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Healthcare Mosaic

Behavioral Healthcare Market Remains Strong as Demand Continues to Exceed Supply



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Summary

In our *Healthcare Mosaic* reports, we select a far-reaching topic of interest in the healthcare space and provide a variety of data points and analyses in order to offer a more complete picture of what it means for the broader healthcare marketplace—and for both public and private investors in the space.

In our third quarter 2024 *Healthcare Mosaic* report (now our 35th in the quarterly series), we take a deeper dive into the behavioral healthcare market in the United States. More specific, in this thematic report we discuss:

- The massive growth in the need for behavioral healthcare services across the country, especially following the COVID-19 pandemic and its related impact on society;
- How payers and providers are increasingly focusing on mental health offerings as a key part of the care delivery continuum;
- Why addressing mental health services and behavioral health issues are key to controlling overall healthcare costs and in helping achieve the healthcare “triple aim” of increased quality of care, higher patient satisfaction, and lower costs;
- The role of healthcare technology solutions in helping manage and optimize behavioral healthcare delivery in the United States; and
- An overview of select companies—in both the public and private markets—that we believe are well positioned to address these trends.

Regarding our covered companies that we believe will be most impacted by these trends, our work is most relevant to **Teladoc Health (TDOC)**, **LifeStance Health (LFST)**, and **Talkspace (TALK)**.

We also note a number of private entities in the space that we believe are well positioned for strong growth, including: AbleTo, Access Telecare (formerly doing business as SOC Telemed), Alleva, Alma, Array Behavioral Care, Athena Care, Bamboo Health, Blueprint Health, Brightline, Brightside Health, Carelon Behavioral Health (formerly Beacon), CentralReach, Concert Health, Continuum-Cloud, Eleos, Foresight Mental Health, Grow Therapy, Headway, Juniper, LifeStance Health, Lightning Step, Lyra Health, Mindpath Health (formerly doing business as Community Psychiatry), Modern Health, Netsmart, NOCD, Owl Practice, Qualifacts, Quartet Health, Radicle Health, Rethink First, SimplePractice, SonderMind, Spring Health, Streamline Healthcare Solutions, Talkiatry, Talkspace, Teladoc Health’s BetterHelp, Therapy Notes, TimelyCare, Valant Medical Solutions, Valera Health, WellSky, and Wysa.

Introduction

The popular musical artist Logic rapped in a song, “I’ve been on the low, I been taking my time. I feel like I’m out of my mind. It feel like my life ain’t mine (Who can relate?).” The song title is *1-800-273-8255*, which is the phone number for the national suicide prevention lifeline (NSPL). To us, assisted by examples set by Logic and others who have brought mental health awareness to the forefront of our society, the stigma around mental health has finally decreased, and this is increasing end-market demand for behavioral healthcare treatment. Combined with continued high demand for access to care among employers, we also see a market that remains primed for sizable growth and investment over the coming years.

We have been publishing our quarterly *Healthcare Mosaic* report for nearly nine years now, and each edition of the report focuses on a key investment trend or macro development that we believe has emerged as an important topic for healthcare investors to consider. Still, we have rarely seen an industry so ripe for innovation, coupled with such robust demand, as we do in the behavioral healthcare space.

Accordingly, this updated *Healthcare Mosaic* report follows our [initial behavioral health report](#) published several years ago—and builds off the topics discussed in our more recent [behavioral health update note](#). Importantly, we believe our thesis on the behavioral health space remains intact. More specific, at the time of our first behavioral healthcare *Mosaic* report, our punchline was as follows: **“Rarely have we witnessed an industry where the need for innovation, increased access to care, and demand for services has grown as rapidly—and as urgently—as in the behavioral healthcare space.”** While nearly two years have passed since we published this initial thought piece, we believe this narrative still holds true today.

Moreover, and as evidenced by the data we provide throughout this report, **we continue to view the behavioral health space as an attractive long-term investment area for public and private investors, given the abovementioned demand for care; a still-sizable need to provide increased access to care; and clear desires among payers, providers, and employers to expand this access and better coordinate behavioral healthcare with other healthcare services (to achieve whole-person care).**

To be clear, while progress toward accessibility has improved significantly over the past few years (especially with the advent of more digital behavioral health solutions), we believe there are still material gaps in the U.S. behavioral healthcare system. This ranges from a lack of adequate insurance coverage for in-network care and supply/demand imbalances in many markets across the country to major health equity issues related to mental healthcare services, as well as a significant need for stronger technology investments and care coordination in the space.

Fortunately, over the past two years (since our last behavioral health *Mosaic* report), regulatory- and market-driven trends have driven enormous amounts of capital into the sector, ultimately resulting in innovation, accessibility improvements, and a reduction in stigma associated with receiving care. And, because of the novel innovation and improvements in nearly all facets of the behavioral healthcare market, numerous studies have also been published, highlighting how improved care outcomes are being achieved in a more cost-effective manner—all of which we expect to continue to widen adoption of such solutions going forward.

As such, we decided to dig deeper into this topic once again for our third quarter 2024 *Healthcare Mosaic* report. Again, we believe the space will be a critical area of growth for both public and private healthcare investors to monitor over the coming years.

Demand Has Reached Critical Levels, Supply Still Lacking

Behavioral Healthcare Needs Are at an All-Time High

We believe demand for mental health services remains incredibly strong, almost to the point where the industry is near a breaking point regarding the need to expand care delivery solutions.

In our view, much of this demand is a direct result of reduced stigma regarding mental health treatment, and we believe celebrities are actually playing a significant role with reducing this stigma. For example, Selena Gomez recently opened up about her struggles with mental health, stating:

Last year, I was suffering mentally and emotionally, and I wasn't able to stay all kept up and together. I wasn't able to keep a smile or to keep things looking normal. It felt like all of my pain and my anxiety washed over me all at once and it was one of the scariest moments of my life.

In addition, athletes such as Michael Phelps and Simone Biles have publicly discussed their mental health challenges, with Phelps even partnering with Talkspace. All of this, we believe, has played a key part in reducing general mental health stigma. Even the Prince and Princess of Wales and Prince Harry have brought the issue to the forefront of society, creating the Heads Together campaign to "change the national conversation on mental health and eliminate stigma." This reduction in stigma (as more individuals are beginning to accept mental health as a treatable medical condition and are thus seeking help) has led to an all-time high in demand for care.

We believe this also helps explain the wave of studies published over the past year concluding that the industry is at an all-time high for behavioral healthcare needs. For example, a May 2024 CVS Health and Morning Consult [survey](#) concluded that there is rising concern among a majority of adults regarding their mental health needs. At record-high levels, roughly two-thirds (65%) of adults have experienced concerns about their own mental health or the mental health of their friends and family, which is up from 59% just two years ago, and up 15 percentage points since 2020 alone. In addition, 77% of adults are concerned about mental health in the U.S., and 70% of parents are concerned about their children's mental health, which is higher than parents' concern about their children's physical health at 66%.

Redbox Rx also reported similar results in a recent survey conducted by Morning Consult. According to the data, 73% of Americans have struggled with mental health in the past year, and it also found that mental health struggles have disproportionately affected Gen Zers and millennials. Moreover, despite nearly three-quarters of Americans struggling with a mental health condition, **only 37% of those with worsening mental health struggles have sought professional care**. Even more alarming, for the 63% that have not sought care, treatment costs continue to be cited as one of the top reasons.

A 2,200-respondent survey from Gallup found that the majority (51%) of survey respondents had experienced depression, anxiety, or some other mental or emotional conditions in the past year. Of those that cited some form of mental health condition, more than one-fifth (22%) said their condition was "so significant that it disrupted their normal activities, such as going to work or caring for their household."

The perception of increased mental health conditions has also increased over the past five years, according to Gallup data. Greater than 80% of U.S. adults think the prevalence of mental health conditions (such as depression, anxiety, etc.) has risen, while only roughly 10% are under the impression that prevalence of mental health conditions has remained steady, and only 2% believe cases have decreased.

Mental health is also an area impacting young Americans, with many studies highlighting needs among high school students in particular. For example, data collected from an EAB survey, administered through Appily.com, of more than 6,300 U.S. students (grades 9 through 12) showed that nearly one-third (28%) of high school students who are currently applying to college are debating whether to delay enrollment or opt out of college entirely as a result of mental health concerns. Also, 48% of all students surveyed noted that “stress and anxiety overshadow their college search and planning.”

Increasing Need for Mental Health Services at the Workplace

While the above data paints a clear picture that general mental healthcare needs are still on the rise, demand from employers is also following a similar pattern. Employer-focused, mental health provider Lyra recently released its annual *State of Workforce Mental Health Report* and found that employers “strive” to provide the appropriate mental health resources, yet employees feel that their organization’s mental health strategies do not necessarily address the full spectrum of needs.

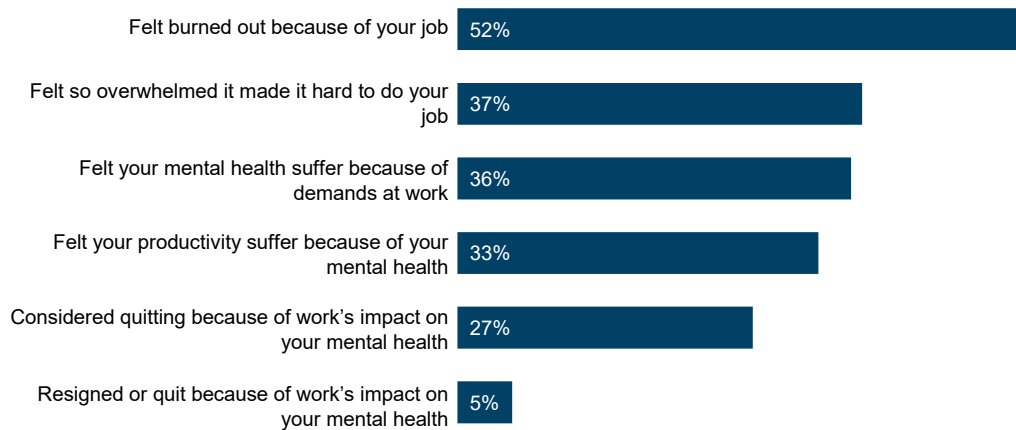
In the bullets that follow, we highlight key data points from the report.

- Stress (40%), anxiety (32%), burnout (20%), and depression (20%) were top issues impacting U.S. employees.
- In 2023, 65% of U.S. workers reported that their mental health affected their ability to do their jobs, up from 60% in 2022.
- An overwhelming majority of benefits and HR leaders surveyed (90%) want their mental health benefits to include additional employer-sponsored support that addresses the underlying ways that the work environment itself can negatively impact well-being.
- About 94% of HR and benefits leaders said mental health benefits are “very important”—this is up from just 36% in 2022.
- Over the past year, 55% of U.S. employees surveyed said they “supported a child in [their] care under 18 who struggled with their mental health.” This is more than double the percentage of workers who said the same in the prior year (19%).
- Roughly 73% of workers said they would like help from a trusted resource to identify the right mental health provider.
- Fewer than half of those who got care (49%) stayed with the same provider, and 12% switched three or more times.
- Some languages have no words for depression or anxiety. People from these cultures often describe their mental health concerns using physical symptoms, such as fatigue or headaches, and may not recognize the underlying psychological causes.

In summary, demand for mental health services is at an all-time high and organizations are feeling the impact. As such, employers want to increase available resources, and are actively turning toward third parties to help bridge the gap. Still, many employees do not necessarily feel like these efforts are hitting the mark. In our view, this increased demand is encouraging for the mental health providers that partner with employers, namely providers like *Lyra* and *Talkspace*.

Data from a similar NAMI STIGMAfree Workplace Mental Health Survey suggested the same conclusion—employees need better quality resources and that mental health is suffering among the working population. In this 2,000-participant survey, just over half of respondents (52%) indicated that they felt burnt out because of their job, and 36% felt as though their mental health suffered because of work demands. The following exhibit identifies additional impacts in this area:

Exhibit 1
Behavioral Health Update Report
Employees Thoughts as a Result of Work-Related Issues



Note: Question: In the past year, have you ever experienced the following at work?

Source: NAMI Workplace Mental Health Survey 2024

Despite employees feeling the mental health impact from work-related pressures, roughly half (51%) of respondents noted that their employer at least offers training around mental health and wellbeing; yet, fewer than one-third of respondents said they received training from their employer about mental health resources and/or conditions. The overwhelming majority of respondents (83%) also noted that “mental health and wellbeing training is, or would be, important in creating a positive workplace culture.” In addition, only 66% of employees are either “very satisfied” or “somewhat satisfied” with their employer-sponsored mental healthcare coverage, versus 78% for general healthcare coverage. Accordingly, ***we still see a large opportunity for providers to work with employers to add this benefit for their workforce.***

Even more, one in five say it is “hard to find mental healthcare through their employer that is affordable, in network, and available in a timely manner.” Again, in our view, this, along with the statistics above, creates a compelling opportunity for employers to explore enhanced mental health benefits.

When such care is provided, it appears to have positive impacts on both overall care outcomes and worker productivity. For example, ***CuraLinc Healthcare***, a leader in workforce mental health and employee assistance services, recently published a peer-reviewed study regarding the effectiveness of its counseling and mental health coaching programs, which we believe provides positive data points in support of providing employee mental health resources. More specific, the study examined more than 85,400 cases from nearly 2,700 employers and presents compelling evidence that employee assistance program (EAP) behavioral health offerings work for employee mental health, alcohol use risk, and work productivity. Below, we highlight the relevant data points from the study:

- Over 77% of participants at risk for clinical anxiety fully recovered after treatment;
- More than 86% of participants at risk for depression fully recovered after treatment;
- 74% of participants at risk for hazardous alcohol use were no longer at risk after treatment;
- *Participants who started treatment with a productivity issue regained nearly 40 hours of productive time at work per month, on average, after treatment.*

Despite these positive outcomes associated with treatment, most Americans with a mental health condition are still finding barriers to receiving care, which range from costs and access to care to believing that treatment simply may not work.

