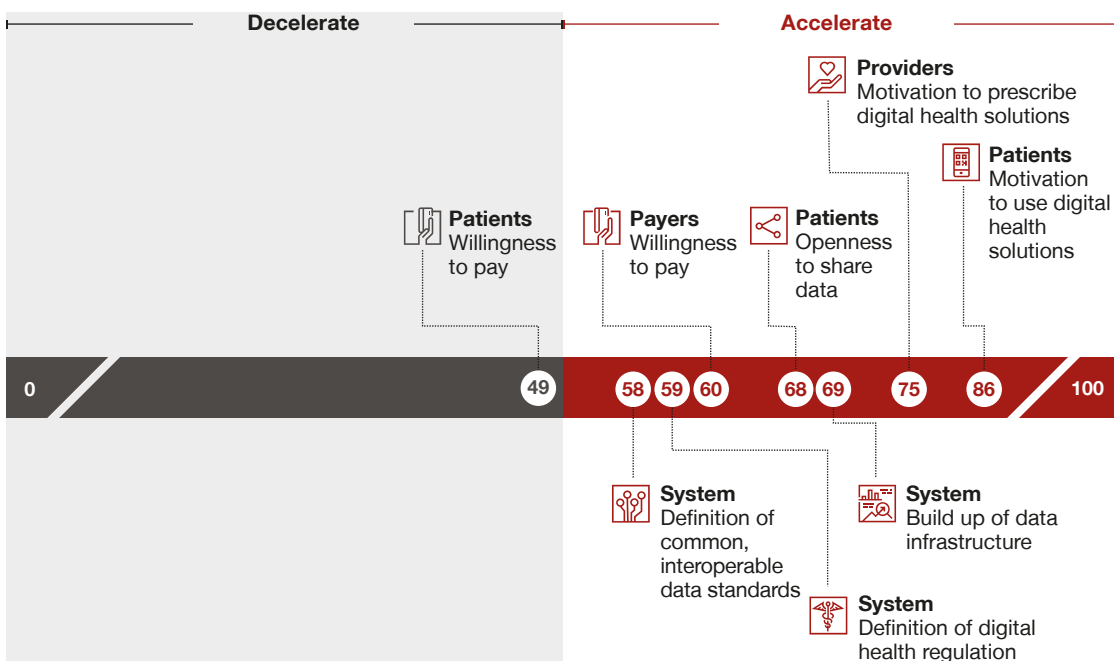
Public and private healthcare payers will need to make substantial savings, given the financial burden that COVID-19 has imposed on their already-pressured budgets. In some cases, digital healthcare solutions have proved more cost effective than conventional treatments.⁹ The cost of treating patients with type 2 diabetes, for example, can be reduced by approximately \$1,200 to \$3,200 per year (compared to an average annual treatment cost of ~ \$13,000) when using digital disease management solutions.¹⁰ Payers can benefit from economic digital healthcare solutions to help prevent more serious disease progressions or manage chronic diseases.

In the medium-term, digital healthcare start-ups also stand to gain from the increasing digitalization of healthcare over the past decade (see *Exhibit 4*). The entrepreneurs interviewed in our study anticipate a further acceleration of this trend after the COVID-19 crisis subsides. In particular, they expect a sharp increase in patients' and doctors' motivation to use and prescribe digital healthcare solutions, leading to higher demand and greater numbers of users. Meanwhile, systemic changes in infrastructure, regulation or willingness to pay will only slightly accelerate or will remain unchanged, although we expect the uptake in usage to have an overall acceleration effect on these systemic issues.

9. www.hbr.org/2006/05/why-innovation-in-health-care-is-so-hard

10. Livongo report (<https://www.livongo.com/docs/pdf/Livongo%20Clinical%20and%20Financial%20Outcomes%20Report.pdf>), WellDoc (www.welldoc.com/news/welldoc-presents-results-of-an-innovative-economic-analysis-demonstrating-opportunity-for-significant-healthcare-cost-savings-with-the-use-of-bluestar/)

EXHIBIT 4 COVID-19 as an accelerator of healthcare digitalization



Source: Strategy& survey of digital healthcare start-up entrepreneurs, April 2020



Survival of the smartest: The continuing challenges for digital healthcare

Interestingly, our study findings suggest that during the COVID-19 crisis and associated lockdown, digital healthcare start-up entrepreneurs are not losing sleep over the restrictions on face-to-face sales or creative work and reduced physical access to customers or talent. Their worries are focused on existing structural and financial challenges which COVID-19 is likely to have further intensified (see *Exhibit 5*).

