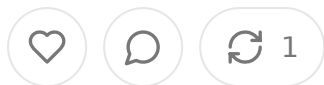


# Finding Signal in the Noise: How to Actually Source Quality Digital Health Angel Deals Before Everyone Else Does

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## Abstract

Look, everyone in digital health angel investing is seeing the same pitch decks. The real question is how do you find the actually good deals before they become obvious to every other investor with a checkbook and a LinkedIn profile? This essay digs into practical strategies that work: building networks with people who are actually in the healthcare trenches, leveraging clinical relationships that most tech investors ignore, learning from both epic exits and spectacular failures, creating systems to track what competitors are doing, and developing evaluation frameworks that help you say yes to ninety percent of deals quickly so you can focus on the ten percent that might actually return your fund. The thesis is simple: in a world where information is democratized, you need proprietary access points and pattern recognition that other investors lack.

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## Introduction

Let me tell you a dirty secret about digital health angel investing. Everyone is seeing the same damn deals. Sure, we all pretend we have some special sauce, some proprietary network, some unique insight that gives us an edge. But if you are honest with yourself for about thirty seconds, you will realize that the same pitch decks are making the rounds to the same angel groups, the same syndicates, the same demomats. That hot AI-powered care coordination platform you just heard about? Yeah, it did three hundred other investors last week.

The democratization of startup deal flow was supposed to be this great equalizing force. And in some ways it has been. You do not need to be a Sand Hill Road venture capitalist to see interesting companies anymore. But here is what nobody tells you about democratization, when everyone has access to the same information, that information stops being valuable. It is like when your favorite indie band gets discovered by TikTok. Sure, you are happy for them, but also, where is your edge now?

This is particularly brutal in digital health, which has become the second-favorite sector for founders who struck out in consumer tech and figure healthcare is just consumer tech with more regulations. Spoiler alert, it is not. Healthcare is a uniquely frustrating combination of misaligned incentives, Byzantine regulations, entrenched interests, and purchasing decisions made by people who will never actually use your product. It is beautiful in its complexity and maddening in its resistance to disruption.

So how do you actually find great digital health angel deals before they become obvious to everyone else? How do you develop real advantages in a world where decks leak faster than Marvel movie plots? That is what we are going to dig into the sanitized conference panel version of this question, but the actual tactical strategies that work in practice.

## **The Deal Flow Problem in Digital Health**

Digital health funding hit twenty nine billion dollars in 2021, which sounds incredible until you realize that most of that money went to companies that are quietly struggling or pivoting or, let us be honest, slowly dying. The 2023 pullback to ten point three billion was not just market correction, it was reality reasserting itself. Turns out that not every problem in healthcare can be solved by an app and some Series A money.

But here is the thing. The number of digital health startups being created has not decreased proportionally. If anything, company formation has stayed relatively robust because the barriers to starting a software company are lower than ever. You can launch a website, build an MVP, and start pitching investors in a few months. Whether you actually understand healthcare is, apparently, optional.

This creates a weird dynamic where angel investors are drowning in deal flow but starving for quality opportunities. It is like trying to find a good bagel in Los Angeles. Technically there are many options. Realistically, most of them are sad imposters that will leave you disappointed and questioning your life choices.

The early days of digital health, roughly 2010 to 2015, were actually easier in some ways. Most companies were started by people who had spent years in healthcare and were deeply frustrated with specific problems. A physician would spend a decade fighting with prior authorization and finally say, screw it, I am building a solution. An electronic health record analyst would realize that interoperability was being solved the wrong way and start a company. These founders knew the problem space intimately because they had lived it.

Today you get a lot of founders who read a few healthcare trends reports, saw the sector is massive and digitally underserved, and decided to build something. They bring great product skills and user experience thinking from consumer tech, which is genuinely valuable. But they also tend to dramatically underestimate how hard it is to actually sell into healthcare, navigate regulations, prove clinical outcomes, and build sustainable unit economics. Then they are shocked, shocked I tell you, when healthcare systems take eighteen months to make a purchasing decision.

The democratization of information has made all of this more visible but not necessarily easier to parse. Every company that goes through Y Combinator gets announced. Demo days are streamed. AngelList syndicates blast opportunities to massive audiences. Everyone has the same pitch decks at the same time. This is good for transparency but terrible for generating returns, because alpha comes from information asymmetry and access asymmetry. When everyone knows everything, being right is not enough. You need to be right before everyone else figures it out.

