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## OncoPower Investment Memo

Value-based models in healthcare meet Crypto

### Executive summary

- Wittyhealth (<http://wittyhealth.com>), a provider of digital therapeutic products, is launching the blockchain-powered OncoPower Ecosystem (<https://www.oncopower.io/>).
- The demand signals are strong in this vertical, and the competition from blockchain-based incumbents is still weak. This might be an interesting opportunity for value, the company has distinctive competitive advantages.
- The product is designed to be operational in the highly regulated pharma industry, and, the executive team has experience with previous regulatory oversight from the SEC; this offers a natural hedge against risk.

### Introduction

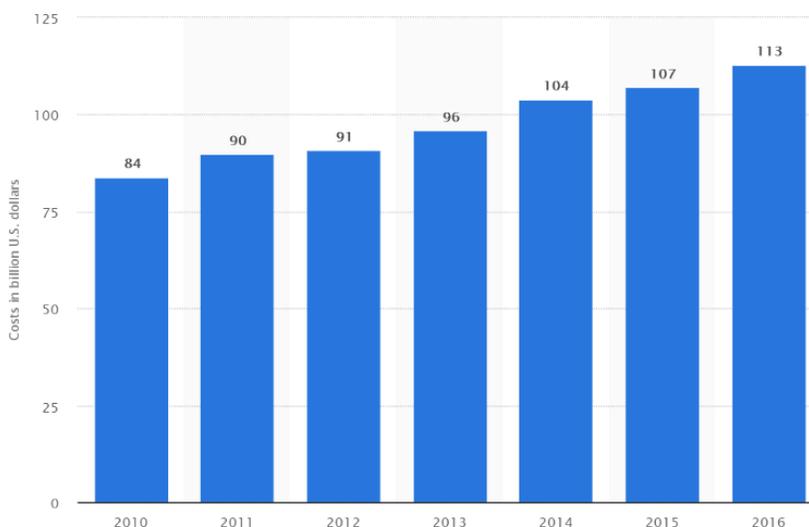
Rarely we see an opportunity that seems to comply both with the regular crypto investor checklist (strong team, high potential for network effects, and so on) and the general principles of value investing. The technology supporting the ONCO token may offer just that type of opportunity. The present investment memo covers different perspectives of risk and competitive positioning related to this project.

OncoPower management speaks openly and candidly about their competition and the regulatory challenges of their industry. This is refreshing and encouraging, considering that in the crypto space founders often fall prey to over-optimism and fail to answer the most basic questions that VC due diligence conducts.

### The structure of demand

## The Oncology Market

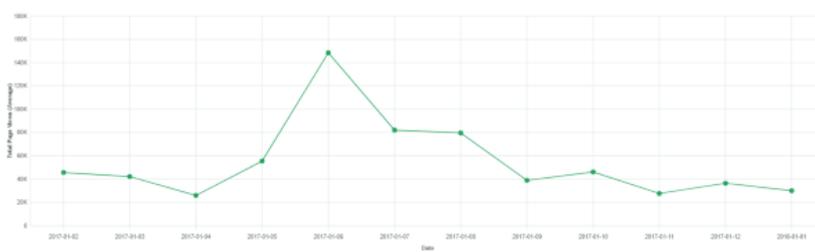
According to the World Health Organization, the economic impact of cancer is significant and is increasing. The total annual economic cost of cancer in 2010 was estimated at approximately US\$ 1.16 trillion. IMS Health estimates that global cancer drug spending will exceed \$150 billion by 2020.



This statistic shows total oncology costs worldwide, including costs for supportive care, from 2010 to 2016. In 2016, global oncology costs totaled 113 billion U.S. dollars. In comparison, costs stood at 84 billion dollars five years earlier. Source: Statista.com

## The adoption of digital aids by health consumers and providers

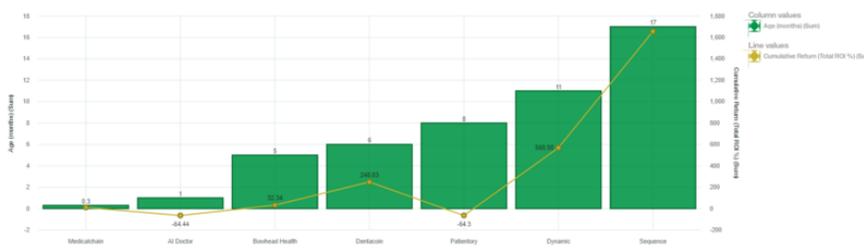
To obtain validation of the different business cases that OncoPower addresses, it is sufficient to look at industry trends and consumer behavior. For instance, data from clickstream data providers shows that i) community websites such as PatientsLikeMe, where people share their health data to track their progress and help others have a strong demand across the year, especially when used from mobile devices; ii) platforms-as-a-service, such as PokitDok, are generating sustained interest in healthcare value chain solutions among providers.



