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EMERGING TECH RESEARCH

Q2 2024 Healthcare IT VC Update

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- VC investment in healthcare IT remained muted in Q2 2024, with 77 deals closed in the quarter for a total of \$1.1 billion. This maintains the pace the sector has kept since Q4 2022, and we see little sign of an acceleration on the horizon.
- Key headwinds include point solution fatigue among health system technology leaders and difficulties reconciling previous rounds with the current valuation environment.
- The quarter's headline deal was a \$250.0 million Series F for Innovaccer at a \$3.0 billion post-money valuation.
- Two themes dominated the quarter's deal activity: AI clinical workflow automation and revenue cycle, especially prior authorization. In fact, the quarter was the strongest for AI deals we have seen since early 2023.

VC update

[Click here](#) to view our VC market map for healthcare IT on the PitchBook Platform.

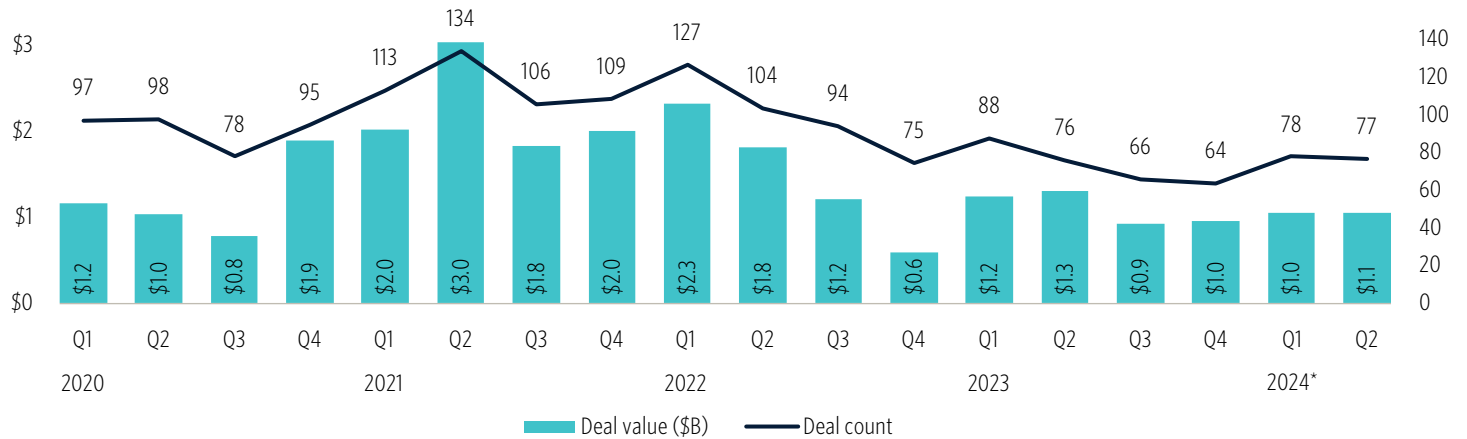
VC investment in healthcare IT remained muted in Q2 2024, with 77 deals closed in the quarter for a total of \$1.1 billion. This maintains the pace the sector has kept since Q4 2022, and we see little sign of an acceleration on the horizon. Two narratives have permeated our conversations with healthcare IT investors over the past quarter. The first is that health system chief technology officers and chief information officers are extremely reticent to invest in point solutions, leaving many startups in a highly competitive selling environment, exacerbated by the dominant electronic health records (EHRs) that often crowd out point solutions by offering (or promising to offer) a roughly equivalent solution. The second is the gap between valuations earned at the market peak and current investor comfort levels. Many of the larger VC-backed players are still supporting double-digit revenue multiples, but none of the [public comps](#) are trading at anywhere close to that. Strong [PE interest in healthcare IT](#) is providing some exit opportunities, but at double-digit EBITDA, not double-digit revenue, multiples.

The result is a pinch for investors that find themselves drifting toward later-stage companies in order to attach themselves to meaningful revenue growth potential (because it is so difficult to sell the point solutions offered by early-stage companies) yet struggling to envision an exit at an attractive valuation relative to the companies' previous cost of capital. On the capital supply side, our [H1 2024 Healthcare Funds Report](#) tracked the worst half year for fundraising on record for VCs that specialize in digital health and healthcare IT. Of course, we—and many investors—still view the opportunity to improve healthcare delivery via innovation in payer and provider software as an immense one. But for as long as both the VC ecosystem and the primary healthcare IT end markets remain in a risk-off stance, the healthcare IT market will remain relatively inhospitable to company builders.

