GrowthDx | Episode 10

The Moment Your Healthcare Startup Starts Selling Itself

Ashley Kent with Michael Greeley, Flare Capital Partners

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Ashley Kent | 00:04

Hello, Ashley

Ashley Kent | 00:06

Kent with Growth DX, joined today by Michael Greeley, co-founder and general partner at Flare Capital Partners. Michael, so great to have you today.

Michael A. Greeley | 00:16

Great to see you, Ashley. Thank you for inviting me.

Ashley Kent | 00:19

I'm really looking forward to this discussion. I mean, you've been investing in healthcare for decades and you know ~ have such a deep perspective on so many different sides of the healthcare system from the inside, from the outside. I know you've worked with startups, health systems, providers, payers, investors across the entire ecosystem and even on boards but companies. So looking forward to diving into all of these unique perspectives that you've been building over the last few decades.

Michael A. Greeley | 00:47

Thank you. Look forward to the conversation.

Ashley Kent | 00:49

Absolutely. Well, we'd love to hear from your perspective, kind of, you know, your build up into today and your role at Flare, ~ and what you guys are focused on and building ~ and what brought you to what you're doing now.

Michael A. Greeley | 01:04

yeah, it's a great place to start. So ~ as you said I've been doing this for some time. ~ I started this firm, so we're an early stage healthcare tech venture firm.

Michael A. Greeley | 01:15

~ about a decade ago. And if you recall it was a very profoundly interesting time ~ pre-COVID ~ but post ACA, post some of the ~ kind of regulatory frameworks really being ~ established, firmly established. We manage about a billion dollars. We've invested in about 85 companies and so we're our our positioning is to be the entrepreneur's partner. And so we want to be early ~ really the first institutional round and on the board.

Michael A. Greeley | 01:46

And very active. One of the other distinctions of think, I think, how we've built the firm is roughly half the capital comes from almost three dozen strategics and their household ~ names from ~ payers, providers, pharma, lab companies, device companies, the retailers. And so we've tried to mirror the ecosystem in our investor base, and ~ that's ~ been both very differentiated, I think, in the

Michael A. Greeley | 02:14

minds of entrepreneurs because we're giving them interesting access. ~ But also ~ there's a commercial engine running in the background and they've generated now close to a billion dollars of revenue across our portfolio and are significant investors in a lot of our companies. ~ And as we'll get into the conversation we we think of ourselves as a purpose built firm ~ to serve those entrepreneurs. Those entrepreneurs obsess about a handful of things early revenue and we'll obviously talk about

Michael A. Greeley | 02:44

Product market fit and getting to that inflection point, capital formation, and recruiting. And so we wanted to really lean in and have capabilities across all three of those dimensions, and you know, where we can appropriately be helpful. And as you said, I've been in and around the investment business close to 30 years, ~ and it's just been a profoundly interesting time in this sector, which is, you know, as we know, is 18 to 20 percent of the economy.

Michael A. Greeley | 03:14

And it's you it's finally being pretty radically transformed by technology. And so at the heart of it were technology investors.

Ashley Kent | 03:25

Well you've seen a lot of perspectives over the years, and I think, you know, I'm I'm only about ten minutes ten minutes. T feels like that sometimes. Ten years ~ n into this space. And you know, I came into it.

Ashley Kent | 03:37

So optimistic, bright-eyed, bushy-tailed, you see all these really, really cool innovations, but I'm not gonna say I'm jaded, but so much of the industry is to your point, it's dictated by the commercial motion, what's happening, you know, from a regulatory perspective. And so I'm curious, and particularly for how you guys are building your funds and the people that are in there, you know, what have you seen has changed, maybe even over like let's go from pre-COVID, during, and post.

Ashley Kent | 04:06

Of how you guys have been thinking about these investments and where you're placing them. It's not just about having a really great idea in healthcare. ~ it's can you penetrate? Does it make sense? Will someone pay attention to this? Is this where the federal dollars are going?

Michael A. Greeley | 04:18

Yeah.

Ashley Kent | 04:20

how has how has that shaped your investment thesis and who you've been paying attention to over the last few years?

Michael A. Greeley | 04:25

Yeah, so I let

Michael A. Greeley | 04:26

me just draw a very quick analogy, and then I think it'll begin to inform how we think about the opportunity set. ~ an adjacent

Michael A. Greeley | 04:36

Industry that ~ ~ incredibly well, ~ marketing, Marcom, 25 years ago went analog to digital. ~ It's about $400 billion in spend, so it's a massive category. And the executives running that part of the economy scrambled for capabilities to go analog to digital. And I think today you can say there's over $10 trillion of public equity value that were once venture-backed companies to help those executives through that transition. Healthcare is almost 15 times.