So the strategic question becomes, how do you build actual advantages in deal sourcing when the information playing field has been flattened? The answer is not seeing more deals. It is seeing different deals, or seeing the same deals with different eyes. You need either proprietary access, where you encounter companies before they hit the mainstream circuits, or evaluation edge, where you correctly assess opportunities that others dismiss or misunderstand. Ideally, you have both.

## **Building Proprietary Networks**

The foundation of proprietary deal flow is relationships with people who are close to where companies actually get started. This sounds obvious but most angel investors screw it up. They go to healthcare conferences, join angel groups, network with investors, and wonder why they keep seeing the same deals as everyone else. Well, yeah. Everyone at that conference sees the same companies. Everyone in that angel group gets the same pitch deck forwarded to them.

The most valuable networks are built around people who are operating in healthcare and dealing with problems before anyone has built solutions for them. Think about

who encounters healthcare dysfunction on a daily basis. Chief medical information officers at health systems who are pulling their hair out trying to integrate seven different software systems. Revenue cycle directors at physician practices who spend half their day dealing with claim denials. Health plan medical directors trying to figure out why their members keep ending up in the emergency room. Clinical department chiefs at academic medical centers who watch their residents waste on administrative tasks.

These people are not on anyone's radar for deal flow. They are not going to health tech conferences or hanging out in angel investor Slack channels. But they are sitting on goldmines of problems worth solving. When someone in their orbit decides to start a company, or when they finally get frustrated enough to start one themselves, you want to be the first person they call.

Building these relationships requires patience and actual helpfulness, which turns out to be a lot harder than just asking people if they know any good deals. You need to develop genuine expertise in their problem domains. Maybe you do some research on a particular operational challenge and share insights with no expectation of immediate return. Maybe you make introductions that help them solve problems. Maybe you are just a good sounding board as they think through complex issues for months and years, this builds trust. When deal flow happens, you are positioned correctly.

This approach works especially well if you are a former healthcare operator turned investor. If you spent ten years running a specialty practice and dealing with prior authorization nightmares every single day, other physicians immediately get that you understand their pain. When one of them starts a company to fix prior authorization, you are not just another investor, you are someone who actually gets it and can add real value. Same with former health plan executives, hospital administrators, or anyone in much any operational role. Your former colleagues become a proprietary network.

The key insight is that network building is a long-term investment in information flow, not a transactional activity. The best deals usually come from people you have known for years, not people you met at last month's conference after walking up

handing them your card. This requires patience, which is in short supply among investors who want instant gratification. But the payoff is seeing companies at formation stage, when valuations are reasonable and you can build deep relation with founders before cap tables get crowded.

One practical tactic that works surprisingly well is creating value for potential sources without asking for anything in return. Write thoughtful analyses of health operational challenges and share them publicly. When operators find your work useful, they start following you and reaching out. Offer to do customer discovery interviews for free to help people validate problem hypotheses. Make introductions between people who should know each other. Be genuinely helpful. Over time, you remember who added value to their lives, and when they start companies or hear about someone else starting one, you become a natural person to involve early.

## **Clinical Relationships as Competitive Moats**

Let me get specific about one type of network that is criminally underutilized in digital health angel investing: clinicians. Physicians and nurses are not just end users of digital health products, they are increasingly the founders of these companies. According to Coffey Group's 2022 analysis, roughly thirty-eight percent of digital health companies have at least one physician founder. These companies also tend to achieve product-market fit more reliably, especially for provider-facing tools, because the founders actually understand clinical workflows instead of guessing at them.

The challenge is that most clinicians are not naturally plugged into startup ecosystems. A hospitalist working seventy-hour weeks is not attending tech conferences or scrolling AngelList. A primary care doctor who is furious about the electronic health record is not hanging out in entrepreneur Slack channels looking for co-founders. These potential founders often have brilliant insights about problems worth billions of dollars, but they lack connections to capital and mentorship. If you can systematically build relationships with clinicians, you tap into a pool of potential investments that most of the market never sees.

This requires meeting clinicians where they actually are instead of expecting them to show up to investor events. Medical conferences, especially those focused on healthcare innovation or informatics, are natural venues. Grand rounds at academic medical centers, particularly sessions on quality improvement or healthcare delivery, let you understand clinical problems and meet people thinking about solutions. Clinical journals and healthcare blogs help you identify physician thought leaders who are actively writing about healthcare transformation. LinkedIn has become surprisingly effective for connecting with clinicians, especially those starting to talk about healthcare challenges or getting involved in quality improvement initiatives at their institutions.

