

Sector Spotlight: Healthcare Technology

2025



Executive summary

“The Healthcare Technology sector is rapidly reshaping healthcare by enabling more personalized, efficient and accessible solutions for patients and providers. Given labor shortages and a growing administrative burden, HealthTech will be essential to addressing the demand dynamics of a growing population. Fortunately, increased investment, accelerating development and adoption of new AI tools is helping to solve this challenge.”

– **Andrew McEvoy**, Head of Healthcare Technology, Commercial Banking

We’re excited to share this report with you. Inside, you’ll find:

- A look at the forces shaping the HealthTech sector today
- How AI is changing patient and provider journeys, and where adoption is gaining traction
- Capital deployment trends across the HealthTech landscape
- The evolving pathways for HealthTech acquisitions and public listings

Head of Healthcare Technology



Andrew McEvoy
Head of Healthcare Technology
Commercial Banking

Authors



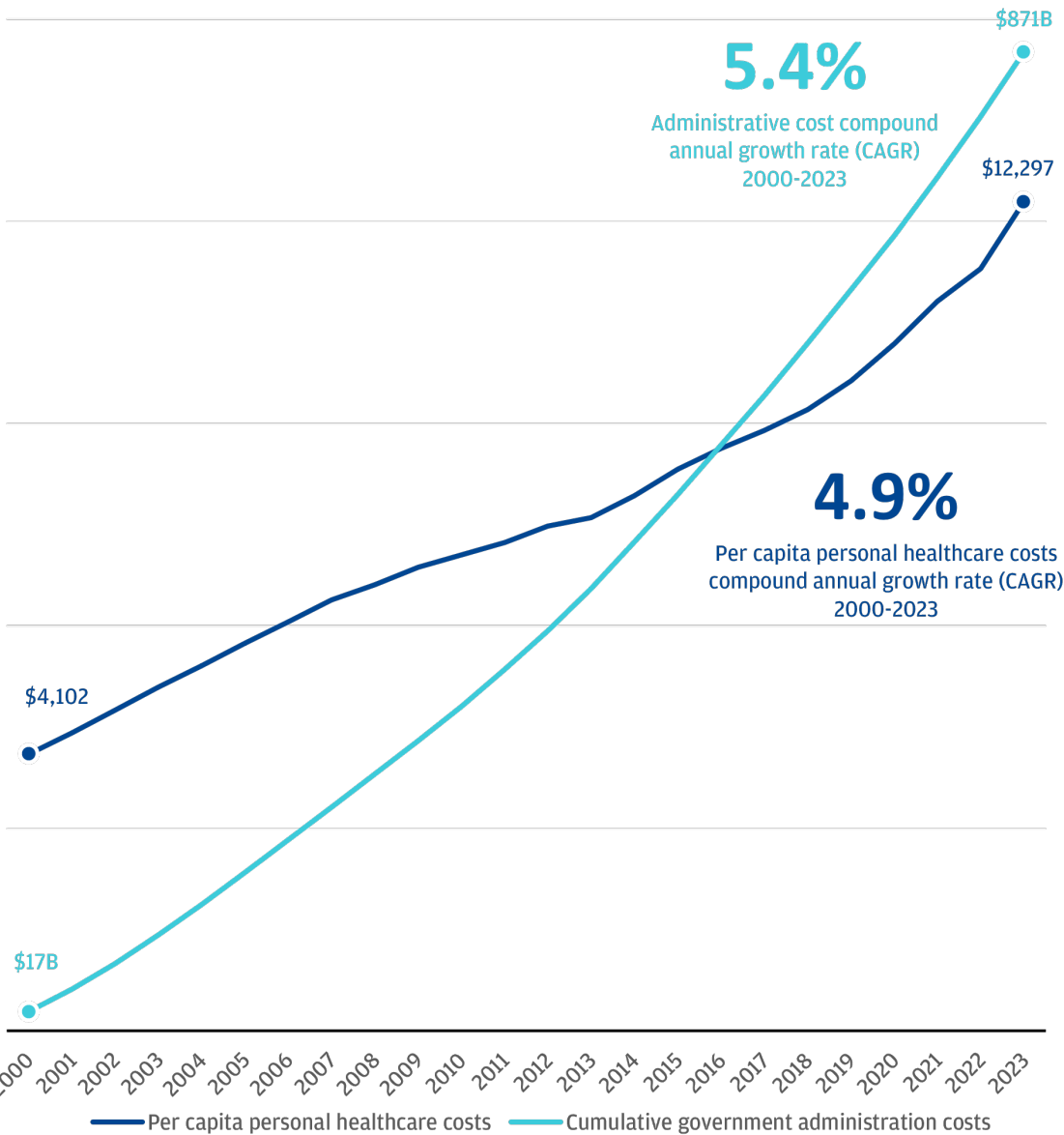
Nick Candy
Head of Innovation
Economy Insights



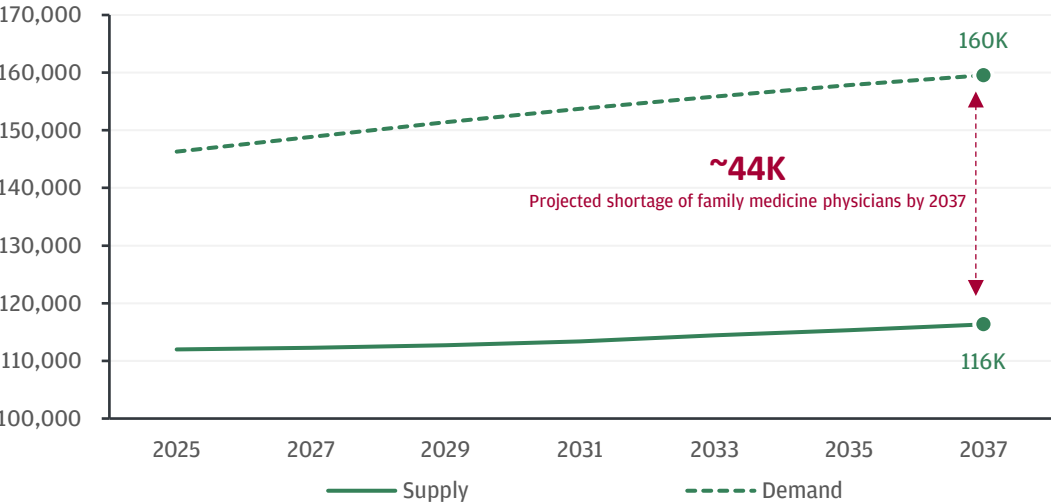
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Innovation Economy
Insights Analyst

Rising costs and workforce supply constraints are driving a need for innovation...

