

Annual digital health funding dropped in H1'22, but it's not all bad news

Article

The news: Digital health startup funding dropped to **\$10.3 billion in H1'22** from **\$29.1 billion in H1'21**, [according to](#) a new Rock Health Report.

But it's not all doom and gloom: VC funding is still higher than pre-pandemic levels.

Average US digital health funding during H1'19 was **\$8.1 billion** with an average of 414 deals, per Rock Health. That's **fairly consistent with 2018 (\$8.6 billion with 395 deals) and 2017 (\$6 billion with 377 deals)**.

The fact that funding for H1 this year is still higher by more than \$4 billion versus pre-pandemic levels is a good sign for startups. [Inflation](#) and a [looming recession](#) aren't making healthcare investors as cautious as they were from 2017 to 2019.

The larger trend: Despite the annual funding drop this year, investors interest in Series A rounds hasn't unwavered.

- Series A rounds raised **\$18 million** in H1. That's the same as H1'21, according to Rock Health.

We witnessed the Series A funding wave occur over the past few months. Especially as [our previous prediction](#) that fertility and women's health startups would be a bright spot for funding this year rings true.

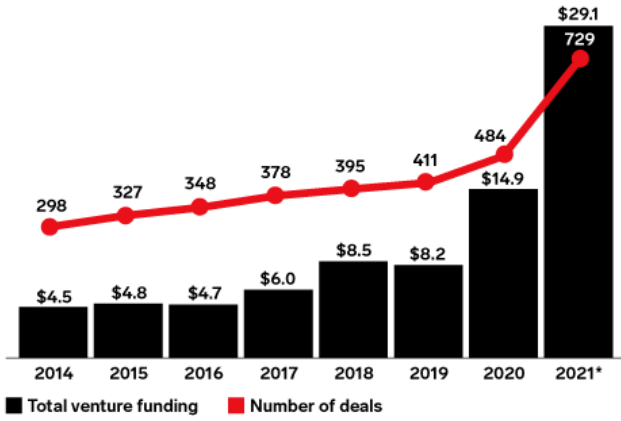
- For example, in April, women's health startup **Evernow** [raised](#) nearly **\$29 million** to support women through menopause.
- And in February, **HerMD** [raised](#) **\$10 million** in Series A funding to open new clinics and expand their telehealth offerings.

What's next? Series A funding activity is good news for entrants addressing nonclinical labor shortages—a major problem for health systems right now.

- Most health systems and physician groups are [behind](#) on their 2022 revenue goals—thanks in part to labor shortages. Almost half of health organizations say they're experiencing labor shortages in their billing departments, per R1 RCM.
- As a result, **many health execs (26%) are interested in adopting new billing or revenue cycle management software** to eliminate redundant systems.
- In fact, we already saw some digital health startups addressing nonclinical work gain traction during H1. **Hint Health** scored **\$45 million** to help its network of 2,400 direct primary care physicians manage enrollment and billing, for instance.

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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