2024 Healthcare in Review

ISRAELI HEALTHCARE REPORT

2024 Healthcare Highlights

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From the Editor

HI All, welcome to HealthSci's report on healthcare in Israel in 2024!

My name is Leora, I'm the founder of HealthSci Consulting. My passion is in helping hospitals, HMOs, startups, pharmaceutical companies and medical device companies understand their current and potential future positioning in the market to help them devise relevant and implementable strategies to grow (which can include: launching new products, restructuring operating models, entering new markets, inorganic growth, raising funds etc.). In addition to my passion for healthcare, I'm also an aspiring triathlete and recently completed the Eilat triathlon. When I'm not busy helping clients you can find me biking, running and swimming all around Tel Aviv!

The goal of this report is to bring the Israeli healthcare market back to center stage. The startup nation is overflowing with innovative technologies and ideas mainly geared toward external markets. My hope is that this report will keep Israeli entrepreneurs abreast on the Israeli market so that they can take advantage of local opportunities as they arise. I truly believe that Israel is the best sandbox for Israeli entrepreneurs to test their innovations and the Israeli healthcare offering will be all the better for it.

I hope you find this issue interesting and feel free to reach out about ideas for future issues or potential collaborations.
Wishing us a year full of light after such a long period of darkness,

Leora

Editor & Founder

5 Healthcare Highlights of 2024

5 Israeli Healthcare Highlights of 2024

1 Israel takes its first steps to improve interoperability between HMOs & Hospitals

2 Approval granted to build a new hospital in Beer Sheva in 2028

3 Long term care insurance crisis averted in the short term but will leave many at risk in the long term

4 Reichman University opens the first private medical school in Israel

5 The government approves a multi-million shekel plan to improve the mental health offering country-wide

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# Israel takes its first steps toward a more interoperable future

As digital data is on the rise, health systems across the globe are faced with the challenge of building adequate architecture to store, access, maintain, share and analyze the data while protecting the patients' privacy. Israel is no different. On July 22nd the Knesset passed a law taking the next step to improve the interoperability of the Israeli healthcare system. The bill was initially drafted to ease the the transfer of patients' medical records upon switching to a new HMO. A process which in the past required sending the new HMO of choice a printed copy or PDF scan which could not be integrated into the HMO's system. However, the health committee soon realized that this issue was only the tip of the iceberg of a much larger problem that has been looming for years: the inability of different health service providers to share and access patients' medical records thereby impeding the quality of care.

While there are some solutions for transferring medical records between healthcare providers they are partial at best. The Eitan system is one such solution which enables hospitals to view the patients' electronic medical records (EMR) from their respective HMOs. Eitan does not show the entire medical record and does not enable integration of the medical data the patient incurred while in the hospital into the HMO records making the continuity of care from the HMO to the hospital and back to the HMO post discharge challenging. In addition, the hospital staff can only view a patient's medical data once the patient is physically in the hospital making it difficult to prepare for hospital based patient treatments.

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The newly passed law requires full interoperability between all Israeli HMOs as well as between the HMOs and the non-private hospitals (general, psychiatric, rehabilitation, geriatric). While this this is a substantial step forward it does not yet enable full data availability and connectivity across the entire patient journey (as depicted in Figure 2). One thing is for certain, this process will not occur overnight. Implementation is expected to take 3-5 years and to cost hundreds of millions of shekels.
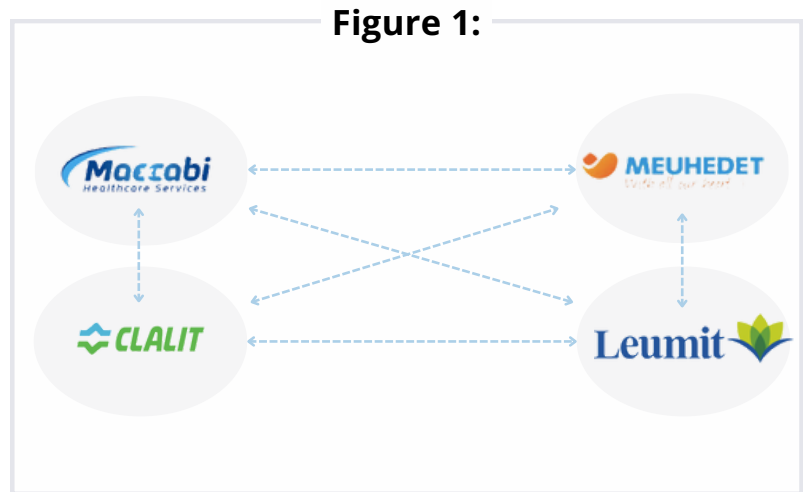
Figure 1:

The new interoperability law will enable interoperability between all the HMOs

Figure 2:
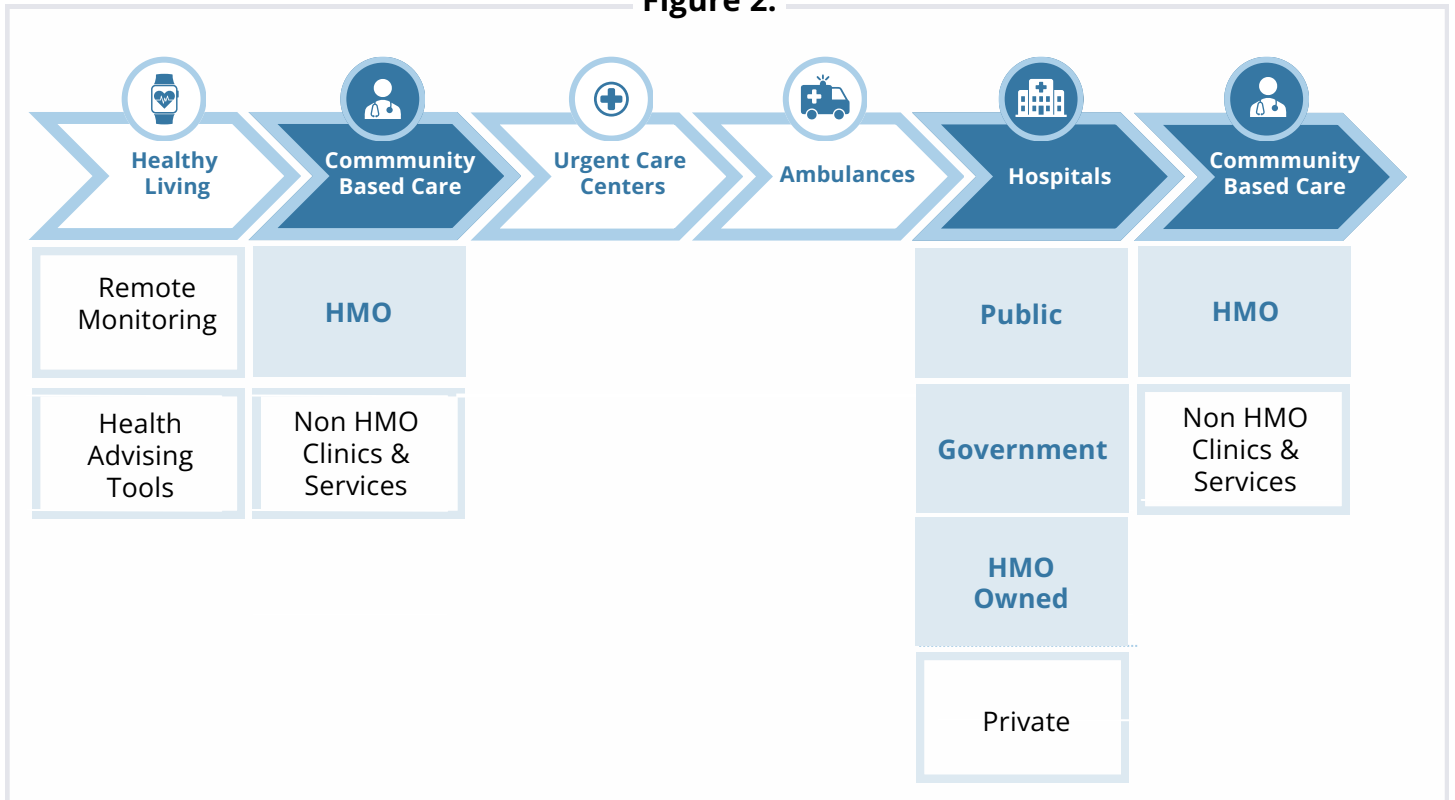
The new interoperability law will not only enable interoperability between the HMOs as depicted in figure 1 but will also enable interoperability between all boxes highlighted in light blue across the patient journey

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Hospital to be built in the south!