In fact, findings from a nearly 2,300-respondent West Health and Gallup poll suggests this is the case for many consumers. More specific, affordability (52%) and difficulty in finding a provider (42%) were the top two barriers to obtaining treatment for a mental or emotional health condition that Americans selected among five choices. Behind cost and difficulty in finding a provider, other answers included “believing they can deal with their condition without treatment” (28%), “feeling shame or embarrassment” (27%), or “thinking treatment would not help” (24%).

Even more worrisome, many Americans believe mental health is treated vastly different (and in most cases, worse) than other conditions. Take a quote from former First Lady, Michelle Obama:

When it comes to mental health conditions, we often treat them differently from other diseases like cancer, diabetes, or asthma. And that makes no sense. Whether an illness affects your heart, your leg, or your brain, it’s still an illness, and there should be no distinction. Because we know that mental health is just as important to our overall well-being as our physical health.

And she is not alone in that narrative. According to the abovementioned West Health and Gallup poll, roughly three-quarters of Americans believe mental health issues are identified less and treated worse than physical health issues in the United States. And this idea is also stronger among the Medicare-eligible population, and those who report that they have experienced a mental health problem in the past year. Notably, only 5% of respondents believe that mental health issues are treated better than physical health, meaning there is still an enormous opportunity, and need, to improve mental healthcare delivery across the United States, in our view.

Mental Health Inequities Still Lead to Unwarranted Costs, Subsequent Needs to Improve Accessibility

As should be evident given the sheer number of recent studies, demand for mental health services is at an all-time high, and untreated mental health conditions remain a significant society issue with myriad implications.

Before diving into the economic impact of this, however, we specifically highlight a recent, troubling trend that has emerged since our initial behavioral healthcare *Mosaic* report, which is that child and teen mental health hospitalizations, suicide rates, and overdose deaths are all on the rise, exacerbated by the COVID-19 pandemic, isolation, stress, and even school absences. In our view, addressing child mental health early is key to preventing downstream consequences in adulthood.

As one example of a solution to help increase accessibility for pediatric mental health, the state of California launched a \$389 million budgeted program in early 2022, called the Student Behavioral Health Incentive Program (SBHIP), which offers incentive payments to Medi-Cal managed care

plans to build capacity for behavioral health services in K-12 schools. Currently, there are 22 Medical managed care plans and about 300 local educational agencies participating in SBHIP, and the initiative is expected to impact 1.4 million school-aged children.

Besides state-level programs improving accessibility, we are also witnessing an emergence in behavioral health organizations focused on child mental health. These organizations include Backpack Healthcare, CentralReach, and Rethink, among others. In our view, this is key because if mental health conditions are not treated early enough (especially at the pediatric level), we believe this could significantly impact the overall economy.

For example, according to a recent National Bureau of Research working paper study, ***mental illness costs the U.S. economy roughly \$282 billion annually, which according to the paper, is equivalent to the average economic recession.*** While this study generally accounts for only mental health costs (meaning it focuses on income loss related to mental health conditions) and costs of treatment, we believe the overall economic impact is actually much greater as a result of things like unemployment, avoidable costs from premature death, and excessive emergency department (ED) usage.

In fact, a recent study from the Deloitte Health Equity Institute and the School of Global Health at Meharry Medical College found that mental health inequities, if left unaddressed, could lead to about \$14 trillion in excess costs between now and 2040. The study found that inequities in mental health across the United States will also cost the country nearly half a trillion dollars in avoidable costs this year; ***importantly, the study estimates that this could escalate to \$1.3 trillion in 2040 if left unchecked, or roughly \$42,000 per person.***

Moreover, the same study estimates that premature deaths related to mental health inequities resulted in an estimated cost of \$278 billion between 2016 and 2020 alone, which includes “deaths due to suicide, deaths associated with substance use disorders, deaths due to inadequate mental health treatment, and deaths due to mental illness associated with comorbid illness.” The costs of premature death alone could reach \$912 billion by 2040, if this remains unchanged.

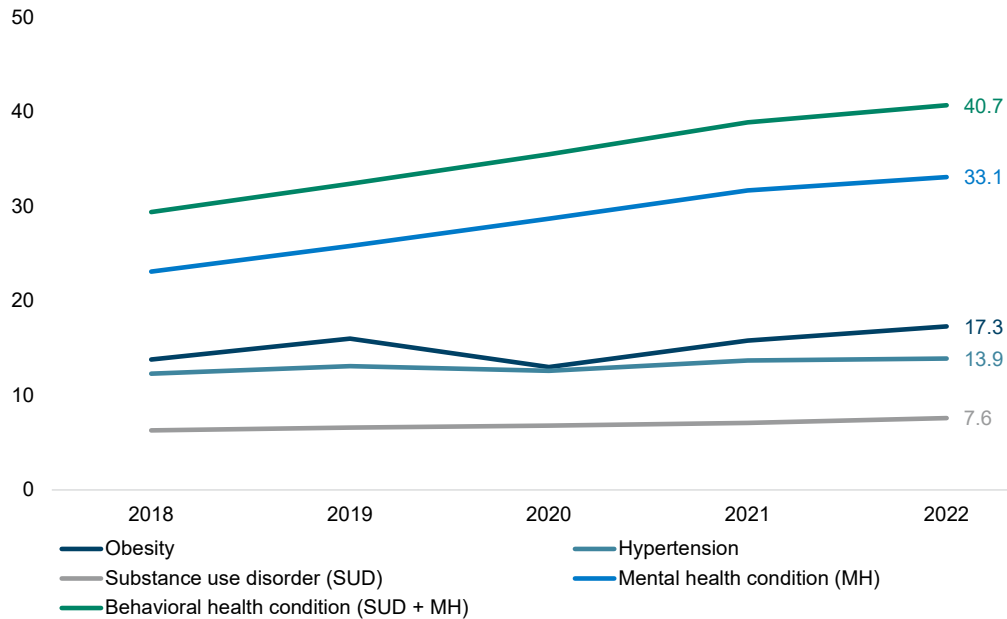
The researchers also note that excess costs tied to overutilization and “excessive reliance” on the ED will cost about \$5.3 billion in 2024. Of note, “this can not only result in higher direct costs but also an increased burden on health systems’ limited capacity and leads to increases in wait times for other patients.”

Access to Care Is Improving, but Remains an Issue

The costs for mental health conditions left untreated are incredibly high and point to a clear need to increase accessibility to mental health treatment. According to the Commonwealth Fund, community health centers (CHCs) are one way to address this.

CHCs offer primary care to all patient types (including persons who earn a low income, live in rural areas, or are racially or ethnically diverse), and over the past few years, the number of behavioral health visits has skyrocketed. Between 2018 and 2022, the number of behavioral health-related visits increased by 39%, including mental health and substance use care, and in 2022, 36% of total virtual visits were for behavioral health. As shown in the exhibit below, most CHC visits with an associated diagnosis are for mental health conditions.

Exhibit 2
Behavioral Health Update Report
Total Number of Visits to Community Health Centers, by Diagnosis
(in millions)



Source: The Common Wealth Fund

While CHCs are helping meet demand for mental health services, a 2022 survey from the Kaiser Family Foundation and CNN found that the high costs of treatment are still pushing patients away. In the survey, when asked about specific barriers to access care, cost was the No. 1 deterrent (with 80% of respondents), followed by more than 60% citing shame and stigma. Because of these barriers, one-third of respondents could not get the mental health services they needed.

Here, *we believe digital health solutions may play a key role in the future of behavioral care delivery.* Certain digital therapeutics can be costly, often ranging between \$300 and \$1,500 per year, and many are not yet covered by insurance, but we still believe there is a significant opportunity in the space. Moreover, these tools hold particular promise in providing support for underserved communities (especially for people who speak varying languages other than English) at a slightly reduced price point. For example, a study published in *Frontiers* found that only 14.5% of mental health apps have Spanish-language operability, despite the Hispanic population being the largest non-white community. In addition, we believe digital therapeutics can be a powerful resource, especially when used in conjunction with human support. For example, a patient can use an app to help relieve stress and/or anxiety, and have a “coach” to check in with to see if symptoms are trending in the right direction.

Still, while CHCs and digital therapeutics can help address some accessibility issues, especially for lower-income adults, reports have found that Medicare Advantage (MA) patients also struggle in the mental health area, and this is becoming an even more important topic today. As we have written about in past reports, the elderly population continues to place more emphasis on aging in place (thus increasing social isolation risk), which also means that social wellness and mental health will become more important topics to address going forward.

For example, an AARP study indicated that the cost to Medicare of social isolation and loneliness was estimated at \$6.7 billion annually (due to higher medical costs associated with these individuals). In fact, past studies indicate that ***social isolation is roughly equivalent to smoking 15 cigarettes a day in terms of overall mortality rates***. And this metric is set to skyrocket given the increasing size and age of the population living at home alone.

Given the above, it is important for the Medicare eligible population to find the right provider and *actually receive the care they need*; however, recent studies have shown quite the opposite in that this population struggles to find the right provider, specifically as a result of narrow networks.

For instance, a [study](#) published in Health Affairs concluded that psychiatrist networks in MA plans are narrower than those in Medicaid managed care and Affordable Care Act (ACA) plans. According to the study, which included 682 MA networks, 167 Medicaid managed care networks, and 220 ACA plan networks across 37 states in 2019, almost two-thirds (65%) of psychiatric networks in MA were “narrow,” meaning they contained “fewer than 25% of providers in a network’s service area.” This compares to 43% and 39% of networks in Medicaid managed care and the ACA marketplace, respectively, that were deemed narrow. Last, out of the 1,905 counties that were included in the study, just *over half (51%) had no psychiatrists participating in MA plans*.

Talkspace, a leading telemental healthcare provider, however, is attempting to tackle this challenge head on. Earlier this year, the company began its Medicare rollout to roughly 13 million Medicare members, and the company plans to expand the program to all 33 million traditional Medicare members (and several MA plans) by the end of the year. The organization also noted that in 2020, *one in four adults aged 65 and older reported anxiety or depression, or a rate 2.5 times higher than pre-pandemic levels; yet, there are less than five active mental healthcare providers for every 1,000 enrollees, showing that there is a huge and dire need to expand access to care, in general*.

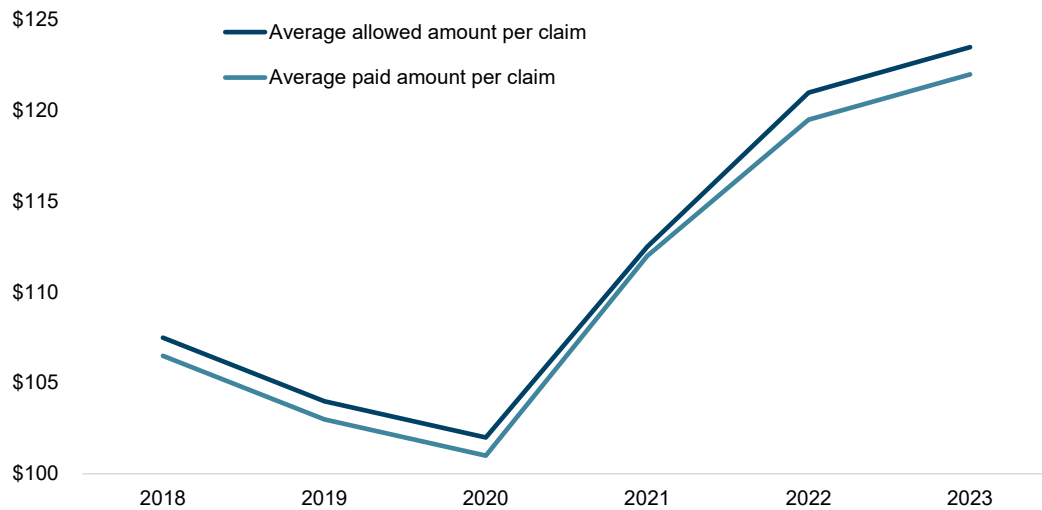
Another study from RTI International, while not analyzing the Medicare population specifically, concluded that general out-of-network use was significantly higher for behavioral health treatment than medical/surgical treatment, creating a greater financial burden for all behavioral health patients. Moreover, this was true even for telebehavioral visits as compared to telemedicine visits. More specific, ***patients went out of network 3.5 times more often for all behavioral health clinician office visits than patients that went out of network for all medical/surgical clinician office visits***.

The study also found that for office visits, in-network reimbursement levels were much lower for behavioral health providers than for medical/surgical providers. In our view, this is a recurring issue that inherently disincentivizes behavioral health providers from participating in network, and according to the study, this issue has been present over the last nine years for office visits. To us, this also indicates that there needs to be greater parity for behavioral health provider payment rates.

To this end, the need to find additional cost-effective solutions is also growing. Despite this, a large number of therapists are debating raising fees in 2024. According to a new survey from Heard, 4 in 10 therapists are planning to raise fees in 2024, and this comes on top of the one-third of mental health providers that raised fees last year. While rightfully so (as mental health therapists often receive some of the lowest compensation among healthcare providers), this could create additional financial stress and burden on patients, especially when coupled with the fact that 13.4% of mental health patients go out of network (data from the abovementioned RTI International study).

