

J&J helped inject \$150M in AI company Verana Health—here's what that means for pharma competitors

Article

The news: Real-world data (RWD) company **Verana Health** scored **\$150 million** in Series E funding, led by **Johnson & Johnson Innovation** with participation from existing investors like pharma company **Merck's** VC arm.

Here's how Verana Health works: The startup leverages de-identified, unstructured data from patient registries to help inform projects like drug R&D.

For example, Verana uses data from its partners such as the **American Urological Association** and the **American Academy of Ophthalmology** to help pharma companies learn more about their patient populations.

- Prior to investing in Verana Health, **Janssen** (Johnson & Johnson's pharma arm) teamed up with the startup to better understand progression and treatments for early-stage prostate cancer and vision loss.

RWD could help pharma cut R&D costs drastically: Data from companies like Verana Health and **Komodo Health** can help pharma take an already approved drug and apply it to new use cases, limiting extra R&D spending.

Under FDA guidance, drugmakers are increasingly leaning on RWD to create innovative treatment approaches.

- For example, in 2019, **Pfizer** was able to expand its use case of its female breast cancer drug, Ibrance, to include male breast cancer patients—and it used real-world data from EHRs to weigh the potential risks and benefits of treatment.

Creating new applications for existing drugs will likely help companies like Janssen slash the high price of bringing a new drug to market, which can cost up to **\$3 billion**.

What's next? Janssen's investment in Verana could signal that more pharma companies will invest in digital health entrants this year, which is good news for startups seeking fresh capital to scale rapidly.

In fact, Janssen has already racked up some digital health partners recently, and it wouldn't be surprising to see one of these partnerships blossom into an investment this year (similar to Verana Health).

- In August, Janssen extended its partnership with RWD company **ConcertAI** across multiple oncology disease areas to boost the diversity of their clinical trials, for instance.

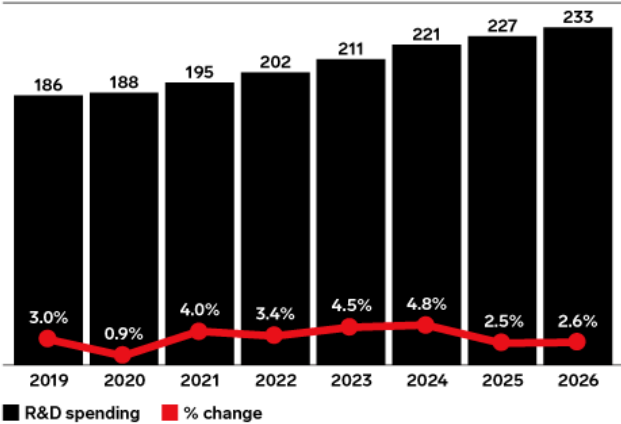
Plus, companies like **Bayer** have already poured investment dollars into digital health startups over the past year: In June 2021, Bayer led symptom-checker app **Ada Health's \$90 million** funding round.

Bayer also has a Digital Health Partnership program it leverages to fund young companies' expansion, which means it's likely on the hunt for new digital health investments.

- For example, through its 2021 program, Bayer invested in startups like Europe-based heart monitoring solution **Cardiokol**.

Pharmaceutical Research and Development (R&D) Spending Worldwide, 2019-2026

billions and % change



Note: based on leading pharmaceutical and biotech companies worldwide
Source: EvaluatePharma, "World Preview 2020: Outlook to 2026," July 20, 2020
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