The Israeli healthcare system is stretched far beyond capacity and has not experienced relief in over 50 years. Since 1975 the ratio of general hospital beds per 1000 people has been in decline starting at 3.27 and reaching 1.7 in 2022 placing Israel far below the OECD average of 2.3. The southern most region of Israel has experienced the brunt of it with a meager 1.4 beds per 1000 people.

While Israel prides itself for having one of the strongest community based care programs, it isn't enough to compensate for the immigration, growing population and resulting high hospital occupancy rates.

In 2005 a committee was assembled to address this issue but their recommendations were opposed by the ministry of finance. In 2014, the government agreed on establishing a hospital in Beer Sheva and ten years later, in mid 2024 the government gave the final approval needed to start carrying it out.

The hospital is expected to open in 2028 and will have roughly 600 beds. It will be co-owned by the 2 smallest HMOs in the country; Meuhedet and Leumit, and will be operated by Sheba Hospital.

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Long term care insurance crisis

Long term care insurance offers services for those who can no longer perform basic daily tasks (such as continence, eating, showering, walking) to take care of one's self. Roughly 4 million Israelis have long term care insurance through the HMOs and 2.6M of them obtained it through Clalit.

In addition to the increase in the aging population over the past years, reforms were passed making it easier for those covered to win claims. These trends proved so costly and unprofitable for Clalit's insurer, Harel, that Clalit, the largest HMO in Israel, was unable to recruit a new insurance company to manage the insurance of their members when their contract with Harel ended.

 Had Clalit been unable to find a company to manage the insurance, no additional members of Clalit would be able to obtain long term care insurance and the insurance conditions for the current customers would worsen.

In a hail-mary attempt the government decided to make the eligibility requirements for winning a claim harder, requiring a loss of 3.5 daily functions instead of 3. This is in addition to the reduction of the monthly payout from 6K NIS to 5K NIS that started a year ago. However, this still wasn't enough to convince an insurance company to take on Clalit's members. Therefore, the government decided to limit the run-off period to two years. In other words, even if the insurance fund is depleted, the insurance company will not be responsible for the insured people after the 2 year period.

This solution is temporary, providing a two year "band-aid". If no long term solution is found within this 2 year period, the entire system will crash and people who have been paying premiums for years and are eligible for proceeds will not be able to get the funds/services they require.

Source: Gov.il, Mako, Calcalist

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Behind the scenes of the first Israeli private medical school

For over 20 years the the number of doctors per capita has been below the OECD average. This chronic detrimental lack in man power will be exacerbated due to two factors. The physician workforce is aging and nearing pension with the share of doctors above the age of 55, 50% higher than that of the OECD average in 2022. While the efflux of doctors from the system is growing the influx of new doctors is not growing fast enough to compensate for both the efflux, the growing population and the resulting increase in demand for care. Not only will the influx not grow fast enough it will rapidly start to decline in 2025 due to the "Yetziv Reform" which limits the medical school programs abroad Israel is willing to recognize likely proving catastrophic as Israel relies heavily on foreign MD graduates.

One would think that given how long this issue has been around the problem would stem from a lack in students interested in studying medicine however, that is not the case. While in most universities only the top 7% of the psychometric (university entrance exam) takers are even eligible to apply for the 6 year medical school programs over 75% of those who do choose to apply are rejected due to lack of space in the medical schools. The lack of space in medical school is so extreme that our very own Israeli healthcare system actually relies on its own citizens to leave the country and study abroad with 60% of the newly licensed doctors in Israel in 2022 having received their medical degrees from abroad.

