

A healthcare prediction we got wrong for 2022

Article

Let's review: At the end of 2021, the Insider Intelligence digital health team drew up a list of [five trends and predictions](#) for the coming new year. Below, we revisit the predictions that didn't pan out as we anticipated.

The trend [we expected]: Digital health funding will hit new highs. We saw massive amounts of venture capital funding pouring into digital health companies in the first three quarters of 2021. In just nine months, \$21.3 billion went to startups across the digital health spectrum, per Rock Health. **The year ended with a record \$29.1 billion** spent on 729 deals.

But the rose-colored glasses came off: Almost immediately, 2022 was a different story.

Economic uncertainty arrived on a global scale with supply chain issues, energy shortages, equity market volatility, and Russia's invasion of Ukraine. Investors hate uncertainty—and there was plenty of that to go around. The effects were immediate for the digital health community.

- Digital health funding in Q1 2022 reached \$6 billion, marking a **17.8% drop** from Q4 2021's \$7.3 billion.
- By the end of Q2 2022, it was plain that the tide had turned for digital health investors. **Just \$4.2 billion** went to funding deals, per Rock Health.
- By the end of Q3, venture capital funding for startups fell 48%, quarter over quarter, to **just \$2.2 billion**.
- The books haven't closed on Q4 yet, but the macroeconomic situation hasn't improved this late into 2022. Funding is back to pre-pandemic levels, no doubt about it.

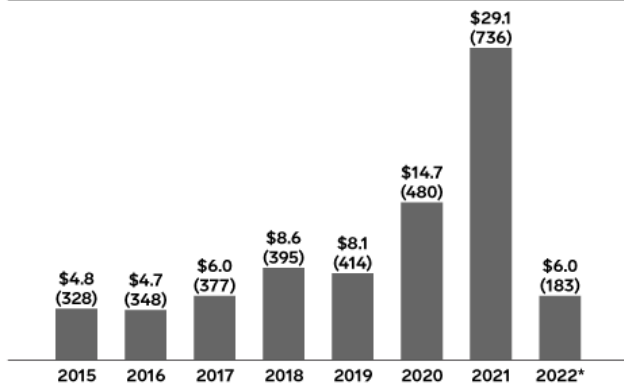
Our prediction: More money + more choices = more consolidation. We got the trend wrong, but our prediction wasn't completely off the mark.

Initial public offerings (IPOs) via special purpose acquisition companies (SPACs) ground to a halt, but that created opportunities for growth through mergers and acquisitions—particularly for disruptors.

- **Amazon** jumped into the primary care business with its surprise acquisition of One Medical for \$4 billion in July. It announced the closing of its virtual care service **Amazon Care** in August.
- **CVS Health** was on the hunt for a primary care platform with national scale, but ended up buying health tech services company Signify Health for \$8 billion in September.
- Walgreens' VillageMD announced its acquisition of **Summit Health** for \$8.9 billion in November. In October, the retail pharmacy chain bought the remaining share of CareCentrix that it didn't already own for \$392 million. The previous month, it paid \$1.37 billion for the remaining stake in specialty pharmacy company Shields Health Solutions.

US Digital health Venture Funding and Deals, 2015-2022*

billions and number of deals



Note: only includes deals greater than \$2 million; data comes from Rock Health's Funding Database; *data through March 31, 2022

Source: Rock Health as cited in company blog, April 4, 2022

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