Michael A. Greeley | 05:06

larger, ~ we finally have unleashed new technology capabilities that are causing executives who are running 20% of the economy to scramble for new capabilities. And so and so if you look at longitudinally the timeline over the last you know dozen years or so, ~ ACA, affordable care, the rules are kind of established. When we started the firm, healthcare tech was about three or four billion dollars of

Michael A. Greeley | 05:35

investment activity and we were creating three or four hundred new companies a year. ~ COVID ~ was a massive accelerant for technology adoption because all the executives, you know, were either terrified or wildly excited about making their business models more virtual, on demand, predictive, intelligent. Investment activity in 21 spiked to $30 billion. Ordinarily industries have a problem when so much capital floods in. So that was

Michael A. Greeley | 06:05

Something we were very mindful of. We also created close to 800 companies. So we kind of doubled the number of companies six years ago. It's amazing that COVID ~ is now six years in the past. ~ And then less than four years ago, ChatGPT was released next month, November, you have this next wave of really profound forces being unleashed on the sector, which is obviously artificial intelligence. ~ And so we see ~ we think this year.

Michael A. Greeley | 06:35

investment activity will be about sixteen billion, so it's moderated, but it's on this really nice ~ recovery. ~ in twenty three I think it was it was about eleven billion, so it kind of collapsed and now it's kind of slowly working its way back. I I think these forces you can't put back in the bottle. And it ultimately the buyers of our portfolio company solutions are the executives trying to navigate all of these forces and much like other industries that have been transformed

Michael A. Greeley | 07:05

you know, we're finally seeing it in healthcare. And so by extension of my analogy ~ around Marcom, which obviously you know incredibly well, ~ I think over the next 10 or 20 years we're gonna see predictably the creation, which is starting now, multi-billion dollar venture-backed companies by entrepreneurs who deeply understand these forces and what the customer needs are. And telling that message, which is why you play an important role in the ecosystem, is hard

Michael A. Greeley | 07:35

hard. ~ It doesn't need to be distilled to a bumper sticker, but it needs to be really clearly articulated because you have a really anxious or excited set of customers looking for these capabilities.

Ashley Kent | 07:51

In those set of customers, I know they're, ~ ~ struggling right now between the build versus buy and you know what they're considering to be building in-house. I was at Health Evolution Connect in Nashville a couple weeks ago and you know there was a Medicaid MCO on their health system and they were all talking about, you know, what they are building internally and then what they're considering

Ashley Kent | 08:10

investment in and something that was interesting that they also brought up is that ~ ~ there's now not even just competition with ~ ~ the companies the innovative companies that are building solutions but the in-house departments that are building solutions and there's all this sort of competition and now everyone has their own individual solution and so I'm curious too from that perspective you know how have your companies been navigating that as you know it is becoming easier to build in-house when when does it make sense ~ for these conglomerates

Ashley Kent | 08:40

to keep it close and then when do they start to outsource and partner with innovative companies that

Michael A. Greeley | 08:45

Yeah, I think

Michael A. Greeley | 08:45

that's an issue that we don't

Michael A. Greeley | 08:46

As an industry we don't talk enough about, ~ which is vibe coding. ~ Like in every other enterprise ~ where AI is looming and people in the IT department is worried about being displaced, ~ their response has been to leadership. Give us a weekend, give us a few hundred thousand dollars or twenty thousand dollars, and we'll build an adequate workaround solution that gets us through this immediate need.

Michael A. Greeley | 09:17

~ I we're seeing that nibbling away at some of the budgets that our portfolio companies are trying to capture. And so I think that's a real legitimate ~ near-term issue ~ that that our early stage companies need to ~ need to understand and and and react to. Why I have some comfort medium to longer term, in-house teams

Michael A. Greeley | 09:43

For the most part in healthcare aren't deeply, they're not development shops for the most part. Some are very much on the cutting edge and and have have staffed up appropriately. So there are limitations to what they can build. Where there are real limitations around governance, support, service, overtime, product, you know, next generation products. So I think there's still a very important role for entrepreneurs to play to build product, but you know, they have to think much more creatively about pricing.

Michael A. Greeley | 10:13

aligning with the customers. So I think you'll see a lot more ~ ~ value oriented contracting or consumption based contracting. But undoubtedly, this is ~ I think, an emerging headwind that we don't talk enough about. I was ~ we hosted an event of ~ 150 people yesterday who were ~ leading AI experts in healthcare. And ~ at all the breaks, these were the conversations that our portfolio CEOs were having with ~ employees.