As reported in a recent [PwC analysis](#), per-member-per-month (PMPM) fees for behavioral health services have historically been low, and often too low to be considered an inflator to overall medical costs. However, this also seems to be changing, **as spending on mental health has increased more than 50% since 2020**—and as shown in the exhibit below, behavioral healthcare unit costs have reached an all-time.

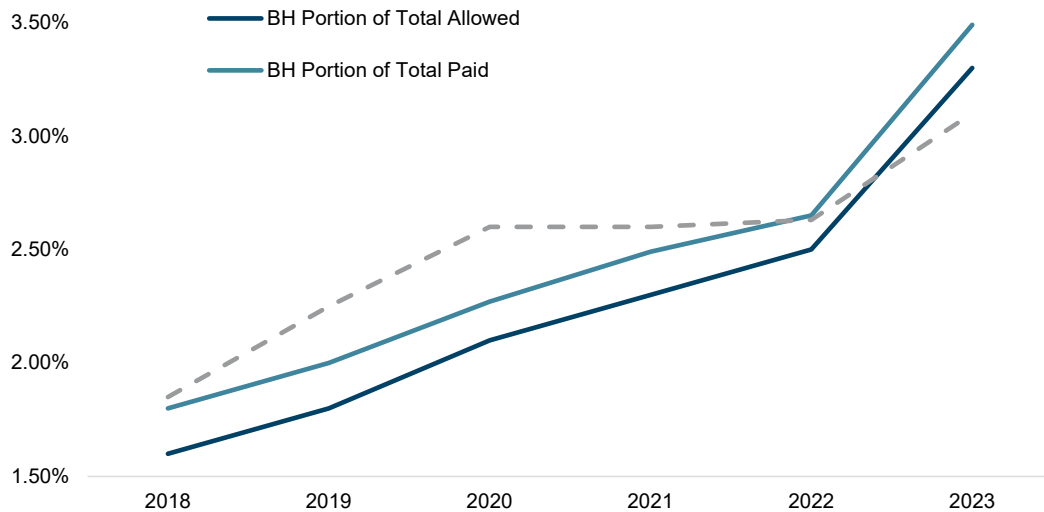
Exhibit 3
Behavioral Health Update Report
Behavioral Health Unit Cost Trend



Note: Data from 2018 - 9/30/2023

The PwC report also noted that, due to an increase in unit costs, behavioral health services now account for a higher percentage of overall medical spending, which has also been a trend each year following the COVID-19 pandemic (shown in exhibit 4, on the following page).

Exhibit 4
Behavioral Health Update Report
Percentage of Behavioral Health Total Claims and Claim Counts Among All Medical Claims



Note: Data from 2018 - 9/30/2023

Furthermore, according to PwC's analysis, approximately **30% of health plans surveyed listed behavioral health services as a top-three contributor to healthcare inflation today**. In our view, this demonstrates that the industry is at a dire need for innovation and novel solutions to curb rising costs.

Technology Advancements Next Key to Improving Access, Coordination

Behavioral Health Information Technology Initiative

In our view, perhaps the most promising area of advancement in the behavioral healthcare space has been the influx of new capital that providers are using to create myriad solutions to improve care delivery, enhance care coordination and reporting, balance supply and demand, and improve workforce productivity.

Still, overall healthcare IT adoption among behavioral health providers drastically lags other sectors in healthcare (a remnant of not receiving stimulus dollars to drive adoption, as was the case in other care delivery settings). Moreover, the lack of digital health integration hinders many aspects of a patient's overall healthcare journey. More specific, this limits integration of behavioral health data with primary care and other physical health entities, and, in our view, remains a significant barrier to the interoperable exchange of behavioral health data across the care continuum.

Despite the lack of data sharing, we are starting to witness more acknowledgment for the need to better integrate social determinants of health (SDoH) data and behavioral health data into overall care delivery. And as we have stated in this report and other mosaics, data sharing and data collection are all requirements needed to really achieve the triple aim in healthcare.

We believe digital health integration lags as a result of limited resources and regulatory challenges. As stated earlier, most behavioral health practices are ineligible to participate in health IT incentive programs offered by the Centers for Medicare and Medicaid Services (CMS). For example, an [analysis by the Office of the National Coordinator for Health Information Technology \(ONC\)](#) of American Hospital Association survey data from 2019 and 2021 found that 86% of non-federal, general acute care hospitals had adopted a certified electronic health record (EHR); whereas, only 67% of psychiatric hospitals had adopted the same—a 19 percentage point difference. Furthermore, another ONC analysis of Substance Abuse and Mental Health Services Administration (SAMHSA) [survey data](#) from 2020 shows that psychiatric hospitals lag even further behind in the adoption of digital technology.

In an effort to promote digital integration, the SAMHSA and the ONC launched the Behavioral Health Information Technology Initiative. In essence, these two organizations will work together to invest more than \$20 million over the next three years to advance health information technology in behavioral healthcare and practice settings. More specific, the new initiative will pilot a set of behavioral health-specific data elements, which will be analyzed to improve the effectiveness, and reduce the costs, of data capture, use, and exchange for behavioral health providers.

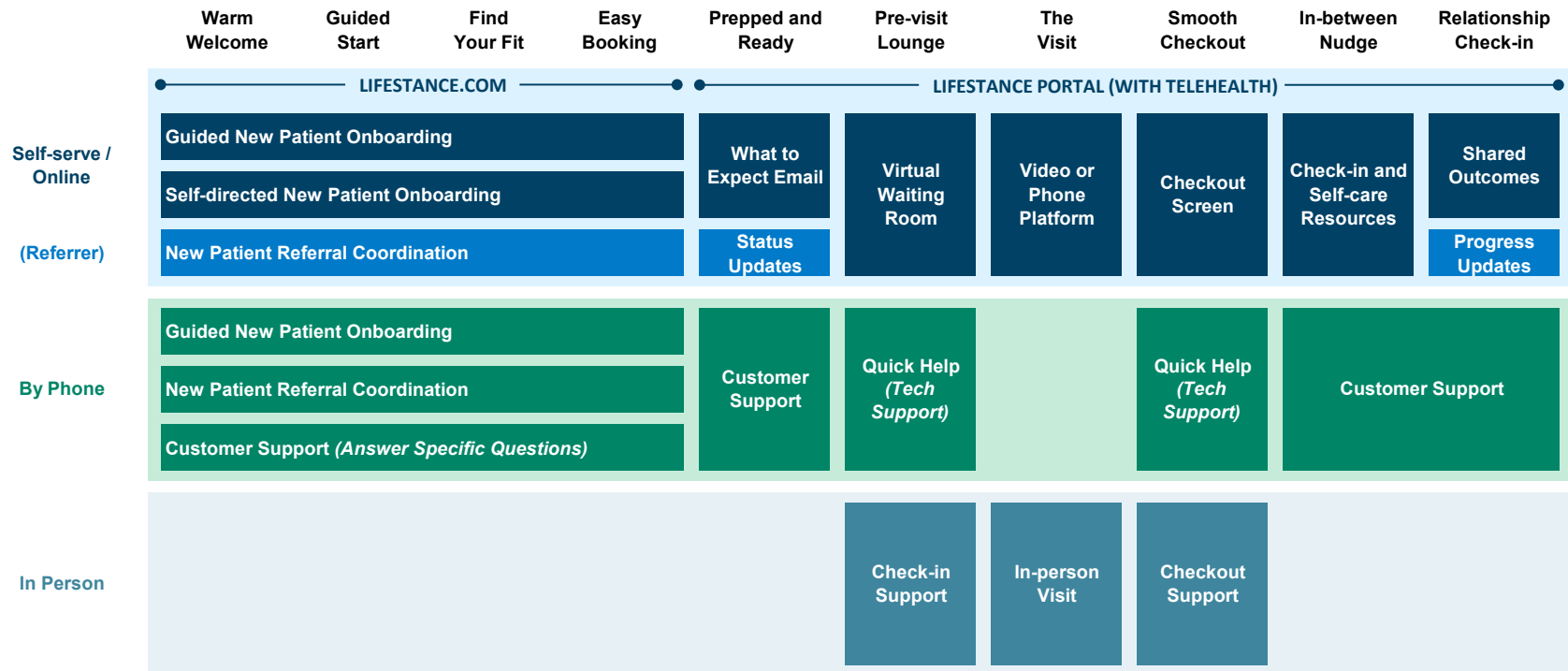
Another way many providers use technology to improve care delivery is through matching algorithms to better match patients to available clinicians, which will help with the supply/demand imbalance in many markets. Moreover, by using predictive analytics, we believe both virtual and in-person caregivers can be matched with patients who are more likely to drive successful outcomes (e.g., a stronger initial bond that drives more adherence to treatment and longer treatment lengths).

Leaders in the Behavioral Healthcare Space

For example, “clicks-and-mortar” operator *LifeStance Health* recently completed its rollout of its Online Booking and Intake Experience, or OBIE for short. Essentially, OBIE is an advanced matching system that helps patients get to the right clinician, faster. According to the organization, OBIE solves for: 1) a better fit, which can improve patient and clinician satisfaction; 2) more accessible options for how a patient wants to receive care (virtual or in person); 3) improved job satisfaction for clinicians by allowing an increased focus on patients rather than other administrative tasks; and 4) fewer cancellations.

As shown in the below exhibit, LifeStance uses OBIE as a “warm welcome” for its online bookings, and uses its tech stack to guide patients through a seamless experience, which we believe improves the patient experience and ultimately enhances patient outcomes. This is a blueprint that we believe shows how technology is helping to improve the overall behavioral healthcare experience for all key constituents.

**Exhibit 5
Behavioral Health Update Report
Use of OBIE for Online Bookings**



Source: Company Presentation

Similarly, virtual health provider **Talkspace** now integrates hundreds of thousands of interactions with patients to better match members with the best possible provider; create individualized, member-specific treatment plans; and provide myriad data and analytics to track and predict treatment progress and augment the efficacy of treatment.

Within the Talkspace technology stack, one unique aspect is that it is able to identify key terms in conversations that could be potential flags that ultimately create negative events. The platform can then alert the therapist and will help them modify or intensify services to improve outcomes based on what the patient messaged. The platform can also leverage this data to help provide next-best-action recommendations for providers based on outcomes data (in each of these situations, however, the clinician has the ultimate authority to treat patients as they see fit, and this override adds to the knowledge of the system).

Similar to LifeStance, Talkspace also utilizes a matching algorithm to match specific patient needs with available therapists. Moreover, prior to an initial session, the Talkspace platform provides its network of providers with robust data that contains highly specialized, reliable information on the patient, which can jumpstart treatments and help develop strong initial bonds. For example, during the intake phase, the Talkspace app may ask anywhere between 20 and 60 questions on psychographics (following an initial shorter patient survey), which are used to better understand the patient. The outcome of the sessions and treatments is then analyzed via identified trends and engagement patterns, which then leads to a possible discharge when ready. In the discharge stage, data-collected results are used to enable and reinforce the next steps for patients. As the number of treated patients grows, the matching and predictive algorithms all continue to advance as well.

Quartet is another example of an emerging technology provider that we believe is set for material growth going forward. The company is a leading technology-enabled mental healthcare provider that works with payers, health systems, and provider groups to increase care access, track outcomes, and manage referrals, among other solutions. The company's SmartMatch technology leverages advanced analytics to seamlessly route patients to the most appropriate care, including in-network care givers nationwide. The company also acquired **innovaTel Telepsychiatry** in December 2021 to expand into virtual care services.

Another company leveraging robust technology is **Grow Therapy**. Founded in 2020, Grow Therapy is a platform that helps therapists launch their own practices, and in essence, enables independent therapists to establish, operationalize, and scale their own in-network private practices through support with credentialing, referrals, administration, and community support services. Like several of the other technology-forward mental health organizations we noted above, Grow employs, and has made significant enhancements to, its patient and provider matching algorithm, and accounts for variables such as availability, specialty, diversity, identity, and care quality.

According to the organization, "when therapists no longer have the hassle of mundane admin tasks like billing and insurance claims or the limitations of out-of-pocket-only payment options, they can provide care to the communities who need it most." And, to us, this is where the technology stack really plays a critical role. The Grow Therapy technology stack integrates with its proprietary EHR, ultimately enabling providers to refer and edit patient treatment plans, goals, and clinical notes. Moreover, the platform collects and analyzes clinical data to improve patient outcomes, where measurement-informed care prompts are built into treatment planning.

As another example of technology advancements in the space, we highlight solutions from industry leaders such as **Netsmart**, which offers a leading electronic health record and care coordination platform for the community care end-market. As an example, the company offers its myEvolv Mental

and Behavioral EHR solution, which was purpose-built for CHCs and agencies for child, family, and social services. This platform includes support for performance-based care models (through automated reporting and data collection to monitor key performance measures).

Moreover, myEvolv supports person-centered care across care settings by connecting data from different support plans and integrating with staff members' documentation. In our view, platforms such as Netsmart are critical in bringing innovations around predictive analytics, data-informed decision-making, and connected care delivery that is more readily accessible in other care settings (e.g., acute care) into the behavioral health and/or community care markets.

Similarly, **WellSky** has a full suite of software solutions (WellSky Specialty Care for Behavioral Health) that were purpose-built for providers such as inpatient psychiatric hospitals and behavioral health systems. Of note, this ranges from industry-leading EHRs to areas such as RCM and mobile access solutions.

And **Qualifacts** has emerged as another clear leader in the sector—offering solutions to Certified Community Behavioral Health Clinics (CCBHCs) across all 50 states and currently serving roughly one-third of this important market. The company also partners with mental health and addiction treatment centers across the country, offering a *Best in KLAS* product (Credible EHR) for behavioral health—an offering that provides solutions ranging from virtual care and clinical/care management through billing and administrative functions.