The quarter's only truly splashy deal was a Kaiser Permanente-led \$250.0 million Series F for Innovaccer, one of the leading population health and clinical analytics software platforms. The round pegged the company at a \$3.0 billion post-money valuation—a number that makes us suspect that Innovaccer and its investors have ambitions well beyond value-based care. Apart from that deal, many of the rounds announced in the quarter fell along the lines of two themes: AI-enhanced clinical workflows and revenue cycle, especially prior authorization. Examples of the former include a \$50.0 million Series B2 for Rad AI, which automates radiology workflows; a \$33.0 million Series B for Atropos Health, which employs AI to generate publication-grade studies using real-world evidence in response to clinical questions; and a \$31.0 million Series B for Sensi.AI, a caregiver surveillance product for use in residential treatment facilities. Many of the AI companies that raised this quarter represent what we would describe as second-wave healthcare IT AI plays, characterized by a focus on foundational architecture and on more advanced challenges such as clinical decision support. Q2 2024 was the most active quarter we have seen for AI funding since early 2023, suggesting that investors who have been looking for AI healthtech plays are starting to place their bets, and we expect

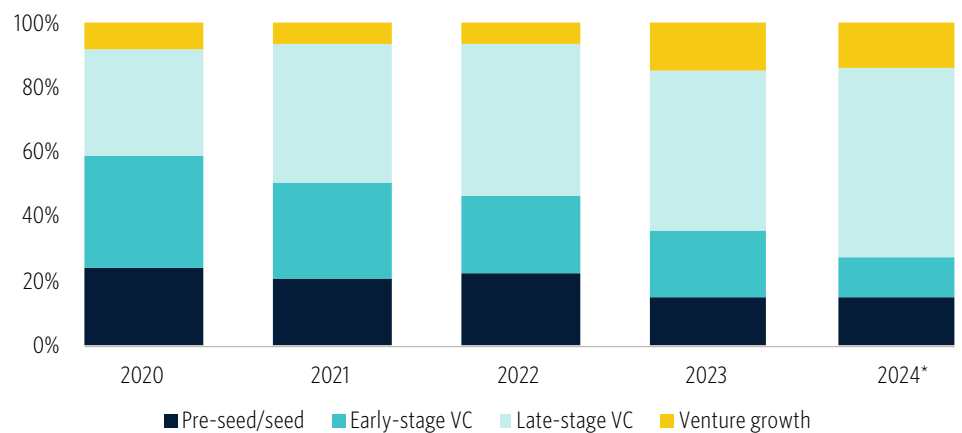
more announcements here in the future, contingent on market conditions. Examples of revenue-cycle-related rounds announced in Q2 include a \$50.0 million Series B for SmarterDx, which uses AI to enhance clinical documentation integrity processes; a \$31.0 million Series B for Adonis, which offers denial prediction and prevention tools; and a \$25.0 million Series A for Humata Health, which automates prior authorization workflows.

Healthcare IT VC deal activity by quarter



Source: PitchBook • Geography: Global • *As of June 30, 2024

Share of healthcare IT VC deal count by stage



Source: PitchBook • Geography: Global • *As of June 30, 2024

Select healthcare IT VC deals in Q2 2024*

Company	Category	Close date	Deal value (\$M)	Deal series	Lead investor(s)
Sensi.AI	Governance, risk & compliance & quality assurance	June 26	\$31.0	Series B	Insight Partners, Zeev Ventures
Adonis	Revenue optimization	June 25	\$31.0	Series B	Point72 Ventures
Humata Health	Billing & coding	June 20	\$25.0	Series A	Blue Venture Fund, LRVHealth
Anterior	Process automation	June 8	\$20.0	Series A	New Enterprise Associates
Plenful	Process automation	May 30	\$17.0	Series A	TQ Ventures
ShiftMed	Workforce management	May 23	\$47.0	Late-stage VC	N/A
SamaCare	Billing & coding	May 21	\$16.7	Series B	Questa Capital
Atropos Health	Clinical decision support	May 20	\$33.0	Series B	Valtruis (Welsh, Carson, Anderson & Stowe)
Truveris	Payer workflow tools	May 14	\$15.0	Series E	Canaan Partners, New Leaf Venture
Sift Healthcare	Revenue optimization	May 9	\$20.0	Series B	B Capital Group
Rad AI	Clinical documentation	May 7	\$50.0	Series B2	Khosla Ventures
Opmed.ai	Vertical EHRs & enterprise systems	May 6	\$15.0	Series A	Grove Ventures, NFX
Innovaccer	Multifunctional analytics	May 2	\$250.0	Series F	Kaiser Permanente
Abacus Insights	Data ecosystem	May 1	\$40.9	Series C	MultiPlan
Trovo Health	Workforce management	April 30	\$15.0	Seed	Oak HC/FT
Smart Reporting	Clinical documentation	April 22	\$24.8	Series C	TVM Capital Life Science
SmarterDx	Billing & coding	April 17	\$50.0	Series B	Transformation Capital
GroundGame Health	Care coordination & referrals	April 2	\$17.0	Series A	7wireVentures
Integration	Patient & member engagement	April 2	\$17.3	Series C	Korea Development Bank
Praia Health	Patient & member engagement	April 2	\$20.0	Series A	Frist Cressey Ventures

Source: PitchBook • Geography: Global • *As of June 30, 2024