Michael A. Greeley | 10:43

important clients that were in the room. And ~ th I these are really in you know we're sort of in this awkward adolescent phase. Like pricing models are under disruption. Is it a per seat basis? Is it a PMPM? Is it consumption base? So there's sort of a hybrid set ~ pricing models and people are kind of groping through that. ~ And then there's in-house resources saying, no, I don't fire my team or cut my team in half. We'll do it for you. ~

Michael A. Greeley | 11:12

And undoubtedly there'll be solutions there'll be problems around the edges that could be solved internally, but I think over time, ~ there's gonna there'll be pressure on budgets and the ability to kind of support and upgrade products over time.

Michael A. Greeley | 11:28

That's just not a core capability. And I'm I'm talking in the app in generalities. Undoubtedly there there are ~ providers or payers that have those capabilities. But across the industry, you know, if you're a mid-sized hospital system or community hospital system, you don't have the ability to to build a whole suite of products. So there will be a market, a very important market for early stage entrepreneurs to continue to serve, but

Michael A. Greeley | 11:54

~ ~ don't be naive about how ~ how much headwind there may be in selling.

Ashley Kent | 12:00

Well it goes back to what you were saying around the positioning and that's so much of what we're we work on with companies as well. It's not just about, you know, you see the big plastered, you know, gain better access to care, you know, blah, blah, blah, all of that and and improve your point of care solution, whatever it may be. But at the end of the day, you know, we're thinking you have to think about it from the commercial

mind of, you know, who you're selling into and yes, the care is what we're ultimately

Michael A. Greeley | 12:23

Yeah.

Ashley Kent | 12:23

trying to affect, but we can't even begin to do that if we do not fit in within their model and for them to consider all the things that they're thinking through.

Ashley Kent | 12:30

They are thinking through this build versus buy, but it's been an interesting perspective myself. I've had most of my career on the innovation, you know, venture capital side of things, and now have a hand in you know working with a Medicaid MCO. I mean, you couldn't have two different ~ operating models within there, and it's given me a look under the hood to just understand how these people, I mean, they operate by committee on everything.

Michael A. Greeley | 12:53

Yeah.

Ashley Kent | 12:54

~ the amount of stakeholders that are part of this ~ is crazy. So it makes you really

Ashley Kent | 13:00

Think how you're positioning something. And to your point, it doesn't need to be distal distilled down to a bumper sticker, but it has to fit into a commercial model at the

Michael A. Greeley | 13:07

Yeah.

Ashley Kent | 13:08

end of the day. And that's so much more of what we focus on and work with on with commercial teams to make sure, you know, I don't care if you have the prettiest brand in the world, if you sound the most amazing, if it it's not aligned, if the go-to-market does not fit with what your buyer is, you know, considering and thinking about,

Michael A. Greeley | 13:23

Yeah.

Ashley Kent | 13:23

absolutely doesn't matter. And you're not even gonna

Michael A. Greeley | 13:25

Yeah.

Ashley Kent | 13:26

begin to get your foot in the door, doesn't matter how pretty or splashy you are.

Michael A. Greeley | 13:28

Yeah. And

Ashley Kent | 13:29

Mm.

Michael A. Greeley | 13:29

there's

Michael A. Greeley | 13:30

no shortage of issues that need to be ad addressed. You know, your customer base, certainly on the provider side, are low single digit ~ margins, so they're you know, they struggle to get through every day. Collections, you know, the so you have a customer base that is ~ not flush with cash.

Michael A. Greeley | 13:47

Y yeah, there's no shortage of issues. We we've tried to I think we've done a nice job on ~ as we think about our opportunity set. ~ there's sort of a distribution from administrative workflows all the way down through clinical workflows. And literally if you deconstructed all of that, there's several hundred of them. So there's there's no shortage of of issues to be addressed. The administrative workflows we think

Michael A. Greeley | 14:11

the the notion of replacing labor with technology is a little is is actually quite a bit easier to get your head around. ~ you will get

Michael A. Greeley | 14:20

~ ~ enterprise pushback from in-house you know resources. But ~ as you get closer to the patient, we firmly believe that that will end up still being a human in the loop, a clinician in the loop, and you'll you'll you'll have you'll build capabilities around the provider, ~ but you won't divorce the provider from that. And ~ I know other firms maybe have a different orientation around that, but ~ it's helped us think about where the near-term market opportunities

Michael A. Greeley | 14:50

And help size some of those opportunities. So we we've spent a lot of time around administrative workflows naturally ~ and have seen when our companies hit this product market fit inflection point. We can talk how do they get there? ~ Value creation is more asymptotic and ~ the product starts to sell itself. ~ And you know that that's kind of a magic, magical moment when you see that that inflection point hit. ~

Michael A. Greeley | 15:20

And so I think if you said ten years ago, I think these companies tended to be very asymptotic. You had a two, three, four year grind ~ and there was some false signaling. You heard you had some pilot revenues and maybe they converted, maybe they didn't, but when you got there it started to lift. I think that curve looks more ~ maybe it's not forty-five degrees, maybe it's not eighty degrees, but it's it has a much more of a linear slope to it. And