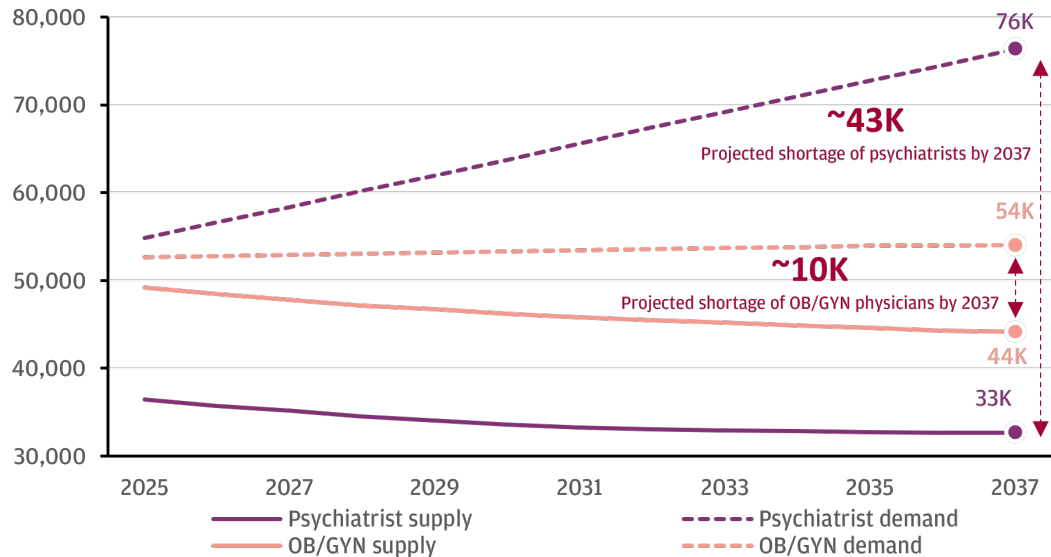
RIISING HEALTH COSTS CREATE OPPORTUNITIES TO REDUCE WASTE AND INACCESSIBILITY
PER CAPITA PERSONAL HEALTHCARE COSTS AND CUMULATIVE HEALTHCARE ADMINISTRATIVE COSTS^{1,2}



HEALTHCARE WORKFORCE SHORTAGES ARE PROJECTED TO RISE ACROSS THE U.S.
PROJECTED SUPPLY AND DEMAND OF FAMILY MEDICINE PHYSICIANS IN THE U.S.



PHYSICAL, MENTAL AND WOMEN’S HEALTH INCREASINGLY DIFFICULT TO ACCESS
PROJECTED SUPPLY AND DEMAND OF PSYCHIATRISTS AND OB/GYN PHYSICIANS IN THE U.S.



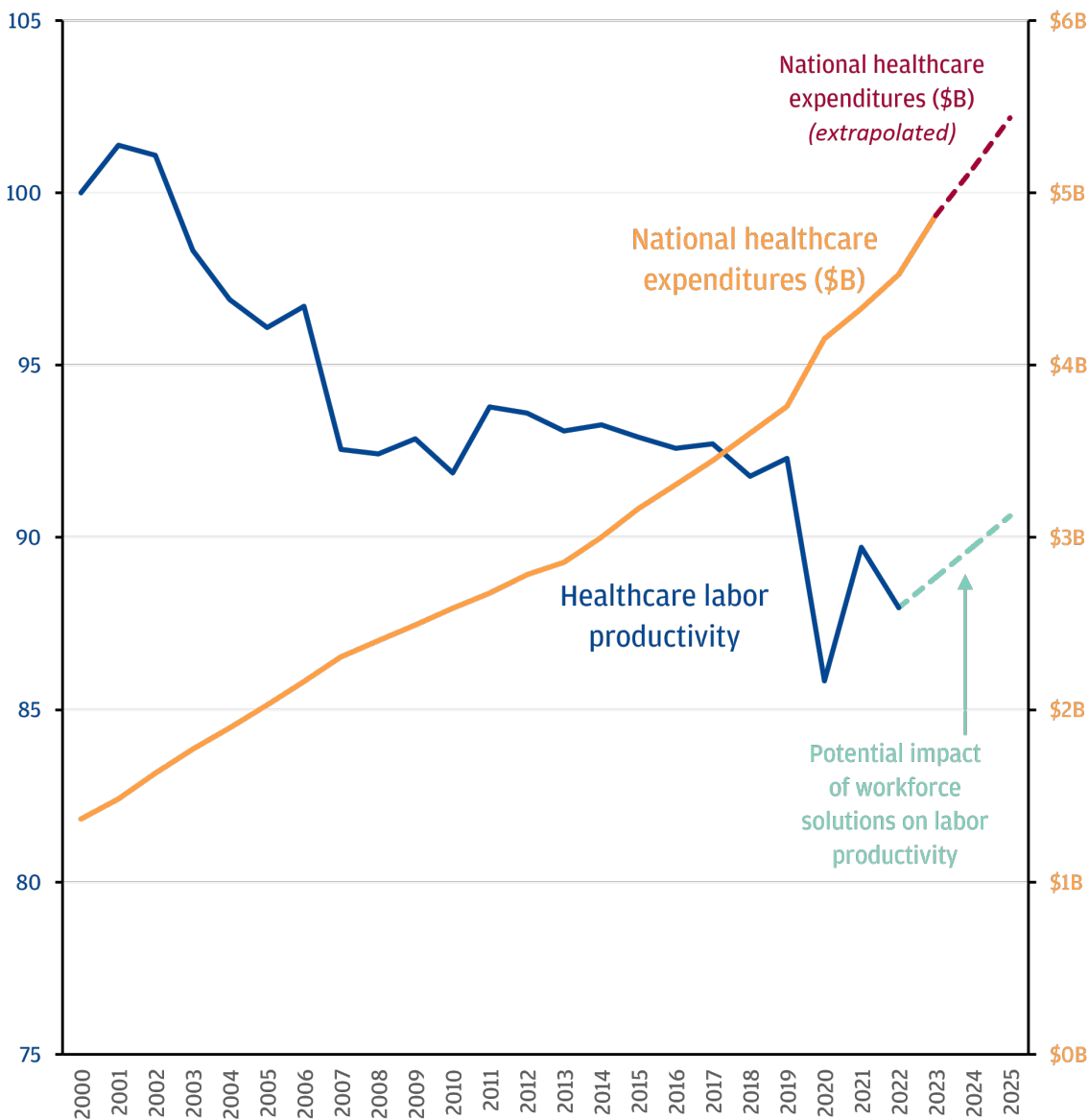
Rising medical costs and workforce shortages put a strain on both access to and the delivery of care. Per capita healthcare spending has nearly tripled since 2000, while nearly \$900 billion has been spent on government administration costs during the same period.

The increasing administrative workload and significant staffing shortages are heightening the demand for technologies that enhance provider capacity and boost efficiency—leading to faster adoption of automation, telemedicine and data-driven solutions.

