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8 Best Practices For Securing Investment In Diagnostics

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Even as medical innovation continues to produce major breakthroughs in therapies, devices, and technologies not previously available, sustaining the delivery of healthcare services and controlling the ever-spiraling costs associated with drug development and treatments have reached a critical breaking point. The drivers and contributing parties to this unsustainable healthcare hyper-inflation are numerous, but an often-overlooked factor is the current gross imbalance of a therapeutics-favored investment focus vs. a near abandonment of resources focused on diagnostic development.

With new diseases and conditions emerging (as well as a return of some long thought eradicated, like polio, measles, and whooping cough) and significant increases in sicknesses in the population occurring due to lowered immunities, aging, and other factors, financial and human capital resources have been disproportionately demanded of the healthcare system in recent years.

Challenges In Diagnostic Investment And Consequences Of Underinvestment

Unfortunately, there have been several diagnostic company collapses over the last decade, which have cast an immovable shadow of uncertainty over the entire sector. The excitement that greeted the missions, visions, and development plans of such projected diagnostic stars as Theranos, Q-Health, Lucera, OnQity, Aureon Biosciences, Molecular Biometrics, and Helicos soon devolved to disappointment after these ventures could not bring the promise – or the strong business cases – for their test solutions to fruition. In some cases, struggling diagnostics startups were even involved in manipulating their financials to pump up their stock price, which further caused investors to shy away from the sector.

Underinvestment in diagnostics hinders the potential for better health outcomes, since many conditions are harder to treat and manage when diagnosed later. The subsequent increase in treatment and downstream healthcare costs places a greater financial strain on the healthcare system, insurance providers, and patients. The lack of diagnostic tools also can increase the workload and stress for physicians and, in some cases, lead to burnout.

This problem also can affect underserved and marginalized communities, exacerbating existing health disparities, and it also can hinder research and development, slowing the pace of innovation. Global health also can be compromised, as diagnostic capabilities are essential for early detection and outbreak containment.

Yet despite the vital role diagnostics play, the numbers on diagnostic investment have decreased precipitously over the last several years:

- Overall, since 2004, only about 3% of total healthcare investment dollars has been allocated to diagnostic company products.[1]

- Tools and diagnostics companies raised only $6.2 billion in VC financing across 423 deals in 2023, a significant 37% decrease from 2022.[2]
- Tools and diagnostics companies raising their first investment rounds brought in $1.1 billion over 126 deals, a 31% drop from 2022.[2]

Best Practices For Medtech/Diagnostic Companies Seeking Investments

To attract and secure investments, medtech and diagnostic companies can adopt a variety of strategies to highlight their value and potential for growth:

1. ***Demonstrate Long-Term Value***
   Showcase how early diagnosis can lead to better patient outcomes, reduce healthcare costs by preventing severe disease progression, and improve overall system efficiency. Highlighting these benefits helps investors see beyond immediate ROI and understand the broader impact of their investment on public health. For example, using companion diagnostics (CDx) at an early stage significantly lowered the cost associated with oncology medicines development, potentially making them available to more patients, while staying with the cost constraints of cancer health systems.[3]

2. ***Collaborate with Government Agencies and Regulatory Organizations***
   The COVID-19 pandemic is an example of governments, industries, and international agencies coming together to strengthen regulatory systems on a global level, which has led to increased preparedness for future public health emergencies.[4] Similarly, working closely with government agencies and regulatory bodies can help streamline approval processes and secure incentives for innovation in diagnostics. Companies should actively engage with these entities to provide necessary information, address regulatory concerns, and advocate for policies that support diagnostic innovation. This collaboration can lead to faster market entry and increased trust among investors.

3. ***Adopt Public-Private Partnerships***
   Encouraging collaborations between investors, healthcare providers, and diagnostic companies can help spread risk and rewards, making diagnostics a more attractive and secure investment. Public-private partnerships can leverage the strengths and resources of each party involved, fostering innovation and accelerating the development of implementation of new diagnostic tools. For example, one recent public-private partnership is working to support the development of pediatric medical devices used to monitor or diagnose diseases and conditions from birth through age 21. Partners include the NIH, the FDA, and private sector partners, who will provide funding and expertise.[5]

4. ***Leverage Success Stories***
   Sharing case studies and success stories that demonstrate effectiveness and highlight the positive impact of early diagnosis is crucial. Concrete examples can help build investor confidence and illustrate the real-world benefits of their investments. Highlighting successful outcomes, patient testimonials, and positive healthcare provider feedback can make a compelling case for the value of investing in diagnostic technologies.

5. ***Focus on Market Needs and Gaps***
   Identifying and addressing unmet needs in the market can make a company's offerings more attractive to investors. Diagnostic developers should conduct thorough market research to understand current market gaps and tailor solutions to address these areas. Demonstrating a clear understanding of market demand and how technology can fill a critical need can enhance investment appeal. For example, a recent DevPro Journal article focused on the need for diagnostics to overcome gaps in healthcare delivery and how diagnostic technology can help close these gaps in mobile health applications, electronic health records,

wearable devices, and telemedicine.[6]

6. ***Develop Strong Clinical and Economic Evidence***
   Building a robust portfolio of clinical and economic evidence to support the efficacy and cost-effectiveness of diagnostic products is essential. Companies should invest in clinical trials, real-world studies, and health economic analyses to generate data that substantiates the value of their technologies. This evidence can prove pivotal in convincing investors of the potential for widespread adoption and financial return.

7. ***Engage with Key Opinion Leaders***
   Partnering with respected KOLs in the medical and scientific communities can enhance credibility and visibility. These leaders can advocate for the company's technologies, share insights on clinical applications, and support the dissemination of positive results. Their endorsement can be influential in attracting investor interest and gaining market traction.

8. ***Implement a Transparent Communication Strategy***
   Maintaining transparent and consistent communication with current and potential investors is vital. Diagnostic developers should provide regular updates on progress, milestones, and any challenges encountered. Clear communication fosters trust and helps investors stay informed about the company's trajectory and strategic direction.

Time For A Mindset Shift

While the math on diagnostic investments will always be more challenging compared with the "comfort" of therapeutics investment, there has never been a more critical time for a radical change in mindset to create a resurgence of growth in the diagnostics industry.

This shift will require a renewed dedication by all stakeholders – on both the treatment and detection/prevention side of the field – to come together to make diagnostics more widely accessible and affordable for consumers, realizing that it is in everyone's interest to restore early detection as the number one priority for keeping people and communities healthy. Investing in diagnostics is investing in human health.

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About The Author:

Nathalya Mamane, founder and CEO of RT MicroDx, is dedicated to revolutionizing healthcare with affordable, at-home molecular testing. Armed with an MBA from Babson College in Boston, she launched RT MicroDx in 2021 to make affordable, accurate, at-home diagnostics available to everyone, regardless of their geographic location or socioeconomic status. Under Mamane's leadership, RT MicroDx has been named a Mass Challenge finalist and winner of the Babson Pitch Competition.

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