
KEYNOTE INTERVIEW

Virtual models are transforming healthcare



The adoption of virtualisation has been gathering pace for some time, but covid has helped the industry reach an inflexion point, says [Rowena Gracey](#), director at 3i

Q What is meant by virtualisation in the healthcare sector?

What we really mean is the virtual delivery of medical solutions, whether that relates to treatment, diagnosis, drug development, education etc, which can be beneficial for a number of different stakeholders. We think about it in terms of benefits for patients, but virtualisation is also a theme for carers and payors, and has an impact on the supply chain for medical device companies and pharmaceutical businesses. It impacts both the products they are developing and their research processes. Ultimately, we believe virtualisation will improve outcomes and make

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the system more productive.

The industry is on a journey towards adoption, which is being driven by underlying factors like the consumerisation of healthcare – where we see patients acting more like consumers – and constraints on the system from increased demand and budgetary pressures. There needs to be more productivity in the system and advances in technology are facilitating that. Covid has had a big impact in terms of driving uptake generally, but these underlying trends have been evolving over time.

Q Can you give us an example?

Our portfolio company, Cirtec Medical, is a leading provider of outsourced medical device and components design, engineering and manufacture, based in the US. Some of their devices are seeing real benefits from the virtualisation trend, facilitating continuous glucose monitoring, for example, that allows patients to be virtually monitored, which improves their quality of life for a number of reasons (including better disease control and more accessible care). This is one of the fastest growing segments of their business.

The role of data is another driver. As data has been collected for long

periods of time, we are now seeing companies able to use that data to convey insights, drive conclusions and support everything from early-stage drug discovery and research to training for physicians via virtual models.

Q What are the advantages of this move towards virtual models of delivery for stakeholders?

The key advantage is the opportunity to drive better outcomes and productivity. The trend impacts different parts of the value chain in different ways. Consumers, for example, benefit from better access to information. A good example is the NHS covid app that was launched last year as part of the Track and Trace programme and which is being developed to access vaccination information leading to a rapid uptick in adoption.

Another advantage we have seen is in delivery of services by virtual models, by which I mean receiving advice and obtaining information via virtual channels to allow patients to make better, informed decisions. This is where consumerisation comes in. A good non-healthcare example in our portfolio is a consumer business called Audley Travel. Since covid, their travel specialists have delivered insights to clients via virtual appointments that use video, images and voiceover to allow people to see exactly what their travel experience might look like. Such initiatives have significantly improved productivity and as healthcare evolves there will be real opportunities for those kinds of models and adjustments in the health sector.

Q Where and how does virtualisation create opportunities for investors?

A core principle is the strong underlying demand for these solutions for patients and across the supply chain. That is an important fundamental.

The second point is that there is a real opportunity to scale players in this

space into other areas of healthcare, so if you are seeing something working and benefiting from a strong first-mover advantage there are likely to be opportunities in other geographies or in other parts of the healthcare system. We see that in Cirtec, which has specialist expertise in manufacturing and design of implantable medical device technology. They have been able to scale their capabilities in digital technology across a number of disease areas including pain management, epilepsy and diabetes.

Virtualisation is a macro trend so all businesses in healthcare will need a strategy for dealing with it. However, there are segments of the market that are already addressing it, such as providers in the telemedicine space which offer the virtual interpretation of diagnostic images, for example. This is being used to make experts available in different time zones and find the experts that are most highly skilled when they are needed.

Q What are the challenges associated with the transition?

The key challenge in the uptake of virtual delivery channels is always around trust and security with stakeholders concerned about the sensitivity of information and people not trusting the technology to work in a remote environment. Covid has accelerated trust

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in many of these virtual delivery channels given remote solutions have been essential.

A second challenge is the complexity of all this, because every mode of care and every device needs proof of concept and the modus operandi can be quite different from one product or disease pathway to the next.

Q How do you overcome that? Through things like building brand loyalty and educating users. It also comes down to ease of use and convenience, which is a big driver.

One of the side effects of having a lot more information available to people across the healthcare system is it builds a greater presence for review sites and marketplaces. Those are evolving in other sectors, but are at a very early stage in healthcare. They present an opportunity around building trust through reviews and feedback, which can help people feel more comfortable in using certain new methods of delivery.

Q How do you see virtualisation evolving in the future and how might it impact deal activity?

The first big impact will be seen where there is the greatest appetite for change, so that's in areas like engagement in remote monitoring and digital health reviews. Then the other key element for investors is that virtualisation is going to be a key part of every business in the healthcare landscape and they will all need a strategy for it.

On the deal side, to date there's been a lot more activity at the venture capital end of the investor spectrum on this, but we have recently seen the size of deals increasing. As we go forward, and these businesses scale and become more cash generative, they will create opportunities for mid-market and larger private equity investors to invest in these solutions. ■