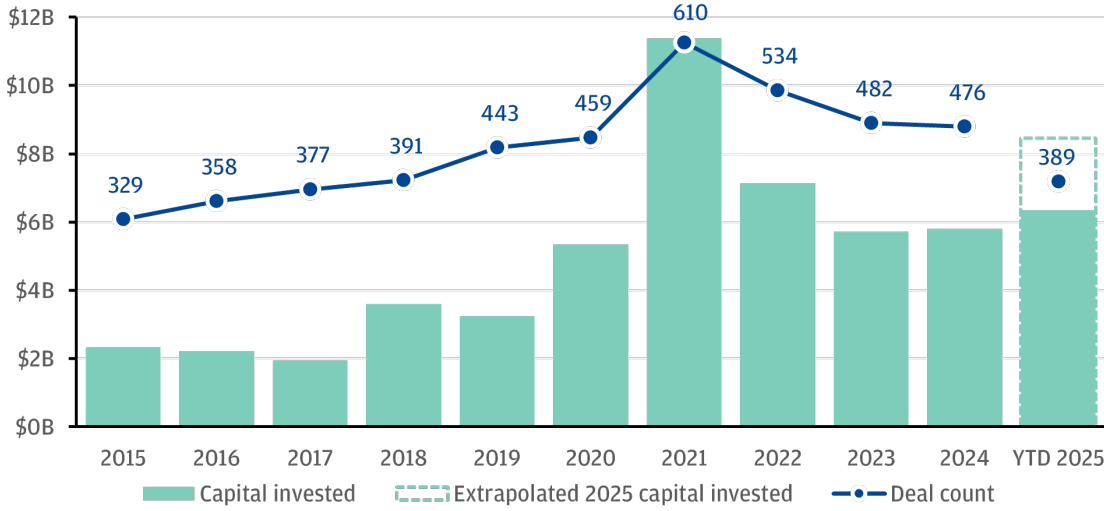
Note: ¹ U.S. only. ² Government administration costs include all administrative costs associated with insuring individuals enrolled in the following health insurance programs: Medicare, Medicaid, Children's Health Insurance Program, Department of Defense and other federal programs.

...but new HealthTech tools may be the solution to healthcare labor productivity declines

HEALTHCARE SPENDING HAS SURGED, BUT LABOR PRODUCTIVITY HASN'T KEPT PACE
U.S. NATIONAL HEALTHCARE EXPENDITURES VS. HEALTHCARE LABOR PRODUCTIVITY¹



HEALTHTECH WORKFORCE SOLUTIONS VENTURE ACTIVITY
U.S. HEALTHTECH WORKFORCE SOLUTIONS VENTURE DEAL COUNT AND CAPITAL INVESTED²



MEDICAL RECORD SYSTEMS INVESTMENT HAS GROWN OVER LAST DECADE
GROWTH IN U.S. VENTURE INVESTMENT FOR HEALTHTECH WORKFORCE SOLUTIONS BY SUBCATEGORY³

Subcategory	2015 capital invested	2025E capital invested	2015 to 2025E growth in capital invested
Medical record systems	\$0.2B	\$1.3B	7.7x
Outcome management	\$0.1B	\$0.6B	5.2x
Enterprise systems	\$1.2B	\$5.7B	4.9x
Decision/risk analysis	\$1.1B	\$2.7B	2.5x

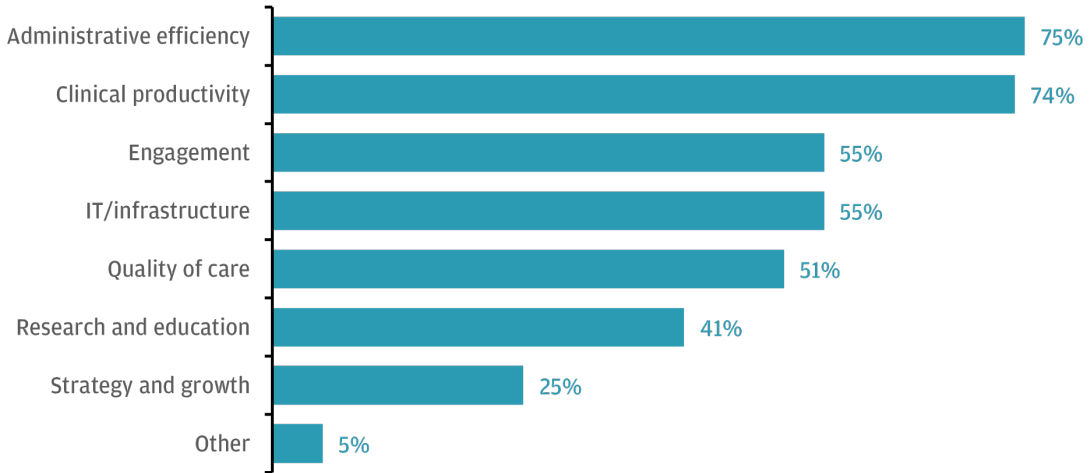
The expanding complexity of healthcare operations and the urgent need for modernization is undeniable. Fortunately, integrated electronic health records and AI-enabled analytics may reduce administrative inefficiencies and even enhance outcomes.

An increasing focus on interoperability is also helping create a more integrated healthcare ecosystem. Over the past decade, investment in medical records and enterprise software has risen substantially and continued innovation in these and other workforce solutions are anticipated to further enhance clinician productivity.

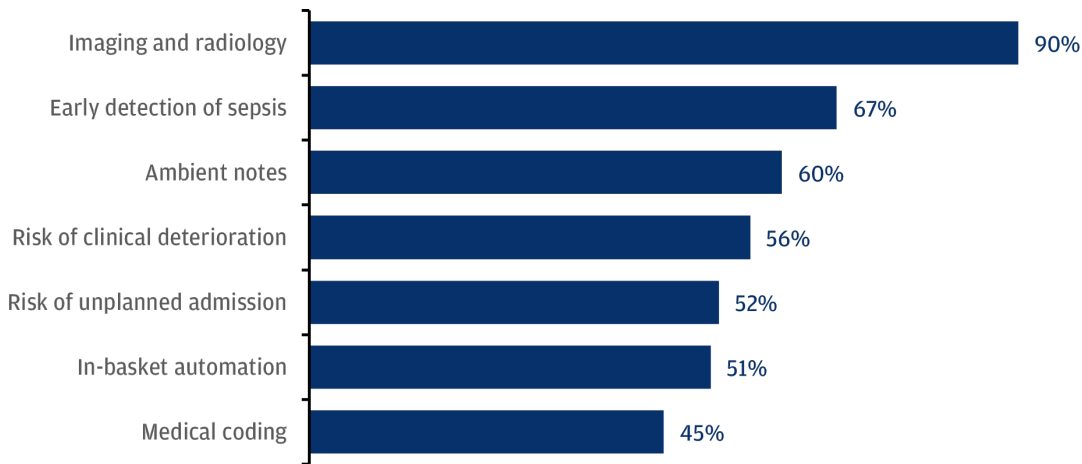
Note: ¹ National healthcare expenditures extrapolated for 2024 and 2025 based on 2000-2023 CAGR (6%). Healthcare labor productivity extrapolated based on the last period of growth (the 1993-2001 period). ² YTD 2025 is as of September 30, 2025. ³ '2025E' denotes an extrapolation of full-year 2025 values based on the pace of activity observed through September 30, 2025.

