


# Telemental health demand isn't enough to save some startups

Article



**The news:** Telehealth giant **Amwell** made a second bid for online therapy provider **Talkspace**, offering about \$200 million, per The Calcalist.

**How we got here:** Talkspace was the first online mental health company to go public and its financial trajectory provides a cautionary tale for others in the space.

- Talkspace went public in mid-2021 via a SPAC deal with Hudson Executive Investment Corp. that valued the company at about \$1.4 billion.
- However, Talkspace's stock price plummeted to just \$0.60 on November 25, the last closing date before the talks with Amwell went public. Amwell's offer of \$1.50 per share represents a 150% premium over its stock price.
- While its **B2B revenues grew 72%** in the first three quarters of 2022 (to \$89 million), its **D2C revenues dropped 24%** following an earlier decision to cut marketing spending.
- Amwell isn't the first suitor Talkspace rejected. It was approached by rival **Mindpath Health** in May.

**The telemental health boom:** The pandemic accelerated a growing mental health crisis in the US, as well as a boom in money for mental health startups.

- **90% of US adults say mental health is a crisis**, per an October 2022 CNN/Kaiser Family Foundation poll.
- Mental health issues account for the lion's share of telehealth medical claims. In August, they made up **65% of all telehealth claims**, according to **Fair Health**.
- The record amounts of capital (\$4.5 billion, 137 deals) invested in **mental health companies** in 2021 enabled them to expand and scale their platforms early in 2022, Silicon Valley Bank reported in October.
- But just \$1.9 billion (92 deals) went to mental health companies in the first three quarters of 2022, per SVB.

**Now the telemental health market is shifting:** This year's **economic downturn** has had a significant impact on digital health companies. The volatile equity markets have sent valuations plunging and caused layoffs across the industry.

- In the telemental health space, **D2C models are under growing financial pressure** from higher therapist-related labor costs and the **higher marketing spending needed to acquire new customers**.
- Talkspace is in the process of **pivoting from a D2C to a B2B model**, selling its services to self-insured employers. That may be why B2B-focused Amwell is interested in buying it.
- **Shifting strategies is a promising step**, as 67% of US employers surveyed by WTW (formerly Willis Towers Watson) plan to make **employee mental health** and emotional wellbeing

programs and solutions one of their top three health priorities over the next three years.

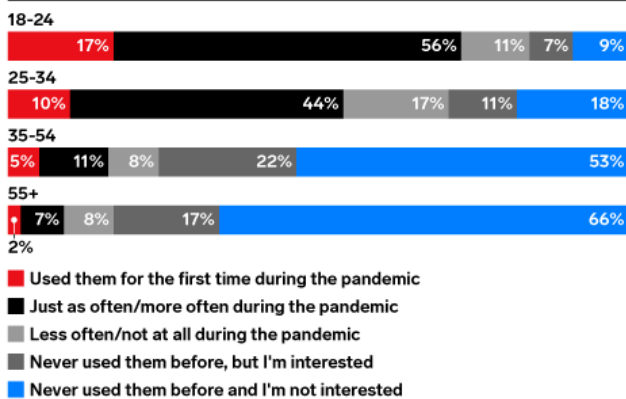
- **AI-based telemental services like [Kai.ai](#), Sayana, Woebot Health, and Wysa could be winners**, as their labor costs for professional therapists could be lower.
- 47% of US adults were interested in using a [mental health chatbot or AI therapist](#), per a Woebot Health survey.

**Our take:** The telemental health segment is oversaturated and even growing demand for services won't keep many startups afloat. Shifting from a D2C to a B2B model takes time, and most employers want solid performance data showing improved patient outcomes before they agree to offer a company's services to employees.

Insider Intelligence estimates that **74.1 million US adults will use [telemental health services](#)** in 2022, about three-quarters (74.8%) of all telehealth users. By 2025, **telemental health users will grow to 100.8 million**, or 86.4% of all telehealth users.

### US Adults' Experience Using Professional Healthcare Services for Mental Health Since the Start of the Coronavirus Pandemic, by Age, March 2022

% of respondents in each group



Note: n=2,509; numbers may not add up to 100% due to rounding  
Source: CivicScience as cited in company blog, March 30, 2022

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