

Health tech layoffs carry on amid economic uncertainty, and we expect even more in Q3

Article

The news: Direct-to-consumer healthcare startup **Ro** is the most recent health tech company to cut back its employee roster.

- It **laid off 18% of its workforce** after reaching a \$7 billion valuation, according to an email shared with Insider.
- **CEO Zachariah Reitano** said Ro needed to “make more significant changes to manage expenses, increase the efficiency of our organization, and better map our resources to the current strategy.”

How we got here: Ro’s decision follows 2 years of major M&A activity that likely contributed to higher operating costs.

- In March, Ro acquired sperm analysis and storage company **Dadi**. It was clear Ro was broadening its erectile dysfunction products, which already accounted for half of its revenues.
- Last May, Ro scooped up reproductive health company **Modern Fertility** for **\$225 million**.
- It also purchased at-home diagnostics company Kit in 2021, and acquired home care software company Workpath in 2020.

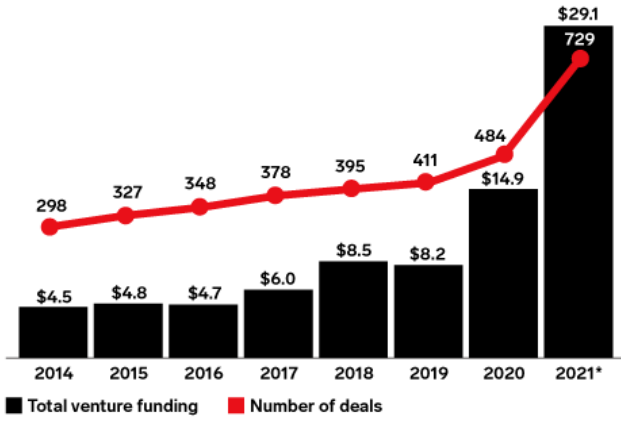
The larger trend: Economic uncertainty and less VC funding could have more digital health entrants announcing layoffs in Q3.

- Wellness company **Noom**, primary care startup **Carbon Health**, mental health startup **Cerebral**, and digital pharmacy startup **Truepill** have all slashed a big chunk of their workforce over the past few months.
- Truepill reached a **\$1.6 billion** valuation last year—but last month, it still laid off 15% of its workforce to adapt to “shifting markets.”
- Similarly, Carbon Health CEO **Erin Bali** said one driver of company layoffs includes “volatile capital markets,” which means less focus on growth and more focus on profitability.

We expect to see other health tech companies cut back on staff next quarter to focus on short-term profitability as pressure from investors intensifies.

US Digital Health Venture Funding and Deals, 2014-2021*

billions and number of deals



Note: only includes deals greater than \$2 million; data comes from Rock Health's Funding Database; *through December 31, 2021
Source: Rock Health as cited in company blog, Jan 10, 2022

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