Automation across healthcare is changing how care is delivered

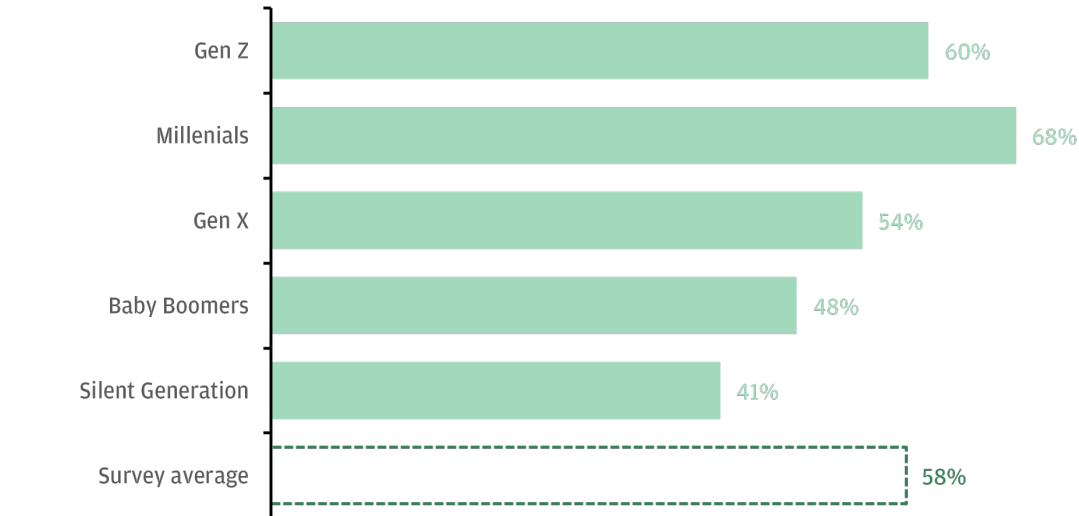
ADMINISTRATIVE EFFICIENCY AND CLINICAL PRODUCTIVITY HAVE HIGH AI POTENTIAL
HEALTH LEADER SURVEY: CRITICAL AREAS OF AI INVESTMENT AND GREATEST POTENTIAL FOR AI¹



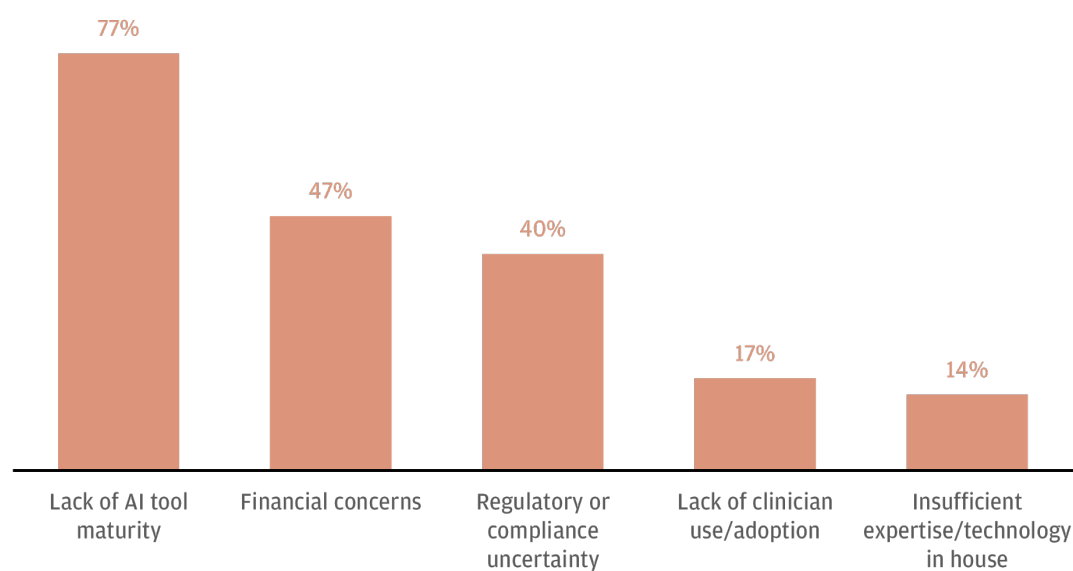
AI USE CASES SEE BROAD DEPLOYMENT ACROSS U.S. HEALTHCARE SYSTEMS
PERCENT OF HEALTHCARE SYSTEM RESPONDENTS WITH LIMITED OR FULL AI USE CASE DEPLOYMENT²



DIGITAL HEALTH ADOPTION HIGHEST AMONG GEN Z AND MILLENNIALS
PERCENT OF SURVEY RESPONDENTS REPORTING HAVING USED VIRTUAL CARE IN THE PAST 12 MONTHS³



IMMATURE AI TOOLS, COST AND REGULATION LEAD AS BARRIERS TO AI ADOPTION
PERCENT OF HEALTHCARE SYSTEM RESPONDENTS RANKING BARRIER AS BIGGEST/SECOND BIGGEST²



Many healthcare organizations recognize that AI can help improve the speed, efficiency and accuracy of diagnosis and reduce administrative burden, thus freeing up clinician time for direct patient care. Automated transcription and documentation of clinical encounters with ambient AI is also an exciting area of expanding AI use cases, and there have been several large venture rounds in 2025 among startups in this space. While providers’ adoption of AI will primarily be influenced by the development of the HealthTech tools, costs and regulatory considerations, many patients—particularly younger generations such as Gen Z and Millennials—have demonstrated broad acceptance and are quickly embracing digital health solutions.

Note: ¹Survey conducted by McKinsey. ²This cross-sectional survey was conducted in Fall 2024, and included 67 health systems members of the Scottsdale Institute, a collaborative of US non-profit healthcare organizations. Forty-three health systems completed the survey (64% response rate). ³Survey data as of 2024 (n=8,032). ‘Gen Z’ includes ages 18-24, ‘Millennial’ includes ages 25-44, ‘Gen X’ includes ages 45-64, ‘Baby Boomers’ includes ages 65-74, ‘Silent Generation’ includes ages 75+, ‘Survey average’ refers to overall survey percentages (across all generations). Survey recorded similar response rates and trends when measuring which generations track 1+ health metric digitally and which generations own a wearable or connected health device.



