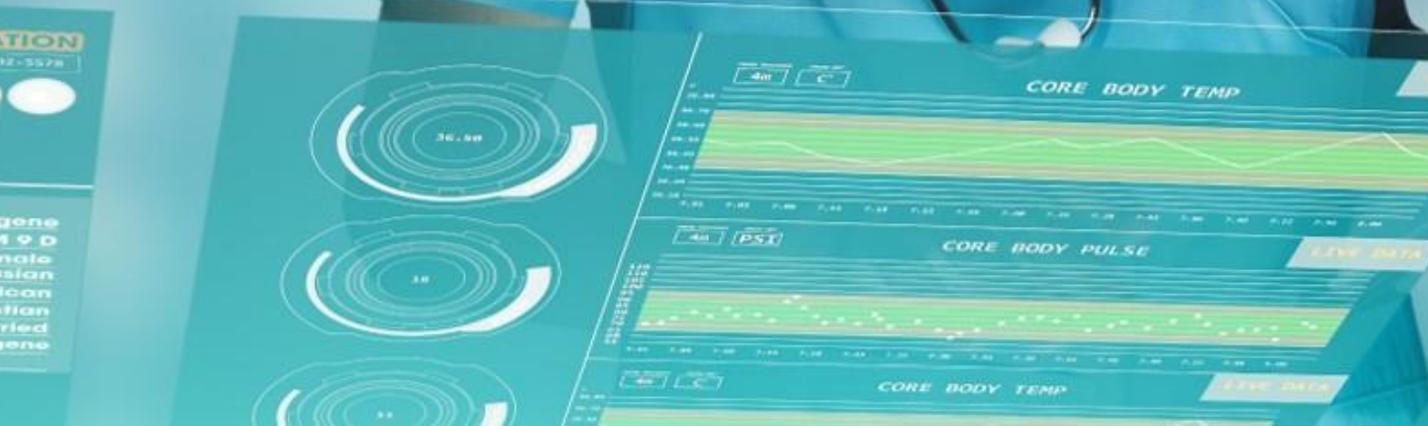




SEMINAL HEALTHCARE STRATEGY

WHITE PAPER
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WHAT ARE SEMINAL TRENDS?

Seminal trends are the combination of macro forces—such as economic, geostrategic, environmental, and technological transformation—that shape and reframe the way people live and the way in which future business is conducted and connected.

The implications for industry sectors, individual businesses and humanity are seismic and profound.

SEMCAP'S FOCUSED APPROACH

At SEMCAP, we identify, evaluate and invest in industry sectors that have the greatest impact generated through seminal trends.

First, the SEMCAP team identifies a broad range of future trends that have been identified by distinguished academia and leading industry thought leaders. Then we analyze each trend in isolation or combined. Future trends include: the political sphere of influence; the environment and scarcity of resources; demographics and urbanization; social changes and demands; and every aspect of technological innovation.

We evaluate macro forces such as economic, geostrategic, environmental and technological transformation, as well as micro forces that change the way humans thrive. We identify the historical moments where our world changes, as well as the underlying cause of those changes, and from that vantage point we find the companies that are most adept at responding to those changes.

In essence, we view the seminal trends through a corporate lens and create an investment framework that considers each wave of trend disruption, thereby transforming a deluge of disconnected information into targeted investment insight.

Understanding seminal trends correctly allows us to pinpoint growth companies across public and private markets, and we then amplify these trends through concentrated portfolio construction and company activism.

BUILDING ON OUR EXPERIENCE

The SEMCAP team is grounded in three decades of successful investments made in response to seminal trends where technology changed the business environment. With experience in both private and public markets, our intensive due diligence and global reach identifies attractive and sustainable business models.

Thereafter, we maximize value through active management and engagement with our investee companies. We invest alongside our clients and maintain long-term, responsible investments with high impact. Our deep understanding of seminal trends, sound business acumen and expansive global network help us to accelerate company growth and develop business resilience in a rapidly changing world.