Right: Unique monthly visitors for patientslikeme.com. Left: Monthly total page views for pokitdok.com.

## The crypto healthcare vertical

ONCO is the only cryptocurrency with a focus on the oncology market. However, from other healthcare projects we can obtain information on potential investment performance; the top performer has offered a 1,655% return to investors. It is notable that there are less than a dozen listed on exchanges (among a field of 1,543 coins and tokens); this is still a green field.

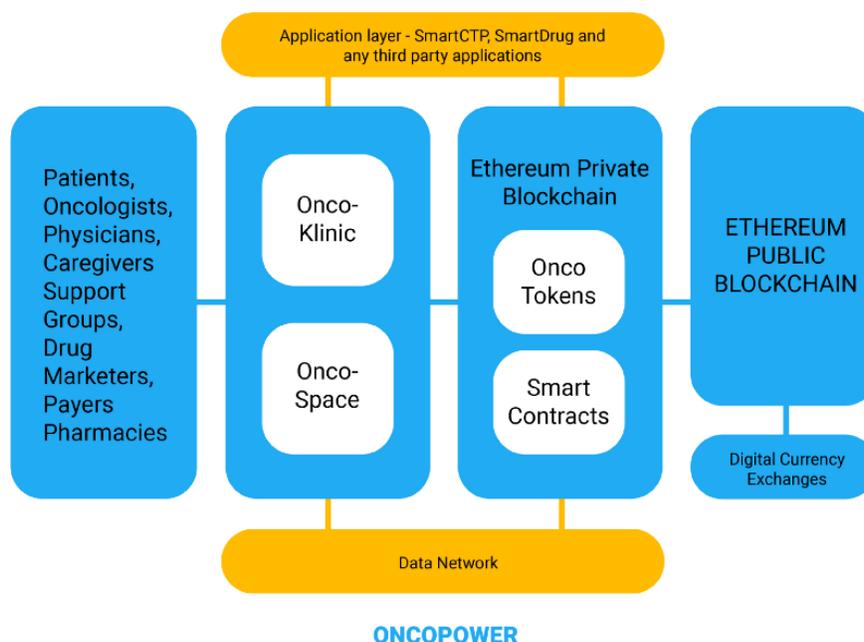


Industry benchmark. Data as of Feb 17th 2018. Source:Coincheckup

## Competitive advantage

### Product

OncoPower is a private blockchain which includes a HIPAA-compliant, and secure patient care platform (Onco-Klinik) and a patient advocacy platform (Onco-Space) for Patients-Providers’ and Patients-other Stakeholder’s use, and its own native cryptocurrency (ONCO). HIPAA stands for *Health Insurance Portability and Accountability Act of 1996*, which is the United States legislation that provides data privacy and security provisions for safeguarding medical information.



OncoPower Ecosystem. Source: OncoPower Whitepaper

The company has an active R&D pipeline, and already commercializes its own design of an “Intelligent Health Risk Monitoring Platform”. This is a telemedicine multi-device that includes a wireless weighing scale, blood pressure cuff, pulse oximeter, stethoscope, thermometer, multi-scope camera, ECG and blood glucose monitor to remotely upload data both while video conferencing with the physician in real time and offline from home or office.

Therefore, the addition of a blockchain product and native cryptocurrency to the ecosystem (already in development) enhances the value proposition—this is not just an intangible asset limited to a software environment. On the other hand, the digital asset is not confined to a proprietary standard and hardware platform: the support across mobile devices and patient support networks create network effects.

The other type of network effects comes from the community of developers: OncoPower can be implemented as a private blockchain by large health systems. So, as an autonomous and open source platform, it is designed to motivate developers communities to leverage OncoPower blockchain, the incentivization mechanism, and, patient base, to develop third-party Apps and earn money.

And since the company already powers its products with machine intelligence, the OncoPower blockchain is well positioned to become a player in the SmartBlockchain segment.

