DIGITALDX VENTURES: LEVERAGING ARTIFICIAL INTELLIGENCE IN HEALTHCARE TO STAKE ITS CLAIM IN SILICON VALLEY

The Largest Network of Diverse-Owned Private Equity Firms and Hedge Funds
Silicon Valley is known as many things – a hub for innovation, the place where numerous tech millionaires and billionaires started their journeys and a mecca for venture capital activity. Sadly, it is not known for embracing diversity or as a place where women and people of color are well-positioned to stake their claims in the highly competitive and lucrative venture capital industry.

However, venture capital veteran Michele Colucci is not letting that stop her. She is actively mentoring female and diverse young professionals interested in pursuing careers in Silicon Valley to help end the cycle of exclusion. As Co-Founder & Managing Partner of DigitalDx Ventures, she has learned the ins and outs of the tight-knit business community firsthand and is sharing that knowledge with her mentees.

A majority woman-owned impact fund, DigitalDx is focused on investments that help doctors better understand their patients’ condition and make more personalized and effective treatment decisions. The firm invests in companies that help doctors diagnose illnesses earlier, less invasively, less expensively and more accurately, with platforms augmented by artificial intelligence (AI).

Diagnostics are becoming increasingly important in the field of medicine and potential treatments often need to be personalized to a patient's uniqueness and body chemistry. This is where AI comes in. Doctors need help from AI to sort out the vast amount of data quickly and efficiently to be more effectively proactive in health and wellness. “AI helps get to proof of concept faster,” Colucci explains. “You’re learning very quickly if something is going to work instead of spending lots of money and many years to get that proof of concept.”

CUTTING EDGE DIAGNOSTICS

Launched in 2019, Menlo Park-based DigitalDx currently has six companies in its portfolio. More than half of them have women as founders or in the C-suite. The firm's portfolio companies all enable early detection (with at least 90% accuracy) of their targeted medical condition and are less invasive than the current standard of care. Portfolio companies include:

**Optina Diagnostics** has a procedure that can detect the very beginning of Alzheimer's disease as early as 10 years before dementia/brain damage occurs. Since DigitalDx's investment, the team added value by identifying additional investors, prepping management on pitch decks, aiding with legal issues, building out its board, and developing creative monetization/go-to-market strategies.

**Nephrosant** has a unique non-invasive urine diagnostic with a proprietary urine life extender preservative that identifies kidney health and kidney transplant rejection with accuracy in the high 90th percentile, compared to lower accuracies in blood testing. DigitalDx was the first institutional money for the company and aided with patent advice/suggestions, reviewed and drafted legal agreements, aided with key hires and assisted with strategic thinking and planning.

**Trayt** is a data platform that provides diagnosing and treating of patients with mental health and other behavioral disorders including autism, ADHD, depression, substance abuse, and eating disorders. The DigitalDx team added value to this investment by helping identify key opinion leaders, researching potential partnerships, competitors and investors, while also focusing the business on diagnostics, and providing input on the regulatory and reimbursement process.
13 YEARS IN THE VALLEY

A lawyer and serial entrepreneur, Colucci came to the Valley in 2007 to learn about financing options when she was looking to launch a legal services business that leverages technology and AI. In the past, Colucci owned a media production company, a chain of retail stores, and ran a political fundraising venue. But those prior ventures were self-funded, and she had little experience with attracting investment capital.

“I came to Silicon Valley to learn and hone my understanding of what it was like to raise money. I attended an investing event and happened to be sitting one seat away from Ted Driscoll,” Colucci recalls. Driscoll, a Silicon Valley veteran who holds patents for the iPhone’s digital fingerprint recognition, the 360-degree imaging process that became Google Street View, and built the first MRI scanner for people, was looking for his next investment opportunity. After a few conversations, Driscoll handed Colucci a business card and offered to look over her business plan.

Though she did not accept the investment offer from Driscoll’s angel fund, the two became friends and Driscoll mentored Colucci and coached her on the inner workings of Silicon Valley. He also came on board and invested his personal capital. When he decided to start his own VC fund, he tapped Colucci to be his partner. “Healthcare was so compelling to me because it was analogous to what I was doing in legal tech, and I have had two friends that passed away from not having an early diagnostic,” Colucci says. “The daughter of one of those friends is now my daughter. I feel very strongly that this is profoundly important.”

Driscoll’s guidance and mentorship would prove vital. “He recognized the value I brought and my eye for identifying successful startups in the MedTech investment world,” says Colucci. “He also expanded my sector knowledge and understanding over the years which resulted in my referring him one of his most successful exits in his prior fund. He was a great teacher and a true mentor. It was the perfect partnership.”

Having a well-known and respected investor with a strong track record helped Colucci surmount the lack of connections to members of the male-dominated network in the insular world of Silicon Valley. “It’s very hard to get allocations due to minimum requirements at plans, my size and the fact that I’m a really new emerging manager, not someone with a strategy that was already executed successfully,” she says.

DISRUPTING THE OLD BOY’S NETWORK

Having experienced the challenges of Silicon Valley firsthand and looking to open the gates, Colucci initiated a fellowship program where 28 MBA students – most of them ethnically diverse or female – can gain an insider’s perspective of how the VC scene operates in the Bay Area. “I was originally organizing this little spring internship for a few students,” Colucci recalls. “I ended up with more than 20 applications from MBA programs across the country and abroad and could not say no to anyone because they were all just too incredible. From that process, I quickly realized how big the need really was.”
The program is near and dear to Colucci, who admits having had a very hard time breaking into the business. “It’s an area that largely keeps people out because of financial resources. It’s based on relationships and money,” Colucci explains. “If you have relationships or money, you have ways in. If you do not, it’s a tough nut to crack. Even now, with 40% of our invested capital increasing 4-7x in under a year, and offering new investors my original cost, it is still incredibly difficult to get meetings for raising follow-on capital.”

As a result of her challenges, DigitalDx has created a culture of inclusion that permeates the firm and extends to its portfolio companies. “If I do not recognize the problem and try to do something about it for this next generation, then I’m not making an impact. I want to be a change agent,” says Colucci. “I want to make it easier because it should be. The more diverse points of view at the table, the more informed and better decisions I make investing in the future of medicine for all.”