CHRIS LLOYD

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Thematic AI investing continues to dominate in HealthTech

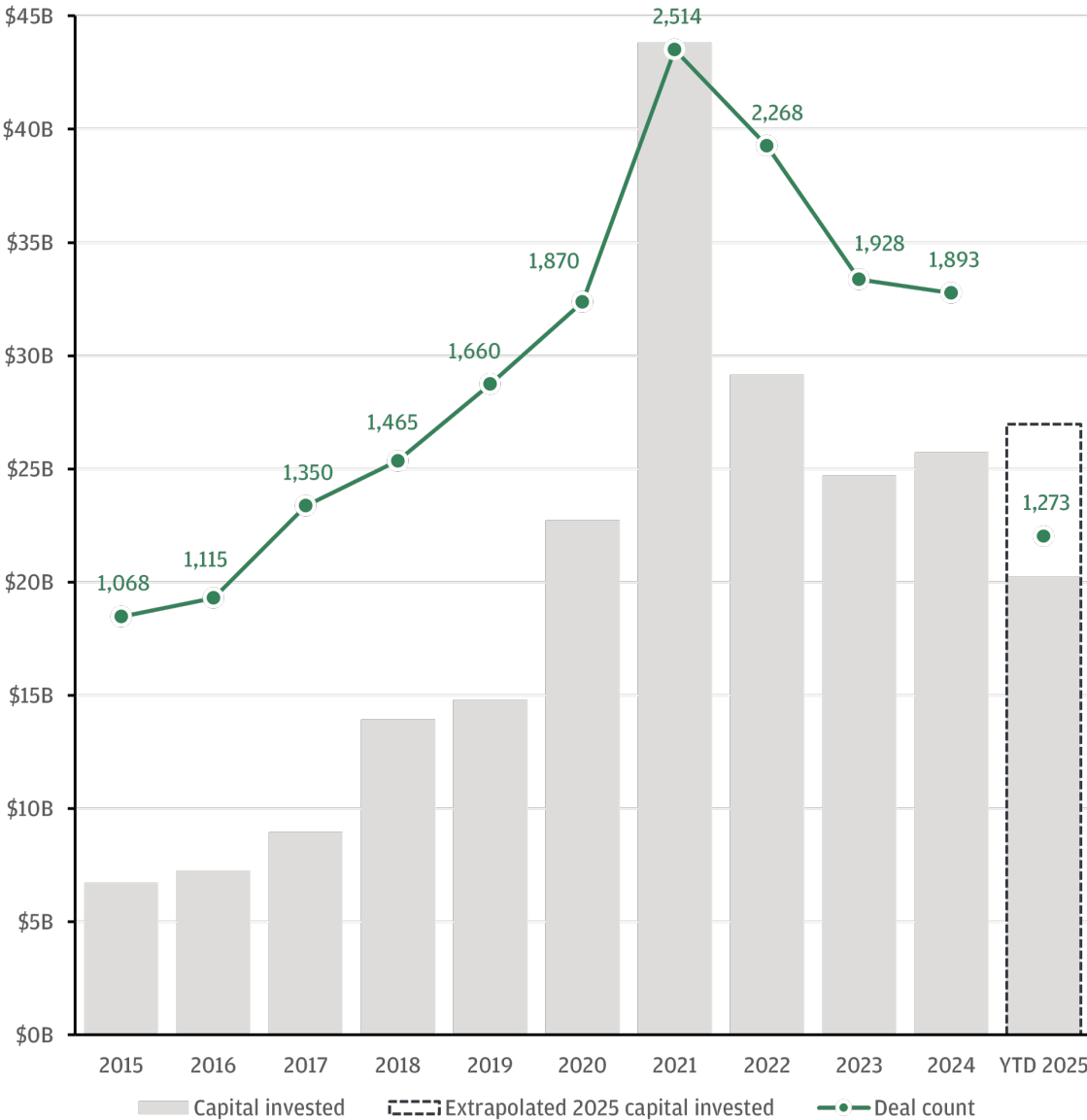
75% of HealthTech and tech-enabled Healthcare Services deals funded in 2025 were concentrated in AI-focused companies. Furthermore, while Series C deals have historically accounted for the largest share of VC rounds, Series B deals have accounted for over 60% of deals in 2025, indicating willingness to invest in large TAM-disrupting AI plays earlier in the cycle.

Administrative efficiency and clinical productivity, two data-rich and administratively burdensome dimensions of healthcare, have proven to be areas where AI shows the greatest potential to improve efficiency and reduce costs for the industry.

HealthTech venture activity remains above pre-pandemic levels

ANNUAL HEALTHTECH VENTURE INVESTMENT STABLE IN THE \$25-\$30B RANGE

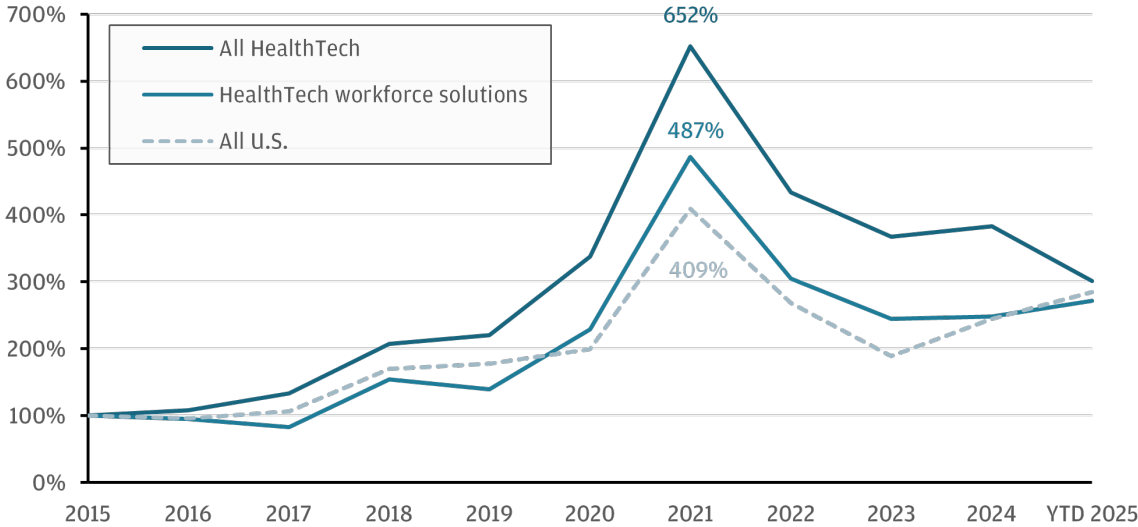
U.S. HEALTHTECH VENTURE ACTIVITY¹



Note: ¹YTD 2025 is as of September 30, 2025.

