



MEMORANDUM

WellDoc closes \$20 million in Series A financing led by Merck's Global Health Innovation Fund - January 14, 2014

Executive Highlights

- On Friday, WellDoc announced closing of a \$20 million Series A round of financing, led by Merck's Global Health Innovation Fund.
- The investment will fund a dedicated sales force to regionally rollout BlueStar, WellDoc's FDA-approved mobile prescription therapy for type 2 diabetes. This is great news for patients and for the diabetes community, who should now get much faster access.

On Friday, WellDoc announced the closing of a \$20 million Series A round of financing led by Merck's \$500 million Global Health Innovation Fund (Merck GHI). Windham Venture Partners also participated in the investment, and along with Merck, represent WellDoc's first institutional investors. These funds will contribute to the launch and commercialization of BlueStar, WellDoc's FDA-cleared, personalized Mobile Prescription Therapy for type 2 diabetes ([see our detailed report](#) when it was announced in June 2013). Notably, according to WellDoc's Chief Strategy & Commercial Officer Mr. Chris Bergstrom, this funding will help hire a formal sales team for the regional rollout of BlueStar. We'd note that the nationwide rollout of BlueStar was originally expected by the end of 2013, meaning this launch has been a bit delayed - certainly this major funding would be a great reason to pause before moving forward as quickly as planned, since so much more will be possible now.

A major goal with BlueStar is to help fulfill the new [National Diabetes Standards of Care](#) published in 2012 by ADA and AADE, especially the elusive "standard #8" - on-going support of self-management. We agree that BlueStar, with its high degree of personalization and digital delivery, could really help patients manage diabetes in between doctor's/other HCP visits. Perhaps most notably, BlueStar will launch with reimbursement similar to other prescription products (adjudicated as a pharmacy benefit; i.e., copays that vary by insurance plan). At CES 2014, speakers imagined a future where doctors prescribe apps and other digital health products - with WellDoc's BlueStar, that future is here!

This Series A financing nearly doubles the funds that had been raised to date through WellDoc's initial angel investors (~\$30 million). Merck GHI has minority ownership of WellDoc and does not own strategic rights to the company or any of its products - that's a major positive for WellDoc in the event it looks to partner with others in the diabetes space. In addition to these investors, WellDoc is also exploring the option of adding co-investors that bring additional strategic value to the company.

According to [Merck GHI's website](#), the fund invests in digital health "with a vision that data will be the currency in healthcare." The inclusion of Merck's high profile GHI is unquestionably a vote of confidence in WellDoc, the management team, and in BlueStar. In the past, Merck GHI has invested in wireless cardiovascular monitoring with an FDA-approved algorithm. The other new institutional investor, Windham Venture Partners, prides itself on partnering with companies that have "game-changing" device and diagnostic technologies. The VC firm has also invested in GlySens, an implantable CGM that transmits data to smartphones and other devices.

We have heard speakers at diabetes technology conferences consistently call for clinical decision support software that works - we hope this Series A financing is a sign that institutional investors are beginning to recognize this need. At the Digital Health Summit at CES 2014 ([read our Day #3 report](#) for themes), the need for smart algorithms to manage patient populations was consistently identified as a major need. While new

devices are helping collect lots of data and stream it to the cloud, providers do not have the time (or the reimbursement framework) to analyze it at present. Expert Systems like the WellDoc platform can use all this new data to help bring more patients to goal AND reduce the burden on HCPs and the healthcare system (e.g., WellDoc's [poster at DTM 2013](#) showed how smart algorithms can predict hypoglycemia better than real endocrinologists.

- **In June 2013, [WellDoc launched BlueStar](#), an FDA approved Mobile Prescription Therapy that provides real-time motivational, behavioral, and education support for patients with type 2 diabetes.** BlueStar is powered by the proprietary WellDoc Automated Expert Analytics System, which analyzes trends in users' entered data (i.e., blood glucose and A1c levels, diet, exercise, blood pressure, lipids, and foot exams) and makes recommendations based on behavioral patterns. Everything is highly personalized from the initial setup, with feedback and messaging adapting over time - each patient's BlueStar is completely different. The algorithms are based on expert feedback from diabetes clinicians, and as we understand it, every single message maps directly to standards of care.
- **As a reminder, BlueStar will launch with reimbursement similar to other prescription products** (adjudicated as a pharmacy benefit; i.e., copays that vary by insurance plan). This is a major win for patients, a rarity in mHealth, and a testament to WellDoc's strong management team and focus on publishing solid clinical data. When BlueStar was initially announced in June, many payers - Ford, Rite Aid, Dexcom, and "other Fortune 500 companies" - granted it reimbursement similar to other prescription products.
- **[Merck GHI](#) is a \$500 million fund focused on supporting digital healthcare that reduces costs and improves outcomes;** some of its other investments outside of BlueStar include PatientSafe (an in-hospital care management mobile health solution) and Liaison (software that allows data integration and management in the cloud). Since late 2010, the fund has made over 20 investments in digital health companies; WellDoc is the company's first foray into the diabetes realm.
- **[Windham Venture Partners](#) is a \$75-100 million fund that also dedicates its investments to healthcare, with an emphasis on medical devices and diagnostics.** The venture firm has approximately thirteen investments, two of which are diabetes-related. Windham Venture Partners has said that their support for WellDoc is out of an ongoing effort to "align with technology and public health trends." The fact that the very experienced [Mr. Roger Fine](#) (Chairman, Robert Wood Johnson Foundation, Princeton, NJ; former Corporate VP at Johnson & Johnson) co-founded this fund further underscores what a vote of confidence this funding represents.
- **As a reminder, the FDA released the final guidance on mobile medical apps on September 23.** The full guidance can be [read here](#), the press release [can be found here](#), and a good [reference page is here](#). The 42-page guidance document was issued to clarify the subset of mobile products to which the FDA intends to apply its authority. Broadly speaking, the guidance does not have any major surprises and we believe it is a win for the industry, patients and HCPs. While it's tough to know for sure, it should hopefully increase predictability for companies, ensure patient safety, remove uncertainty for investors, and perhaps even stimulate more investment in this growing area.
 - **Based on our review, the final guidance is largely consistent with the draft guidance published in July 2011 ([read our report](#))** - in essence, if an app or other mobile product is used to diagnose, treat, or mitigate a disease, or it is used as an accessory to a medical device, then it will be regulated by the FDA. Mobile medical products that undergo FDA review will be assessed using the same regulatory standards and risk-based approach that the agency applies to other medical devices.

--by Hannah Martin, Adam Brown, and Kelly Close