The most sophisticated approach is creating a formal or informal clinical advisory network. This might mean assembling physicians across different specialties who evaluate deals from a clinical perspective, provide market intelligence about therapeutic areas, and serve as scouts for companies forming in their networks. Some angels pay these advisors with small retainers or give them equity participation in funds or syndicates. Others maintain more informal relationships based on mutual value exchange. The key is creating regular touchpoints so you stay top of mind with clinical founders who are raising capital.

Here is why this matters beyond just deal sourcing. When evaluating a digital healthcare opportunity, being able to quickly get expert clinical feedback on whether a solution actually addresses a meaningful problem can save you months of diligence. When a portfolio company needs to iterate on product design or clinical workflows, having trusted clinician advisors available accelerates development dramatically. When you need to help a company get pilots with healthcare organizations, introductions from respected clinicians open doors that cold outreach never could. The investment strategy of building clinical networks compounds over time.

I have seen this play out personally. One investor I know spent two years building relationships with physicians at a major academic medical center, mostly by attending grand rounds and offering thoughtful feedback on quality improvement projects. When a cardiology fellow at that institution decided to start a company around remote cardiac monitoring, the investor heard about it three months before any

else, invested in the friends and family round at a four million dollar valuation, and ended up with enough ownership that when the company eventually got acquired for two hundred million dollars, it became a meaningful outcome. That deal never happened on AngelList. It never went through an accelerator. It was pure relationship-driven and proprietary access.

## **Pattern Recognition from Exits and Failures**

While finding deals before everyone else is critical, one of the most underrated strategies for improving deal sourcing is studying what has already happened. The best investors who develop the sharpest pattern recognition are typically those who have systematically analyzed both successful exits and spectacular failures, extracting lessons that inform future decisions.

Start with the exits. Livongo went public in 2019 and got acquired by Teladoc for eighteen point five billion dollars, which was absolutely wild at the time. What did Livongo work? They went incredibly deep on one chronic condition instead of trying to be a horizontal platform. They combined technology with actual human health coaches instead of going purely digital. They built a B2B2C model through employers and health plans instead of trying to acquire consumers directly. These choices were not obvious at the time, but in retrospect, they created massive competitive advantages.

Or look at One Medical, which Amazon acquired for three point nine billion dollars in 2022. They proved you could combine technology with physical primary care and build a real business. But it required enormous amounts of capital, like over a billion dollars in funding, and really long time horizons. The lesson is not that primary care is a bad market, it is that capital intensity and time to exit matter a lot when you are an angel investor with limited fund life.

Oscar Health went public in 2021 after raising over one point six billion dollars in private funding. They demonstrated that yes, you can build a health insurance company from scratch using better technology and user experience. But holy hell

expensive and operationally complex and requires perfect execution across underwriting, claims processing, provider networks, and customer acquisition. For angel investors, the lesson might be that some markets require so much capital and expertise that early-stage bets are incredibly risky unless the founding team is absolutely stacked.

When you study exits systematically, patterns emerge. Companies that own a specific vertical deeply, whether that is a disease state, a specialty, or a particular workflow tend to build more defensible businesses than horizontal platforms trying to serve everyone. Solutions that combine technology with human elements generally achieve better engagement and outcomes than purely digital solutions, though margins are lower. Distribution through health plans and employers is slow to build but more sustainable than direct-to-consumer for most use cases. Companies that treat regulatory compliance as a feature instead of an afterthought have massive advantages.

Now flip to the failures, which are honestly more instructive. The most common digital health companies die are pretty predictable once you have seen it happen enough times. They underestimate sales cycle length and customer acquisition cost by a factor of three or five. They build solutions that users find interesting but nobody will actually pay for. They fail to navigate regulatory requirements and get stuck in approval processes. They run out of capital before proving out unit economics. They build technology that does not integrate with existing healthcare infrastructure and therefore never gets adopted.

One particularly brutal failure pattern is solving problems for end users while failing to align with the incentives of whoever controls purchasing. Let me give you an example. Say you build a medication adherence app that helps patients remember to take their medications. Great idea, right? Better adherence should lead to better outcomes and lower medical costs. But who pays for your app? Health plans might be interested, but only if they can clearly measure medical cost savings that exceed the subscription price, and that is really hard to prove in short time horizons. Patients probably will not pay out of pocket for a reminder app when there are free alternatives. Pharmaceutical companies might sponsor it, but then you have con-

of interest and physicians get skeptical. This misalignment between value creation and value capture has killed so many otherwise promising companies.