Michael A. Greeley | 15:49

What we're seeing in the market today are companies and this puts again a premium on on executive teams and our startups to be able to tell a story are raising much larger rounds much sooner in the journey. ~ and ~

Michael A. Greeley | 16:04

And I think that makes sense because historically product development timeline sales cycles, as you flag, were several quarters. Those are now several months, maybe several weeks, to get a product in customers' hands to get to get feedback. ~ and so they're pulling resources in, they're they're building out capabilities far faster, and ultimately they're raising much, much lar larger rounds sooner. It does come all around storytelling, ~ convincing investors that what they're doing is big and important and valuable.

Michael A. Greeley | 16:34

~ and getting clients to also kind of nod their head in agreement with that.

Ashley Kent | 16:41

One hundred percent. Well

Ashley Kent | 16:43

And you you go back to what you were saying of that magic moment of when something just clicks and that product market fit and when you feel it, it truly is magical. I just had it a couple of weeks ago with one of my

companies who's just been grinding and I think in healthcare particularly you can kinda default to, well, it's an incredibly long sales cycle. We're talking everyone loves to say the eighteen to twenty-four months and you can kind of use that as an excuse for why you haven't actually taken off when

Michael A. Greeley | 17:08

Yeah.

Ashley Kent | 17:09

I've been with companies when there is fit and it is moving.

Ashley Kent | 17:13

And you know, the nods are happening, people get it. And, you know, so how do you as an investor look at this? Because I think there's so many times that we can within healthcare say, wow, this is a really, you know, big problem in healthcare, but that doesn't always equate to a business opportunity. ~

Michael A. Greeley | 17:31

Yeah.

Ashley Kent | 17:32

and so how do you differentiate the two as you're evaluating opportunities? Because I know I've done this, I've talked to probably over a hundred different companies, and there's probably only like

Ashley Kent | 17:42

a few under ten that I've had that conversation and been like, okay, I would actually consider taking equity in this company.

Michael A. Greeley | 17:49

Yeah.

Ashley Kent | 17:49

~ and those were the ones that ended up but it was because it was a super boring thing, honestly, ~ that you know it just made sense business wise at the end of the day. And how do you guys look at that?

Michael A. Greeley | 18:01

Yeah,

Michael A. Greeley | 18:02

so we have the same dilemma. I I think I can't prove this, but my guess is there

Michael A. Greeley | 18:07

couple thousand entrepreneurs literally today raising money in this in this category in the health tech sector. ~ so it's a chaotic time. It did strike me when I was setting the firm up that ~ our investors, our strategic investors, are hearing from the same people. They're trying to sell product to those people and they're trying to raise capital from us. So we really early on embraced a collaborative approach really around diligence. ~ and so we

Michael A. Greeley | 18:37

So when we're when we're getting excited about something so we have a set of investment themes that we're trying to ~ map against, ~ we'll often have these entrepreneurs pitch as a sales pitch ~ some important strategic ~

Michael A. Greeley | 18:51

budget ~ owner ~ and get feedback, that often will convert to a pilot, ~ which is why I decided earlier that we crossed over this billion dollars of revenue threshold, which we're we're super proud. We work really hard at driving that. ~ There is a profile of a founding team, and I I I sound like I'm speaking in absolutes and it's not

meant to be because they're viol I'm sure we violated this. That gets us very excited, particularly how chaotic and and cluttered the market is right

Michael A. Greeley | 19:20

Right now with startups. ~ More often than not, I believe the there's somebody, there's sort of a two-headed monster, like a duality to it. There's somebody who's deeply clinical or commercially relevant. The implication is that is they're probably a little further in their career. They've worked inside the system and they're stepping out. And they're partnered with somebody who is deeply technical, but relevantly technical, because if you know it's been four years since

Michael A. Greeley | 19:48

~ ~ AI has been commercially available. Somebody who was technically relevant fifteen or twenty years ago is not is almost irrelevant in today's world. So we like that combination ~ where ~ again somebody who really intuits the problems that are being solved and frankly has the professional networks to call on friends in the industry to kind of lend a helping hand, take a meeting, give on varnish feedback. ~

Michael A. Greeley | 20:17

And so as I look at across as I said we have over eighty portfolio companies, those that are really kinda

Michael A. Greeley | 20:23

scaling quickly have those abilities ~ on the founding team. And so their their kind of walkabout the first couple years is much more accelerated because they they really are they can get right to the right product feature set. ~ they can tell the story in a way that customers really understand because they were once you know trying to solve those problems. ~

Michael A. Greeley | 20:50

Obviously there's still a role for young emerging, ~ ~ young ~ out of college, out of grad school entrepreneurs. They play a really important role. But to scale a really big business, you know, you have to ~ what HIPAA stands for. You have to I you have like you have to know the vernacular and that's th this is probably the most complicated industry in in our economy, ~ which is why I think it's been so insulated from really radical innovation for so long.

