

Why Healthcare Angels Are Getting Tired of Paying Fees: The Case for Direct Investment Collaboration

AUG 28, 2025



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Abstract

The healthcare angel investing landscape is ripe for disruption. Traditional angel groups and SPV models extract significant fees from investors who are perfectly capable of writing their own checks, while subscription-based collaborative models offer superior economics and flexibility. This essay examines why sophisticated healthcare angels are increasingly frustrated with fee-heavy structures and explore how direct investment collaboration through subscription models delivers better outcomes at a fraction of the cost. We analyze the math behind traditional angel group fees, examine successful examples of direct investment collaboration, and outline why healthcare investing specifically benefits from this approach.

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Let's be honest about something most healthcare angels won't say out loud: we're getting squeezed by fees we don't need to pay. Traditional angel groups and SPV structures have turned what should be straightforward direct investments into fee-generating machines that extract value without delivering proportional benefits. For sophisticated healthcare investors who can evaluate deals and write checks independently, these traditional models have become an expensive middleman problem disguised as a value-add service.

The healthcare angel investing world has developed a peculiar tolerance for fee structures that would make any other industry professional laugh out loud. We're talking about experienced healthcare executives, successful entrepreneurs, and seasoned investors who regularly make multi-million-dollar business decisions in their day jobs, then somehow accept paying multiple layers of fees to invest their money in companies they're perfectly capable of evaluating themselves. The traditional angel group model treats intelligent, successful professionals like retail investors who need hand-holding and professional management, while extracting institutional-level fees for what amounts to basic coordination services.

Traditional angel groups typically charge annual membership dues ranging from \$2,000 to \$10,000, application fees for joining, deal fees for each investment, and additional charges for due diligence services, events, and administrative overhead. Some groups require minimum investment commitments that further restrict market flexibility. The total cost of participation can easily reach \$15,000 to \$25,000 annually.

before making a single investment, creating a meaningful drag on returns that grows worse as you calculate compound effects over multi-year holding periods.

SPV structures present their own economic challenges while solving different problems than healthcare angels actually face. The typical SPV charges a management fee of 2-3% annually plus carried interest of 15-20%, essentially replicating venture capital economics for deals that don't require professional management. The SPV sponsor makes money regardless of investment performance, while angels bear a downside risk and give up a significant portion of upside returns. For healthcare investors who understand the sector and can conduct their own due diligence, SPV fees represent pure economic inefficiency.

The math becomes particularly stark when you run realistic scenarios. Consider a healthcare angel who deploys \$250,000 annually across multiple deals. In a traditional angel group with \$5,000 annual dues, deal fees averaging \$500 per investment, and various other charges, the total cost might reach \$8,000-12,000 before considering opportunity costs from restricted deal flow or timing delays. Over a typical 5-7 year hold period for healthcare investments, these fees compound into meaningful wealth transfer from angels to group operators.

SPV economics are even worse for investors who understand healthcare and can evaluate deals independently. A \$50,000 investment through an SPV charging 3% management fees and 20% carried interest costs \$1,500 annually in management fees plus 20% of any gains. If the investment generates a 5x return over 6 years, the SPV sponsor collects \$9,000 in management fees plus \$40,000 in carried interest, extracting \$49,000 from a \$200,000 gain. That's nearly 25% of the total return goes to fees rather than investor returns.

Healthcare investing has unique characteristics that make traditional fee-heavy models particularly inappropriate. Healthcare deals require specialized expertise in clinical validation, regulatory pathways, reimbursement landscapes, and market dynamics that vary significantly across subsectors. The investors attracted to healthcare opportunities typically bring exactly this expertise through their professional backgrounds as healthcare executives, practicing physicians, regula

specialists, or successful healthcare entrepreneurs. These investors don't need professional management - they need coordination and collaboration with other experts who complement their knowledge base.

The deal evaluation process for healthcare investments also differs significantly from general technology investing in ways that favor collaborative approaches over professional management models. Healthcare technologies often require assessment across multiple dimensions including clinical efficacy, regulatory risk, commercial adoption pathways, competitive positioning, and reimbursement strategies. No single investor, regardless of experience, possesses deep expertise across all these areas. However, a small group of healthcare angels with complementary backgrounds can collectively evaluate these dimensions far more effectively than individual investors working alone or professional managers with generalist technology backgrounds.

Healthcare deal flow also tends to emerge through industry networks and professional relationships rather than formal pitch processes or demo days. Founders developing healthcare solutions typically seek investors who understand their specific challenges and can provide strategic guidance beyond capital. This dynamic favors collaborative angel models where multiple investors with relevant expertise can contribute to portfolio company success while maintaining direct investment relationships.