Finally, can be implemented as a private blockchain by large health systems. As an autonomous and open source platform, it may motivate a lot of smart developers to leverage OncoPower blockchain, incentivization mechanism and patient base to develop third party Apps and make money.

## Behavioral economics

Disease is a fact of life.

And when we get sick, we trust no one more than our physician, and the support network of those who are suffering the same illness as ourselves—they are usually the primary source of advice, recommendations, and courage. So it is difficult to think about a more genuine source of engagement activity than health data.

But the OncoPower project has taken a leap forward, proposing what might be one of the first effective implementations of gamification in healthcare. The issue with everything from clinical trials to regular treatments is that it is difficult to get people to take their medicine properly and on time. What the ONCO token allows is to use the behavioral economics concept of *loss aversion* to incentivize good behavior by taking something away from the user (reducing the user balance) instead of giving something (as is common in airdrops). This is based on the Nobel Prize winning work of Kahneman & Tversky, in which they found that the pain of losing is psychologically about twice as powerful as the pleasure of gaining. This might sound harsh, but when dealing with life threatening conditions it is essential to help people meet their health objectives, while simultaneously providing some distraction—this is truly in the realm of *serious games*.

And why should physicians care? The value to the healthcare provider is material too. The convergence of mobile incentives with government-mandated regulations and new insurance policies create an auspicious environment for digital health (especially trustless technology) to thrive.

All this is a positive development for investors, because people trust their doctors and caregivers, and they can become the primary channel for patients to become first adopters. The table below shows official statistics about these groups by the American Medical Association and Medicare.

	AMA's Masterfile Number (July 2016)	Medicare's Physician Compare Number (May 2016)
Medical oncology and/or hematology	14,639	12,136
Gynecologic oncology	506	984
Radiation oncology	4,921	4,441
Pediatric hematology/oncology*	2,560	-
Surgical oncology	469	897

Number of U.S. physicians in oncology specialties in 2016. Source: Statista.com

## Team

Team structure is usually viewed as a potential source of risk in crypto. In this case is quite the opposite.

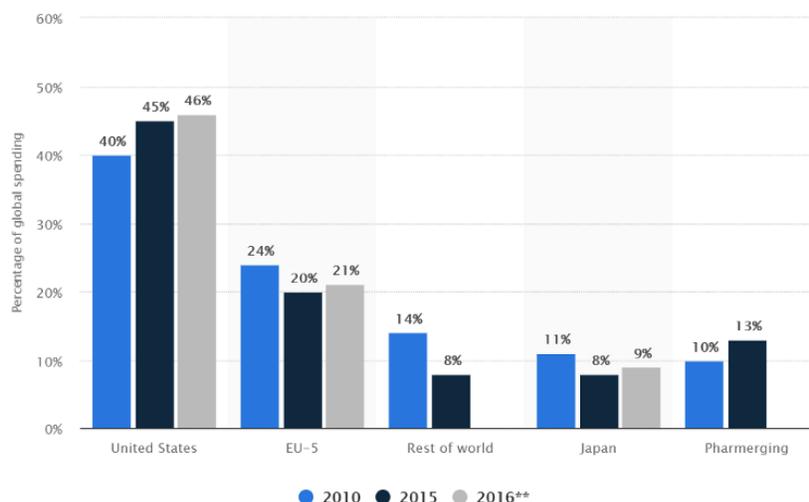
Ram Sessa (a Co-Founder and director) holds 21 patent applications, including a software patent application, and six issued patents; [See a full list from the US Patent Office here](#). Other specialists that are members of the founding, advisory, and executive teams include physicians and caregivers nationwide.

The Technology Lead is Maxim Prishchepo, architect of SmartMesh. SmartMesh was one of the notable crypto projects of 2017, solving the hard problem of disaster recovery and allowing communications and even cryptocurrency trading in the absence of internet connection (a peer-to-peer, offline network between mobile devices). This experience is a valuable asset in the development of a healthcare blockchain ecosystem, where availability of vitals should be ensured even after catastrophic events.

## Scalability

The largest opportunity remains in the US market, but the composition of demand by region and global demographics function as both a source of growth and risk hedge against any adverse developments in the US health system: i)aging trends in markets such as Europe and

Japan; ii) the rise of Western-style medicine in emerging countries, notably China.