Others in the EHR and practice management solution space include organizations such as Owl Practice, SimplePractice, TherapyNotes, and Therapy Brands, which we briefly highlight below:

- **SimplePractice** is a top-rated EHR used by more than 200,000 therapists that helps with streamlining notes and the documentation process, automates the billing process, assists with scheduling, and has integrated claim filing. For patients, this is an easy-to-use solution where they can access an all-in-one client portal to communicate and pay for their appointment, with a built-in telehealth tool. Other features include appointment reminders, online appointment requests, secure messaging, analytics and reports, and practice marketing.
- A direct competitor to SimplePractice with similar features, **TherapyNotes** is a powerful EHR platform with solutions for scheduling, telehealth, notes, billing and payment processing, messaging, and e-prescribing. It is also a client portal.
- **Owl Practice**, another leader in the behavioral health enablement space has a vision “to design, simplify, streamline, and revolutionize mental health practice management, allowing practitioners to focus on what truly matters—guiding their clients toward brighter and healthier lives. We continuously strive to innovate and adapt our offerings to meet the evolving needs of our clients and the mental health industry as a whole.” The Owl platform includes features such as integrated insurance and claims, session notes, telehealth, scheduling, payments (and invoicing), clinical records, and practice management software.
- Similarly, **Therapy Brands** provides more than 200,000 providers with practice management software that helps them expand treatment capacity via reducing administrative burdens. The company's solutions are used in the mental, behavioral, and rehabilitative therapy sectors, and include purpose-built practice management, data analytics, and billing solutions specific to each space.

Many patients who have historically suffered from behavioral health conditions have not received the care they need due to negative stigmas or challenges accessing providers. In our view, **Phreesia** is a leading vendor that is equipped to identify patients with mental or behavioral health needs. More specific, the company collects patient data through surveys and clinical screeners (such as PHQ-9, a depression screener) as part of its patient intake and payments platform.

Regulators Are Also Mandating Change

We also believe regulators are implementing important changes to improve access to behavioral healthcare, and we are witnessing an increased focus for the Medicare population, in particular. Late last year, for example, CMS announced new policies that “create some of the most significant changes to promote access to behavioral health in the history of the Medicare program.” Of note, these are part of the calendar year 2024 physician fee schedule (PFS) final rule, calendar year 2024 hospital outpatient prospective payment, ambulatory surgical center payment systems final rule, and contract year 2025 proposed MA and Part D final rules.

There are three areas of focus for the change, which we discuss below:

1. **Expanding the behavioral health workforce.** Prior to this update, marriage and family therapists (MFTs) and mental health counselors (MHCs) could not enroll as Medicare providers. Going forward, MFTs and MHCs can enroll as Medicare providers and are now able to independently treat patients with Medicare and be paid directly.

To help ensure that people with an MA plan have access to behavioral health providers, CMS is also adding “network adequacy evaluation standards for a new facility-specialty provider category,” which is referred to as outpatient behavioral health. This new category will include a range of behavioral health providers under one category, including MFTs and MHCs; opioid treatment program (OTP) providers; community mental health centers; addiction medicine physicians; and other providers, like nurse practitioners (NPs), physician assistants (PAs), and clinical nurse specialists (CNSs). MA plans must verify that the provider they are adding to their network has furnished or will furnish such services to at least 20 patients within a 12-month period.

Last, CMS is adding the outpatient behavioral health facility specialty to the list of specialty types that will receive a 10% credit toward meeting required time and distance standards.

2. **Covering gaps in access to behavioral health.** The new rules also aim to close the gap in the *types* of behavioral health services covered. Here, CMS has finalized payment for intermediate level of care, called intensive outpatient program (IOP), which is specifically geared toward patients that need more intense services than traditional outpatient therapy (but less than hospital-level care). IOP can be performed by hospital outpatient departments, community mental health clinics, federally qualified health centers, or rural health clinics. CMS is also finalizing payments for intensive outpatient services provided by OTPs.

In addition, CMS eased the “required level of supervision for behavioral health services performed at federally qualified health centers and rural health clinics to allow for ‘general’ supervision rather than ‘direct’ supervision.” Essentially, this means that clinicians can provide services without a doctor or physician assistant/nurse practitioner physically on-site.

3. **Paying more accurately for behavioral health services.** CMS will increase the value of psychotherapy for crisis service (where behavioral health practitioners meet patients in crisis where they are). More specific, CMS will increase the pay to 150% of the usual PFS rate when this crisis care is provided outside of healthcare settings. Moreover, CMS will increase payment for certain timed behavioral health services including psychotherapy and increase the payment rate for substance use disorder treatment.

Last, “CMS will begin to provide additional, appropriate payments for physicians and other practitioners delivering primary and longitudinal care, which could help ensure patients get appropriate treatment and referrals for behavioral healthcare.”

Similarly, in mid-July 2024, the U.S. Department of Health and Human Services (HHS) proposed a number of additional items focused on the behavioral healthcare space via the calendar 2025 Medicare PFS. In the release, HHS noted that, “addressing the country’s behavioral health crisis continues to be a key priority for CMS. In support of the President’s whole-of-government strategy to transform how we address behavioral health, CMS is proposing several additional, impactful changes in this year’s rule.”

More specific, it proposed novel payments for practitioners who treat people at high risk of suicide or overdose, including separate payments for safety planning interventions and post-discharge follow-ups. It also proposed new payment and coding “for use of digital tools that further support the delivery of specific behavioral health treatments, and also new coding and payment to make it easier for practitioners to consult behavioral health specialists.”

Again, we view the government’s increased focus on addressing behavioral healthcare gaps as a significant development, as it should not only improve access to care through better reimbursements, but also work to further develop the workforce and digital tools and enhance overall coverage.

An Update on Funding, M&A, Products, and Partnerships

In this section, we take a deeper dive into the funding and M&A activity in the behavioral healthcare sector.

Of note, a newer term in the behavioral health industry since our prior report is behavioral health-focused infrastructure-as-a-service, or often referred to as BH-focused IaaS. This refers to the infrastructure, or bones, of the system that is built to support the behavioral health platform. This could include novel EHRs, workflow automation platforms, or a process that integrates artificial intelligence, or machine learning, into digital tools. In our view, given the magnitude of unmet needs, inequities, and patient accessibility issues (items we discussed in the sections above), we believe we are at the forefront of the rise of BH-focused IaaS.

We also note that HHS appears more supportive of digital behavioral tools, proposing new payment and coding for the use of “digital tools that further support the delivery of specific behavioral health treatments” in the proposed [2025 Medicare PFS](#) that was released in mid-July 2024.

In our view, there are four main investment areas that have received, and will continue to receive, funding in the behavioral health space.

- First, there appears to be a clear need to improve staffing efficiency, credentialing, and licensure solutions in the behavioral health market (both for therapists and providers);
- Second, data indicates a need to improve the efficiency of the workforce, often through automation and/or real-time feedback to care teams;
- Third, there is a need to develop measurement-based outcomes and advanced analytics to improve quality of care and increase care outcomes;

- Fourth, there remains a need for care delivery streams through the use of digital therapeutics, especially products that focus on specific conditions or sub-populations (ethnic or by age group). In our view, this facet greatly expands access to behavioral healthcare resources.

Based on this criteria, below we take a slightly deeper dive into a number of areas through the lens of behavioral health. Of note, we believe these are the specific areas where we will continue to see funding activity in the coming years, as they remain ripe for innovation.

Electronic Health Record (EHR)

While EHRs are used across the entire healthcare industry, the behavioral health specialty often comes with additional documentation requirements (specifically for substance use patients or for providers that need a more communicative approach with patients).

Here, we believe there are two unique subsectors of the EHR world that have emerged:

- First, we have witnessed a rise in behavioral health-specific EHRs, such as *Osmind*, which raised \$40 million in 2022 through a series B round; *Alleva*, which has raised nearly \$15 million to date (founded in 2017); and *Qualifacts*, which is backed by Martis Capital Management and Warburg Pincus.
- Second, we have seen more API-focused EHRs come to life—in simple terms, an EHR that has the ability to send/receive data, update an individual patient’s record, and provide real-time information. Companies in this subsector that have received funding over the past few years include *Canvas Medical* (raised a \$24 million series B round in 2022) and *Elation Health* (secured \$50 million in series D financing in 2022).

Practice Management, Credentialing Solutions

Private practices face complex administrative tasks every day, especially with patient and provider recruitment, marketing, intake and scheduling, and RCM—all of which can be material burdens given the small size and low profit margins of most practices. Adding to these complexities and the already challenging ecosystem is the fact that the behavioral health industry has a burdensome and expensive therapist licensure process (for example, therapists seeking their licenses are often on their own when it comes to areas such as finding and paying for clinical supervision hours and sending in applications, in what is a very archaic process), which is a deterrent for potential therapists becoming fully licensed.

In recent years, we have seen a significant rise in behavioral health-focused management platforms that help address these issues. Notably, *Grow Therapy* recently closed on a \$88 million series C round, which follows a \$75 million series B round in 2022, and *SonderMind* raised a \$150 million series C round in 2021.

Other companies, such as *CertifyOS* (raised \$14.5 million in 2022), *Axuall* (closed a \$7 million series B1 round in 2023), and *Medallion* (closed a \$35 million series C round in 2022) are all well-positioned organizations that we believe can help shorten the provider credentialing process and ensure providers are licensed *across* states and *in-network* with payers.

SimplePractice, which also has an EHR solution, though is more of a one-stop shop for therapists, was bought out by Vista Equity Partners earlier this year.

The emergence and increased private equity activity in these practice management solutions should begin to help significantly lower the operation complexity and start-up costs for providers that want to become more independent while still being patient-focused. As such, we view this as one of the most-promising investment areas in the space going forward.

Provider Staffing, Workforce Automation, and Outcome Measurement

There is a shortage of licensed therapists and clinicians, and coupled with the complex administrative challenges (compliance, case management, clinical documentation, etc.), this can lead to burnout, exacerbating the already strained provider workforce. On top of this, for practices to stay at the forefront of the industry, they need to continuously improve clinician effectiveness and optimize client therapy time to improve patient outcomes and broaden access to care.

To take these challenges head on, we have seen several workforce automation companies emerge, such as platforms like **Eleos Health** (closed a \$40 million series B round in late 2023), that focus on leveraging behavioral health-specific large language models (LLMs) to “turn behavioral health conversations into automated documentation and detailed clinical insights.”

According to an article written on *Slice of Healthcare*, clinical documentation vendors have “directly or indirectly indicated that behavioral health/psychiatry is a specialty of focus.” In our view, evidence of this increased demand is seen in the **Abridge** \$150 million series C round that closed earlier this year, and **Ambience Healthcare’s** \$70 million series B round that closed late last year.

Interestingly, many of these platforms that specialize in clinical documentation, notably those with automated clinical documentation that use LLMs such as **Ellipsis Health** and **Eleos Health**, have shown promise in detecting a patient’s depression, anxiety, and stress levels by analyzing semantic aspects of the speech. By providing real-time feedback to clinicians, they can also help improve patient outcomes earlier and more quickly.

Last, on the measurement-based care front, **NeuroFlow**, a provider of behavioral health technology and infrastructure, announced that it acquired **Owl**, a measurement-based care technology platform. Of note, “the deal creates a suite of solutions that extends the delivery of feedback-informed care across healthcare settings, positioning NeuroFlow as the unparalleled market leader in behavioral health measurement and engagement.”

Patient Monitoring

Over the past few years, we have seen a few digital diagnostic companies using biomarkers emerge. While the normal process for seeing a therapist can often take days (if not weeks), patients could possibly use AI applications and digital diagnostics to begin their care journey sooner. For example, we have witnessed a number of behavioral health organizations using voice analysis technology, eye movement detection, and other wearable technology to diagnose, triage, and monitor behavioral health conditions.

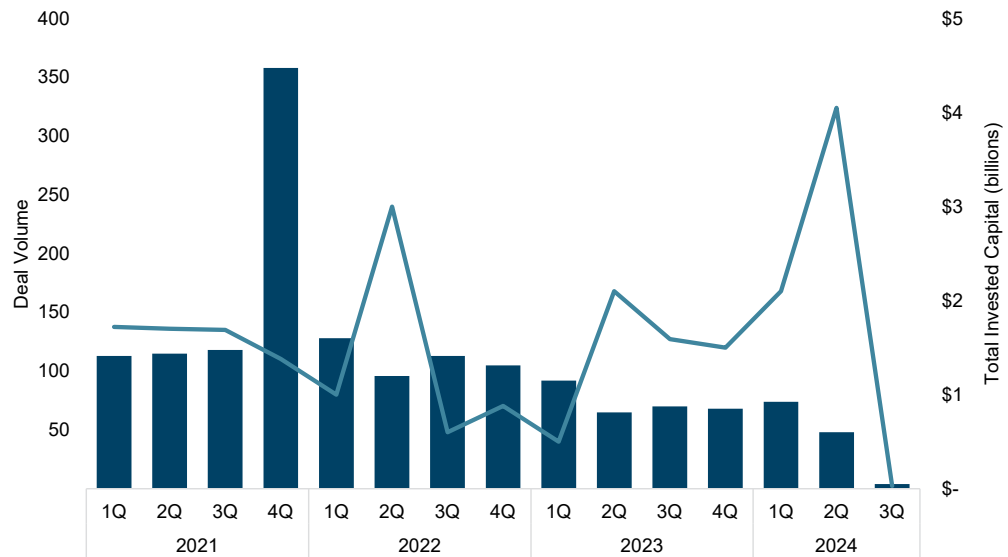
Companies paving the way in this area include **Kintsugi**, which has raised just over \$34 million to date, according to Pitchbook; **Sonde Health**, which closed on a \$21 million series B round in late 2022; and **HealthRhythms**, which raised \$22 million in a series A round in March 2023.

