

IBM wants to exit healthcare by selling its Watson Health business

Article

The news: IBM is attempting to sell its **Watson Health** business—just around a year after it was first reported to mull a sale in 2021.

- For context, Watson Health, formed in 2015, develops AI-driven analytics solutions for hospitals, payers, and pharma companies.

- Last February, The Wall Street Journal reported that IBM was considering the sale of Watson Health to focus more on its cloud computing business.
- IBM has been working with BofA Securities in search of a buyer, which it's hoping to select by the end of this month, according to Axios.

How we got here: Over the years, IBM has tried to move deeper into healthcare with acquisitions and partnerships but hasn't become an industry powerhouse as anticipated and has failed to be profitable.

- From 2015 to 2016, Watson Health poured billions into acquiring healthcare analytics firms **Explorys** and **Phytel**, imaging company **Merge Healthcare**, and its \$2.6 billion buyout of claims analytics company **Truven**.

Another thorn in its side: Partners have blasted Watson Health for not delivering solutions as promised.

- For example, Watson Health came under fire for producing erroneous treatment recommendations for hypothetical cancer patients during an internal testing phase in July 2018, according to internal documents cited by STAT.

The problem: IBM's eagerness to shed Watson Health combined with the unit's troubled history with some of its partners may mean that the business will sell at a loss.

- IBM spent over \$4 billion building Watson Health, but it's reportedly seeking around \$1 billion in a sale, per Axios.

The bigger picture: Tech companies don't have an easy road to secure a foothold in healthcare. Even with their power and flush pockets, tech companies have yet to build a leading solution in this complex industry.

- Google shuttered its own Google Health division back in August 2021 after not gaining enough traction due to lack of consumer trust and provider and insurer relationships, and problems delivering a seamless user experience.
- Trust issues especially have presented a big hurdle for tech companies looking to penetrate healthcare: 56% of consumers in a 2021 survey said they wouldn't trust tech companies to keep their health information anonymous.