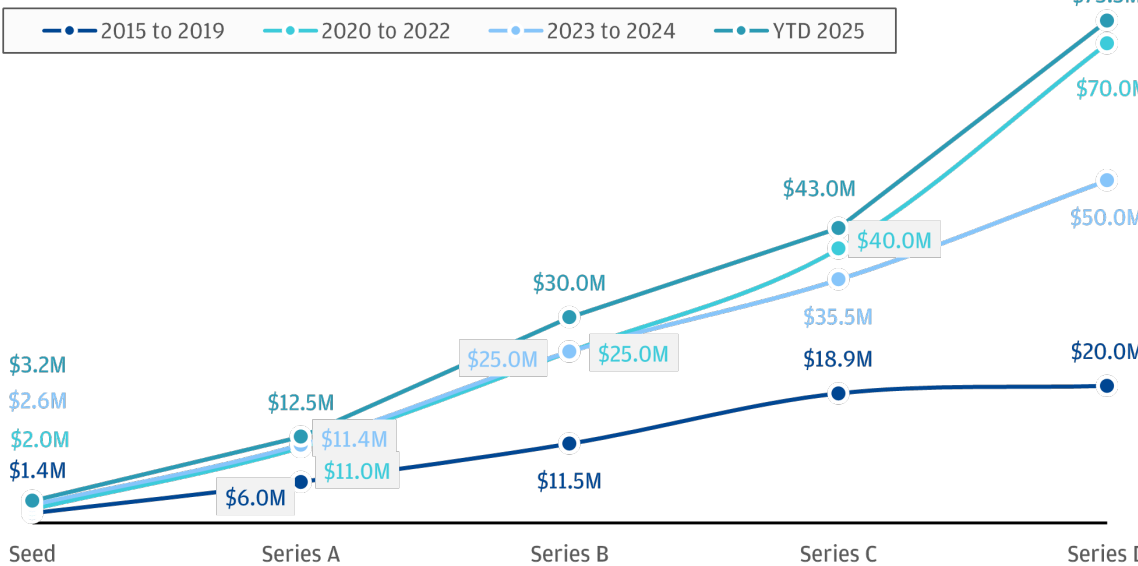
HEALTHTECH VENTURE ACTIVITY PEAKS ABOVE BROADER MARKET

U.S. HEALTHTECH VENTURE ACTIVITY INDEXED TO 2015¹



HEALTHTECH 2025 MEDIAN CHECK SIZES TREND ABOVE PREVIOUS PERIODS

U.S. HEALTHTECH MEDIAN DEAL SIZE BY SERIES¹

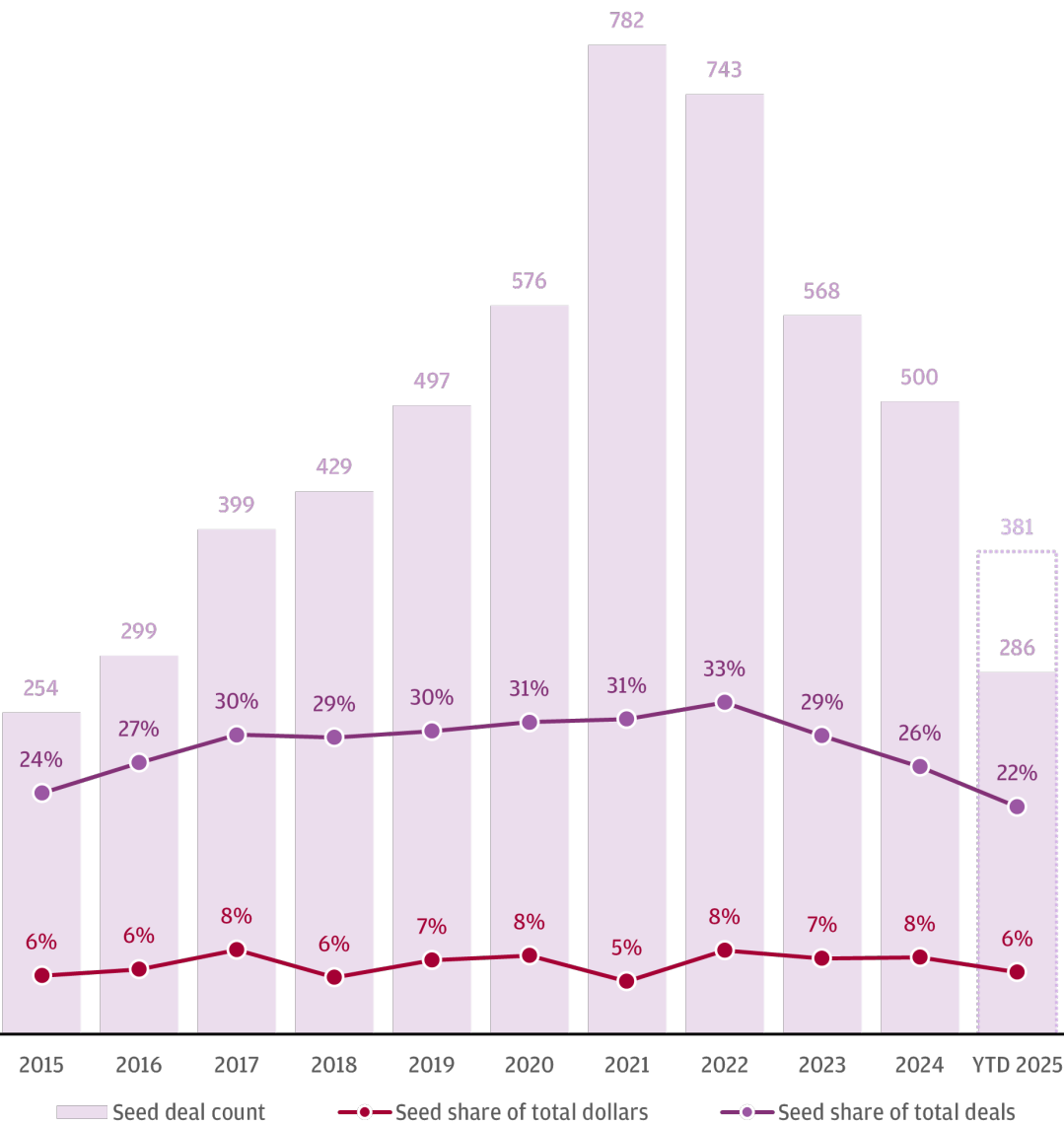


HealthTech venture funding has stabilized at ~\$25-\$30 billion annually post peak-venture, reflecting resilience despite macro volatility. Investment into HealthTech startups experienced outsized growth in 2021 and has remained more active on a relative basis compared to the broader venture market.