One of the key bottlenecks for accepting new medical students was the misconception that there are not enough hospital beds in Israel to teach more students. This was recently refuted by an OECD report showing that the ratio of beds per medical school graduates in Israel is among the highest across the OECD. Therefore, one of the core issue is not the lack in beds but rather the minimal share of beds designated for teaching purposes.

A committee was assembled to provide recommendations on how to address this issue. They recommended assembling a governance structure to determine and monitor the relevant KPIs for each hospital and ensure they meet their targets so that it is not left for the hospitals to decide how many students they can train or how many hospital beds they designate for teaching. It was also recommended to create incentives for hospitals to exceed their quota.

Reichman's medical school will offer up to 80 spots. While this is a welcome step towards increasing the number of doctors it is not sufficient to bridge the gap and more importantly it comes at a high price. Tuition for four years of medical school will total ~400K NIS per student, 6X higher than the average tuition of a public medical school. This issue has been around for over 20 years and now the students who are among the lowest earners in the population have to pay for the pitfalls of the system in order to be able to study domestically. Instead of using their savings, if any at all, toward a down payment on a house now they can use it to pay to be able to learn in the country.

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National Mental Health Program

The impact of the October 7th massacre left many in need of psychological support. Even prior to the war, the Israeli mental health offering was under developed stretching the gap between supply and demand to exponential proportions.

The ministry estimates that 300K additional people are in need of care due to the war. 100K of which were directly exposed to the traumatic events of October 7th (families of the hostages, the injured, first responders etc.) and the remaining 200K are thought to be at psychological risk due to pre-existing conditions, reservist duty and being evacuated from their homes. The national mental health program was developed to combat this issue.

The program consists of strengthening 4 key pillars of the national mental health offering:

1.**Human Resources:** Includes incentivizing psychologists to stay in the public system, incentivizing doctors and hospitals to specialize in psychiatry, and an investment of 30M NIS to sponsor scholarships for hundreds of new psychology interns.

2.**Community Based Care:** This will be a collaboration between social welfare, the education system the The Joint and more to promote physical and emotional wellbeing in the community. 70M NIS will be designated to this cause through 2025.

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3.**Primary Care:** This focuses on the HMOS, community resilience centers*, first responders and helplines and includes an investment of over 420 M NIS in 2024. The core of this pillar is expanding the mental health services of the HMOs by improving current service lines and adding new service lines for patients with symptoms ranging from mild to severe.

4.**Specialized Care:** This program looks to build 16 new mental health centers, increase the number of psychiatric hospitals and improve their offering. Improving the psychiatric hospitals includes establishing separate wards for for hospitalized patients and patients under observation, offering care and rehab at home for long term care patients and enabling patients to choose their site of care.

It is clear much thought and resources were put into the development of this plan and it is my hope that all those in need will receive the care they require for however long they need it.

Source: gov.il, https://www.gov.il/BlobFolder/reports/national-mental-health-program-publication-22082024/he/units_mental-health_mental_health_prog_22082024.pdf

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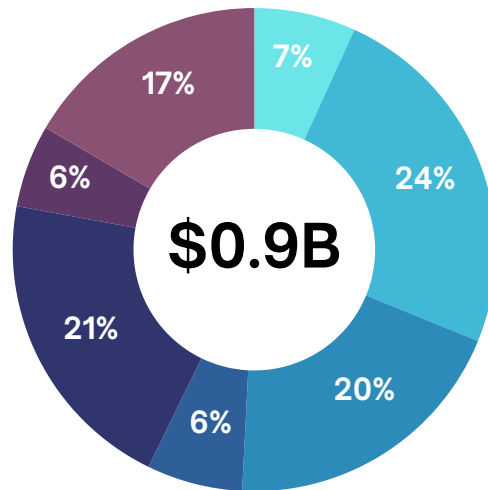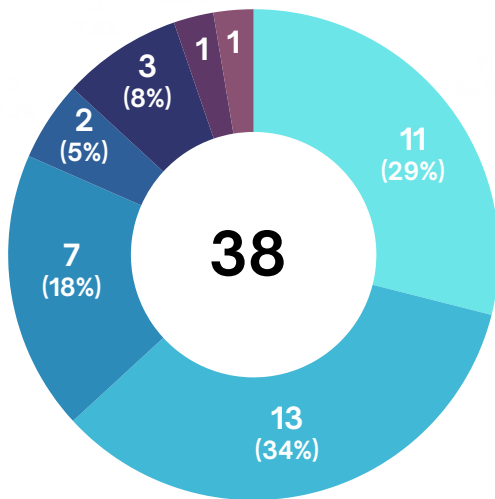
Startup Nation- Investments in 2024

