

Healthcare Venture Capital Survey



Survey Results for the First Quarter 2000

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Creative Destruction

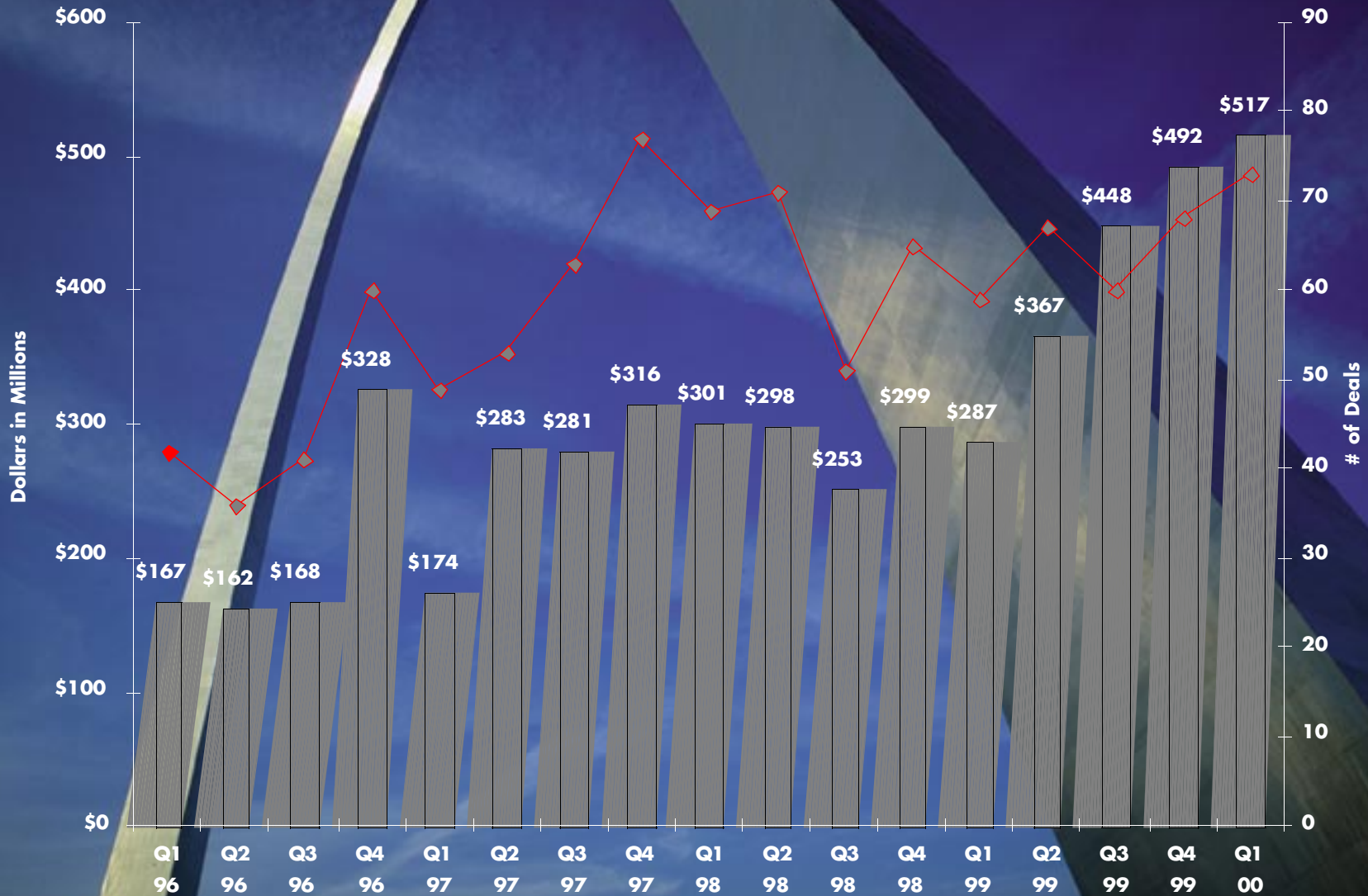


Marketplace momentum remains extremely strong...