General Behavioral Health Funding Commentary

Given this massive growth in, and demand for, service offerings, it should come as no surprise that venture and private equity funding for behavioral healthcare assets has also been robust over the past several years (as shown in the exhibit below).

Over the past three years, Pitchbook’s deal volume data indicates a steady flow of deal activity and private funding for this industry, albeit with a notable spike in 2021 (an outlier year for most sub-sectors). More specific, the total number of venture capital and private equity growth deals involving behavioral healthcare assets was 704, 442, and 295, for 2021, 2022, and 2023, respectively.

Exhibit 6
Behavioral Health Update Report
Private Funding Activity



Note: data filtered for the keywords "behavioral health", "mental health", "substance use disorder", and related keywords
 Source: Pitchbook; William Blair Equity Research

Moreover, *despite current macro conditions, there have still been 126 behavioral health deals funded thus far in 2024*, another testament to the heavy level of investor interest in the space, in our view.

A July 8 [report](#) by Rock Health indicates that mental health retained its position as the top-funded clinical indication in all of healthcare during the first half of 2024, with more than twice the funding level of the second-most-funded indication (cardiovascular). Also of note, mental health has held the top funding position each year since 2020, with funding levels nearly twice the size of the second-closest indication in each year since the start of the decade.

Exhibit 7
Behavioral Health Update Report
Top Funded Clinical Indications
(\$ in billions)

	2020	2021	2022	2023	H1 2024
Mental Health	\$2.4	\$4.9	\$2.1	\$1.1	\$0.7
	1	1	1	1	1
Cardio-Vascular	\$1.3	\$2.0	\$1.2	\$0.6	\$0.3
	4	3	3	3	2
Oncology	\$1.3	\$1.5	\$1.3	\$0.5	\$0.3
	3	7	2	4	3
Weight Management & Obesity	\$0.9	\$2.2	\$0.6	\$0.3	\$0.3
	5	2	8	8	4
Reproductive & Maternal Health	\$0.8	\$1.9	\$0.8	\$0.2	\$0.2
	8	4	5	14	5
Neurology	\$0.3	\$1.0	\$0.5	\$0.4	\$0.2
	16	10	9	5	6

Source: Rock Health

Here, notable raises include the following:

- New York City-based telepsychiatry provider **Talkiatry** closed a \$130 million series C round in June 2024. The deal was led by Left Lane Capital and Andreessen Horowitz, with other participants including Regent Healthcare, Blisce, Gaingels, General Catalyst, Y Combinator, and Perceptive Advisors.
- **Grow Therapy** raised \$88 million in a series C round in April. The deal was led by Sequoia Capital, though Transformation Capital, SignalFire, TCV, PLUS Capital, Lily Collins, Goldman Sachs Asset Management, and several notable investors, including Dak Prescott, Joe Burrow, Jrue Holiday, Lauren Holiday, Anna Kendrick also participated in the round.
- In mid-July, **Headway** raised nearly \$100 million, led by Spark Capital. Other participants in the round, which according to press releases values the company at roughly \$2.3 billion, include existing investors Thrive Capital, Accel, Andreessen Horowitz, and Global Founders Capital.
- **Vita Health**, a provider of suicide prevention services, closed a \$22 million series A funding round led by CVS Health Ventures, along with participation from LFE Capital, Athyrium Capital Management, Flare Capital Partners, CU Healthcare Innovation Fund, Connecticut Innovations, and Hopelab.
- **Headlight**, a start-up formerly known as Sokya Health, raised \$18 million in new funding that was led by Matrix and Epic Ventures.
- In March, digital psychiatry provider **Brightside Health** landed \$33 million in series B funding from ACME Capital and Mousse Partners.

- **Blackbird Health**, a provider of youth mental health services, announced that it raised \$17 million in a round led by Define Ventures.
- **LifeGuides**, an employee wellness company, completed a \$16.5 million funding round. Participating investors were not disclosed.
- In March, virtual mental health company **Tava Health** raised \$20 million in series B financing led by Catalyst Investors. Peterson Partners, Blue Heron Capital, SpringTide Ventures, Pear (California), Toba Capital, and other undisclosed investors also participated in the round.
- Nashville-based **Wayspring** closed a \$45 million round led by CVS Health Ventures in May. Valtruis, .406 Ventures, and HLM Venture Partners also participated in the round. The funds will be used to expand the reach of the SUD Home program within the current company's states and into select new markets.
- In April, **Two Chairs**, a hybrid behavioral health provider, closed \$72 million in a series C equity and debt financing round. The round was led by Amplo with Fifth Down Capital, with participation from other investors. Bridge Bank provided the debt financing.
- Online pediatric mental healthcare provider Backpack Healthcare closed a \$14 million series A funding round in April. The round was led by PACE Healthcare Capital with participation from ECMC, Techstars, Collab Capital, Bridge Builders Collaborative, Portland Seed Fund, Hopelab, Rethink Education, Genius Guild, and Unlikely Collaborators, along with notable angel investors including Maya Ghosn Bichara and Jeffrey Walker.
- **Pelago**, a leading solution for substance use management and digital health, closed a \$58 million round in March. According to the company's press release, "existing investor Atomico doubled down to lead this series C investment on the back of Pelago's impressive growth, with participation from all existing investors Kinnevik AB, Octopus Ventures, and Y Combinator, plus new investors Eight Roads and GreyMatter Capital. As part of this latest round, Atomico Partner Laura Connell will join the Pelago board."
- Hybrid mental health platform, **Lightfully Behavioral Health**, also raised \$50 million from Regal Healthcare Capital Partners. Of note, this \$50 million is a combination of \$30 million that Regal Healthcare Capital Partners initially invested in 2021 and a fresh \$20 million.
- **InStride Health**, a leader in virtual pediatric mental health, raised \$30 million in an oversubscribed series B round, led by General Catalyst, to continue investment in the clinical quality of its services and to expand to new markets. Previous investors .406 Ventures, Valtruis, Mass General Brigham Ventures, and Hopelab also participated in the round.

In the exhibit below, we highlight (in rank order, by size of the funding round) some of the leading behavioral healthcare capital raises since January 2023, according to data retrieved from PitchBook.

Exhibit 8
Behavioral Health Update Report
Top 30 Behavioral Health Deals

Companies	Deal Size (\$ M)	Deal Date	Deal Type	Series
Latigo Bio	135.00	14-Feb-2024	Later Stage VC	Series A
Talkiatry	130.00	18-Jun-2024	Later Stage VC	Series C
Transcarent	126.00	07-Mar-2024	Later Stage VC	Series D
Headway (Managed Care)	125.00	05-Oct-2023	Later Stage VC	Series C
Author Health	115.00	28-Jun-2023	Early Stage VC	
Onwardly.	115.00	25-May-2023	Early Stage VC	
Reunion Neuroscience	103.00	01-Jan-2024	PE Growth/Expansion	
Lykos Therapeutics	100.00	05-Jan-2024	Later Stage VC	Series A1
Harbor Health	95.50	10-Jan-2024	Early Stage VC	Series A2
SPR Therapeutics	92.21	01-Feb-2024	Later Stage VC	Series D1
Grow Therapy	88.00	19-Apr-2024	Later Stage VC	Series C
Clever Care Health Plan	72.00	29-Sep-2023	Later Stage VC	Series C
Two Chairs	72.00	16-Apr-2024	Later Stage VC	Series C
Spring Health	71.00	12-Apr-2023	Later Stage VC	Series D
Pelago	58.00	28-Mar-2024	Later Stage VC	Series C
Accompany Health	56.00	30-Jan-2024	Early Stage VC	Series A
Octave (Healthcare Services)	52.51	17-Apr-2023	Later Stage VC	Series C
Lightfully Behavioral Health	50.00	20-Mar-2024	PE Growth/Expansion	
Holmusk (He serves)	45.75	06-Jan-2023	Later Stage VC	Series B
Wayspring	45.00	21-May-2024	Later Stage VC	
Eleos Health	40.00	08-Nov-2023	Early Stage VC	Series B
SPARK Neuro	37.69	01-Feb-2023	Grant	
Boulder (Clinics/Outpatient Services)	35.01	21-May-2024	Later Stage VC	Series C
NOCD	34.00	18-Jan-2023	Later Stage VC	Series C
Bamboo Health	33.70	06-Nov-2023	PE Growth/Expansion	
BetterNight	33.00	01-Jan-2023	Later Stage VC	
Bend Health	31.16	23-Mar-2023	Early Stage VC	Series A
Aware Recovery Care	30.00	08-May-2023	PE Growth/Expansion	
Holmusk (He serves)	30.00	12-Oct-2023	Later Stage VC	
InStride Health	30.00	23-Feb-2024	Early Stage VC	Series B

Note: data filtered for the keywords "behavioral health", "mental health", "substance use disorder", and related keywords

Source: Pitchbook; William Blair Equity Research

Other Notable Partnerships and Products

We conclude this section with a review of other noteworthy partnerships in the space over the past several quarters, all of which (again) demonstrate strong momentum in the sector, in our view.

- In an effort to expand access to care, Cigna's Evernorth Health Services is launching an outpatient behavioral health practice, with a plan to roll it out nationwide by early 2025. At the time of the announcement, the new practice was available in six states plus Washington, D.C. Also, according to the release, "patients can book an appointment and are 'guaranteed' to see a clinician who matches their unique goals and preferences within 72 hours."
- Over the past few quarters, **Talkspace** also was very active on the partnership front:
 - First, Talkspace and Bicycle Health announced they would join forces in January. Bicycle Health is one of the largest telemedicine-based opioid use disorder (OUD) treatment programs, and this partnership increases access to OUD specialty care for Talkspace patients. On the flip side, this partnership improves accessibility to therapists specializing in areas outside of OUD for Bicycle Health patients.

- In February, the company announced a partnership with *Wheel*, a virtual care platform. This partnership will provide Talkspace and Wheel clients with a “single solution to more effectively screen for, and support, patients holistically addressing a wide range of needs, from general wellness to mental health.”
 - Next, in April, Talkspace and *Thirty Madison’s Nurx* and *Cove* announced a partnership. Thirty Madison is a specialty telemedicine company that operates Keeps, Cove, and Nurx. Here, Talkspace serves as the “recommended therapy partner” for the two Thirty Madison brands (Nurx, which focuses on women’s health, and Cove, which focuses on migraines).
 - Initially announced in January, Talkspace is partnering with Medicare to become a provider for both standard Medicare and MA beneficiaries. In May, Talkspace began its formal Medicare rollout to roughly 13 million members and plans to expand to all traditional Medicare members (and several MA plans) nationwide by the end of the year.
 - Last, in July, the company and *Wellbeing at Work*, a division of Knowledge-Advantage that is focused on employee benefits navigation, announced that the two are teaming up to integrate Talkspace’s services within the Wellbeing navigation platform. This collaboration will use data across six domains, including emotional, career, social, financial, physical, and community, thus, providing personalized recommendations of benefits to each employee’s needs.
- Announced in May, *WellSpan*, a health system serving South Central Pennsylvania and Northern Maryland, is partnering with *Concert Health* to expand access to same-day behavioral health services in conjunction with primary care. According to the announcement, the new partnership will be rolled out across all of WellSpan’s primary care clinics.
 - In April, *Curve Health*, a senior care-focused company, announced it is partnering with MindCare, with a goal to enhance care delivery within skilled nursing facilities (SNFs). Through the partnership, SNFs will now have the resources required to address behavioral health needs among residents.
 - The *State of Illinois* is partnering with *Google* to set up an online portal—BEACON (Behavioral Health Care and Ongoing Navigation): A Service Access Portal for Illinois Youth—to increase behavioral health accessibility for families with children. Of note, this is the next phase of Governor J.B. Pritzker’s broader behavioral health services initiative launched in early 2023.
 - Retail giant *Costco* and *Sesame*, a telehealth marketplace, announced a partnership late last year. Through the partnership, Costco is offering its members discounted pricing on a slew of outpatient medical services. More specific, Costco members can have virtual mental health therapy visits for \$79. However, Sesame does not accept insurance, meaning all of the services are cash pay.
 - In March, *AdvoCare*, a multispecialty group practice with roughly 750 providers, announced a partnership with *Fort Health*, a virtual pediatric behavioral healthcare company (built with the Child Mind Institute). This partnership means that AdvoCare’s primary care facilities in New Jersey and Pennsylvania now have the option to use Fort Health’s services to better coordinate whole-person care delivery.

- **Mend**, a patient engagement and telehealth platform for behavioral health, is partnering with four community mental health organizations: **Burrell Behavioral Health**, **Clarity Healthcare**, **Jefferson Center for Mental Health**, and **TCN Behavioral Health**. The goal of the partnership is to increase “access to mental healthcare, reduce no-show rates, and enhance mental health services within their communities.”
- New York-based **Mantra Health**, a digital mental health provider for higher education, is teaming up with **Charlie Health**, a provider of virtual high-acuity mental healthcare for teens and young adults. Mantra will add Charlie Health’s virtual IOP to its suite of mental health services. This will allow Mantra to be able to connect college students who require a higher level of care to Charlie Health’s treatment program, which lasts 9-12 weeks.
- **Talkiatry** and **Quest Behavioral Health**, an administrator of mental health and substance abuse benefits and EAPs in Pennsylvania, are partnering to provide virtual psychiatric care services to Quest members, expanding access to its 125,000 members.
- In 2023, digital mental healthcare provider, **Headspace**, and Castell, Intermountain’s value-based care (VBC) subsidiary, signed a VBC mental health partnership. This partnership aims to “improve health outcomes through a personalized care experience for members.” Again, we believe this is another example of the industry’s increased focus on providing whole-person care delivery.
- **Greenspace Health**, an organization that improves how behavioral healthcare is accessed, measured, and delivered, is joining forces with **Oregon Council for Behavioral Health**, to improve the quality of behavioral healthcare through the use of measurement-based care.
- Announced late last year, **Highmark Health** and **Spring Health** are partnering to expand behavioral health access for members. In the announcement, it was noted that this collaboration will expand the number of access points to behavioral healthcare by 40%.