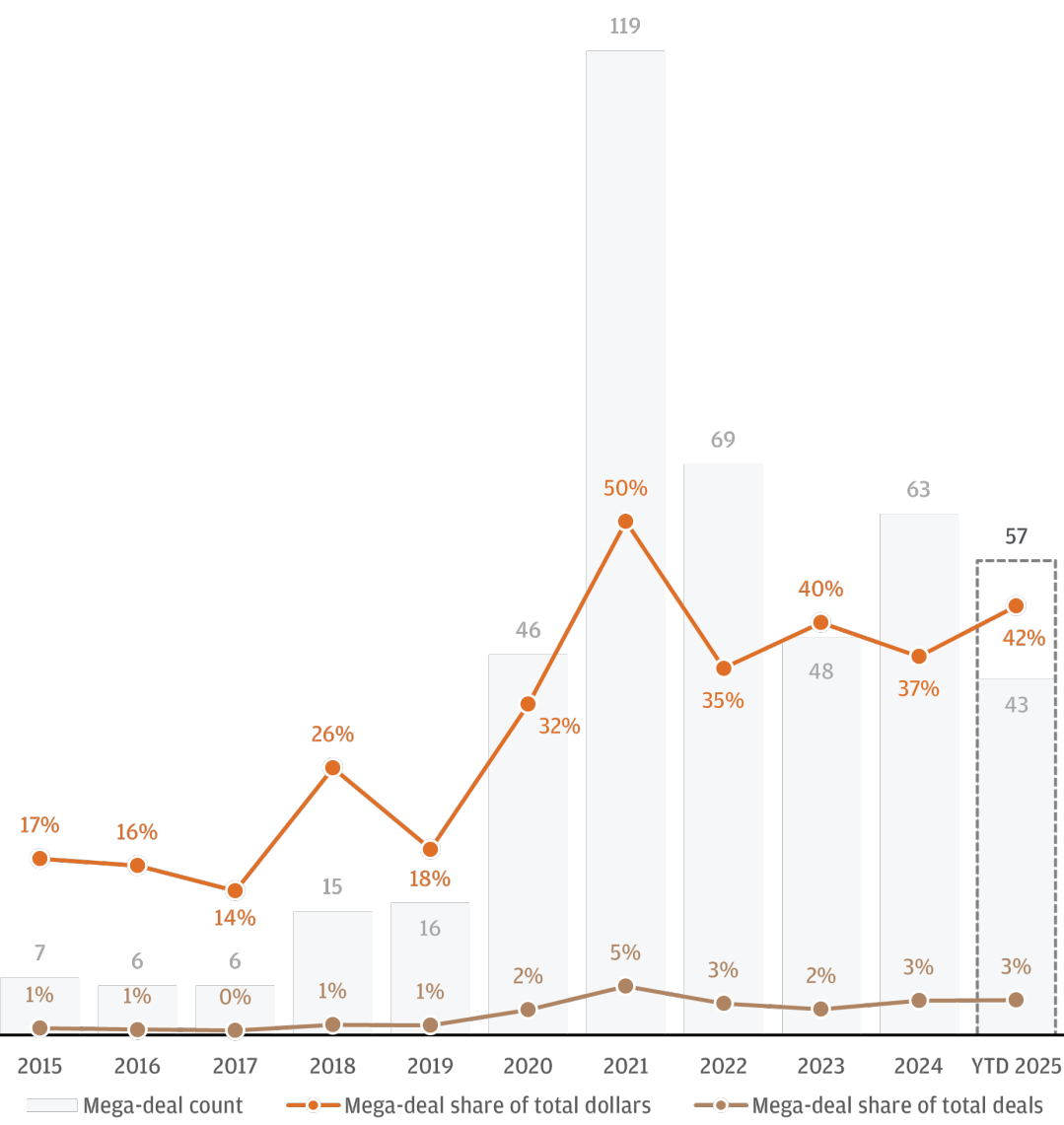
So far through 2025, Seed through Series D median deal sizes have remained strong and are outpacing prior periods.

HealthTech venture activity overview

SEED DEALS FALL BETWEEN 20-30% OF HEALTHTECH DEAL ACTIVITY
U.S. HEALTHTECH SEED DEAL COUNT AND SHARE OF TOTAL HEALTHTECH DEALS AND DOLLARS^{1,2}



MEGA-DEALS COMPRISE INCREASING SHARE OF TOTAL HEALTHTECH INVESTMENT
U.S. HEALTHTECH MEGA-DEAL COUNT AND SHARE OF TOTAL HEALTHTECH DEALS AND DOLLARS^{1,2,3}



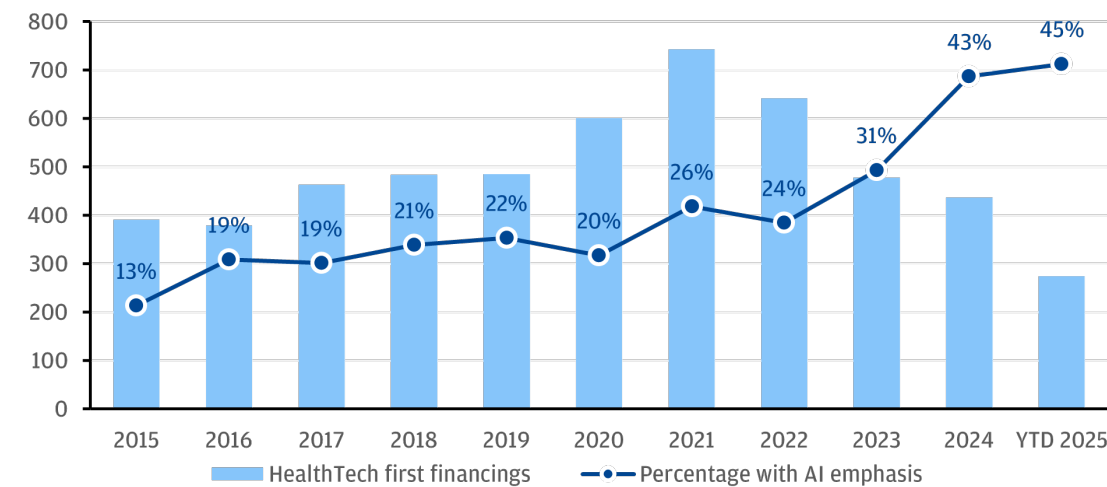
Seed activity has hovered between 20% to 30% of all HealthTech deals. Higher mega-deal frequency may suggest that scaling HealthTech companies require larger funding commitments.

For investors, this environment highlights the importance of identifying companies with differentiated solutions and the operational resilience to advance through later stages.