1. Access to liquidity and growth capital

More than half of our respondents are concerned about their funding drying up during the pandemic, as investors withdraw money from high-risk asset classes such as venture capital. With a potential upcoming recession, entrepreneurs believe investors will focus more on financial performance than ambitious growth stories, which will be an unfavorable shift of focus for the young digital healthcare industry. The current market also makes it difficult for digital healthcare investors to formulate a successful exit strategy: according to a Rock Health survey of this April, 11 of 12 surveyed investors felt that the IPO window for digital healthcare would remain closed in 2020.

2. Limited regulatory capacity

Following Germany's 2019 Digital Healthcare Act, a growing number of digital healthcare start-ups are seeking to enter the required assessment process to be eligible for reimbursement by public payers. The act requires Germany's Federal Institute for Drugs and Medical Devices (BfArM) to approve or reject a submission within three months. However, many of the entrepreneurs we surveyed fear that COVID-19 and the associated lockdown may lead to a shortfall of administrative personnel needed to process a high number of submissions.

3. Increased cost-sensitivity among payers

While increased budget pressure on public and private healthcare payers may increase their openness to digital health solutions, the same financial constraints may also make them more cost-conscious. Entrepreneurs fear that payers will act even tougher in upcoming pricing negotiations, leading to lower reimbursements of digital solutions. Furthermore, we have already seen a reluctance by payers to engage in extra-budgetary cooperation with digital healthcare start-ups. The reasons cited by payers are their immediate focus on the COVID-19 crisis and the wish to wait for digital healthcare solutions to go through the BfArM's "normal administrative process".

EXHIBIT 5
COVID-19-related challenges for digital healthcare start-ups

| | | | |
|----------|------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----|
| External |  Investors | Access to liquidity and growth capital | 58% |
| |  Payers | Increased cost sensitivity | 50% |
| |  Regulators | Limited capacity for administrative processes | 46% |
| |  Providers | Access to providers | 35% |
| |  General | Limited share of mind for non-COVID-19 topics | 23% |
| |  Patients | Access to patients | 15% |
| |  Patients | Retention and adherence management | 15% |
| Internal |  Internal | Continuation and scaling of business activities | 15% |
| |  Internal | Retention and recruiting of staff | 15% |
| |  Other | | 15% |

Source: Strategy& survey of digital healthcare start-up entrepreneurs, April 2020

These structural challenges are likely to continue to prevail after the COVID-19 crisis has subsided. To overcome them, digital healthcare start-ups will need to ensure they have the right business model and funding strategy in place.

Voices from Germany's digital healthcare start-ups ...

“

The current crisis carries substantial risks for start-ups. There is high uncertainty regarding funding and cash, and health insurance providers are faced with tight economic budgets. As a result, there is limited cash for extra budgetary expenses. On the other hand, COVID-19 has accelerated the digitalization of healthcare in Germany by what we assume at least 10 years, due to increased public and clinical awareness of its benefits. Overall, we see the crisis as an opportunity while being mindful of the pandemic's impact.”

Nora Blum, Co-Founder and CEO, Selfapy



Selfapy

“

Since the COVID-19 lockdown, we have witnessed a significant increase in requests from doctors for our telemedicine solution. Many doctors have switched to providing their services via telemedicine to ensure a safe and effective delivery of healthcare. At this time, start-ups should focus on how their solution can be seamlessly embedded into the healthcare system. They should also concentrate on enhancing and improving existing healthcare rather than going for totally new solutions.”

Katharina Jünger, Co-Founder and CEO, Teleclinic



teleclinic

“

One of our key learnings during the COVID-19 crisis has been the importance of close collaboration with healthcare professionals, to ensure patients get access and adhere to their digital therapy for chronic back pain or COPD lung conditions. To support our patients during the pandemic, we have also launched the 'Kaia against Corona' initiative, offering our services for free in Germany for a limited period, to people who are in immediate need of their therapies.”

Manuel Thurner, Co-Founder and CTO, Kaia Health



“

The reaction of our hospitals to the crisis has been mixed from our point of view. On the one hand, they have empty beds and have suddenly lost their main source of income. But we have won new clients who now have time to deal with their IT projects. Overall, we see COVID-19 giving a huge boost to the acceptance of digitalization, because of the structural changes in healthcare resulting from COVID-19. However, we still face uncertainty over the future hospital landscape.”

