COALITION FOR INNOVATION

HealthTech Blueprint for the Future

Coalition for Innovation, supported by LG NOVA

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The views and opinions expressed in the chapters and case studies that follow are those of the authors and do not necessarily reflect the views or positions of any entities they represent.

Senior Editor, Alfred Poor

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Preamble

The Coalition for Innovation is an initiative hosted by LG NOVA that creates the opportunity for innovators, entrepreneurs, and business leaders across sectors to come together to collaborate on important topics in technology to drive impact. The end goal: together we can leverage our collective knowledge to advance important work that drives positive impact in our communities and the world. The simple vision is that we can be stronger together and increase our individual and collective impact on the world through collaboration.

This "Blueprint for the Future" document (henceforth: "Blueprint") defines a vision for the future through which technology innovation can improve the lives of people, their communities, and the planet. The goal is to lay out a vision and potentially provide the framework to start taking action in the areas of interest for the members of the Coalition. The chapters in this Blueprint are intended to be a "Big Tent" in which many diverse perspectives and interests and different approaches to impact can come together. Hence, the structure of the Blueprint is intended to be as inclusive as possible in which different chapters of the Blueprint focus on different topic areas, written by different authors with individual perspectives that may be less widely supported by the group.

Participation in the Coalition at large and authorship of the overall Blueprint document does not imply endorsement of the ideas of any specific chapter but rather acknowledges a contribution to the discussion and general engagement in the Coalition process that led to the publication of this Blueprint.

All contributors will be listed as "Authors" of the Blueprint in alphabetical order. The Co-Chairs for each Coalition will be listed as "Editors" also in alphabetical order. Authorship will include each individual author's name along with optional title and optional organization at the author's discretion.

Each chapter will list only the subset of participants that meaningfully contributed to that chapter. Authorship for chapters will be in rank order based on contribution: the first author(s) will have contributed the most, second author(s) second most, and so on. Equal contributions at each level will be listed as "Co-Authors"; if two or more authors contributed the most and contributed equally, they will be noted with an asterisk as "Co-First Authors". If two authors contributed second-most and equally, they will be listed as "Co-Second Authors" and so on.

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The Coalition is intended to be a community-driven activity and where possible governance will be by majority vote of each domain group. Specifically, each Coalition will decide which topics are included as chapters by majority vote of the group. The approach is intended to be inclusive so we will ask that topics be included unless they are considered by the majority to be significantly out of scope.

We intend for the document to reach a broad, international audience, including:

- People involved in the three technology domains: CleanTech, AI, and HealthTech
- Researchers from academic and private institutions
- Investors
- Students
- Policy creators at the corporate level and all levels of government

Chapter 7: Current Statistics on Funding

Author: Mark Wesson

Digital Health Investment Since 2024

High-Level Trends

The digital health sector in 2024 experienced a dynamic interplay of technological advancements, economic pressures, and regulatory challenges. While artificial intelligence (AI) emerged as a significant driver of investment, factors such as inflation, reduced exit opportunities, and regulatory bottlenecks influenced funding patterns. This report delves into the key trends that shaped digital health investments in 2024.

Global digital health funding approximated $25.1 billion in 2024 and the first quarter brought in about $3 billion, about 10% more than Q1 2024, marking a 3% year-over-year increase. The United States pushed out just over $10 billion to digital health companies in 2024, and spread it over nearly 500 deals, with early-stage funding seeing more deal volume and late-stage deals exhibiting lower volume but larger sizes.

The first two quarters of 2025, in the United States, showed many similar features. Investors put nearly $6.5 billion into U.S. digital health startups over about 245 deals. This was slightly up from the first half of 2024 year-over-year.

Despite availability of capital since 2024, substantial amounts of capital remain uninvested into early, growth-stage companies by and large. However, the surge in Artificial Intelligence progress and interest has served the Digital Health sector quite well. As the generation, documentation, analysis, alerting, and future re-incorporation into software and device uses apply heavily to Digital Health, many might see the arrival of mature, practical Artificial Intelligence to be the signal investors were awaiting to push the Digital Health age into very public view.

Economic, trade, inflation, and interest rate challenges present in 2024 persist and have increased the cost of capital, leading to more cautious investment strategies. Investors in Digital Health have correspondingly prioritized ventures with clear paths to profitability and tangible value propositions.

