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Investor Eye: Medtech Innovator's Accelerator Is Catching Up With Pharma

by Barnaby Pickering

Each year, Medtech Innovator whittles down a vast number of applicants to a relatively succinct shortlist of companies. Paul Grand, Medtech Innovator's CEO, spoke to *Medtech Insight* about this process, as well as some of the broader trends impacting investment in medtech.

Originally founded as Research Corporation Technologies' internal accelerator before being spun out as a standalone non-profit in 2016, Medtech Innovator has spent the past decade shining a light on upcoming medtechs with exciting new technologies.

Each year, Medtech Innovator holds its annual contest, during which its shortlist of companies – 61 this year – first present at a showcase to a plethora of high-ranking industry executives. If successful at this stage, they are moved forward to the accelerator, at which point they receive mentorship and support from the same cohort of executives.

Four finalists are selected, and one is crowned winner.

Medtech Innovator's format, which only awards non-dilutive support and funding, has helped it become the largest accelerator of medtech companies, outstripping J&J's JLABS, USCF's Rosenman Institute and Y Combinator, the accelerator behind household names like Airbnb and Dropbox, as well as a [plethora of medtech companies](#).

Its portfolio of more than 500 graduate

Key Takeaways

- Medtech Innovator scouts the best and brightest upcoming medtechs
- It then matches companies to experts, thus fine-tuning product-market fit

companies has gone from strength to strength, with these businesses raising more than \$7bn in further financing and launching over 240 products onto the market.

- Medtech must accelerate its exploration of digital, if it wishes to catch up with pharma.

Medtech Innovator also functions as a non-profit – unlike many other accelerators. Speaking to *Medtech Insight*, Medtech Innovator’s founder and CEO, Paul Grand, explained that its funding comes from a variety of sources.

Half of the funding comes from Medtech Innovator’s sponsors – the likes of Dexcom, Edwards Lifesciences, J&J and Olympus. Slightly less than half derives from philanthropic sources, with the remainder coming from “various government organizations” that Medtech Innovator works with.

With this money, Medtech Innovator works to “platform” new companies and their technologies, with “opportunity,” according to Grand, being front and center of its focus.

“We’re not selective about location – we’re looking for the best companies in the entire world, with technologies that will have big impact on health care systems,” he said.

“We do offer cash prizes, we do have the accelerator and we do have competitions, but the money is the least we provide to companies – it’s the visibility they come to us for,” Grand continued.

All Publicity...

Health care companies cannot afford to operate on the idea that “all publicity is good publicity,” especially after op-eds on big names like Theranos have become so retrospectively wrong.

But predicting the future is hard. What seem like great technologies can flop – either with regulators, or customers.

When asked why medtech giants trust Medtech Innovator with whittling down its 1,000+ list of entrants to the brightest prospects, Grand said that it was the accelerator’s method of outsourcing decisions that brings it success.

“I have a team of 15 people, but none of us are involved in making decisions around who wins. We’re very good at scouting – we see more innovation than most banks, funds and venture capitalists see over a year,” Grand noted.

Medtech Innovator’s alumni refer about 25% of its entrants each year – and as a result, Grand

has built up a vast network of subject-matter experts.

According to Grand, Medtech Innovator has the support of between 500 and 800 subject matter experts each year, whose day jobs include clinicians, surgeons, manufacturers and executives.

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Medtech Innovator then matches mentors with mentee candidates. Companies working in the cardiac space, for example, will be paired with a cardiologist, but also business leaders in their target segments.

“If it’s imaging, we refer them to Siemens Healthineers. If it’s endoscopy, it might be going to Olympus,” Grand added.

“It’s a very in-depth process lasting four months,” Grand explained, adding that sourcing input from a variety of backgrounds – business and clinical, ensures maximum benefit.

“Conflicting opinions are important too. An academic might think an idea is brilliant, but when a clinician or surgeons sees it, they say they’d never use it in clinic,” he said. “Equally, having big players like J&J and Olympus partake means we benefit from their collaborations. We’ve seen things that we think are a great idea, but then these companies say; ‘we’ve seen 10 companies like them, and they’re all two years ahead.’”

Dual Use Of ‘Value’

The “value” of a medtech innovation can mean two things, according to Grand. Firstly, there is the value to patients, clinicians, healthcare systems – effective treatments bring results, save lives and lower costs.

The “values” that investors are concerned about are profits, revenues, growth, but these are not mutually exclusive and Grand pointed out the rise of “value-based health care” as proof of this.

“Our whole program is value-based. Every company gets a value coach that helps them understand the stakeholders,” he said. “They will teach them what a health care system can afford, and what the ultimate economics around a technology are.”

On the topic of value-based health care, Grand said that he believed it to have been drastically shaken up in recent years – primarily by digital technologies. The challenge faced by digital and its proponents, he said, is “understanding its economics,” and waiting for “reimbursement to catch up.”

Moreover, the very issue of defining digital is “difficult,” Grand said. “Is it about data, connectivity or something else like an entirely software-based therapeutic?”

“It was a hugely exciting idea to tech investors that health care was/is a huge, ripe market with opportunities for efficiencies... but start-up after start-up, we’ve not seen significant success... too much struggling with certain pain points,” said Grand.

Pharma’s Head Start

Delving further into discussion on digital, Grand noted that Medtech Innovator and its portfolio of companies could play a major role in medtech’s necessary catch up with pharma.

“Pharma has a huge head start in terms of working with these digital technologies – some would also say it’s more aligned because of how medication works – engagement, adherence and so on,” he explained.

Medtech’s slow progress, according to Grand, is a result of how it invests. For the most part, medtech companies lack the cash sheets available to pharma – typically financing large deals with debt – meaning that each and every acquisition is much more “nuanced.”

“Strategically, too, they go after smaller units... they’re certainly not building digital units like Amazon’s or Microsoft’s... Medtech is much more acute in nature so as it shifts to more inactive care – at home – it’s waking up and perfecting, finally, its digital understanding,” Grand continued.

Nuanced deals can mean nuanced – and thus often deflated – valuations.

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“Medtech is always undervalued,” argued Grand. “When I look at the valuation reports published each year, medtech is at the bottom of the list in terms of funding – below diagnostics, below pharma.”

When asked why medtech is undervalued, Grand suggested that it is the industry’s ability to “accomplish a lot more, with less.”

“You require less money, less time and can still deliver equivalent value,” he continued.

This leads to “frustration” among the sector. Entrepreneurs, both big and small, Grand argued, regularly face concerns about developing and launching new products, because even if their inventions work very well, reimbursement may not support them.”

New forms of thinking are needed to change this.

“There’s a lot of room for business model innovation,” claimed Grand. “Value-based payments, risk-sharing are different models that are evolving to compensate for these discrepancies.”

Both of these, he pointed out, loop back to Medtech Innovator’s work – medtech that bolsters adjacent sectors, will soon become much more valuable.