Stefanie Berger, Co-Founder, m.Doc



m.Doc
anytime everywhere

... and investors and advisers

“

As the crisis intensified, many healthcare professionals who experienced disruption to their operations started using digital and telehealth applications – and loved them. Digital solutions have enabled patients and their doctors to manage their health effectively, even under the current dramatic circumstances. Following a recent update of German healthcare legislation, which laid the groundwork for broader access to digital health solutions, we believe it is important to work with founders and start-ups on building and scaling innovation that meets the diverse needs of patients, healthcare professionals and the German healthcare system. The current uplift in user numbers and broadening of access is a unique opportunity for start-ups to rapidly generate robust real-world evidence demonstrating the medical and economic value of digital health solutions. Even more so, when these solutions not only comply with the required data security standards, but equally important, complement and perfectly blend into the established network of care and distribution pathways.”

Dr. Robert Schnitzler, CEO, RoX Health (Germany)



“

Access to healthcare is a human right and should not be restricted by income, geography or crisis-related constraints. Digital healthcare and particularly telemedicine offer a great solution to many of these challenges. The broader population, and importantly physicians, are now becoming more aware of the benefits of these digital care pathways. Going forward, I believe payers will therefore be more willing to pay for these benefits.

My advice to start-up entrepreneurs? When it comes to financing do not shy away from seemingly old-fashioned methods such as sending cold emails. Research potential investors. Trust your instinct on whom to accept capital from and also about whom not to work with. Rejections are great opportunities for feedback.”

Basil Younes, Corporate Advisory and Venture Capital, Audalio (UAE)



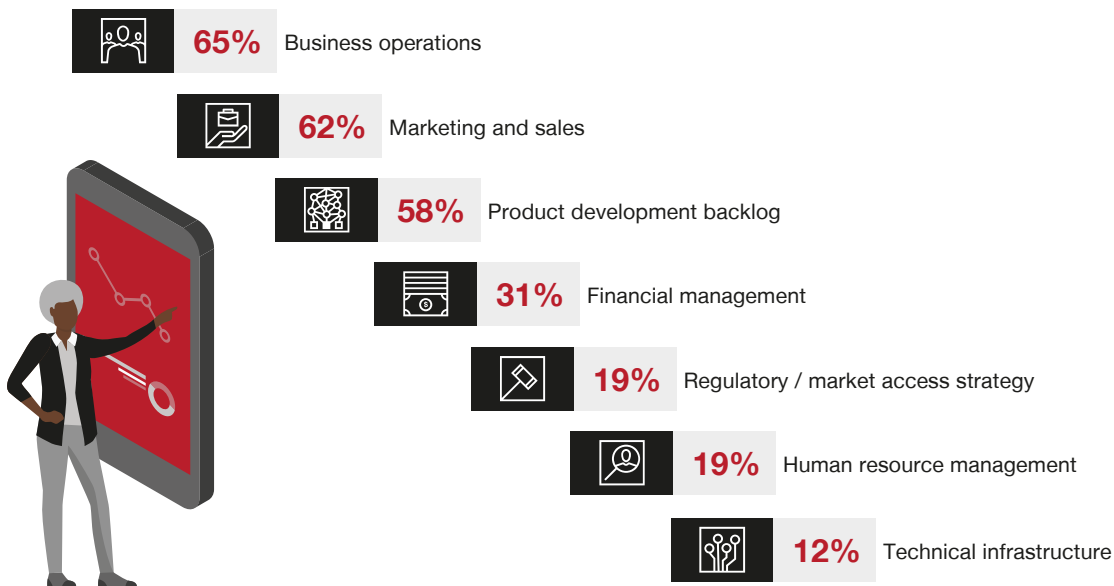
Seizing the opportunities: key actions to take

Our survey suggests that many digital healthcare start-ups are already implementing or planning to implement COVID-19-related changes to address the challenges resulting from the pandemic, as well as exploit potential business opportunities. A majority of our survey respondents are targeting three main areas (see *Exhibit 6*): business operations (65%), marketing and sales (62%) and product development backlog (58%).

Drawing on our study, additional interviews and global cross-industry experience, we have identified a series of actions to enable digital healthcare entrepreneurs and investors to build on their initial, timely response to COVID-19 in order to emerge as winners from the crisis.

EXHIBIT 6

Areas where the start-ups already have or plan to implement COVID-19 related changes



Source: Strategy& survey of digital healthcare start-up entrepreneurs, April 2020

1

Immediate crisis response: Digital healthcare start-ups must firstly take the necessary defensive measures to ensure they survive COVID-19's devastating economic and financial impact. These include securing liquidity by close cash management, and wherever possible, taking advantage of COVID-19-related state support for businesses. In addition, they should communicate more frequently with investors, in order to manage their expectations through the crisis.