Michael A. Greeley | 21:19

the the other change I think is im and these are probably people you're talking to regularly, ~ ten years ago you didn't see the chief innovation officer role as as prominent across all these companies. ~ and that now is a real position of authority. ~ chief strategy officer is often chief strategy innovation officer. So you have you've the industry's adopted new ~ executive roles that I don't think were as prominent.

Michael A. Greeley | 21:48

~ ~ ten years ago. And that that to me is a ~ ~ interesting indicator that they all recognize we need to bring innovation in from the outside.

Ashley Kent | 21:58

It's interesting. I was on a panel with a chief innovation officer with a rural health system, and it was one of the funniest moments because he was like, I know this is my title, and so I have startups pitching me all day long with the newest and best thing. He goes, But do you want to know what I'm tasked with right now to actually solve credit card payments? Like that is what he was focused on right now. And I think it's such a good reminder for you know what their day-to-day is, and you know, how just heavy and slow everything is.

Ashley Kent | 22:28

And so to have that inside perspective to know how these organizations are functioning, I do the exact same thing. I'm looking for someone that you know has that deep industry experience. They've, you know, had a senior level role within a health plan, whatever it is. Now they've moved into a VBC, you know, startup that's doing XYZ and they're able to get those introductions. They know the right people. they can get their foot in the door. Because I think so much, and a huge reason why I am so passionate about healthcare is you know,

there's usually

Ashley Kent | 22:58

Really strong mission behind the company. ~ And why someone started it, my mom had this happen to me, this happened to me personally. I want to change the way that care is delivered. Unfortunately, that isn't enough. And sometimes that passion can, you know, get you there and it can get your foot in the door. But if you don't have that commercial understanding and mindset, it

Michael A. Greeley | 23:19

Yeah.

Ashley Kent | 23:19

can be incredibly challenging and a huge, you know, just learning curve that, you know, I feel I always say this, I feel like I'm a student every single day in healthcare. I learn something.

Ashley Kent | 23:28

something new that I didn't before and how am I consistently trying to

Michael A. Greeley | 23:31

Yeah.

Ashley Kent | 23:32

understand the space better and it's hard. It is it's a hard space to be in if you do not have that deep industry experience.

Michael A. Greeley | 23:40

I fully agree. ~ if you look at the composition of our team, there's some that were clinicians, ~ some were technologists, some worked to payers, some worked to providers, ~ some did startups and you need that kind of comprehensive ~ we meet as a partnership as a firm three times a week. and

Michael A. Greeley | 24:00

~ the debate we're having right now is really around relative valuations, which are really crazy, ~ frankly. ~ but y you need to really have everybody have an opinion as we consider new investments, ~ because you need that mosaic of input to make a decision that, you know, more often than not I think we're making the right decision. ~ we saw coming into our ~ firm last year, twelve hundred, I think it was twelve hundred fifty four companies. Like that that's a real big number.

Michael A. Greeley | 24:30

~ the the other comment is a lot of these

Michael A. Greeley | 24:35

enterprises, they just don't see the volume of deal flow that that we would see. So the ability to ~ ~ parse through that, there is a pattern recognition skill that that I think is helpful for us because we just see a lot and then we have a team that all can respond given their, you know, their professional backgrounds and then hopefully that all kind of gets thrown into a pot and we make the right decision. But it's a chaotic time and I I

Michael A. Greeley | 25:02

I think ul ultimately why we're so enthusiastic ~ about the next ten or twenty years is it has to happen. It it's unsustainable. and you know, you have the convergence of high throughput computing, you have you know, just all these forces have come together from around the ~ economy that are now giving capability, giving life to these these solutions that ~ the industry just couldn't couldn't

Michael A. Greeley | 25:32

adopt before. And so ~ and you have a regulatory framework today that is still s quite supportive. Y you have some strange developments like kicking all these people off the Medicaid role. I don't we don't quite

understand that, but

Michael A. Greeley | 25:51

~ ~ freight ~ fraud, waste and abuse is a real issue. One of our big themes is around data liquidity and driving more transparency and liquidity. You you can then have tools to navigate things like fraud, waste and abuse and ~ and better

Michael A. Greeley | 26:08

~ ~ underwriting of the risks ~ ~ that you know people's healthcare journey re reflect and so how does the system kind of incorporate those risks and manage those risks. ~ so what we don't like in the industry, there are some structural limits to moving data around. ~ the EHR industry I think has been arguably a pretty big ~

Michael A. Greeley | 26:34

depressant on innovation because they they hold so precious that data. But you need to be able to multiplex different data sets to start to see actionable signals. And so I'm hoping if there is any additional change on the regulatory front, it it drives more transparency and liquidity around siloed data. ~ because these tools have the ability, like in every other in your industry, financial services, you know, there's no reason we can't get there.