2024 Investments
in Israeli Life Sciences & Healthcare Startups

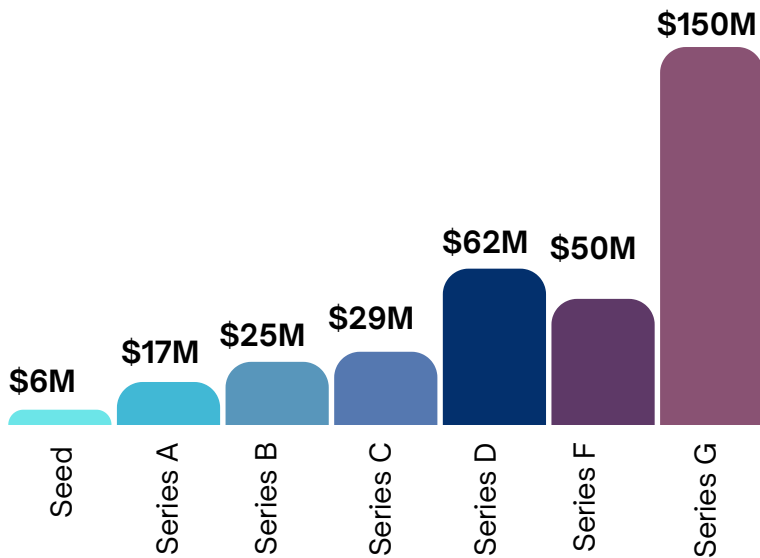**# of startups funded in 2024**
(Seed through Series G)

Total $ funding in 2024 by startup funding round

Legend:
- Seed
- Series A
- Series B
- Series C
- Series D
- Series F
- Series G

# of startups funded donut chart:
- 11 (29%)
- 13 (34%)
- 7 (18%)
- 2 (5%)
- 3 (8%)
- 1
- 1
- Center: **38**

Total $ funding donut chart:
- 7%
- 24%
- 20%
- 6%
- 21%
- 6%
- 17%
- Center: **$0.9B**

Almost **$1B was invested in 38 Israeli healthcare and life sciences** (seed to series G) **startups** in 2024
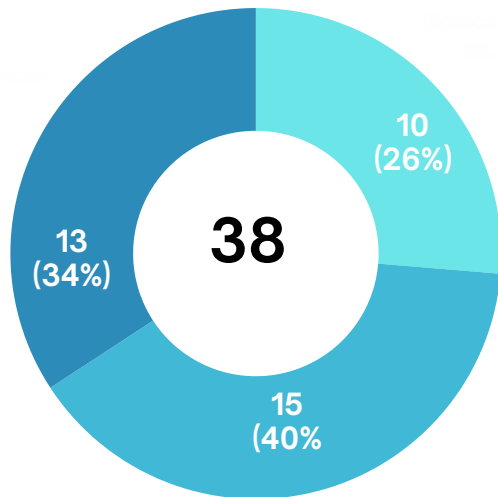
_____ **Average Funding per Startup** _____
by Funding Round

Average Funding per Startup bar chart:
- Seed: $6M
- Series A: $17M
- Series B: $25M
- Series C: $29M
- Series D: $62M
- Series F: $50M
- Series G: $150M

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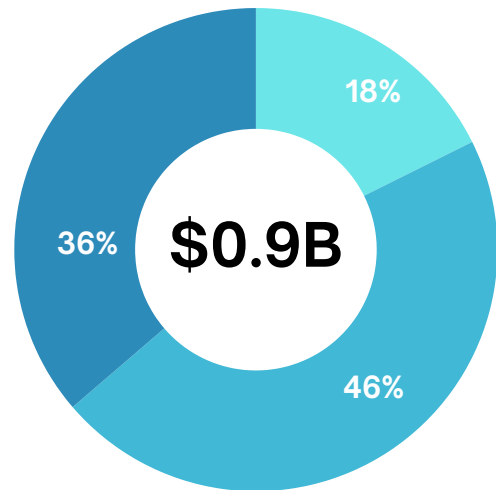TRANSFORMING HEALTHCARE TOGETHER