- Venture capital funds invested in healthcare at record levels
- Internet-related companies continued to go public in record time, albeit with the prospect of moderately reduced valuations going forward
- Merger and acquisition activity increased early on due to high stock valuations and increased competition

Venture Trends

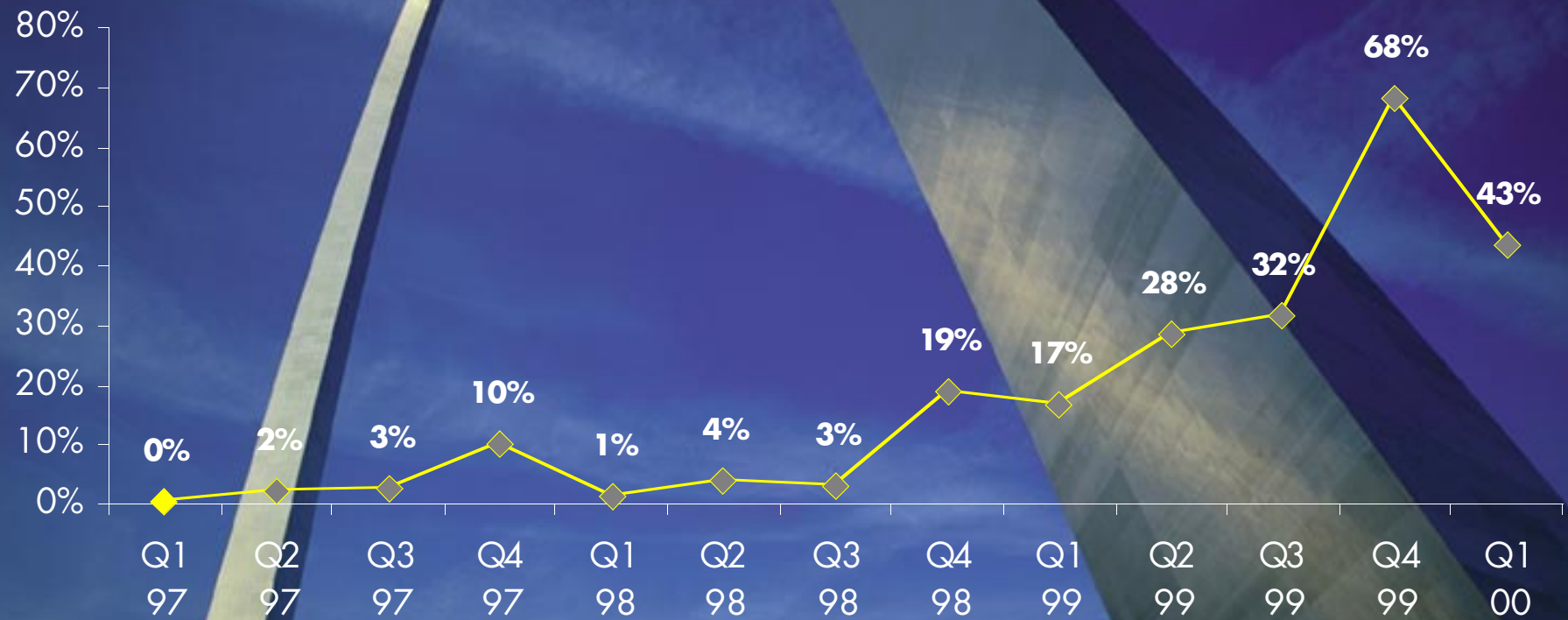
Money Tree Survey Healthcare Industry Q196 - Q100