These are just a few samples of some of the more recent partnerships in the space, all of which highlight both the increased focus on improving access to care and the need to better integrate behavioral healthcare as a core part of the care delivery system (i.e., achieving whole-person care delivery), in our view.

Conclusion

As discussed throughout this report, we view the current behavioral health crisis facing the U.S. healthcare system and economy as dire. And we believe that our initial thesis, with which we concluded our first behavioral healthcare *Mosaic* report, remains intact—**rarely have we witnessed an industry where the need for innovation, increased access to care, and demand for services has grown as rapidly (and as urgently) as in the behavioral healthcare space. As such, we continue to believe the sector is ripe for growth investments and innovation going forward.**

Company Profiles

AbleTo, Inc.



Key Information

Headquarters: New York, NY
Year Founded: 2008
Leadership: CEO Trip Hofer
Website: www.ableto.com

Company Overview: AbleTo, an Optum company, is a virtual counseling and coaching support platform for health plan members and employees. Unique to AbleTo, the company creates a personalized and regimented 8-week cognitive behavioral therapy (CBT) program, conducted virtually through a team of licensed coaches and clinically proven to reduce feelings of anxiety and depression, decrease absenteeism, and lower the risk of hospitalization. As of today, the service is only available for those with insurance and does not include medication management.

Access TeleCare



Key Information

Headquarters: Dallas, TX
Year Founded: 2004
Leadership: CEO Chris Gallagher, M.D.
Website: www.accesstelecare.com

Company Overview: Access TeleCare, formerly known as SOC Telemed, acquired Forefront Telecare in late 2022, which is a virtual behavioral health company focused on serving vulnerable adults across the country.

Specifically looking at Forefront, the organization was founded in 2010 with a goal to combat the growing problem of behavioral health professional shortages. Now, the organization offers more than 2,500 telemedicine programs across 10 medical specialties in hospitals in every state and provides virtual behavioral health for individuals with Medicare and Medicare Advantage, and focuses on patients in need of treatment in hospitals, ERs, SNFs, and home settings. Forefront also offers the following five services: 1) hospital solutions, 2) long-term care solutions, 3) home health solutions, 4) payer solutions, and 5) continuity of care.

Alleva Corp.



Key Information

Headquarters: Laguna Niguel, CA
Year Founded: 2017
Leadership: CEO Steven McCall
Website: www.helloalleva.com

Company Overview: Alleva is on a mission to “save and improve the lives of those suffering from mental health and addiction issues by supporting those that care for them through technology”. The organization developed an EHR that is designed to simplify and streamline daily tasks for medical professionals, such as tasks related to inputting notes and managing medications. The platform also allows providers to see patients virtually.

In detail, the product includes a task management solution (similar to a to-do list) and provides visual insights that lead to better “business practices, less waste and increased revenue,” a portal with built-in marketing and communications tools, an EMR-integrated CRM, an Alleva app to increase engagement, a built-in telehealth solution, and a medication management tool.

Alma



Key Information

Headquarters: New York, NY

Year Founded: 2017

Leadership: Founder and CEO Harry Ritter

Website: www.helloalma.com

Company Overview: Alma is a mental health company that empowers private practices in numerous ways, such as providing practitioners with tools for billing, scheduling, and telehealth, among others. The care model begins with the patient browsing an online directory, which includes relevant information regarding the provider network, where patients can filter the search based on specific provider attributes (e.g., condition specialties, gender, education). Then, patients can learn about the network of providers in greater detail as each is displayed with a comprehensive profile.

Once a provider is selected, the patient can book or request a consultation with the provider where the patient can ask the provider questions and share specific goals for therapy. While this is not a matching process using technology and algorithms (such as what is employed at Talkspace and BetterHelp), we believe this gives the patient more control over their outcomes and can improve the patient experience. One feature of note, and in contrast to much of the industry, patients can see a cost estimate for their therapy sessions.

Array Behavioral Care



Key Information

Headquarters: Mount Laurel, NJ

Year Founded: 1999

Leadership: CEO Shannon Werb

Website: www.arraybc.com

Company Overview: In 2019, InSight Telepsychiatry and Regroup Telehealth joined forces to form one of the largest telepsychiatry service clinician organizations in the United States, or now known as Array Behavioral Care. Array's mission is: "We envision a world where loved ones never struggle to access behavioral health services that support their wellness."

The organization offers telepsychiatry solutions and services across the continuum of care, ranging from hospital to home with its OnDemand Care, Scheduled Care, and AtHome Care divisions. It also partners with hundreds of hospitals and health systems, community healthcare organizations, and payers to increase access to care and improve outcomes for underserved individuals, facilities, and communities. Currently, the organization employs more than 400 behavioral health clinicians, and has conducted about 2.5 million telehealth encounters.

Athena Care



Key Information

Headquarters: Nashville, TN

Year Founded: 2001

Leadership: Co-founder Dr. Charles Ihrig, Ph.D., HSP

Website: www.athenacare.health

Company Overview: Athena Care was founded in 2001 by Dr. Charles Ihrig and has since grown to be one of the largest private practices in Tennessee. Athena Care provides behavioral health services and treatments for individual, family, and couples counseling to people of all ages. In addition, the organization offers advanced interventions such as trans-cranial magnetic stimulation (TMS) and Spravato (esketamine) therapy, though it specializes in diagnostic and forensic work.

Bamboo Health



Key Information

Headquarters: Louisville, KY

Year Founded: 1994

Leadership: CEO Jeff Smith

Website: www.bamboohealth.com

Company Description: In 2021, Apriss Health acquired PatientPing and rebranded as Bamboo Health, though is still has a vision “to create a better life for everyone experiencing behavioral and physical health disorders”.

Essentially, Bamboo Health provides Real-Time Care Intelligence solutions to better inform healthcare professionals, ultimately to make the right decision. The platform offers services related to care coordination (such as real-time e-notifications, care gaps closures, risk reduction, etc.), behavioral health (capacity and referral management, crisis management, and behavioral healthcare coordination), and prescription monitoring (including prescription drug monitoring, PDMP integration, and PDMP analytics).

Bamboo also partners with hospitals and health systems, health plans, physicians, and pharmacies, just to name a few. However, the organization impacts more than one billion patient encounters per year, across more than 2,500 hospitals, 8,000 post-acute facilities, 25,000 pharmacies, 32 health plans, 50 state governments, and one million acute and ambulatory providers.

Blueprint Health



Key Information

Headquarters: Chicago, IL

Year Founded: 2019

Leadership: Founder and CEO Danny Freed

Website: www.blueprint-health.com

Company Description: Blueprint Health is a therapist enablement company geared at helping mental health clinicians automate progress notes, keep clients engaged between sessions, and practice measurement-informed care, among other services.

Specifically, the platform offers solutions for documentation automation, a therapeutic toolkit (used to assign digital homework for patients, track lifestyle outcomes/goals, etc.), measurement-informed care (designed to track and improve clinical outcomes), care pathways, and integrations (where Blueprint can integrate within other EHRs or systems).

In addition, Blueprint also has a customer/client facing interface where clients can keep track of how they have been feeling, keep a daily journal, measure progress toward treatment goals, etc. These can then be reviewed collaboratively with the clinician during sessions as well.

Brightline



Key Information

Headquarters: San Mateo, CA

Year Founded: 2019

Leadership: Co-Founder and CEO Stephen Farber

Website: www.hellobrightline.com

Company Description: Brightline is a mental health benefit that works with employers and major insurers to provide families with virtual therapy, psychiatry and coaching for kids and teens.

The company was founded by Naomi Allen, who started the company after having her own experiences with the behavioral healthcare system. More specific, her son started showing signs of anxiety, and experienced sitting on lengthy wait lists and being sent to “provider directories without getting in touch with an actual human”. Thus, she founded Brightline to give families support with personalized expert care.

The Brightline platform supports families by providing personalized coaching, therapy, and medication management. All sessions are held virtually, and families have access to a website and app to track progress, make appointments, and access expert-backed resources.

Brightside Health



Key Information

Headquarters: San Francisco, CA

Year Founded: 2017

Leadership: Founder and CEO Brad Kittredge

Website: www.brightside.com

Company Description: Brightside Health provides mental health services to individuals with mild to severe clinical depression, anxiety, and other mood disorders. The organization delivers “precision treatment” with a vision of “mental health care, down to a science, delivered with humanity.” In essence, Brightside offers services related to personalized psychiatry, clinically proven therapy, and crisis care for suicidality.

The company notes that through its technology stack, patients can be seen by a provider in as little as 48 hours and boasts that 9 out of 10 patients get better within 12 weeks. In addition, the tech stack analyzes approximately 100 personal data points, and utilizes more than 30 touchpoints—including video sessions, messages, and check-ins in the first 12 weeks.

Carelon Behavioral Health (formerly Beacon)



Key Information

Headquarters: Boston, MA

Year Founded: 2022

Leadership: EVP of Elevance Health and President of Carelon Peter Haytaian, President and COO Rajat Puri

Website: www.carelon.com

Company Description: Carelon is derived from the word “care” and suffix “-lon,” meaning “full and complete.” While Carelon was formed in 2022, the history of the organization goes back many years. Specifically, in 2020, Elevance Health acquired Beacon Health, and only recently rebranded to Carelon.

Despite the rebranding and history, the organization boasts that it has more than 150 years of experience, with capabilities ranging from pharmacy, behavioral health, care delivery, medical benefits management, payment integrity, advocacy, research, digital platforms, and operations and technology services.

Through the behavioral health lens, Carelon offers services related to specialty care, Carelon Behavioral Care (including a broad network of licensed clinicians, seeing patients in-person and virtually), crisis solutions, Carelon Wellbeing (employee assistance program), and services focused on military and veterans. In addition, Carelon partners with health plans, employers government agencies, providers, individuals, families, and caregivers.

CentralReach



Key Information

Headquarters: Fort Lauderdale, FL

Year Founded: 2012

Leadership: CEO Chris Sullens

Website: www.centralreach.com

Company Description: Based on the CEO’s experience as a Board Certified Behavior Analyst, CentralReach is a technological solution to the administrative challenges burdening applied behavioral health (ABA) clinics. The CentralReach platform reduces time-consuming administrative work through its integrated offering of autism and intellectual and developmental disability-focused software.

The company’s platform offers billing services, analytics and reporting, clinical data collection and scheduling automation, which integrate all aspects of autism, helping care providers to optimize operations, improve clinical outcomes, and scale in an efficient manner. For a brief product overview, CentralReach offers Enterprise ABA Therapy, Startup and Small ABA Therapy (for newer practices), Multidisciplinary Therapy, and PK-12 Special Education. Currently, the organization serves more than 175,000 professionals globally.

Concert Health



Key Information

Headquarters: San Diego, CA

Year Founded: 2016

Leadership: Co-founder and CEO Spencer Hutchins

Website: www.concerthealth.com

Company Description: Concert Health is leading the charge in behavioral health *enablement* for primary care providers. In essence, Concert’s clinical team provides evidence-based treatment to patients with behavioral health conditions (such as with anxiety and/or depression). However, Concert also provides its partners with “training, end-to-end implementation guidance, revenue cycle, financial reporting support and clinical metric dashboards”.

Looking at its care model, Concert: 1) enables the practice to take a population approach to behavioral health via analysis of screening tools, prescription data, and provider referrals; 2) engages with the patient cohort to set goals, provide counseling, monitor psychotropic prescriptions, and regularly assess symptoms of mental illness; 3) reviews patients on a weekly basis, providing up-to-date treatment recommendations to PCPs in the EMR; 4) ensures that the practice adequately bills and collects for collaborative care; and 5) works collaboratively with PCPs to build key relapse prevention capabilities and strategies.

The organization has cared for roughly 70,000 lives, and the platform currently has more than 180 master level clinicians, more than 19 psychiatric consultants, and is in 17 states.

ContinuumCloud



Key Information

Headquarters: Tampa, FL

Year Founded: 2020

Leadership: CEO Bob Bates

Website: www.continuumcloud.com

Company Description: ContinuumCloud offers a spectrum of cloud-based software solutions geared toward the behavioral health and human services industry. The goal of ContinuumCloud is to “provide historically underserved industries with unparalleled expertise and tailored technology that supports you and enables your entire organization to expand and enhance the care continuum to make a positive impact on the lives of the people you serve”.

ContinuumCloud solutions include an EHR platform, human capital management (which includes things like HR management, recruitment, payroll, etc.) and patient engagement (to help with virtual and in-person events, telehealth and appointment reminders, surveys, referral tracking, etc.)

The platform currently has more than 175,000 active members and serves more than 450 clients nationwide. On average, it also impacts more than 5 million people annually.

Eleos



Key Information

Headquarters: Boston, MA
Year Founded: 2020
Leadership: CEO Alon Joffe
Website: www.eleos.health

Company Description: Eleos is a tech-enablement partner that helps digitize provider conversations into clinical documentation. The platform leverages analytics and natural language processing to produce a provider's required documentation without manual input. In addition to AI-assisted clinical intervention recommendations, Eleos automates the patient intake process, and provides patient progress notes that are completed instantaneously alongside patient-provider conversations. Said differently, Eleos takes care of the entire behavioral care workflow, including all documentation and compliance administration, as well as providing deep clinical insights through session intelligence. By doing so, this allows clinicians to focus more on delivering care, thus improving care outcomes and patient satisfaction.