This statistic shows the proportion of oncology spending in the global market by region, in 2010, 2015, and 2016. In 2015, the so-called pharmerging countries spent 13 percent of the total global oncology market spending. Oncology spending remains mostly in the United States and the top 5 EU-countries. Source: Statista.com

Besides, the infrastructure can be repurposed to scale vertically and horizontally: initially, they are focused on Oncology but can expand to other large markets with similar dynamics, including Cardiovascular and Respiratory.

## Q&A with Ram Sessa, Ph.D. (Co-Founder)

**Your informational memorandum elaborates on an exit strategy for the blockchain company investment. Are there any plans for the token issue that you would like to discuss as well?**

We are treating ONCO tokens as non-voting securities to comply with SEC. Our plan is to do a pre-sale of ONCO Tokens only to accredited investors and plan for an SEC compliant Token Sale sometime in late Q2 or Q3.

Another alternative that we are considering is to do a Reg A + IPO with Common Stock and use ONCOs to incentivize participants for creating value.

**Is public information available about your previous experience on launching a project such as OncoPower?**

I have the prior experience of a successful asset exit with a development stage pharmaceutical company specialized in the development of intellectual property (<https://www.nectid.com/>), taking a private company public, and running a publicly listed company.

**What aspects of risk would you like to mention, in order for investors to produce their own regulatory risk assessments?**

### **FDA/EMEA**

Other FDA (EMEA in Europe) approved digital Apps will use our blockchain and Onco currency to integrate their app and increase patient engagement. We provide an infrastructure for the oncology market participants to use it in a way it helps them. This is a digital platform that is optional for a patient to use it. In addition, we are not making health claim here stating our platform cures cancer or reduces pain.

Another important observation is that there is a precedent of positive regulatory stance. The FDA has evolved rapidly by creating a regulatory pathway for digital therapeutic products. It has approved a Digital Therapeutic from Pear Therapeutic and a Sensor-Drug co-formulated using its traditional new drug application pathways.

### **SEC**

We are using a SEC Regulation D Rule 506 ( c ) that enables us to advertise and solicit investors. There are no limitations in terms of citizenship of potential investors; retail, institutional, and family offices are welcome to participate.

**About your business model. Are Oncologists getting paid for monitoring patients?**

Our Onco-Economy doesn't substitute insurer originated payments. Our solution is built on top of the traditional healthcare monetary transaction that happens in the physical world. The Center for Medicare & Medicaid Innovation (CMS) has already published rules for

reimbursing providers for patient monitoring to improve care and the private insurers are likely to follow.

### **Who are your biggest (both blockchain and non-blockchain) competitors?**

OncoPower is an unusual product design (Patient Network/Content + Clinical Care) and focus (Oncology); there are no direct competitors but several indirect competitors. No competitor combines a social network, Cryptocurrency incentivization, and patient monitoring based platform tools to create a global disease based economy. The Onco-Space community competes with very well-known patient aggregators like PatientsLikeMe and traditional content sites like WebMD. The Onco-Klinik competes in some ways with other platforms that focus on healthcare such as Patientory, BlockRx, Hashed Health, Bowhead Health, Global Health Coin, Health Coin, and PokItDok. However, most of the token-based systems have already concluded their sale period, therefore the opportunity to invest for value (if there was any) is no longer there.

### **What is your biggest threat?**

External industry buy-in is a tricky issue for the uninitiated. We are industry veterans, so we are taking precautions to protect ourselves, our users, and our investors; 1) We are offering coverage against malpractice lawsuits, 2) Our platform actually pushes data healthcare systems. We don't seek EMRs (Electronic health records) to provide us data, 3) We are not taking real money from providers. Our ONCO transaction is on top of their existing payment mechanism, 4) With a global ecosystem, health systems get access to a large pool of patient-reported data. This level of scale is perhaps one of our strongest value propositions.

## **Conclusion**

Ram Sessa added the last punch line in our conversation:

*There isn't anything like our concept- One Inch Wide, One Mile Deep and all-encompassing- Social Determinant Of Health (SDoH) + Clinical care.*

I believe this is a fair characterization.

The fact that healthcare is highly regulated is actually attractive for a blockchain investor. Choosing the right vertical in the construction of our portfolio answers the perennial objection against decentralized systems investments: if anyone can launch a coin or token, how can you sustain value? OncoPower is offering the kind of “moat” that Buffet advises one should look for in any investment—but distinctively, is doing it in the crypto space. And after all, we are not looking for risk-free investments—we are seeking to price risk right, and operate in comfortable risk/reward zones.

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