With remote working now established, start-up leaders should also be working on options for bringing operations back up to full speed as soon as government restrictions are relaxed further. In addition, leaders must also maintain open communication with their teams and ensure employees have a way to give feedback upwards, in order to maintain motivation. Companies may also need to set new goals now that circumstances have changed so radically.

Next, digital healthcare start-ups should seek to maximize the opportunities created by the pandemic in the following areas:

2

Sales and marketing: Start-ups are best advised to align their sales-channels with the reality that cancelled on-site trade shows and sales conferences are unlikely to return soon. They should be replaced by online events, where possible, while alternative sales channels such as LinkedIn and other digital channels should also be exploited. New revenue streams can be developed by reaching out to doctors who are currently unable to see patients and may be open to use telemedicine solutions or prescribe digital healthcare solutions to continue parts of the treatments. Possibilities to adjust marketing include offering free COVID-19-related services for potentially infected people.

3

Capitalize on improved usage to document medical outcomes: Start-ups should consider setting up a clinical study protocol and then adjust their data capturing strategy to ensure they capture relevant data; for example, an entry check can be established to facilitate subsequent intra-personal studies. This richer pool of real-world data can then be analyzed to demonstrate to healthcare regulators, providers and other potential customers how a digital healthcare solution produces positive medical outcomes.

4

Customer retention and acquisition: To retain newly acquired customers, start-ups should ensure that their digital offering is smoothly integrated into the healthcare system and the standard treatment pathways. In addition, existing and new customers should receive an excellent user experience which includes customization, gamification and loyalty programs. Lastly, start-ups should try to obtain frequent user feedback and act on it promptly.

5

Invest in strategic growth areas: Digital healthcare companies, in alignment with their investors, should be bold and continue to invest for growth, even though liquidity preservation is also essential to survive the COVID-19 crisis. The current economic downturn may even lead to an increase in available talent due to competitors downsizing or going out of business. In this context, targeted recruitment to boost product development or sales can lay the foundations for medium-term success.

6

Collaborate with industry partners to shape favorable digital healthcare regulation: Digital healthcare start-ups align on a common set of demands regarding regulatory changes, both in Germany and in other major healthcare markets. They should also speak with one voice when engaging with regulators, with a focus on reducing bureaucratic “red tape” and speeding up approval processes.

CONCLUSION

Digital healthcare start-ups: A positive growth story amid a global pandemic

Amid the terrible human and economic cost of the COVID-19 pandemic, it may seem in poor taste to observe that digital healthcare start-ups are potentially well-placed to benefit from the crisis. However, it is also clear that digital healthcare solutions are closing an emerging gap in healthcare and besides, any potential business growth story is cause for celebration, as governments wrestle with how to revive their economies while minimizing the number of further infections and deaths.

Before COVID-19, digital healthcare was undervalued by payers, providers and patients both as a means to reduce the financial strain on healthcare systems and as a treatment channel that delivers medical outcomes. Since the pandemic, however, doctors and patients have increasingly been resorting to digital health solutions as lockdown rules have drastically curtailed the possibility of face-to-face consultations. Sometimes to their surprise, they have discovered that many of these solutions deliver positive, cost-effective medical and health benefits.

Based on our research, we anticipate that this widening perception will add further momentum to the digital healthcare sector. Nonetheless, many digital start-ups will still fail, as is the common fate of countless start-ups in other industries. Furthermore, those who succeed will not only have to meet the clinical safety and effectiveness standards that apply to all healthcare products and services, but also need to be compliant with increasingly stringent regulations for digital companies in areas such as data security.

Against this background, our research into German digital healthcare start-ups is intended to provide investors and entrepreneurs with insights about how to survive the current upheaval and prosper as the pandemic is eventually conquered. The COVID-19 pandemic could prove a critical moment for digital healthcare solutions, opening the way for their everyday use in treatment and personal health management. Start-up entrepreneurs and investors should seize the moment, adopting the measures we have outlined above to ensure their companies enter the healthcare mainstream.

strategy&

Part of the PwC network

Strategy&

Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible know-how, technology, and scale to help you create a better, more transformative strategy from day one.

As the only at-scale strategy business that's part of a global professional services network, we embed our strategy capabilities with frontline teams across PwC to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

www.strategyand.pwc.com



© 2020 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Mentions of Strategy& refer to the global team of practical strategists that is integrated within the PwC network of firms. For more about Strategy&, see www.strategyand.pwc.com. No reproduction is permitted in whole or part without written permission of PwC. Disclaimer: This content is for general purposes only, and should not be used as a substitute for consultation with professional advisors.