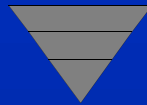


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A Venture Capitalist's View of e-Health

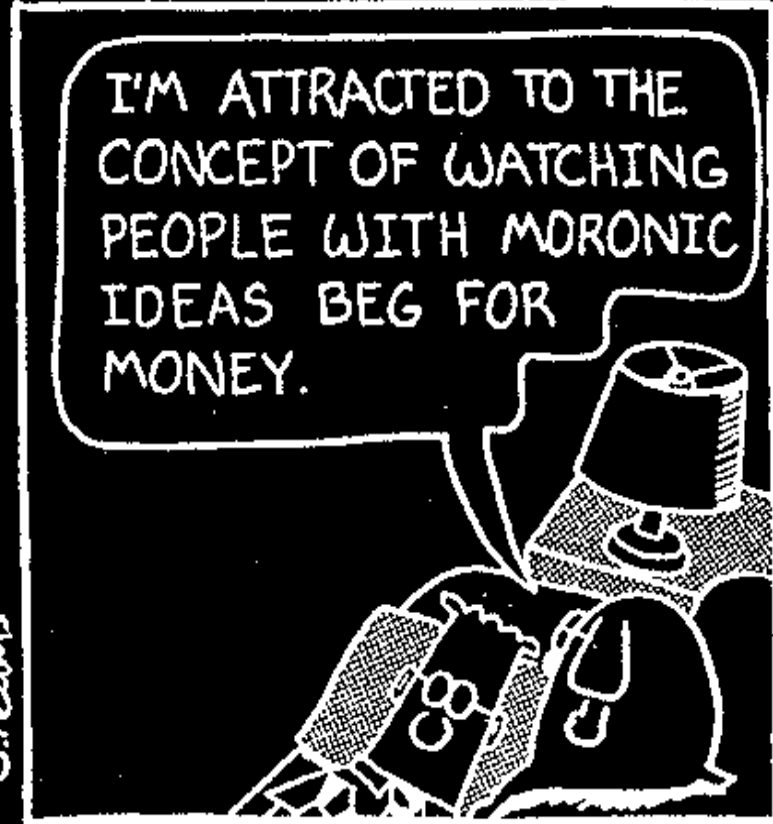


Brian Dovey
Domain Associates
August 21, 2000

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J. Adams