Source: PricewaterhouseCoopers Q1, 2000 Money Tree™ Survey

Venture Trends

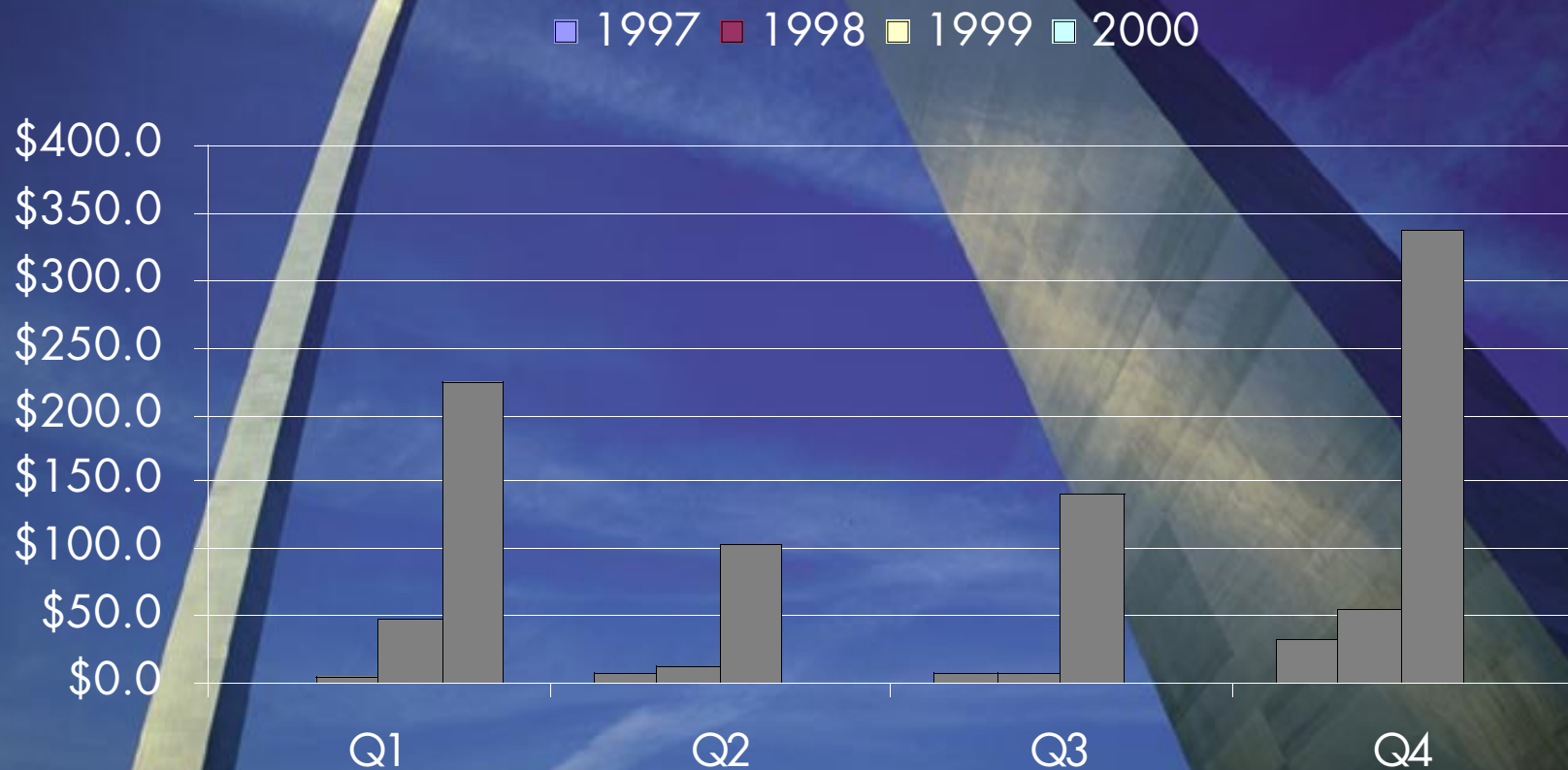
eHealth as a % of Healthcare Services



Source: PricewaterhouseCoopers Q1, 2000 Money Tree™ Survey

Venture Trends

eHealth Venture Trends By Quarter



Source: PricewaterhouseCoopers Q1, 2000 Money Tree™ Survey

Top 10 Venture Funds investing in eHealth in 1999

Ten of the most active venture capital firms making investments in healthcare services companies include:

Venture Capital Firm	Total Deals
Sprout Group	16
Acacia Venture Partners	11
Pacific Venture Group	10
Chase Capital Partners	9
U.S. Bancorp/Piper Jaffray Ventures	8
Tullis-Dickerson & Co. Inc.	7
New Enterprise Associates	6
Salix Ventures	6
Bessemer Venture Partners	6

Top 10 Venture Funds investing in eHealth in Q1 2000

Ten of the most active venture capital firms making investments in healthcare services companies include:

Venture Capital Firm	Total Deals
Acacia Venture Partners	5
Pacific Venture Group	5
Essex Woodlands Health Ventures Fund III	4
TL Ventures	2
Tullis-Dickerson & Co. Inc.	2
Wind Point Partners	1
TA Associates	1
ABS Capital Partners	1
First Union Capital Partners	1

The 5 Largest Healthcare Venture Transactions in 1999

The five largest healthcare services deals for the year 1999 were, not surprisingly, all healthcare internet companies:

Neoforma, Inc.	\$70,500,000
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Medsite	\$55,700,000
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eHealthInsurance.com	\$42,000,000
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Pointshare Corporation	\$40,000,000
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Medibuy	\$38,000,000
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The 5 Largest Healthcare Venture Transactions in 2000

The top 5 list for the first quarter 2000, however, includes two "old economy" companies :

Medical Logistics Inc. \$70,000,000

HealthMarket Inc. \$57,000,000

Benchmark Medical Inc. \$50,000,000

WellMed, Inc. \$30,250,000

GoToMyDoctor.com \$25,000,000

Public Market Trends

Venture-Backed IPOs - All Industries

	Q1, 2000	1999	1998	1997	1996	1995
Total Numbers of IPOs	140	544	373	629	868	580
Venture-Backed IPOs	75	271	78	138	280	204
Total Raised at IPO (\$B)	7.1	23.6	3.8	4.9	12.2	8.2
Total Post IPO Valuation (\$B)	36.6	136.2	17.8	22.6	58.6	33.2
Average Offer Size (\$M)	102.0	87.2	49.2	39.5	43.6	40.6
Average Post Offer Valuation (\$M)	522.9	502.7	229.1	164.3	209.3	163.0

Public Market Trends

1999 and Q1,2000 eHealth IPOs

	Quarter 1, 2000	1999
Total Number of IPOs	5	21
Total Raised at IPO (\$B)	0.3	1.5
Total Post IPO Valuation (\$B)	1.5	8.1
Average Offer Size (\$M)	60.7	71.1
Average Post Offer Valuation (\$M)	299.5	386.4

Aftermarket Performance

	IPO Date	IPO Price	Current Price	High 52week	% Below High
Healthon/WebMD	02/11/99	\$8.00	\$20.00	\$126.19	84.2%
↓ Medconsult	04/06/99	13.00	3.60	19.75	81.8%
↓ Claimsnet.com	04/06/99	8.00	5.25	12.63	58.4%
↓ Drkoop.com	06/08/99	9.00	2.81	45.75	93.9%
CareInsite	06/15/99	18.00	24.13	88.00	72.6%
↓ CyBear	06/18/99	16.00	5.38	41.00	86.9%
↓ Netivation.com	06/23/99	10.00	3.06	12.94	76.3%
↓ Scientific Learning	07/22/99	16.00	15.25	41.00	62.8%
Allscripts	07/23/99	16.00	36.00	89.63	59.8%
Ventro	07/27/99	15.00	34.00	243.50	86.0%
↓ Drugsbre.com	07/28/99	18.00	9.00	70.00	87.1%
↓ OnHealth Network	09/02/99	20.73	3.63	18.31	80.2%
↓ Medscape	09/28/99	8.00	3.75	17.06	78.0%
↓ PlanetRx.com	10/07/99	16.00	2.88	36.50	92.1%
The TriZetto Group	10/08/99	9.00	22.88	91.25	74.9%
↓ SciQuest.com	11/19/99	16.00	15.75	91.63	82.8%
↓ HealthCentral.com	12/07/99	11.00	3.91	14.38	72.8%
↓ eBenX	12/10/99	20.00	15.13	79.00	80.9%
↓ MedicalLogic	12/10/99	17.00	11.25	54.00	79.2%
↓ Mothernature.com	12/10/99	13.00	2.25	14.56	84.5%
↓ HealthExtras.com	12/14/99	11.00	4.19	12.38	66.2%
↓ Neofarma	01/24/00	13.00	8.03	78.75	89.8%
↓ HealthGate.com	01/26/00	11.00	5.88	13.50	56.5%
↓ XCare.net	02/10/00	18.00	6.88	42.00	83.6%
↓ VantageMed	02/15/00	12.00	2.13	15.00	85.8%
↓ HealthStream	04/11/00	9.00	8.81	11.00	19.9%

