

Ro scooped up a home testing co, but may have missed the home diagnostics boat

Article

The news: Direct-to-consumer virtual care provider Ro [acquired](#) 17-month old at-home diagnostics startup Kit, which offers home testing including blood pressure tests and finger

prick blood assays.

How we got here: This is Ro's third acquisition within the past year as it enters hyper-growth mode expanding into various niche pockets of care delivery.

- In December 2020, it **snapped up** home care company **Workpath** to deploy nearby clinicians to patient's homes for blood draws, etc.
- And in May, it spent **\$225 million** to buy reproductive health company **Modern Fertility**, which offers an app-based platform to track patients' fertility data.
- We think we could see Ro dive into a space like diabetes management next, considering the massive addressable market (**34.2 million** patients) and consumers' growing **interest** in digitally monitoring the condition.

Trendspotting: As telehealth adoption declines this year, vendors are realizing they need to diversify to hold onto their new customers' attention for the long haul—many are turning to at-home testing to do so.

- Although telehealth adoption rates are much **higher** than pre-pandemic levels, usage levels are dropping off compared with adoption rates seen in March and April 2020.
- Part of the reason we're seeing dropoffs is because some patients are leaning more on hybrid care that combines in-person elements to address some of virtual care's limitations. For example, while virtual visits are convenient, patients don't have the tools to conduct lab tests at home.
- As a result, virtual care vendors like Ro, **Truepill**, and **Nurx** are adding at-home testing into their toolkits—a move that makes sense, since consumers **say** they're more comfortable than ever using at-home diagnostics due to the pandemic.

The bigger picture: While diving into the home testing space can help telehealth companies retain consumer interest, there are two major roadblocks deeming at-home diagnostics a risky diversification play:

1. **Small vendors will face stiff competition from Amazon, which is expanding its at-home diagnostics footprint with more affordable price points.** The e-commerce giant recently made its COVID-19 kits available online for **\$39.99** per kit, while large home-testing vendors like **Everlywell** sell the same D2C kits for **\$109**. Beyond low prices and rapid convenience, Amazon comes with a **massive** loyal customer base that makes it

the vendor of choice for many consumers—especially since it'll likely bundle its testing kits with its virtual care services sometime soon.

2. **There's no guarantee the FDA will authorize at-home testing for long-term use.** The FDA greenlit 389 COVID-19 tests under Emergency Use Authorization (EUA) since the pandemic began—but this authorization could very well be lifted once enough US individuals are vaccinated. As such, it would be a wise bet for telehealth vendors to unveil home testing kits beyond COVID-19 testing: Most of Everlywell's tests are laboratory-developed tests, which means they're not subject to FDA review, for instance.