The most valuable learning comes from actually talking to founders of failed companies, not just reading TechCrunch post-mortems. What were the early warning signs they ignored? What advice did they dismiss that turned out to be right? What did they fundamentally misunderstand about their market? What would they do completely differently? These conversations are gold because they reveal non-obvious pitfalls you can avoid.

The sophisticated angels maintain actual databases tracking their investment through decision-making processes, and outcomes over time. When a company succeeds or fails, they go back to their original investment memo and do a post-mortem on their own thinking. Did they underestimate go-to-market challenges? Were their unit economic assumptions too rosy? Did they fail to identify a critical competitive threat? This systematic approach to learning transforms experience into repeatable edge.

## **Competitive Intelligence Systems**

Here is something most angel investors do not think about enough: systematic tracking of what everyone else is doing. You do not need some elaborate corporate espionage operation. You just need to pay attention in structured ways that most people do not bother with.

Start with the obvious stuff. Track which companies are going through major accelerators like Y Combinator, Techstars, Rock Health, and StartUp Health. These programs surface a lot of the deal flow in digital health, and companies that make it through tend to be somewhat vetted. But do not just read the announcement post. Actually dig into each company. What problem are they solving? Who is the founding team? What is their go-to-market strategy? How much have they raised and from whom? Keep this in a database. Over time, you start seeing patterns in what types of companies get funded and by whom.

Track what other angel investors and early-stage funds are investing in. Most investors talk about their deals publicly, either on Twitter or LinkedIn or in podcasts or at conferences. When you see the same investor making multiple bets in a particular area, that is signal. Either they have unique insight into that market, or they are building a portfolio strategy around a thesis. Understanding what smart investors are doing helps you identify trends before they become obvious.

Pay attention to what is happening at the periphery. Which consulting firms are building practices around new healthcare models? What are the big tech companies like Amazon, Microsoft, and Google doing in healthcare? Where are the payers and providers making strategic investments or acquisitions? What is CMS reimbursing under new payment models? These peripheral indicators often predict where startup opportunities will emerge.

One tactical approach that works well is setting up Google Alerts and news monitoring for specific keywords and companies in your areas of interest. If you are focused on behavioral health, track every mention of mental health startups, venture rounds in the space, regulatory changes affecting telehealth, and new therapeutic approaches. This creates a constant information stream that helps you stay ahead of trends.

Another underutilized tactic is tracking job postings. When a company suddenly starts hiring a bunch of people for go-to-market roles, they have probably closed a funding round and are scaling. When a health system creates a new role for a Director of Digital Health or VP of Innovation, they are probably about to start piloting new solutions. Job postings are forward-looking indicators of where activity is happening.

The point of all this competitive intelligence work is not to copycat what other investors are doing. It is to develop a comprehensive mental model of the landscape so you can identify white space, contrarian opportunities, and inflection points. When everyone else is piling into AI-powered care coordination, maybe the real opportunity is in something completely different that people are ignoring. But you only know if you have visibility into what everyone else is doing.

# Evaluation Frameworks That Scale

Let me be real with you. Most of deal sourcing is about developing filters that let you say no really quickly to the vast majority of deals so you can focus on the small percentage that might actually be interesting. If you are seeing fifty or a hundred digital health deals a year, you cannot spend weeks on diligence for each one. You need frameworks that help you make fast, reasonably accurate judgments about what deserves more attention.

Start with founder evaluation. In my experience, this is the single highest signal for early-stage digital health companies. Does the founding team have deep domain expertise in the problem they are solving? Have they personally experienced the problem for years? Do they have the technical chops to build a real product? Can they articulate why they are uniquely positioned to win? A great founder with a mediocre idea beats a mediocre founder with a great idea almost every time, because great founders will figure it out while mediocre founders will not.

One specific filter I use is the ten-year test. Has at least one founder spent ten years or more in the specific problem domain? If you are building a prior authorization solution, have you actually worked in revenue cycle or utilization management for a decade? If you are building a physician scheduling tool, have you run a medical practice? This is not an absolute rule, but it is a useful heuristic. Founders with domain tenure understand the second and third-order effects of problems in ways that consultants and outsiders do not.