THE FUTURE OF US HEALTHCARE

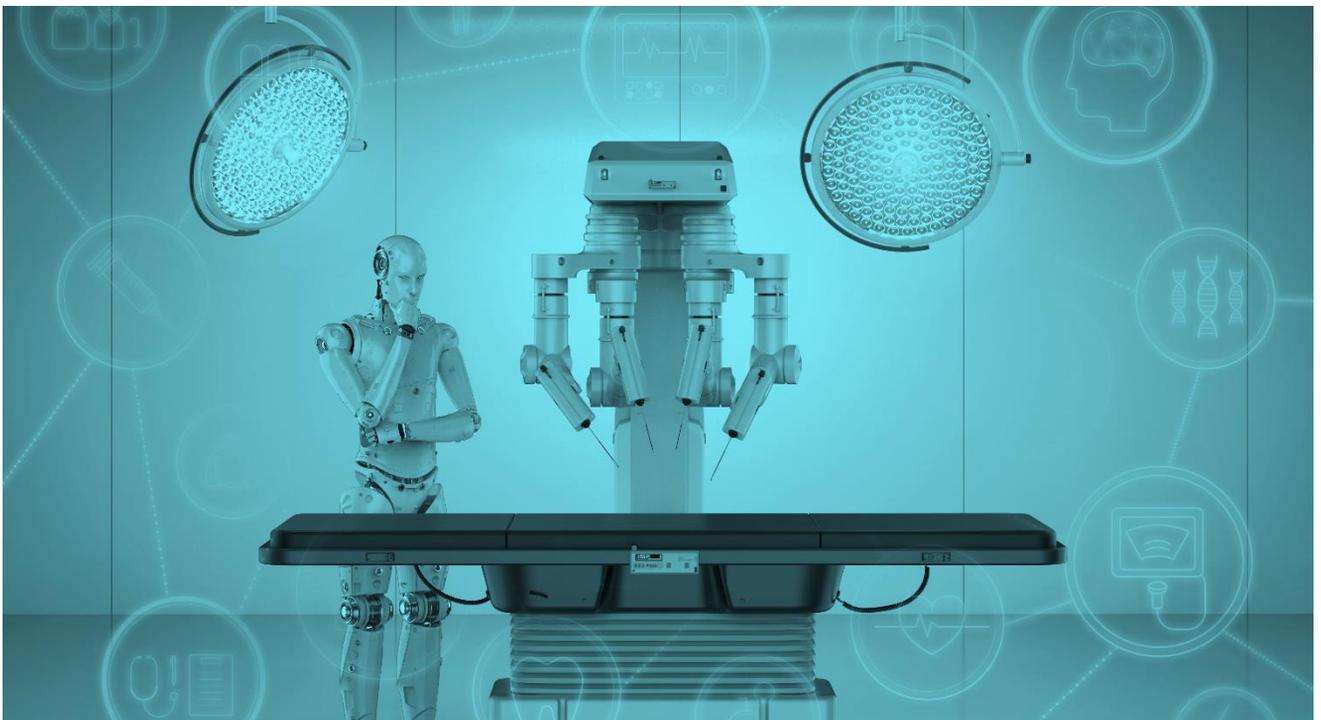
The US healthcare system is complex—underpinned by a fragmented, patchwork structure—and today is buckling under pressure.

The system is now experiencing unprecedented patient demand, debilitating regulatory reforms, and increasing competition from disruptive technologies. A bipolar healthcare reform policy has delivered a regulatory quagmire beset with implementation challenges.

Despite historical success across the US healthcare industry in reducing hospital stays and improving workforce productivity, this progress has become inconsequential in the face of enormous challenges. For one, healthcare massively lags other industries on digitization. This is due partly to the difficulty of managing the range of stakeholders and regulations, as well as privacy concerns raised by digitizing processes and sensitive records.

The COVID-19 pandemic has further highlighted and compounded this systemic inefficiency. A greater reliance on technology has become a necessity, induced by a relaxation of industry and regional barriers. Across the healthcare industry, processes are finally becoming more digitized to streamline operations, reduce costs, and enhance treatment quality. There is high demand for improvements in care affordability, access, quality, and efficacy, and this demand will remain high in the coming decades.

These seminal trends translate into significant business and technology opportunities in the healthcare sector, especially for emerging contenders that have introduced innovative and tech-enabled products and services. This evolution of the competitive structure of the healthcare industry has ultimately accelerated a paradigm shift, with many insiders recognizing the multiple dimensions of the challenges faced, the urgent need to address those challenges, and the inevitability of a system overhaul led by technological innovation and the introduction of a wide range of new and improved products and services.



THE HEALTHCARE LANDSCAPE

Technology – innovation, expanding data and the urgency for efficiency and value. Focus on costs, quality and access.

Demographics – the number of people who are older, belong to an ethnic minority group, have disabilities, or are living in poverty will influence and challenge current psychological and medical treatment models. These shifts and trends are driving patient needs, which in turn are driving needs in care.

Market – growth forces between new entrants and incumbents will cause disruption and convergence. Massive disruption on the horizon.

Regulatory – reform policy and funding changes, especially associated with the incoming Biden administration, have the potential to accelerate innovation. Evolving regulatory landscape.

Costs – continued growth in healthcare expenditures are putting more pressure on the current system and the need for change. Pressure to bend the cost curve.

Consumerism – “patients as consumers” will grow in importance, as will demand for best-in-class service.

Challenging – the healthcare industry may have endless opportunities; however, uncovering hidden gems is demanding, especially for the uninitiated. Complexity of due diligence requires substantial operating expertise.

Black Swan events – the COVID-19 pandemic has exacted a massive strain on healthcare resources and personnel. In turn, there is an urgency to address bureaucracy throughout the system—spurring further innovation and investment.

“TO TRULY UNDERSTAND OUR HEALTHCARE SYSTEM, YOU NEED TO START FROM THE INSIDE-OUT.”