The subscription model approach addresses these healthcare-specific needs while eliminating the economic inefficiencies of traditional structures. Instead of extracting ongoing fees based on capital deployed or returns generated, subscription models charge fixed annual fees that cover coordination costs, technology infrastructure, and administrative support. Members make direct investments in companies they choose to back, maintaining full economic participation in returns while accessing collaborative due diligence and deal flow sharing.

A well-designed subscription model for healthcare angels might charge \$2,000-\$3,000 annually for active participation, providing access to curated deal flow, collaborative due diligence processes, coordinated negotiation opportunities, and ongoing portfolio company support coordination. Members retain complete investment autonomy while benefiting from collective intelligence and network effects. The economic compo-

to traditional models becomes compelling quickly - the subscription fee represents a fraction of traditional angel group costs and eliminates carried interest entirely.

The operational structure of subscription-based collaboration focuses on maximizing value while minimizing overhead. Deal sourcing relies on member networks rather than expensive business development efforts. Due diligence coordination uses modern technology platforms to enable efficient information sharing and collaborative analysis. Decision-making remains entirely with individual investors, eliminating bureaucratic delays and compromise solutions that characterize many traditional angel groups.

Real-world examples demonstrate the effectiveness of direct investment collaboration in healthcare. Consider a group of healthcare angels who collaborated on evaluating a cardiac monitoring technology company. The group included a cardiologist who assessed clinical validation studies, a former FDA regulatory affairs director who evaluated the regulatory pathway, a health system executive who analyzed commercial adoption potential, and a successful healthcare entrepreneur who assessed management team capabilities and competitive positioning. Each investor conducted due diligence in their area of expertise, shared findings with the group, and made independent investment decisions based on collective intelligence.

The collaboration resulted in several angels investing at better terms than they could have negotiated individually, while others chose not to invest based on concerns identified through collective due diligence. The process took less time than individual due diligence efforts would have required while producing higher quality analysis than any single investor could have completed alone. Most importantly, investors maintained complete autonomy over investment decisions and captured full economic returns without fee leakage.

Another example involved evaluation of a digital therapeutics company developing software-based interventions for diabetes management. The collaborative evaluation included an endocrinologist who assessed clinical protocols, a health economist who analyzed reimbursement strategies, a former payer medical director who evaluated coverage potential, and a digital health entrepreneur who assessed technology

architecture and competitive positioning. The collective expertise enabled thorough evaluation of regulatory pathways, clinical validation requirements, and commercial adoption challenges that would have been difficult for individual investors to assess comprehensively.

The subscription model also enables more sophisticated coordination around follow-on investments, which represent a particular challenge in healthcare angel investing. Healthcare companies often require multiple funding rounds as they progress through clinical validation, regulatory approval, and commercial launch phases. Individual angels frequently struggle with follow-on investment decisions due to information asymmetries and changing risk profiles as companies evolve. Collaborative groups coordinate follow-on analysis, sharing updated due diligence and collectively negotiating terms that protect early investor interests.

Portfolio company value-add services represent another area where subscription-based collaboration creates meaningful advantages over traditional models. Healthcare companies benefit enormously from access to investors with diverse healthcare expertise who can provide strategic guidance, industry connections, and operational support as companies scale. Traditional angel groups often struggle to coordinate ongoing portfolio support due to misaligned incentives and operational complexity. Subscription models align member interests around portfolio company success while providing efficient coordination mechanisms for ongoing value creation.

The technology infrastructure required for effective collaboration has become increasingly sophisticated and accessible, enabling subscription models to deliver institutional-quality coordination at minimal cost. Modern platforms enable secure document sharing, streamlined communication, coordinated due diligence work, and portfolio tracking capabilities that previously required significant operational overhead. These technological capabilities have made collaborative angel investing more practical and cost-effective than traditional models that relied on extensive administrative support.

Member selection becomes crucial for subscription-based healthcare angel groups, but the criteria differ significantly from traditional angel group requirements. R

than focusing primarily on financial capacity or general business experience, effective collaborative groups prioritize healthcare expertise, active engagement, and cultural alignment. The ideal member brings meaningful domain expertise through their professional background while demonstrating commitment to collaborative evaluation processes and portfolio company support.

The target member profile typically includes former healthcare executives with extensive industry relationships, successful healthcare entrepreneurs with operational experience, practicing physicians with clinical expertise, or healthcare technology professionals with relevant technical knowledge. Members should be capable of deploying meaningful capital annually - typically \$25,000 or more - while bringing expertise that complements other group members. This focus on expertise and engagement ensures that collaborative benefits materialize in practice rather than existing only in theory.

