

Cigna wants to invest \$450M in digital health startups—here's where we think it'll target its spending

Article

The news: Cigna plans to pour **\$450 million** into its VC arm (Cigna Ventures) to invest in digital health tools and care delivery, with an emphasis on investing in early stage companies, per a recent Cigna press release.

More on Cigna Ventures: This isn't the first time Cigna allocated funds to digital health investments.

- In 2018, the massive insurer contributed **\$250 million** to its VC arm—and since then, it's made **15 direct investments**, per Cigna's 2021 SEC report.
- Cigna's most recent digital health investments include startups like insurtech **Bright Health**, maternal care startup **Babyscript**, digital musculoskeletal (MSK) company **RecoveryOne**, and kidney care provider **Cricket Health**.

Cigna is focused on cutting costs: The legacy insurer's **positive ROI** from investments like digital musculoskeletal treatment startup RecoveryOne is likely fueling its ongoing interest in digital health innovations.

For example, earlier this year, RecoveryOne said it was expanding its partnership with its Cigna after the digital MSK entrant was able to reduce pain diagnoses for Cigna members.

- Based on data from 350,000 Cigna members, RecoveryOne says it saved the insurer **\$751 per member per month** for MSK-related diagnoses and **reduced costs by nearly 77% for low back pain** and **84% for rotator cuff tears**.
- Early intervention through digital platforms like RecoveryOne (which offers virtual physical therapy) could prevent chronic pain from worsening, saving insurers like Cigna on costly surgeries.

What's next? We suspect Cigna will leverage its VC arms to dive deeper into home healthcare investments as it preps for rising senior-related costs—and to stay on par with its competitors' digital health innovation.

As more boomers age into Medicare over the next few years, there will be an influx of Medicare Advantage (MA) members.

- **The number of MA enrollees swelled from over 10 million in 2010 to over 23 million in 2020 alone**, per KFF data.

As a result, insurers like **Humana** and **UnitedHealth Group (UHG)** are quietly pumping cash into home health companies to get members care in between doctors' visits and prevent expensive readmissions.

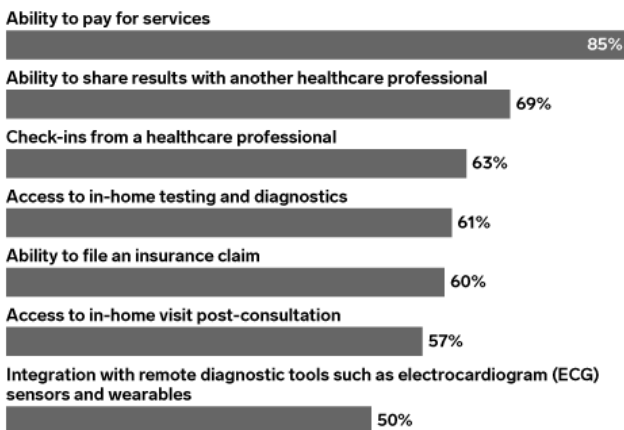
Optum Ventures (UHG's VC fund) and Humana are both investors in home healthcare entrant Dispatch Health, for instance.

But out of its 15 investments, Cigna has yet to make an investment in home healthcare. This means that could be the insurer's next target in a play to cut costs and keep up with Humana and UHG's home health tech.

- Cigna's potential interest in home health would be good news for digital health startups seeking to woo payers. In fact, it wouldn't be surprising if startups like home health software company **AlayaCare** or hospital at home startup **Contessa** scored the attention of Cigna next.

Post-Visit Telehealth Service Features US Telehealth Users* Consider Extremely/Very Valuable, Oct 2021

% of respondents



Note: n=1,609 ages 18-75; respondents were given the choice of "extremely valuable," "very valuable," "moderately valuable," "slightly valuable," and "not valuable"; *94% were telehealth users and 6% were potential telehealth users selected to align with the US population on the criteria of age

Source: Insider Intelligence, "US Telehealth Trends 2022," Jan 2022

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InsiderIntelligence.com