Ashley Kent | 27:05

On the, ~ ~ the stronghold that the EHRs have had on patient data, whatever it may be. I mean, it is opening up. I mean, you know, but I think there's still such a lack of knowledge within the space of what's changing with fire, access to HIEs, and you know, no longer just relying on claims data.

Michael A. Greeley | 27:21

Yeah.

Ashley Kent | 27:22

so you can really get more of that patient picture. But I think what I've seen with a lot of these companies that are tapping into this, it's then how is it being leveraged, used in a way that's actually useful at the point of care?

Michael A. Greeley | 27:33

Yeah.

Ashley Kent | 27:34

and not adding complaints.

Michael A. Greeley | 27:36

Yeah, and and the storm cloud on the horizon is we're about to have multi-million dollar gene therapies and biologics and so the the cost of care is about to just skyrocket because AI is gonna drive more precise drug development programs. ~ and so we shouldn't be treating people who are not gonna respond with million dollar th gene therapies. So we need the data liquidity to better inform clinical decisions so that the right care gets the right person at the right time and the right venue. ~

Michael A. Greeley | 28:06

and I you and I are in violent agreement it sounds like that that that's a structural issue that I I hope if the government is gonna be responsive to the needs of this industry they'll focus on that. ~

Ashley Kent | 28:19

Yeah, and I've heard people also too, is a conversation that, ~ ~ people were having a couple weeks ago at the conference I was at, of ~ ~ there's so much good to where providers can tap into this data at the point of care as long as whatever they're using is actually surfacing relevant insights. But then you've got the up flip side on the payer side where you're hearing, ~ ~ people talk about where now we're up coding, we're using AI to now find a lot more conditions and charge for those. And even within a BBC model, ~ how are they risk

adjusting and leveraging that? And we're kind of going back to the gamification.

Ashley Kent | 28:49

that we were trying to get away from on the fee for service side.

Michael A. Greeley | 28:53

Yeah.

Ashley Kent | 28:53

So how are we using it for good? How are we not just trying to game the system, which I think will always be a debate we'll have.

Michael A. Greeley | 28:58

I I think yeah, to that

Michael A. Greeley | 29:00

point there is an agentic arms race. I think a provocative question I like to ask ~ the executives I interact with, if healthcare is eighteen percent of the economy today in ten years from now, what's that number? you know, there they're confounding factors like aging population, but is it gonna be twelve percent or will it be twenty five percent? if if the number keeps going up

Michael A. Greeley | 29:22

then sadly, ~ what are we doing? We're not actually changing the cost curve. Again, that population's aging, so it you know, maybe they're confounding factors. But it is a provocative idea to think ultimately ~ it's an industry where ~ we do good and do well at the same time, but are we actually fundamentally changing the the the business of healthcare with all these great innovations.

Ashley Kent | 29:48

regulations and all the things that come in, ~ ~ how are we actually changing that? I'm curious for, you know, currently today, you know, what are some of the biggest entrants that you're seeing that are accelerating change? We had COVID, people were adopting, you know, virtual solutions really, really quickly. You know, what are the things you're seeing today that, you know, people are jumping on? ~ you know, we've got GLPs, we've got and like the which could radically change, you know, what, you know, health outcomes look like over time. We've got

Ashley Kent | 30:18

~ ~ we can tap into HIEs, we can do all of this. What are you guys looking at right now as probably one of the largest accelerants within the industry?

Michael A. Greeley | 30:26

I I think there are two areas that w we've probably been ~ less focused on, but we've we've doubled down on around pharma tech, so making that whole process much more efficient.

Michael A. Greeley | 30:39

And ~ you know, probably twenty percent of our customers that are portfolio companies in aggregate sell to or farm. I'd like to see that number be higher. Those are ~ there's obviously a lot of opportunity there to reduce ~ reduce those costs, those workflow you know, by re architecting those workflows. We we have been ~ increasingly spending time around ~ the role of the patient slash member slash consumer. So is there are there more B to C that that has a

Michael A. Greeley | 31:09

the wrong connotation from other industries. But as patients become better enabled to un take on their mo ~ better understand and activate ~ and engage, ~ are there capabilities there that bring the patient more front and center into the into that journey? And you know, ten years ago if you were given your medical record, you couldn't even begin to read it. And now these tools can parse through it, distill it down, give you a real sense

of

Michael A. Greeley | 31:39

of

Michael A. Greeley | 31:39

~ ~ the next best step. And so maybe if we become more racial we you and I become more rational consumers of these products and services, that will push

Michael A. Greeley | 31:50

price ~ ~ put pressure on on pricing and margins. ~ and maybe that's a way to take cost out that we actually have to and you've seen that through value-based care models, but it that doesn't necessarily touch the member or the or the patient. But if if you know this is a much broader discussion, but our federal debt ~ you know they're just gonna be more means testing, which I think that means ultimately people are gonna have to start making

Michael A. Greeley | 32:17

economic healthcare purchase decisions and so is there a whole set of solutions that need to be brought to market to facilitate that.