Foresight Mental Health



Key Information

Headquarters: Berkeley, CA
Year Founded: 2016
Leadership: CEO Greg Serrao
Website: www.foresightmentalhealth.com

Company Description: Foresight Mental Health is on a mission to broaden access to therapy and psychiatry through insurance-covered services and virtual care. Foresight is a full-service mental healthcare organization that offers traditional therapy and other types of treatment for conditions such as anxiety and depression. The organization has a diverse community of licensed mental health professions that offer a wide range of mental health services for its patients.

The organization was founded by Doug Hapeman and Matt Milford, who met in the College of Engineering at University of California, Berkeley. Doug and Matt eventually realized that they shared the same passion for improving access to mental health and improving the quality of care delivered. Thus, they created Foresight, which is aimed at addressing access and making therapy more affordable.

Grow Therapy

The logo for Grow, featuring the word "grow" in a lowercase, sans-serif font inside a purple rectangular box.

Key Information

Headquarters: New York, NY
Year Founded: 2020
Leadership: Co-founder and CEO Jake Cooper
Website: www.growththerapy.com

Company Description: As a newer start-up, Grow Therapy is a platform that helps therapists to launch their own practices. The company's platform enables independent therapists to establish, operationalize, and scale their own in-network private practices. In detail, Grow Therapy provides these therapists with credentialing, referrals, administration, and community support services. In addition, Grow offers insurance-covered care to patients, allowing practitioners to reach more patients, thus, expanding access to care.

Headway



Key Information

Headquarters: New York, NY

Year Founded: 2017

Leadership: Co-founder and CEO Andrew Adams

Website: www.headway.co

Company Description: Headway enables behavioral health providers to accept insurance and expand their practices while improving accessibility to affordable mental healthcare for all consumers. Founded in 2017, the New York-based firm functions as a cross-network platform, bridging together payers, providers, and patients, adding value to each constituent and the network as a whole. For its health plan clients, according to the company, it offers three times more available appointments than typical insurance networks, and notes that it only has two days until care delivery after the first contact, which, in our view, is a leading industry metric.

Headway also offers its customers a traditional co-insurance payment arrangement; thus, the customers are only billed when services are provided—a positive, in our view, in light of statistics around treatment adherence. Moreover, Headway mainly serves customers that have commercial insurance; though, the company announced this year that it is beginning to accept original Medicare and Medicare Advantage in some states.

Juniper



Key Information

Headquarters: New York, NY

Year Founded: 2021

Leadership: Co-founders Nathan Lee and Celina Qi

Website: www.juniperplatform.com

Company Description: Juniper is a data management and full-service billing platform that provides solutions to help behavioral health clinicians improve quality of care. In essence, the organization streamlines and replaces many administrative tasks. For example, Juniper offers a full-service billing solution that includes advanced payout and a reporting system that provides a real-time view into claims, among other things. Of note, Juniper is on a mission to “to expand access to behavioral health services for all. We strive to create tools that will make quality behavioral healthcare easier and more accessible to all who need it.”

LifeStance Health



Key Information

Headquarters: Scottsdale, AZ
Year Founded: 2017
Leadership: CEO Kenneth Burdick
Website: www.lifestance.com

Company Overview: LifeStance is the largest provider of outpatient mental health services in the United States, and as a unique attribute, the company offers both face-to-face and virtual appointments—an unusual feature for behavioral health providers, which typically focus on one modality or another (i.e., telehealth or in-person), but not both.

At present, the company operates about 550 centers across 33 states, with more than 6,800 employed providers utilizing the platform to deliver care via an in-network model that makes comprehensive outpatient mental healthcare highly accessible and affordable to patients in need. More specific, and as discussed above, the company utilizes a hybrid approach, where clinicians have the option to work on-site (in a LifeStance-owned center) or provide care virtually. Given this optionality, the composition of delivery is essentially patient-driven. In its current state, roughly 70% of appointments are being conducted virtually.

While we will not take a deep dive into the LifeStance growth engine in this report—for readers who are interested, we suggest looking at our Basic Report from 2021 ([Unifying Mental Healthcare With an Innovative Delivery Model: Initiating Coverage With Outperform Rating](#))—we highlight the company’s unique delivery model that enables its clinicians to better serve patient populations through a mix of best practices, novel care programs, and tech-enabled services.

Lightning Step



Key Information

Headquarters: Houston, TX
Year Founded: 2014
Leadership: CEO Brent Michael
Website: <http://www.lightningstep.com/>

Company Overview: Lightning Step is a developer of EMR and practice management solutions designed for addiction treatment and mental health treatment centers. Essentially an all-in-one solution, Lightning Step is a one-stop shop platform that brings together and integrates solutions related to CRM, EMR, and RCM systems, ultimately helping treatment centers provide the best care possible without worrying about administrative tasks.

Lyra Health



Key Information

Headquarters: Burlingame, CA

Year Founded: 2015

Leadership: Co-founder and CEO David Ebersman

Website: www.lyrahealth.com

Company Description: The company was founded in 2015 by David Ebersman (former CFO of Facebook) and has grown to become one of the leading mental health providers in the B2B space.

At its core, the company aims to reduce barriers to receive care as it follows a methodical process to treat patients. First, patients receive personalized care options, and after selecting an option, schedule appointments online and can choose to meet in-person or via live video. Along the care journey, the patient learns new coping skills and exercises to deal with everyday challenges. Lastly, patients can access a dashboard to track and measure their progress. As patients have the option to receive care either in-person, over live video, or via live messaging, Lyra members only wait an average of 2 days to see a provider (compared to the national average of 21 days).

Besides offering general mental healthcare services, Lyra also offers its members care for the following areas: 1) family care, 2) preventive care, 3) moderate needs, 4) complex care, and 5) global support. As a result of these offerings and high quality of care, members see marked improvement in outcomes.

Mindpath Health



Key Information

Headquarters: Sacramento, CA

Year Founded: 1995

Leadership: CEO Stephen Farber

Website: www.mindpath.com

Company Description: Formerly doing business as Community Psychiatry, Mindpath Health is one of the country's leading providers of outpatient mental health services, with a team of roughly 700 mental health clinicians spread across more than 100 locations in California, North Carolina, South Carolina, Florida, Texas, Ohio, Arizona, and Minnesota. The company is also one of the leading aggregators of independent providers in the outpatient mental health space, having grown its location base markedly via M&A activity over the past three years.

Similarly to LifeStance, the company operates both a virtual and in-person model (clicks-and-mortar) and generally operates as an in-network provider with most major payers in its markets. The company also occupies a unique niche in the marketplace with its Mindpath College Health offering, which provides college students access to specialized psychotherapy, psychiatry, and telehealth solutions (supported by the organization's May 2022 acquisition of Acacia Counseling and Wellness).

Modern Health



Key Information

Headquarters: San Francisco, CA

Year Founded: 2017

Leadership: Founder and CEO Alyson Watson

Website: www.modernhealth.com

Company Description: Modern Health is an employer-focused provider delivering a fully integrated ecosystem of mental health solutions designed to drive clinical outcomes and organizational behavior across global workforces. The company leads a preventative, holistic approach to mental healthcare in the workplace, enabling employees to seek and receive a comprehensive care plan before crises emerge. More specific, Modern Health equips employers and their health plan members with well-being assessments, self-service wellness kits, and a global network of certified behavioral health coaches and licensed therapists.

Netsmart



Key Information

Headquarters: Overland Park, KS

Year Founded: 1968

Leadership: CEO Mike Valentine

Website: www.NTST.com

Company Description: Netsmart is a leading electronic health record and care coordination platform for the community care end-market. Through its myEvolv EHR solution, which was built for community health centers and agencies for child, family, and social services, the organization offers support for performance-based care models (through automated reporting and data collection to monitor key performance measures). Moreover, myEvolv supports person-centered care across care settings by connecting data from different support plans and integrates with staff members' documentation.

In addition, at the end of 2023, Netsmart acquired Netalytics, which is an EHR and practice management software organization designed for opioid addiction facilities. More specific, Methasoft—the company's core offering and the leader in automatic methadone distribution—is a multilayered solution for methadone clinics that also includes financial management, pharmacy management, patient management, and clinic management tools, in addition to 24/7 professional support.

NOCD



Key Information

Headquarters: Chicago, IL

Year Founded: 2014

Leadership: Co-founder and CEO Stephen Smith

Website: <http://www.treatmyocd.com/>

Company Description: NOCD is a niche player that presents a targeted solution for those with obsessive compulsive disorder (OCD). NOCD offers a digital health application designed to assist in the treatment of OCD symptoms by guiding patients through exposure and response prevention (ERP) exercises, a special type of cognitive-behavioral therapy that is especially effective for OCD. While the application enables patients to effectively monitor symptoms and self-treat the disorder, licensed ERP therapists are also available for 24/7 support.

Owl Practice



Key Information

Headquarters: Toronto, Ontario
 Year Founded: 2013
 Leadership: President Eric Lalonde
 Website: www.owlpractice.com

Company Description: Owl Practice is a leading practice management solution that focuses on mental health providers, though has areas of expertise in speech language pathology, allied health, and occupational therapy as well. The Owl platform is a web-based solution that offers services for scheduling, client data management, note taking, invoicing, and collections, among others. Owl has a vision to “to design, simplify, streamline and revolutionize mental health practice management, allowing practitioners to focus on what truly matters – guiding their clients toward brighter and healthier lives. We continuously strive to innovate and adapt our offerings to meet the evolving needs of our clients and the mental health industry as a whole.”

Qualifacts



Key Information

Headquarters: Nashville, TN
 Year Founded: 2000
 Leadership: CEO Josh Schoeller
 Website: www.qualifacts.com

Company Description: While an issue across the healthcare sector, care coordination and treatment adherence are particularly tricky when it comes to mental illness, considering its myriad treatment pathways and lack of integration into the broader care continuum. However, one way that care can be better executed is with timelier and more reliable patient information, which can be accomplished through informatic solutions. Qualifacts, a leader in EHR solutions, is helping behavioral health providers achieve better care coordination in this way.

In short, the company helps counselor and physician groups optimize efficiency, enhance productivity, maximize reimbursements, and improve client outcomes through its suite of EHR products. More specific, Qualifacts has three platforms dedicated to the acute needs of mental health organizations. In this capacity, the company is achieving roughly 50 go-lives per year, and is currently servicing all 50 states.

Quartet Health



Key Information

Headquarters: New York, NY
 Year Founded: 2014
 Leadership: CEO Christina Mainelli
 Website: www.quartethealth.com

Company Description: Quartet is a technology-enabled care delivery company that focuses on the behavioral healthcare industry. Quartet’s technology stack and services identifies people who need care, and then connects those patients with high quality care through networks of providers or Quartet’s medical group.

The organization partners with health insurance plans, health systems, community behavioral health centers, certified community behavioral health clinics, and federally qualified health centers in 36 states across the country.

Radicle Health



Key Information

Headquarters: New York, NY
Year Founded: 2017
Leadership: CEO Alyza Tarmohamed
Website: www.radicle-health.com

Company Description: Radicle Health is an EHR software company that believes “no single system can meet the needs of every agency”. Thus, as Radicle Health is a holding company, its companies offer solutions related to billing, modern care management, data, client tracking, treatment planning, inventory and point of sale, volunteer management, client intake, and self-enrollment.

RethinkFirst



Key Information

Headquarters: New York, NY
Year Founded: 2007
Leadership: CEO Daniel Etra
Website: www.rethinkfirst.com

Company Description: Having launched its first solution in 2010, Rethink Autism, Inc. is the developer of a web-based autism treatment platform designed to place evidence-based treatment services in the hands of every educator, clinician, parent, and employer caring for individuals with special needs.

Marketed to employers, RethinkCare is an e-learning platform, with more than 370 mini courses and 9,000-plus information resources, that provides parents of developmentally challenged children with clinically validated skills training. More specific, the award-winning solution has an impressive 87 Net Promoter Score and boasts the following outcomes: 83% of users report meeting their child’s needs better, 75% report reduced time away from work, and 92% report feeling better about their employer after using the platform. Of note, RethinkCare is used by more than 30 *Fortune* 100 companies.

RethinkEd, the company’s school-based platform, includes solutions for social and emotional learning (SEL) and special education, for both educators and students. Specifically, Rethink Special Education enables seamless tracking of student skills and behavior to aid educators in implementing effective instructional programs and behavioral interventions for students with special needs.

Used by providers and payers, RethinkBH also helps behavioral health organizations launch, scale, or streamline processes such as EHR management, enrollment and credentialing, scheduling, and billing.

SimplePractice



Key Information

Headquarters: Santa Monica, CA
Year Founded: 2012
Leadership: Co-founder and CEO Howard Spector
Website: www.simplepractice.com

Company Description: SimplePractice is a practice management platform geared toward health and wellness professionals in private practice, especially those in the mental health industry. The company's platform assists with building websites, telehealth appointments, client portals, insurance claim filing, and scheduling, enabling medical professionals to organize their work and manage client visits efficiently.

SonderMind



Key Information

Headquarters: Denver, CO

Year Founded: 2014

Leadership: Co-founder and CEO Mark Frank

Website: www.sondermind.com

Company Description: SonderMind is a tele-behavioral health service that connects individuals of all payer types (or those without coverage), with licensed mental health professionals for virtual or in-person visitations. As opposed to Alma (but similar to Headway), SonderMind charges on a per-session basis, which may be entirely covered through insurance. Of note, the company's proprietary technology employs a matching algorithm (similar to BetterHelp and Talkspace) based on a brief questionnaire.