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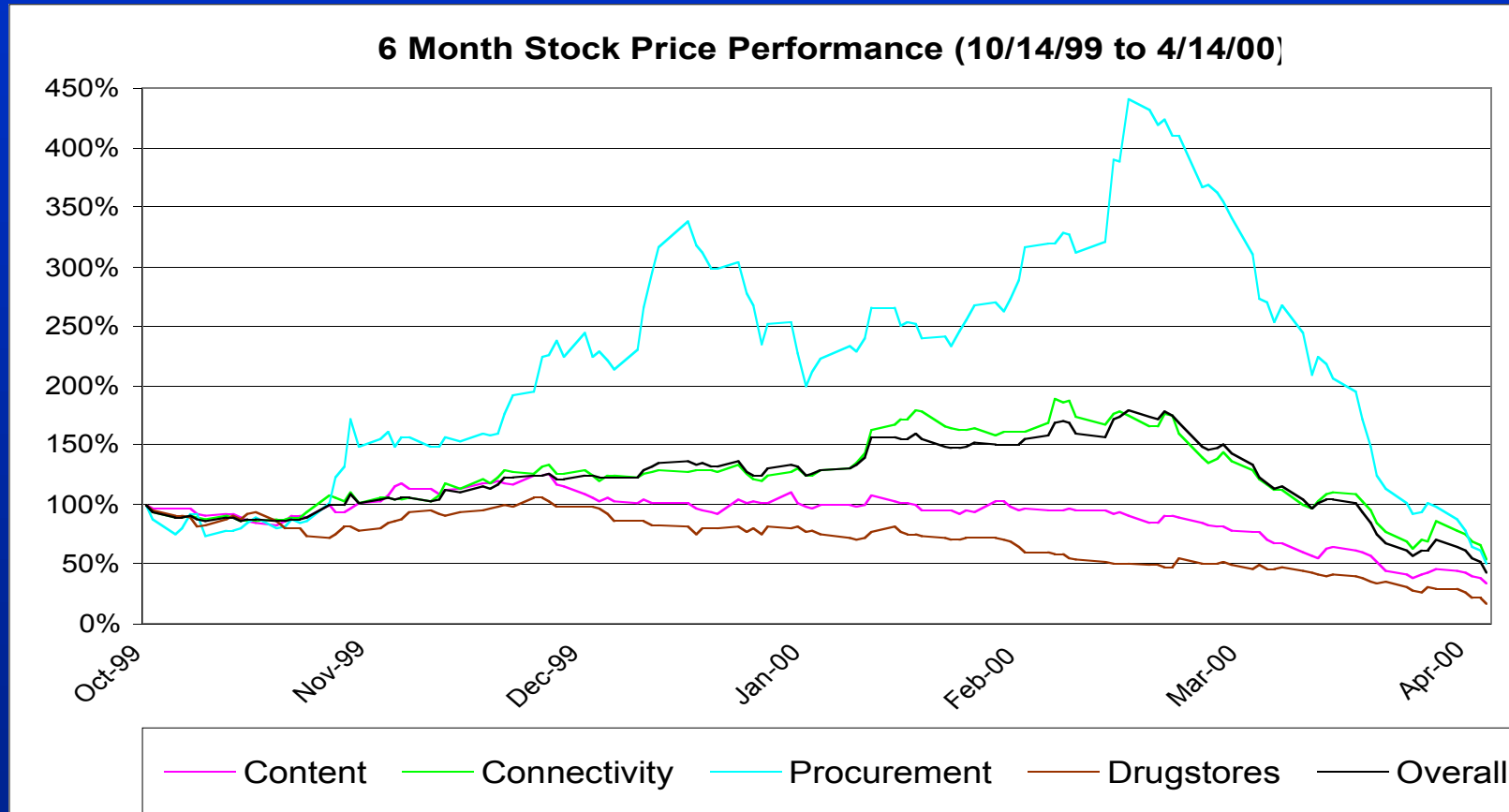


Outline: Financing an Industry: e-Health

- Where We Have Been
- The Current Situation
- Notable Issues
- The Future of The Internet
- Grains of “The Right Stuff”

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Where We Have Been:

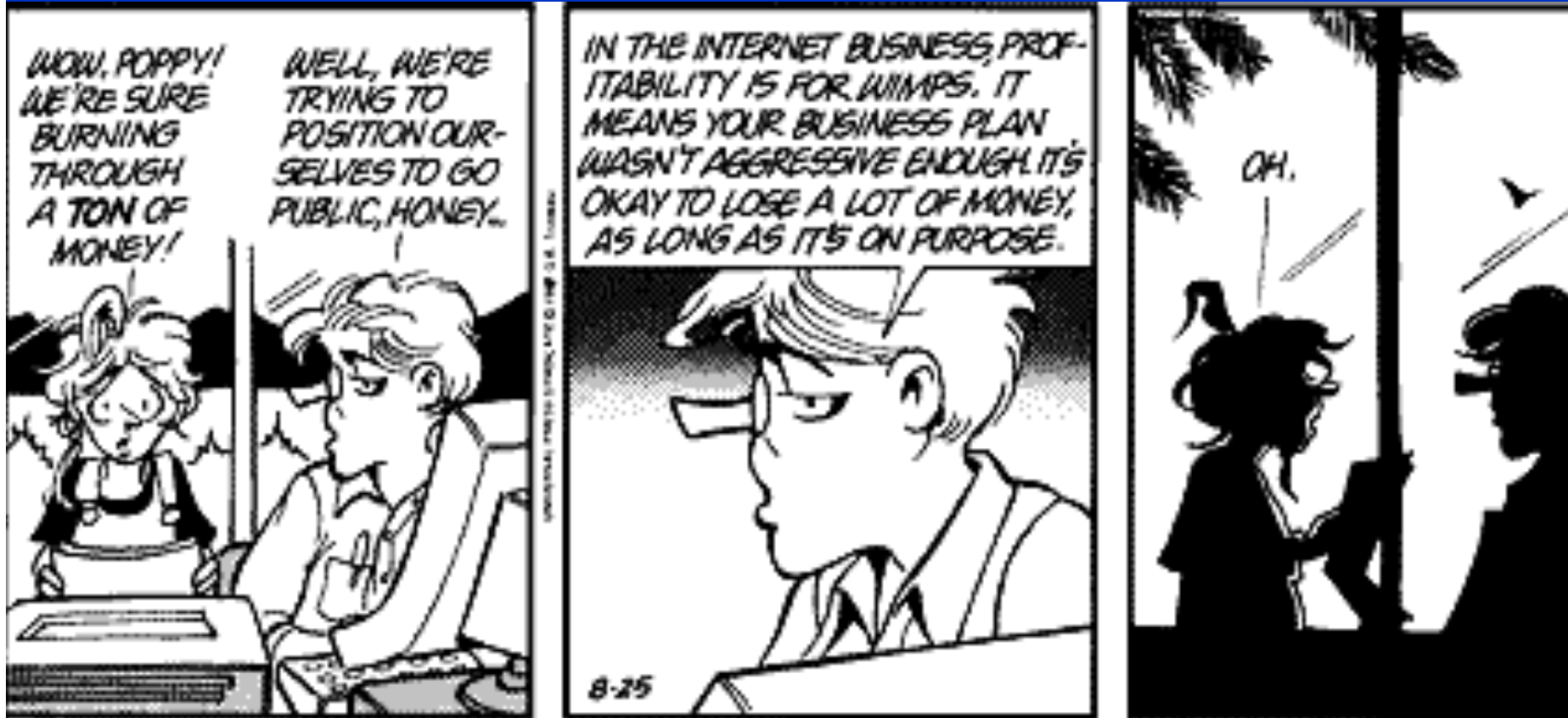


Source: Lehman Brothers e-Health Index

Where We Have Been:

- 24 Month Land-Grab
- Too Many Companies/Too Much Money
- Too Few Well-Constructed Business Models
- “Get The Money Now, Worry About The Business Later”

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Where We Have Been:

- Artificial Metrics Used
- Assumptions Made Were Wrong
- Established Players are Well Positioned to Resist
- Less-Than-Adequate Management Expertise
- Tried to Do Too Much, Too Fast

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The Internet, By Itself, Is A Dumb Idea

Current Situation: Problems

- 30,000+ Healthcare Websites
- Early Consolidation With Inflated Paper Slowing
 - “Healtheon is Out of the M&A Business”
- Wall Street Woke Up (Window: Closed)
 - KOOP and HLTH Have Shocked Investors
- Customers Unable to Distinguish: Noise Level

Current Situation: Opportunities

- Few Problems are Solved
- Large Industry with Monumental Inefficiencies
- >25% of Healthcare Costs are in Peripheral Expenses
- Consumerism On Continual Increase
- Infrastructure Adoption (Docs, Hospitals) Rising

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Notable Issues:

Fundamental Metrics That Apply to Other
Industries Apply Here Too

Notable Issues: Back To Business Basics

- What is The Product?
- Who is The Customer?
- How Much is The Customer Willing to Pay?
- How Much Does it Cost to Make and Deliver?
- What is the Competition?
- What is Your Unfair Advantage?

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Notable Issues:

What You Call “Inefficiency” Somebody Else Calls
Revenue

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***Top Medical Device CEO on an Internet
Medical Supply Exchange:***

***“There is Very Little I Wouldn’t Do to Make Your
Company Fail.”***

Notable Issues:

There Are Some Good Ideas That Nobody Feels
Responsibility to Pay For:

-Electronic Patient Medical Record

-Remote Consultations

The Future:

- Amazon is An Anomaly
- Watch For Barriers By People With Interests
- Remember: There is No Logic to The Way Healthcare Systems Evolved
- Customer Focus

Grains of “The Right Stuff”: MedPool

- Hospital Supply Exchange
- Understand Buyers, Sellers and Intermediaries
- Logical Growth Progression

Grains of “The Right Stuff”: Beansprout

- Fills Information Void For Parents;
- From Your Own Pediatrician
- Links to Second Order Revenue Model
- Extremely Focused

Grains of “The Right Stuff”: Virtual Clinic

- Solves Payment Issue For Remote Consultations
- Begin With a Major Customer

Internet is Only a Tool:

- What Can It Do/What Can't It Do?
- Should Be A Part of All Strategies....
-But Only A Part

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