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.

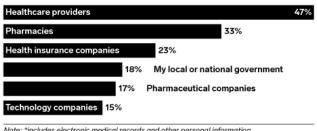


- Last February, The Wall Street Journal reported that IBM was considering the sale of Watson Health to focus more on its cloud computing business.
- IBM has been working with BofA Securities in search of a buyer, which it's hoping to select by the end of this month, according to Axios.
 - How we got 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 <u>under fire</u> 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 <u>shuttered</u> 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: <u>56%</u> of consumers in a 2021 survey said they wouldn't trust tech companies to keep their health information anonymous.



How Much US Adults Trust Select People/Organizations to Keep Their Digital Healthcare Information* Secure, July 2021

% of respondents



Note: *includes electronic medical records and other personal information
Source: Accenture, "2021 Accenture Health and Life Sciences Experience Survey: US
Findings" conducted by YouGov
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