Next is market timing. Is this a problem that can actually be solved now, or is it ten years too early? Healthcare moves slowly. Reimbursement changes take years. Regulatory pathways are long. Integration standards are still evolving. Some ideas are absolutely correct but commercially premature. Castlight Health proved this with healthcare price transparency. They were right about the problem and built a good solution, but the market was not ready, and they struggled for years despite going public. Being early is the same as being wrong when you are an angel investor with a ten-year fund life.

Market timing questions to ask: What has changed recently that makes this solvable now? Is there new reimbursement available? Did a regulation just pass? Has the technology finally matured enough? Are buyer behaviors shifting in ways that create openness to new solutions? If the answer to these questions is just that the founder thinks healthcare is broken and technology should be able to fix it, that is not a good sign.

Then there is the business model filter. How does this company make money, and does that model make sense for healthcare? The graveyard of digital health is full of companies with great products that could not figure out sustainable unit economics. Who is the buyer? How much will they pay? What is the sales cycle? What is customer acquisition cost versus lifetime value? How many customers do you need to hit \$10 million in revenue? Can you get there in a reasonable timeframe?

A specific thing to watch for is businesses that require multiple things to go right simultaneously. If your model requires that regulations change and that payers create new reimbursement codes and that providers adopt new workflows and that patients change behaviors, you are stacking probabilities in ways that make success really unlikely. The best digital health businesses solve one hard problem really well and do not require the entire ecosystem to transform.

Another key filter is competitive differentiation. Why will you win versus everyone else trying to solve this problem? What is your unfair advantage? Is it proprietary data, network effects, regulatory approvals, key partnerships, technical breakthroughs, or something else? If the answer is just that you have better UX and that you are going to execute harder, that is probably not defensible enough.

Finally, there is the gut check filter. After you talk to a founder for thirty minutes, do you want to work with them for the next five to ten years? Are they coachable? Do they listen to feedback? Are they self-aware about what they do not know? Do they have the resilience to push through the inevitable setbacks? Angel investing is a long-term relationship business. Life is too short to work with founders you do not like and respect, even if the business opportunity looks good on paper.

The goal of having these frameworks is not to mechanically apply them and make binary decisions. It is to structure your thinking so you can quickly develop hypotheses about deals and figure out what questions matter most. Good frameworks help you pattern match faster and more accurately, which lets you see more deals without sacrificing quality of evaluation.

Look, sourcing great digital health angel deals is not some mystical art that only a chosen few can master. But it does require being more deliberate and systematic than most investors bother to be. The days of just showing up to demo days and picking companies based on which pitch deck looks prettiest are over, if they ever actually existed.

The investors who consistently find outlier opportunities have built real advantages through some combination of proprietary networks, deep domain expertise, systematic learning from history, competitive intelligence, and evaluation frameworks that let them move quickly. They are not necessarily smarter than everyone else. They have just put in the work to see things others miss or to correctly evaluate things that others dismiss.

The good news is that these advantages are mostly buildable through effort over time. You can cultivate relationships with healthcare operators and clinicians. You can study exits and failures to develop pattern recognition. You can track what competitors are doing. You can create frameworks that improve your judgment. None of this requires special access or insider status. It just requires sustained attention and genuine curiosity about how healthcare actually works.

The bad news is that it takes time. You are not going to build proprietary deal flow in six months. You are not going to develop expert-level pattern recognition after analyzing ten companies. Building real advantages in deal sourcing is a multi-year project. But if you are serious about generating returns in digital health angel investing, it is probably the highest-leverage thing you can do. Because all the diligence frameworks and portfolio construction strategies in the world do not matter if you are evaluating mediocre deals.

So stop going to the same conferences as everyone else and expecting different results. Stop relying on syndicate leads and accelerator programs to do your sourcing for deals. Go find the clinicians and operators who are living with healthcare problems every day. Build relationships with people who are positioned to see companies before they hit mainstream circuits. Study what has worked and what has failed until you can spot patterns that others miss. Create systems to track competitive activity and market trends. Develop frameworks that let you evaluate deals quickly and accurately.

The digital health companies that generate life-changing returns are out there. They are just not usually the ones that everyone is talking about at conferences. They are the ones you find through years of relationship building, pattern recognition, and a systematic effort. The question is whether you are willing to put in that work while everyone else is taking shortcuts and wondering why their returns are mediocre.

If you are interested in joining my generalist healthcare angel syndicate, reach out to [trejrawles@gmail.com](mailto:trejrawles@gmail.com) or send me a DM. We do not take a carry and defer annual fees for six months so investors can decide if they see value before joining officially. Accredited investors only.

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