Michael A. Greeley | 32:28

W we we s our portfolios tend to be sort of eighty percent deep tech, twenty percent tech services. We we continue to believe there's a really important role around virtual care models. We tend to invest in them that are organized around smaller populations that are identifiable and and manageable. and so we'll continue to look at that. Services have been, you know ~

Michael A. Greeley | 32:51

quite a bit out of favor the last several years, ~ which is unfortunate and partly because there's been such a rotation to AI centric businesses. I think in two years from now everybody's gonna be calling themselves an AI company, even if you're a virtual service provider. But we have some really interesting companies like around kidney care and

Michael A. Greeley | 33:12

couple behavioral health companies, a GI company, ~ a muscoskeletal company. So you can organize now around very specific ~ identifiable conditions that are really poorly managed ~ through primary care. And so we'll continue to pursue those. We'd we'd like to see the later stage investors embrace those business models. We have an obesity company that's a terrific company ~ serving that population. And so

Michael A. Greeley | 33:42

~ ~ there's no shortage if you just stack rank all the diseases on col we have an oncology company, just go down cardiology. so we continue think there's an opportunity there. It's ~ a smaller portion of what we focus on, but

Ashley Kent | 33:57

Well, it's interesting too, you mentioned pharma life sciences, and that's honestly a a newer space that I just got into over the last year. And honestly, I've ~ ~ kept it to the side of ~ I don't really want to crack into that, but it's been incredibly eye-opening. We we all talk about like this is where so much of the money is, and they everyone is spending so much money to get people onto therapies. ~ but I think I was pretty floored at how little innovation is actually happening once someone is starting a therapy to keep someone on it.

Ashley Kent | 34:27

and particularly within complex ~ conditions where it's really

Michael A. Greeley | 34:31

Yeah.

Ashley Kent | 34:31

challenging to stay on that. And so that that was a really eye-opening thing. I I think I was thinking there's so much money, there's so much innovation that's happening there. Surely they're, you know, operating at the top of their license, but, you know, it's the same thing over there as well. At least there is some money there, ~ that they'll put towards it.

Michael A. Greeley | 34:46

Yeah. Yeah, ad adherence is a huge issue.

Michael A. Greeley | 34:50

So to my point, like can we do better around ~ informing, educating, activating people to just take more ownership of their own health. yeah, so I think there's terrific opportunities around that.

Ashley Kent | 35:04

Well, and I think to your point too of how do we reduce this cost, you know, and improve margins by educating the broader public, but like think about you and me, we live and breathe this every single day. And I feel like I'm just barely scratching the surface. So you move into the general population. It's like, my gosh, how are they even gonna begin to, you know, start to understand this? And so how are we doing a better job to educate ~ people? And I know that's been No. I'm

Michael A. Greeley | 35:29

Yeah. It it's certainly not gonna happen tomorrow, but over time.

Ashley Kent | 35:34

I'm still wading through it 100%.

Ashley Kent | 35:35

~ well, I really, really appreciate a lot of your perspectives that you've had on here. And, you know, before we round this out, we've talked a lot about, you know, where ~ guys have been looking at the market. I want to flip to you, I know you've held a lot of board seats. ~ and so within that perspective, and as you are advising companies and having really tough conversations, what have you been seeing within those conversations? Are there any trends? Are

Ashley Kent | 36:04

Is there any direction that you're really pushing people towards or holding, you know, people accountable for within those meetings that maybe is a little bit different than even five years ago when you had a court seat?

Michael A. Greeley | 36:15

aro around

Michael A. Greeley | 36:16

how we organize boards or just just in general more strategic issues. Yeah.

Ashley Kent | 36:19

More strategically, ~

Ashley Kent | 36:21

in how you're advising or holding someone accountable. What is that how has that changed or has it?