Ralph Muller
Executive Chairman

BY THE NUMBERS

\$3.8t

US healthcare industry size¹

18%

Spending as proportion of US GDP²

71.6m

Baby Boomers³

45%

Between the age of 18-29 do not have a primary care physician⁴

36.2m

Total annual admissions in all US hospitals⁵

\$818b

Heart disease costs will triple by 2030 to reach

54%

of millennials have postponed care due to cost⁴

17%

of total US spending on healthcare⁴

60%

of US patients have at least one chronic disease²

5%

of US patients are responsible for

50%

of the costs⁶

SEMINAL TRENDS IN HEALTHCARE

Ubiquitous technology adoption

Advances in technology in healthcare is breathtaking—from artificial intelligence, medical robotics and autonomous vehicles, to innovations in medical treatment ranging from virtual reality training, bioprinting synthetic organs, and genome-sequencing. Technology is unlocking unprecedented levels of insight, with far-reaching implications and paving the way for improved patient care, recovery time and the patient experience.

Business model transformation

Business models that create and redefine value for all stakeholders will be omnipresent in terms of cost reductions, quality of service, and superior outcomes. Health systems will need to align the continuum of care through meaningful engagement, real-time diagnostics, and preventative measures. Entrepreneurs and healthcare leaders will focus on practical innovation and scale to help ramp up wholesale-care delivery. Mapping and integrating a patient's whole care journey will be critical.

Changing payment landscape emphasizes value-based care delivery and increases in risk-based contracting

The US healthcare system is at a critical inflection point. Payment systems have historically rewarded volume over value. This is unsustainable, and a transition towards more efficient, lower cost and higher-quality healthcare will accelerate. Hospital systems and physician groups are actively exploring risk-bearing models and experimenting with novel payment and delivery modes.

Patient engagement and desire for convenience is driving more patient-centric business models

The rise of prevention and outcome-based healthcare models will place consumers firmly in control of their own health and wellness.

Movement towards coordinated care delivery across the care continuum

The goal of aligning and coordinating all care an individual receives has proven to be historically difficult. Only 7% of patients' care is fully coordinated across various health settings.⁵ Care teams are challenged in tracking, sharing, and acting on meaningful health information and communicating with patients, caregivers, and each other. With 10,000 Baby Boomers turning 65 years old each day and individuals with multiple chronic diseases on the rise, new approaches to coordination across the care continuum are needed.⁸

Social-care transformation

Healthcare organizations will need to expand their aperture to take a holistic view of the well-being of patients. It has become clear that social, non-medical factors—including socio-economic factors, neighborhoods, employment, and physical safety—play a major role in individual and population health. Many of the top 10 global causes of death are related to unhealthy behaviors such as smoking, poor diet, and physical inactivity.

Greater home and mobile point-of-care and diagnostics

There will be advances in connected devices, including sensors, wearables, and implants that enable consumers and clinicians to proactively track and manage health anywhere, at any time, and from any device.

"INNOVATION COMES FROM TAKING RISKS, ATTENTION TO DETAIL AND STAYING THE COURSE."

Dr. Raina Merchant
Operating Advisor

OUR APPROACH

- Use nationally developed expertise to manage costs and risks through innovative value models
- Use digital health and “[automated hovering](#)” to manage care through devices and high touch
- Operating companies will benefit from SEMCAP’s expertise in long-term value improvement through the development of elite management teams. We take companies from \$10-100m to \$500m+
- Combination of competencies in care delivery, insurance, home care and telemedicine, and integrated value payments

UNLOCKING VALUE

- Focus on “5 in 50”: 5% of US patients are responsible for 50% of the costs
- Focus on disruption
- Focus on managing the care continuum

WHAT SETS US APART

- We nurture businesses and mentor management
- Deeply integrated advisors with exceptional operational experience
- Exemplary industry network gives access to rich deal flow

“WHILST THE STRENGTH OF OUR DEAL FLOW IS PIVOTAL, IT IS OUR ABILITY TO SELECT AND NAVIGATE THAT SETS US APART.”

Buck Buckley
Co-founder & Managing Partner

TARGET SECTORS

CARE DELIVERY

Well-managed practices & clinical services focused on delivering high-value patient care.

- Primary Care
- Specialty Care
- Home Care & Infusion
- Hospital at Home
- Women’s Health
- Behavioral Health

DISEASES OF THE AGING

Chronic care management and end-of-life care for growing number of elderly patients.

- Cancer
- Diabetes Management
- Cardiovascular Monitoring
- Stroke and Cardio Rehab
- Neurological Disorders
- Hospice and End-of-life Care

CLINICAL CARE SUPPORT

Novel services that support clinical patient care within hospitals and practices.

- Physician/Hospital Services
- Specialty Pharmaceuticals
- Disease Diagnostics
- Revenue-cycle Management

NEW PAYMENT MODELS

Innovation in financial & insurance products/arrangements that are consumer-/ employer-focused.

- Consumer-friendly Insurance
- Population Management
- Risk-sharing Arrangements
- Episodes & Bundles
- Direct Contracting

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Seminal Capital Holdings, LLC
435 Devon Park Drive
Building 800
Wayne, PA 19087