2024 Investments
in Israeli Life Sciences & Healthcare Startups

Distribution of # of startups (seed through series G) **by industry**

Distribution of total $ investment in startups (seed through series G) **by industry**

38

10 (26%)

13 (34%)

15 (40%

$0.9B

18%

36%

46%

Biotechnology   **Medical Device**   **Software & Services**

Biotechnology

Technologies used to develop drugs and improve the drug approval process

Includes technologies for drug discovery, drug design & development, precision medicine and clinical trial efficiency

Medical Device

Devices used in the diagnosis and treatment of patients

Incudes therapeutic devices, imaging and diagnostic devices, robotics, patient monitoring devices

Software & Services

Software used to provide or improve health services

Includes virtual care platforms, medical management platforms, medical record management, payment & coding solutions

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2024 Key Investors
in Israeli Life Sciences & Healthcare Startups

SERIES F
CLAURE GROUP • VALOR EQUITY PARTNERS • Notable Capital

SERIES G
GE Capital • Meditech Advisors • YORK CAPITAL MANAGEMENT

SERIES C
ISRAEL BIOTECH FUND • PSG • DLC ADDITION • MERZ

SERIES D
alive Israel HealthTech Fund • JVC Investment Partners • NEA • OTV • WINDHAM CAPITAL PARTNERS

SERIES A
ROHTO • alive Israel HealthTech Fund • ARC IMPACT • Drive Capital • ThermoFisher SCIENTIFIC • SANARA VENTURES • GROVE VENTURES • BOLD CAPITAL • OurCrowd

SERIES B
MIVTACH-SHAMIR Holdings Ltd. • aMoon ACCELERATING CURE • FLINT CAPITAL • Index Ventures • RAPHA CAPITAL MANAGEMENT • IBF NEGOCIOS • Lightspeed
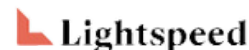
SEED
AWZ VENTURES • AION LABS • astellas • NfX • MONTAGE VENTURES • Shoni Health Ventures • lool VENTURES • tlv partners • LONGEVITY VENTURE PARTNERS • PsyMed Ventures

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About HealthSci

We Offer

GROWTH STRATEGIES
Developing tailor made strategies to help your business grow

BUSINESS PLAN & PITCH DECK DEVELOPMENT
Creating a guide on how to build your business to secure funding and achieve your goals

BUSINESS DEVELOPMENT AS A SERVICE
Developing a strategy and putting it into action to deliver results

OPERATING MODEL & WORKFLOW DESIGN
Designing or improving an operating model to increase productivity and efficiency

MARKET RESEARCH
Understanding market dynamics and your current or future business potential and positioning

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Our Experience

30+ Corporate Strategy Projects

25+ Market Assessments & Competitor Analyses

15+ Pitch Decks

100+ Interviews with industry experts, customers, etc.

20+ Financial Models Built

20+ Benchmark Analyses

Key Life Sciences & Healthcare Projects

Startups
(medical device, pharma, healthcare software)

- Product- market fit assessment for a medical device startup interested in entering a new market
- Business strategy for product development in a healthcare software company
- Market assessment & market sizing (including TAM/SOM analysis)
- Market Research & competitor analysis to determine positioning

Providers & Regulators
(hospitals, HMOs, government offices)

- 5 year growth strategy for a local hospital
- Operational & financial roadmap for developing an innovation center in a European hospital
- Operating model redesign & implementation for a government office
- Offshoring strategy for an international chain of hospitals

Pharma, Medtech & Corporates

- Commercial due diligence for an international pharmaceutical copany
- 5 year growth strategy for a medical device and pharmaceutical group
- 5 year growth strategy for a consumer goods company
- Product-market fit assessment prior to launching an existing product in a new market

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