Shifts in Deal Dynamics: Fewer Deals, Larger Investments

Investment patterns since 2024 reflect strategic shifts in three notable areas:

- **Deal Volume**: There was only a slight decline in deal volume in 2024 compared to 2023, indicating some increased selectivity among investors. The deal count in the first half of 2025 was lower year-over-year at 245 (versus 273 in the first half of 2024). The first half of the year deployed more capital with fewer companies than the first half of 2025.
- **Deal Size**: In the first half of 2025, $6.4 billion was deployed, compared to $6.0 billion for that same period in 2024 ($6.2 in 2023). Average deal size by the end of the first half of 2025 ballooned to $26.1 million, a near 30% increase over the first half of 2024.
- **Late-Stage Funding**: Late-stage rounds saw a resurgence in 2025, likely driving the deal size figures reported.

This trend underscores a concentration of capital into ventures with proven models and scalability, often at the expense of early-stage startups.

Decline in Unicorns, IPOs, and Exits

The year-plus since 2024 has proven far less active in three key capital markets indicators for early-stage investment: significant reduction in unicorn formations and public exits.

- **Unicorns**: The pace of companies expected to experience explosive growth by frequently meeting previously unmet needs ("Unicorns"), has slowed considerably, with many startups delaying exits to strengthen financial positions amidst market volatility.
- **Initial Public Offerings**: IPOs, whereby a company offers its stock for public purchase on one or more stock markets, have remained noticeably below historical levels, as companies hesitate to go public in an uncertain economic environment.
- **Exits**: Transactions that distribute returns to prior investors, and set new share prices, often fueled by IPOs, substantial revenue growth, and forward momentum, have slowed for over a year. Mergers and acquisitions have seen an uptick in the 2024-forward period with most being venture-to-venture acquisitions.

The subdued exit landscape prompted many companies to seek alternative funding avenues, including follow-on rounds and secondary sales.

These challenges compelled companies to adjust strategies, often seeking bridge financing or exploring acquisition opportunities to sustain operations.

Valuation Pressures

Down-Rounds: An increasing number of startups seeking investment for growth faced the need to tighten up operational expenses, revisit market assumptions and strategies, and investor caution prompted many companies to experience lowered valuations and thus investment appeal. This, in turn, led to reductions in capital request amounts based on last year's economic landscape. Last year's advances versus declines recalibrated valuations in a more conservative investment climate. This has persisted through 2025 to date as of this writing.

Regulatory Challenges

FDA Delays: Regulatory bottlenecks, particularly at the FDA, impeded the approval process. Layoffs and restructuring within the FDA in early 2025 contributed to these delays, affecting companies reliant on timely approvals. Since December 2024, considerable guidance documents pertaining to drug and device development and approval for use in the United States have been issued by the FDA. All indications are that review processes have resumed and delays at present in mid-2025 have been considerably reduced.

Data Privacy and Approval Pathway Regulations: The news and enthusiasm for Artificial Intelligence in 2024 brought innovation but also quickly introduced challenges, including concerns about data privacy, algorithmic bias, and the need for robust validation to ensure clinical efficacy.

AI's Ascendancy Amidst Economic Pressures

AI-driven ventures dominated the funding landscape, capturing nearly 60% of total venture funding. Investments focused on medical diagnostics, health management solutions, and research tools.

AI's prominence continues to play a pivotal role in maintaining Digital Health's appeal to investors:

- **Investment Share**: AI-focused companies secured 62% of digital health funding in the first half of 2025. In the first half of 2025, AI-inside startups attracted 62% of all digital health venture funding.
- **Deal Size**: Early-stage AI deals have proven resilient and larger. AI-focused digital health companies commanded almost 55% more per average deal than those digital health companies not using AI in the first half of 2025. The first half of 2025

generated 11 “mega-rounds” (of more than $100 million each), on an annualized track to outsize 2024’s 17 deal sizes in this space.

These outsized rounds underscore strong investor confidence in Artificial Intelligence in health and healthcare.

Digital Health's share of venture funding remained robust, buoyed by AI's potential to revolutionize diagnostics, treatment planning, and patient engagement.

Conclusion

The digital health sector in 2024 navigated a complex landscape marked by technological innovation and economic headwinds. AI emerged as a double-edged sword, driving significant investment while introducing new challenges. As the sector moves forward, success will hinge on balancing innovation with regulatory compliance, ensuring that technological advancements translate into tangible health outcomes.

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Mark Wesson, MPH, FACHE, is a San Francisco Bay Area-based healthcare strategist and venture partner. With over 20 years of experience spanning clinical operations, digital health, and early-stage investment, he works with international founders, systems, and capital partners to accelerate the adoption of evidence-based, tech-enabled care. Mark is Managing Director at VitaX Ventures and a Venture Partner with Global Health Impact Fund. Mark brings deep expertise in healthcare innovation, implementation science, and strategic partnerships to his advisory roles worldwide.

For more information about the Coalition for Innovation,
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