The economic advantages of subscription models become more pronounced over time as members develop trust and collaboration patterns that improve deal quality and evaluation efficiency. As group members build relationships and demonstrate value through successful collaboration, they become more willing to share high-quality information and provide honest assessments of investment opportunities. This trust-building process is particularly important in healthcare investing, where technical complexity means members must rely on colleagues' expertise in areas outside their own knowledge base.

Geographic distribution presents fewer challenges for healthcare angel collaboration than for other sectors due to the industry's concentration in major metropolitan areas and the standardized nature of regulatory and clinical validation processes.

Healthcare angels in different cities often evaluate similar types of opportunities and face comparable evaluation challenges, making collaboration valuable even across geographic boundaries. Video conferencing technology enables effective collaboration among distributed members while reducing travel costs and scheduling complexity.

The regulatory environment for healthcare technology is evolving rapidly, creating both opportunities and challenges that favor collaborative evaluation approaches.

New FDA frameworks for software as medical device, digital therapeutics, and artificial intelligence applications require specialized knowledge that few individual investors possess comprehensively. Collaborative groups with members who maintain current expertise in regulatory developments have significant advantages in evaluating opportunities and assessing regulatory risks.

Market consolidation trends in healthcare technology also create opportunities for coordinated exit planning that collaborative groups can navigate more effectively than individual investors. As large healthcare systems, payers, and technology companies increasingly acquire innovative healthcare solutions, having relationships across potential acquirer categories becomes valuable for optimizing exit outcomes. Collaborative groups can coordinate acquisition discussions and negotiate more effectively than fragmented individual investors.

The emergence of value-based care models is fundamentally changing how healthcare technology solutions create and capture economic value. Understanding evolving payment models, risk-sharing arrangements, and outcome measurement frameworks requires expertise spanning clinical, operational, and financial domains. Subscription-based collaborative groups that include members with value-based care experience are better positioned to evaluate companies developing solutions for this evolving landscape.

Healthcare angel collaboration also benefits from the sector's culture of professional knowledge sharing and collective problem-solving. Healthcare professionals regularly collaborate on complex clinical and operational challenges, making the transition to collaborative investing feel natural and familiar. This cultural alignment facilitates effective group dynamics and information sharing that might be more difficult to achieve in other industries.

The fee comparison between subscription and traditional models becomes increasingly dramatic as investment activity scales. A healthcare angel deploying \$100,000 annually through traditional structures might pay \$15,000-20,000 in various fees and charges, representing 15-20% of capital deployed before considering opportunity costs from delayed timing or restricted deal access. The same investment

a subscription model might pay \$3,000 annually for collaboration services while maintaining full economic participation in investment returns.

Looking toward the future, subscription-based healthcare angel collaboration is to become increasingly sophisticated as technology platforms improve and membership networks mature. We may see the emergence of specialized sub-groups focused on specific healthcare sectors like digital therapeutics, medical devices, or health information technology, enabling even deeper expertise concentration and more targeted collaboration.

The integration of real-world evidence generation into healthcare technology development creates new evaluation complexities that collaborative groups can address more effectively than individual investors. Companies increasingly need to demonstrate not just clinical efficacy but real-world effectiveness, cost reduction potential, and workflow integration capabilities. Evaluating these multifaceted propositions requires diverse expertise that subscription-based collaborative groups are uniquely positioned to provide.

For healthcare angels frustrated with traditional fee-heavy models, subscription-based direct investment collaboration offers a compelling alternative that maintains investment autonomy while providing meaningful collaborative benefits. The economic advantages alone justify consideration, but the enhanced deal quality, improved due diligence capabilities, and coordinated portfolio support create additional value that compounds over time.

The key insight driving this model shift is recognition that sophisticated healthcare investors don't need professional management - they need coordination and collaboration with other experts. Subscription models provide exactly this coordination while eliminating the fee drag and autonomy restrictions that characterize traditional structures. For the healthcare sector specifically, with its emphasis on specialized expertise and collaborative problem-solving, subscription-based direct investment collaboration represents a natural evolution in angel investing approaches.

As healthcare technology continues its rapid evolution and increasing complexity, the advantages of collaborative evaluation and coordination will become even more pronounced. Subscription models provide a framework for capturing these advantages while maintaining the economic efficiency and investment autonomy that make healthcare investing attractive. For healthcare angels ready to stop paying unnecessary fees and improve investment outcomes, the subscription model alternative deserves serious consideration.

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