Price as of 5/02/00. OnHealth Network had its initial IPO 10/93, but recreated itself as an Internet site in 9/99

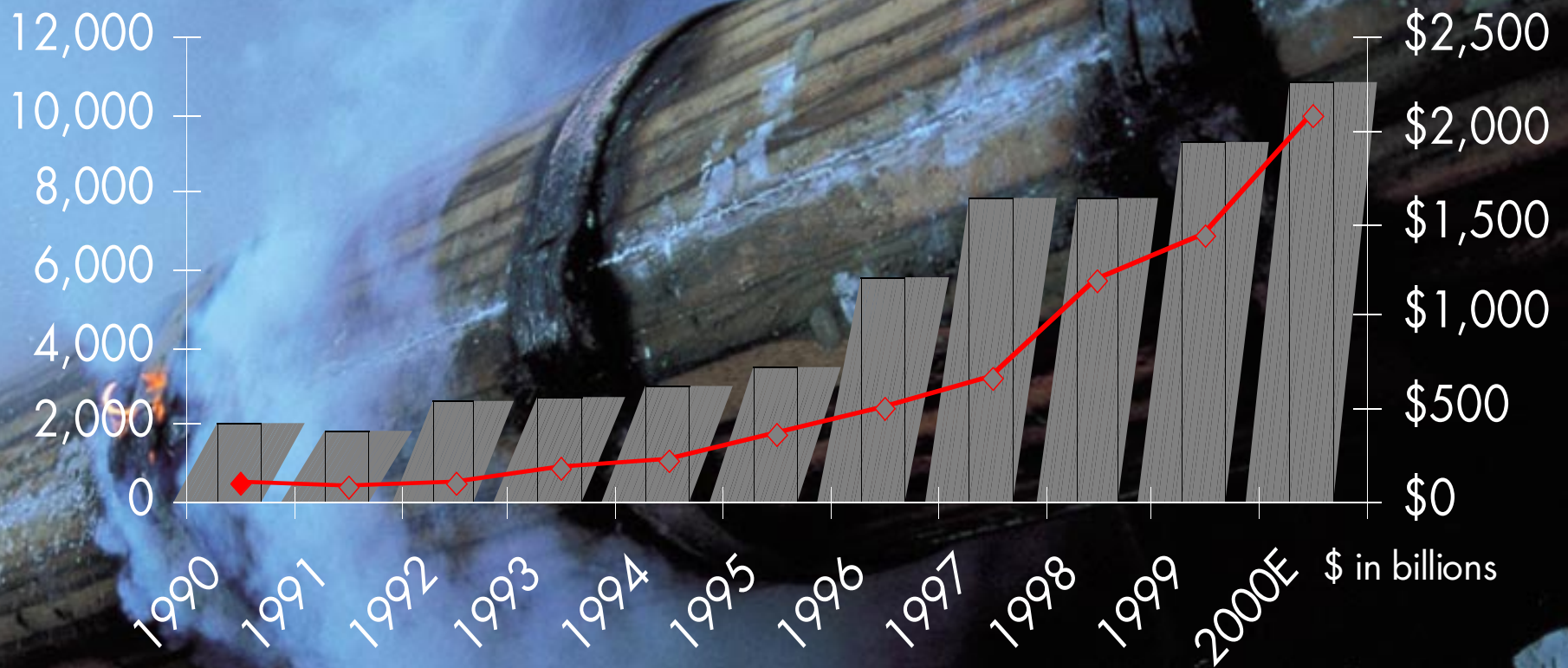
Aftermarket Performance

eHealth, Health Services, Nasdaq 100, & S&P 500 Indices



M&A Market Trends

Total M&A Activity*: 1990-2000E



 No. of Deals  Total Deal Value (\$B)

Source: Mergerstat

* M&A activity is measured as the number of deals disclosing a price. FY 2000E based on Q1, 2000

M&A Market Trends

Healthcare Service M&A Activity: 1998-1999

Dollar Volume of Transactions (\$ in Billions)

Sector	1998	1999
Behavioral	\$1.1	\$0.3
Home Health Care	0.4	0.1
Hospitals	16.2	7.4
Labs, MRI and Dialysis	0.8	3.1
Long-Term Care	8.8	1.9
Managed Care	5.1	1.8
Physician Medical Groups	1.7	1.5
Rehabilitation	0.1	0.7
Other	31.2	4.2
Total	\$65.4	\$21.0

M&A Market Trends

Healthcare Service M&A Activity: 1998-1999

Number of Priced Transactions

Sector	1998 Deals	1999 Deals
Behavioral	53	44
Home Health Care	83	62
Hospitals	140	110
Labs, MRI and Dialysis	94	51
Long-Term Care	149	79
Managed Care	61	66
Physician Medical Groups	263	135
Rehabilitation	46	28
Other	254	138
Total	1,143	713

Source: Health Care M&A Monthly, Irving Levin Associates

M&A Market Trends

Healthcare Service M&A Activity: 1998-1999

Average Transaction Size (\$M)

