

Health systems are becoming more active digital health investors—here's why

Article

The news: OSF Ventures announced it has raised **\$100 million** in its third and largest venture fund since it was established in 2016.

- The money will go toward solutions focusing on social determinants of health, the internet of medical things, digital therapeutics, and precision medicine.

More on OSF Ventures: OSF Ventures blossomed out of **OSF HealthCare**—a 15-hospital health system in Illinois and Michigan. OSF Ventures currently manages a portfolio of 17 healthcare companies, including **Dotcom Therapy**, **Socially Determined**, and **TailorMed**.

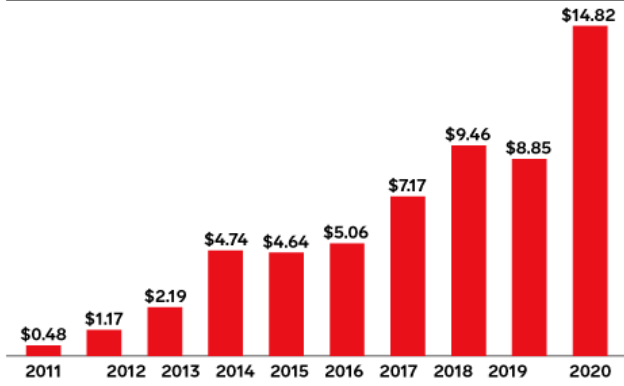
The bigger picture: Health systems are increasingly establishing and expanding venture funds to get ahead of digital health innovation.

- Despite pandemic-related financial pressures in 2020, **provider organizations accounted for over 30% of digital health corporate venture capital investments**—more than biopharma, tech, and payer firms, [according to](#) Rock Health.
- What's behind this? Investing in digital health ventures allows health systems to test and scale solutions that can improve quality of care, lower healthcare costs, and address other pain points like clinician burnout and revenue optimization, within their own system.
- For example, **Ascension Ventures**, which has more than [\\$1 billion](#) in its venture fund and portfolio, includes notable companies like **Olive**, **Vivify**, **VisitPay**, and **Phreesia**. These companies have gone on to build national footprints and merge with larger digital health companies.
- Other health system venture funds (**Kaiser Permanente Ventures**, **Intermountain Ventures**, and **Mayo Clinic Ventures**, for instance) have also raised hundreds of millions and seen some of their investments take off.

Why they could succeed: These health system venture funds are pouring massive amounts of money into digital health moonshots—and while not all of them will take off, the ones that do could bring in more revenue via commercialization.

Digital Health Venture Capital Funding Worldwide, 2011-2020

billions



Note: includes private equity and corporate venture capital; 615 deals in 2019; 637 deals in 2020

Source: Mercom Capital Group, "Digital Health Funding and M&A: 2020 Fourth Quarter and Annual Report" as cited in the company blog, Jan 11, 2021

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