Michael A. Greeley | 36:26

so you know, board meetings I I try and avoid board meetings becoming simply a reporting function of the management on how the last quarter or the last month came in. 'cause you do get mired in very ~ important but clearly secondary issues. I I think the the converse the North Star I keep pushing on is

Michael A. Greeley | 36:49

Where where does this company fit in the broader solution set that's that's in the market and just you know, navigate, kind of be obsessively focused on what ~ what you're trying to build towards and not get caught up in the last quarter's results. ~ and then

Michael A. Greeley | 37:07

~ ~ ~ ~ clearly being very dialed in on what the customer base is ~ demanding. And so ~ I think some of our most C effective CEOs and founders are in the market all the time. They're with clients all the time. And you know, the where you see drift is ~ the original premise from several years ago when you were getting started

Michael A. Greeley | 37:32

You're still heading towards that endpoint and the market's really ~ ~ moved away from that. A provocative topic in my world right now is ~ and you hear this a lot with the later stage investors, companies they invested in five, six, seven years ago that were kind of on the forefront of healthcare, ~ are those now legacy companies that are about to be totally disrupted because they just haven't stayed ~ current and fluent on some of these new capabilities. And so

Michael A. Greeley | 38:01

Our push constantly is the team needs to be deeply embedded in the market with clients and just listen to everything they're saying, verbal, nonverbal. ~

Ashley Kent | 38:13

Mm-hmm.

Michael A. Greeley | 38:14

because you you you can tend to lock in ~ with blinders. Like, I'm gonna go build X, Y, and Z, and the market's actually looking for MNOP, and you just you miss that.

Ashley Kent | 38:25

Mm-hmm.

Michael A. Greeley | 38:25

And you wake up and you're like, We've been chronically behind plan because we're actually building something nobody

Michael A. Greeley | 38:31

really cares about. The seduction of our industry is these end markets are measured in tens and hundreds of millions of billions of dollars because the categories are so large. ~

Michael A. Greeley | 38:42

But ~ ~ if you're ~ ~ moving in the wrong direction and even subtly, if you're five percent off I d I can't do the geometry at the beginning, when you get to the end of the journey, you're off like you you're not even in the same zip code if you if you're kind of not precise. Anyway, so that's the conversation. We're we really are focused on product market fit, just reasserting that we're doing something that people actually care about.

Ashley Kent | 39:06

Well, and you know, building with the buyer as well. And you know, you still have your foothold in what you are building, but you know, making sure that it operates and fits within how they function, because you know, health plan A is entirely different than health plan B, and you can't just put them in the same bucket and just expect it to be, you know,

Michael A. Greeley | 39:25

Yeah.

Ashley Kent | 39:26

an easy sale. And so,

Michael A. Greeley | 39:27

Yeah.

Ashley Kent | 39:28

you know, it's it's kind of this like counterintuitive thing. We have so much technology, we have so many things, but you cannot keep those blinders on. You have to be sitting in the market with your buyer, and that's

Ashley Kent | 39:36

where

Ashley Kent | 39:36

to your point, you know, founders that have had a seat ~ on the other side and know it, you know, so deeply is such a, you know, value add what they're doing and building.

Michael A. Greeley | 39:45

Yeah. That's well

Michael A. Greeley | 39:47

that's well said.

Ashley Kent | 39:48

well, I always finish every episode ~ in conversation with something that we call the one fix. we've talked so much about all the regulatory constraints, budget constraints, all the things that founders are up against. But if you were to have one magic wand, I actually just got back from Disney World yesterday, so this is very fitting,

Michael A. Greeley | 40:05

Okay.

Ashley Kent | 40:06

let me tell you. ~ you can fix one thing in healthcare tomorrow, no budget constraints, no regulatory constraints, and no politics. What are you fixing?

Michael A. Greeley | 40:19

I think it comes back to the this notion of data liquidity. so obviously I'm kinda selling my own book 'cause our companies require data access to to really scale. I I think that has been such an incredible ~ restriction on innovation and ~

Michael A. Greeley | 40:40

~ ~ I'm not gonna name companies, but there are a couple of obvious companies who I think have just been had a stranglehold over this part of the healthcare economy ~ and behave in a you know in a I don't know if it's mon monopolistic ~ but just in a I think in a really in a manner that undermines innovation.

Michael A. Greeley | 41:04

And that that to me is probably one of the the big fixes. Like is there a is there is there a solution to that?

Ashley Kent | 41:13

them. Well Michael, thank you so much for joining me today. This has been fun.

Michael A. Greeley | 41:16

Hey, Ashley, great

Michael A. Greeley | 41:17

to see you. Yeah, great to see you. Great conversation.

Ashley Kent | 41:20

Yeah, absolutely.

Ashley Kent | 41:21

~ well, obviously everyone go check out Flare Capital Partners. I know they have a lot of really great content insights that are out there in the market right now as you want to stay on top of what's going on, please check into other Growth DX conversations. We talk about all the things within the private equity markets, venture capital, ~ compliance regulatory, as you're trying to understand where to focus within your business. But thank you so much, and we will catch you on the next episode of Growth DX.