Sector	1998 Deals	1999 Deals
Behavioral	\$20.8	\$5.7
Home Health Care	4.8	1.7
Hospitals	115.7	67.3
Labs, MRI and Dialysis	8.5	59.9
Long-Term Care	59.1	24.5
Managed Care	83.6	27.8
Physician Medical Groups	6.5	11.5
Rehabilitation	2.2	25.8
Other	122.8	30.1
Average	\$47.1	\$28.2

M&A Market Trends

Select eHealth M&A Activity (1999 & Q1, 2000)

Acquirer	Target	Price (\$M)
Allscripts	MasterChart	125.0
CareInsite	THINC	45.0
Chemdex	SpecialtyMD.com	132.0
	Promedix.com	1,300.0
Claimsnet.com	VHx Company	32.0
drugstore.com	beauty.com	42.0
HealthCentral.com	Vitamins.com	103.5
Healtheon/WebMD	MEDE America	460.0
	Kinetra	300.0
	Envoy	2,500.0
	CareInsite	4,700.0
	OnHealth	263.7
Medicalogic	Medscape	869.0
	Total eMed	405.0
Mediconsult	StorkNet	NA
	Northstar Interactive, Inc.	3.0
MedQuist	Two Transcription Businesses	7.1
Medscape	Dialog Medical	NA
MyKidsDoctor	GoToMyDoc.com	NA
Neoforma	Pharos Technologies	20.0
	Edipsys/HEALTHvision	1,500.0
	U.S. Lifeline Inc.	4.5
	EquipMD, Inc.	89.4
Netivation.com	Disability Mall	NA
OnHealth	Health Decisions Int'l	13.0
Park Pharmacy Corporation	SpiderMed.com	NA
SciQuest.com	EMAX Solution Partners	150.0
	SciCentral.com	NA
	Intralogix	NA
Telesis Medical Management	Vectis Corporation	NA
TriZetto	IMS Health Inc.	8.3

Source: Shattuck Hammond Partners Database