Spring Health



Key Information

Headquarters: New York, NY

Year Founded: 2016

Leadership: Co-founder and CEO April Koh

Website: www.springhealth.com

Company Description: Spring Health leverages a proprietary, digital platform (Precision Mental Healthcare) that offers employers and health plans clinically proven ML models that can help accurately assess their employees/members' individual behavioral care needs. More specific, the company collects a comprehensive set of data on each individual (symptoms, family history, SDOH, personal preferences, socio-demographic data, diagnostic info, etc.) and then leverages ML to compare that data to hundreds of thousands of other data points to derive high-value care plans. These care plans are then used by the company's care navigators to guide individuals to the right care, ranging from coaching and meditation to therapy, medication, or other services. According to the company, more than 2 million employees worldwide currently have access to Spring Health via a variety of partnerships with employers and leading health plans.

Streamline Healthcare Solutions



Key Information

Headquarters: Oak Brook, IL

Year Founded: 2003

Leadership: CEO David Asgari

Website: www.streamlinehealthcare.com

Company Description: Illinois-based Streamline's SmartCare solution offers comprehensive EHR solutions for the behavioral health and human services marketplace. Developed specifically for this market, its enterprise, cloud-based, single-platform, and intelligent technology has served these markets for nearly a decade, offering solutions ranging from telehealth platforms and patient portals to e-prescribing modules and mobile (SmartCare Anywhere) solutions. The company provides its solutions to a wide variety of behavioral and human services providers, including SUD treatment centers, foster care and adoption, certified community behavioral health centers, programs for intellectual or developmental disabilities (I/DD), and managed behavioral health organizations (MBHOs).

Talkiatry



Key Information

Headquarters: New York, NY
Year Founded: 2020
Leadership: CEO Robert Krayn
Website: www.talkiatry.com

Another emerging player in hybrid-behavioral health (virtual and brick-and-mortar offerings) is Talkiatry, a psychiatry-focused, medication management provider. Although relatively new to the space, having launched in just 2020, Talkiatry has already expanded its partnership to over 60 payers, including large plans (e.g., UNH, Aetna, BCBS) and even Medicare and Medicaid. While much less expansive in reach than its larger competitors (i.e., 26,000 visits compared to millions for Cerebral, Headway, etc.), the founders argue a more favorable value proposition for the company's consumers. Through less restrictive payer contracts, Talkiatry is able to avoid common restrictions such as visitation limits and cost-sharing.

Talkspace, Inc.



Key Information

Headquarters: New York, NY
Year Founded: 2012
Leadership: CEO Jon Cohen, CFO Ian Harris
Website: www.talkspace.com

Founded in 2012 by a husband-and-wife team that experienced the benefits of therapy firsthand, Talkspace has grown to become one of the largest, if not the largest, pure-play providers of virtual behavioral healthcare services in the United States. In addition, Talkspace is a virtual-only therapy company that employs both W-2 (full-time) clinicians and 1099 clinicians (contracted); combined, the company employs more than 5,000 licensed clinicians across all 50 states, each of whom was meticulously selected.

Of note, over the past year, the company has been on a mission to pivot its strategy and has a greater focus on the B2B segment (which includes EAP), versus the DTC, which used to be more of a priority. As of the most recent earnings release, Talkspace had about 11,100 DTC members on the platform and 131.4 million eligible lives, and completed 284,200 payor sessions.

Interestingly, we believe Talkspace has been played a major role with addressing the mental health stigma. For example, Talkspace has been known to partner with well-known celebrities and athletes like Demi Lovato and Michael Phelps, both of whom have been major advocates within the industry.

In our view, one of Talkspace's biggest differentiators is its matching algorithm—the company recently rolled out a new and improved matching algorithm. During the matching phase, algorithms are conducted to match specific patient needs with therapists, which is done using artificial intelligence and machine learning.

Teladoc Health's BetterHelp



Key Information

Headquarters: Mountain View, CA

Year Founded: 2013

Leadership: BetterHelp CEO Alon Matas, Teladoc Health CEO Chuck Divita

Website: www.betterhelp.com

A direct competitor to Talkspace, BetterHelp also operates a virtual-only platform. BetterHelp was founded in 2013 by Alon Matas and Danny Bragonier, which was later acquired by Teladoc in 2015. To date, BetterHelp has helped more than 3.3 million people and has recorded more than 242 million interactions (from messages, chat, phone, and video sessions). And, during the most recent quarterly earnings call, Teladoc Health management indicated that the BetterHelp asset was approaching \$1 billion in annualized sales.

Similar to Talkspace, BetterHelp utilizes a matching process to match its patients with one of its licensed therapists on the platform. More specific, after a patient fills out a questionnaire, the technology stack analyzes the data to match the patient with a given therapist. Once the matching process is complete, the patient can message the therapist 24/7 via the website or mobile app. If the patient is unhappy with the therapist, the patient can request a new therapist.

TherapyNotes



Key Information

Headquarters: Horsham, PA

Year Founded: 2010

Leadership: CEO Brad Pliner

Website: www.therapynotes.com

Company Description: TherapyNotes is an online practice management system for behavioral health, which offers solutions for notes, scheduling, and billing features. At its core is the notes system, which offers an easy-to-use form-filled approach, ultimately speeding up data entry and note writing.

TherapyNotes also offers a "to do" list, which automatically directs clinicians regarding what actions need to be taken such as notes to write after sessions, contacting the primary care physician when appropriate, or sending reminders to schedule treatment plan updates.

TimelyCare



Key Information

Headquarters: Fort Worth, TX

Year Founded: 2017

Leadership: Co-founder and CEO Luke Hejl

Website: www.timelycare.com

Company Description: TimelyCare is a provider of behavioral health services intended for universities and colleges, albeit the company is slightly more entrenched in the space (founded in 2017) and larger in scale. The company offers custom packages for healthcare programs including medical care, emotional care, psychiatric support, health coaching services, and more, through its optimized clinic resources and support clinic staffs, enabling clients to improve overall student retention, improve campus health, and increase participation in extracurriculars.

Valant Medical Solutions



Key Information

Headquarters: Seattle, WA
Year Founded: 2005
Leadership: CEO Ram Krishnan
Website: www.valant.io

Company Description: Founded in 2005, Valant has created a purpose-driven, behavioral health-focused EHR and RCM technology stack, similar to the abovementioned companies. The company develops software with integrated practice management solutions, affording practitioners a full suite of SaaS services such as scheduling, Telehealth, clinical documentation, billing, claims, and payment processing. With more than 16 years of experience, Seattle-based Valant has served over 18,000 behavioral health users.

Valera Health



Key Information

Headquarters: Brooklyn, NY
Year Founded: 2015
Leadership: CEO Craig Albright
Website: www.valerahealth.com

Company Description: Valera Health is another virtual behavioral health provider targeting a specific, underserved cohort—high-acuity patients. As the only mental health provider with a quality strategy undergirded by NCQA HEDIS measures, Valera is a leading partner for health plans looking to manage mental illness in uniquely susceptible, high-risk patients. By developing expertise in these complex patient panels, the company presents a unique value proposition of addressing the highest-acuity members who disproportionately drive insurer medical spend.

WellSky



Key Information

Headquarters: Overland Park, KS
Year Founded: 1980
Leadership: CEO Bill Miller
Website: www.wellsky.com

Company Description: WellSky is a diversified organization that provides leading health technology solutions to payers, providers, health systems, and community organizations. The company partners with more than 20,000 clients across the United States, while also offering solutions to clients in Europe and Asia. The company also recently expanded into the SDOH space through its acquisition of industry-leader Healthify.

In the behavioral space, the company offers WellSky Specialty Care for Behavioral Health, which is a comprehensive health information system purpose-built for inpatient psychiatric hospitals and behavioral health systems, as well as with outpatient clinics. The solution offers a wide range of capabilities, from EHRs and revenue cycle management to insight reporting and mobile access capabilities. The company also operates the WellSky Exchange for Behavioral Health, where providers can capture real-time referral information, integrate documents from outside care providers, and exchange information across care settings.

Wysa



Key Information

Headquarters: Boston, MA

Year Founded: 2015

Leadership: Co-founder Jyotsana Aggarwal

Website: www.wysa.com

Wysa is an AI-enabled coach for mental and emotional wellness. Wysa covers 11 million lives, and has helped over 6 million people in 95 countries through more than 500 million conversations. The company's platform offers an AI chatbot that leverages evidence-based cognitive-behavioral techniques to suggest medical guidance, digital self-help techniques, and escalation into custom care pathways for human support through counselors and therapists, enabling patients to receive proactive, personalized behavioral health support on their phones from professional caregivers or coaches.

To access prior copies of our Healthcare Mosaic series, please contact the author of this report at rdaniels@williamblair.com.

The prices of the common stock of other public companies mentioned in this report follow:

Accolade, Inc. (Outperform)	\$3.74
Cigna Corporation	\$335.79
CVS Health Corporation	\$58.33
Definitive Healthcare Corp.	\$5.72
Elevance Health, Inc.	\$503.89
Hims & Hers Health, Inc.	\$20.34
Humana Inc.	\$384.96
LifeStance Health Group, Inc. (Outperform)	\$5.58
Molina Healthcare, Inc.	\$289.60
Phreesia, Inc. (Outperform)	\$23.61
Talkspace, Inc. (Outperform)	\$2.14
Teladoc Health, Inc. (Market Perform)	\$9.19
UnitedHealth Group Incorporated	\$558.53

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DOW JONES: 40358.10
S&P 500: 5555.74
NASDAQ: 17997.30

LifeStance Health Group, Inc. Rating History as of 07/22/2024
powered by: BlueMatrix

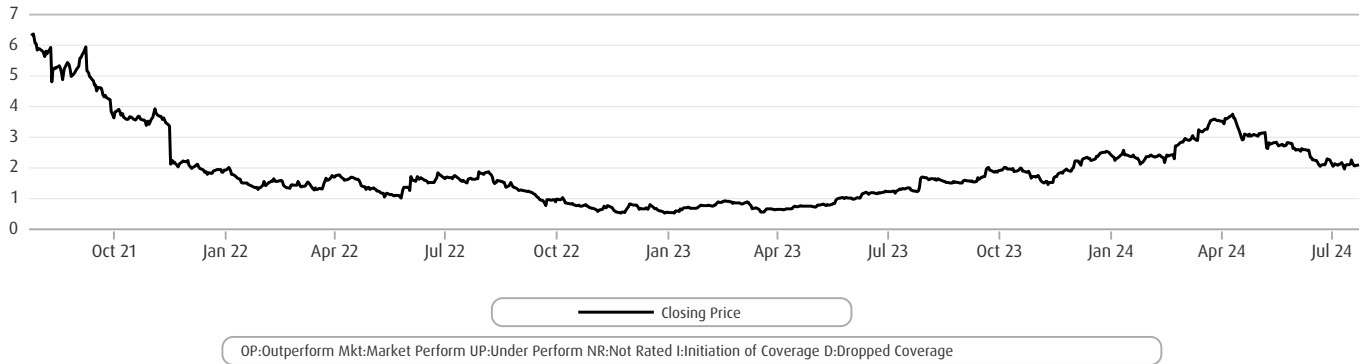


— Closing Price

OP:Outperform Mkt:Market Perform UP:Under Perform NR:Not Rated I:Initiation of Coverage D:Dropped Coverage

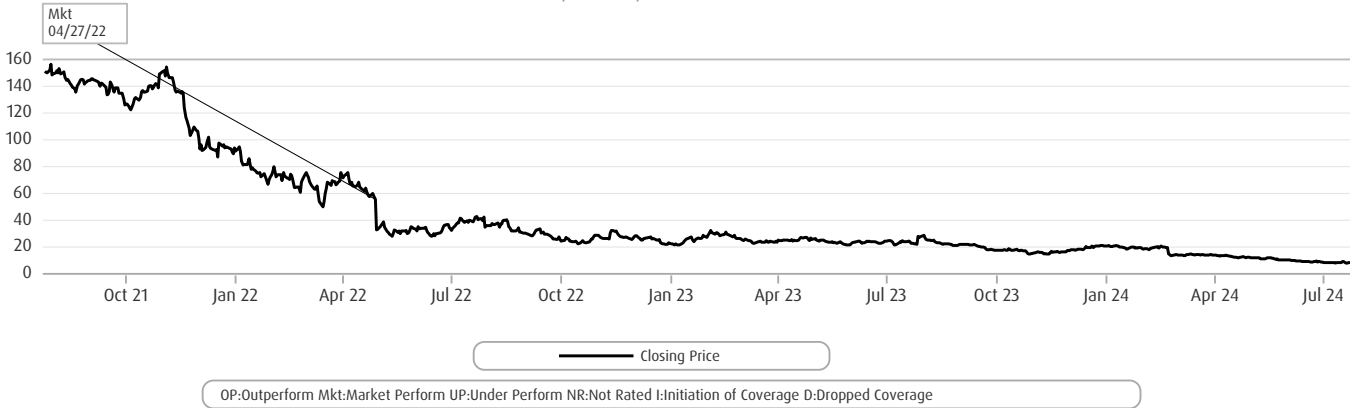
Source: FactSet & William Blair

Talkspace, Inc. Rating History as of 07/22/2024
powered by: BlueMatrix



Source: FactSet & William Blair

Teladoc Health, Inc. Rating History as of 07/22/2024
powered by: BlueMatrix



Source: FactSet & William Blair

Additional information is available upon request.

Current Rating Distribution (as of July 23, 2024):

Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	71	Outperform (Buy)	8
Market Perform (Hold)	28	Market Perform (Hold)	1
Underperform (Sell)	1	Underperform (Sell)	0

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