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Digital health cos earned $14.7B funding H1’21—already smashing prior full-year records

Article

The data: Digital health companies nabbed a record **$14.7 billion** in funding in the first half of 2021—already smashing 2020’s full-year total of **$14.6 billion** (though that’s not completely surprising considering the impacts of the pandemic) and nearly doubling 2019's **$7.7 billion** total, according to Rock Health's latest report.

Digging into the data:

- In H1'21, there were **372 digital health deals** with an average deal size of **$39.6 million**.
- Of those, **48 were megadeals** ($100 million+), and megadeals accounted for **59%** of total digital health funding in H1.

On top of stellar funding hauls, there were a ton of digital health M&As and public exits in H1:

- **11** digital health companies hit the public market, and **11 more** are slated to close later this year—more than triple the number of public exits (7) we saw in last year.
- And there were **131** digital health M&As, averaging 22 deals per month—almost double last year's monthly average of 12.

Where are investors placing their bets? Most are funneling cash into tried-and-true digital health value propositions in research and development, on-demand healthcare, mental health, and chronic conditions.

But we're also seeing a strong appetite to support direct-to-consumer digital health players:

- In H1' 2021, **over one-quarter** (**27%**) of all funded digital health companies are operating solely on a D2C model, up from **22%** of cash recipients last year. These include companies that raked in megadeals like **Noom** ($540M), **Ro** ($500 M), and **Capsule** ($300M).

The catch 22 of D2C healthcare: D2C healthcare could be a less complicated space for investors to pour money into, and it offers a promising alternative to consumers as healthcare costs skyrocket.

- The business model circumnavigates the administrative sludge of regulatory and payment barriers (which is attractive for the companies pouring money into D2C startups—there are fewer regulatory hurdles and hoops involved in reaping ROI).
- Plus, the D2C healthcare model is deeply personalized to individual patients rather than based on composite patient data collected from insurers.

- And D2C companies are able to capture consumers via widespread marketing instead of relying on tapping those who are already involved in the healthcare system (via health system databases or payer claims data).

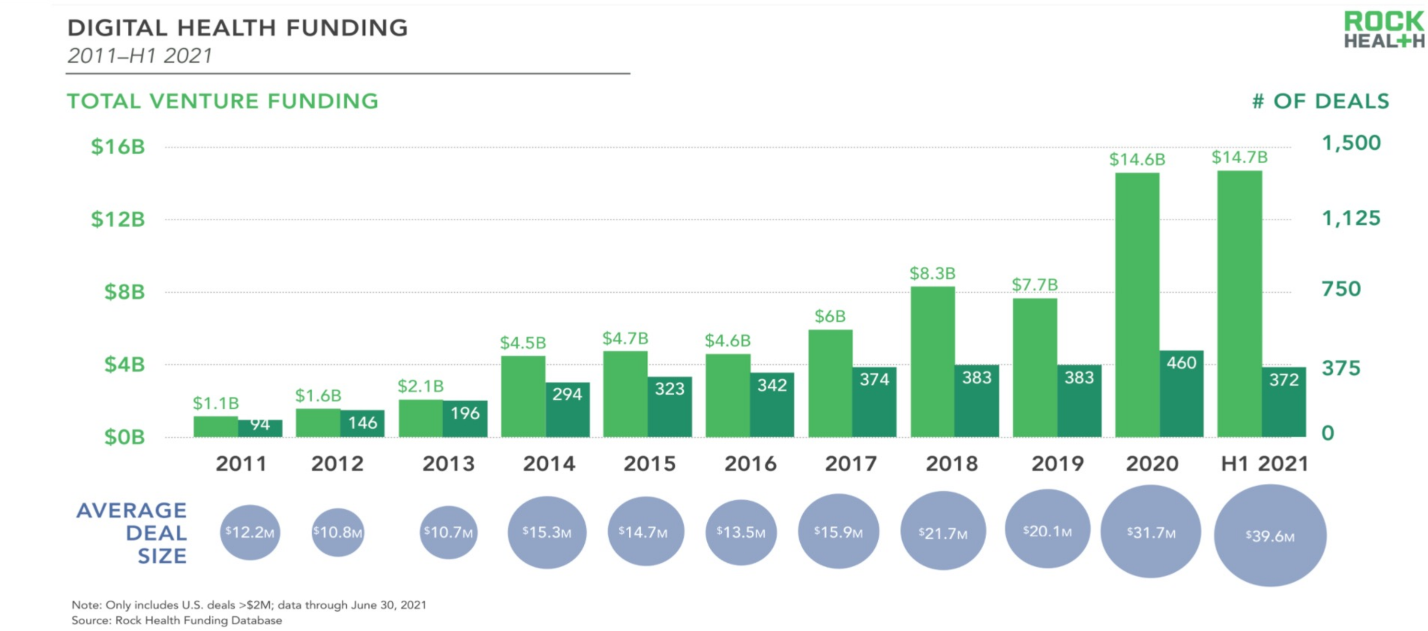
But D2C has its drawbacks: The onus of payment is primarily placed on the consumer, and the business model may not be sustainable for large-scale growth considering high customer acquisition costs.

To combat this, we've seen larger D2C players consolidate to grow their footprints and lure in more consumers with a diversified suite of healthcare services. For example, **Ro's** acquisitions of women's health startup **Modern Fertility** and diagnostics startup **Kit** in the last two months could foreshadow more D2C-focused digital health companies following a similar path.

One big question: Now that digital health companies are flush with funds, how will they use the cash strategically, and what will ROI look like?

Digital health quickly went from a niche to mainstream market during the pandemic—but how fast it's raking in funding dollars could raise some flags. Some of the biggest questions that remain are: Can companies develop, test, and scale digital health solutions at pace with competition? And how often/effectively are these companies proving their ROI after being flooded with funding?

Digital Health Funding 2011 — 2021, Rock Health



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