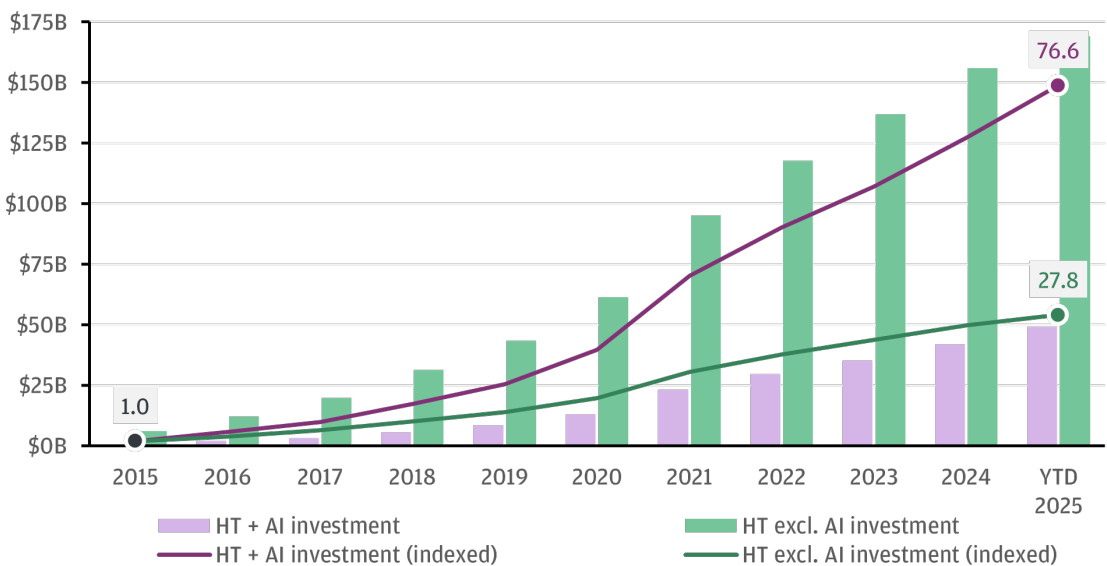
Note: ¹ YTD 2025 is as of September 30, 2025. ² Full-year 2025 deal count is extrapolated based on year-to-date trend. ³ Mega-deal defined as a venture round with a minimum size of \$100 million.

AI-powered offerings are increasingly prevalent and commanding a premium in market

AI INTEGRATION IS BECOMING THE NORM AMONG NEW HEALTHTECH STARTUPS
U.S. FIRST FINANCINGS FOR HEALTHTECH STARTUPS¹



SUBSTANTIAL GROWTH IN CAPITAL DEPLOYED TOWARD AI HEALTHTECH COMPANIES
U.S. CUMULATIVE VENTURE INVESTMENT IN HEALTHTECH STARTUPS WITH/WITHOUT AN AI EMPHASIS^{1,2}



Note: ¹YTD 2025 is as of September 30, 2025. ²Change in cumulative venture investment indexed to 2015.

HEALTHTECH COMPANIES BUILDING WITH AI ARE VALUED AT A PREMIUM
PREMIUM OR DISCOUNT TO ALL HEALTHTECH FOR AI & NON-AI HEALTHTECH STARTUPS



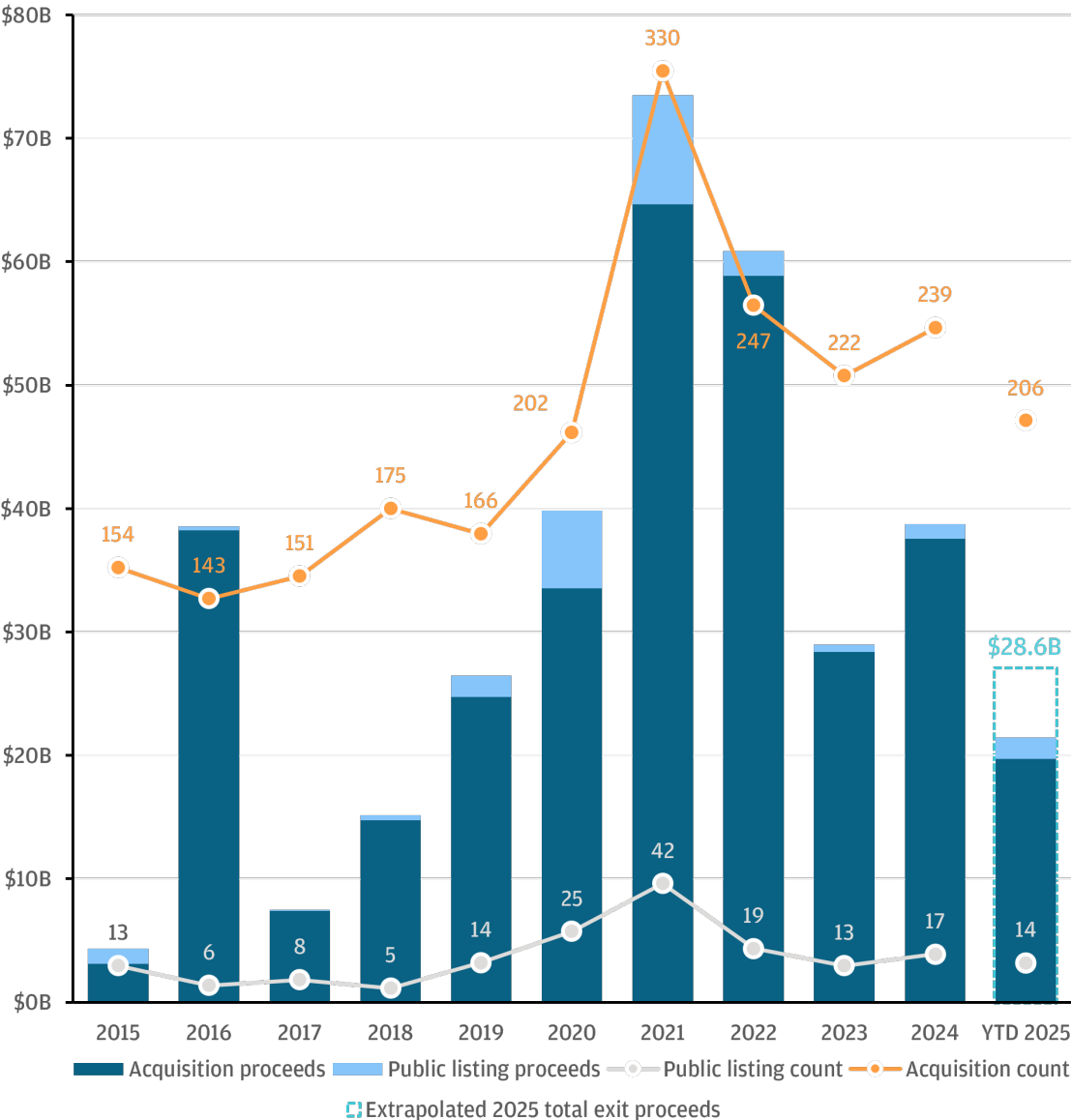
In 2025, AI and automation are central to nearly every dominant trend in health technology. The next batch of HealthTech startups will increasingly leverage AI technologies, as the number raising their first round of financing with an AI emphasis is increasing.

From a valuation perspective, a premium for AI companies within HealthTech is evident, particularly at the later-stages.

HealthTech exit activity has shown resilience in 2025

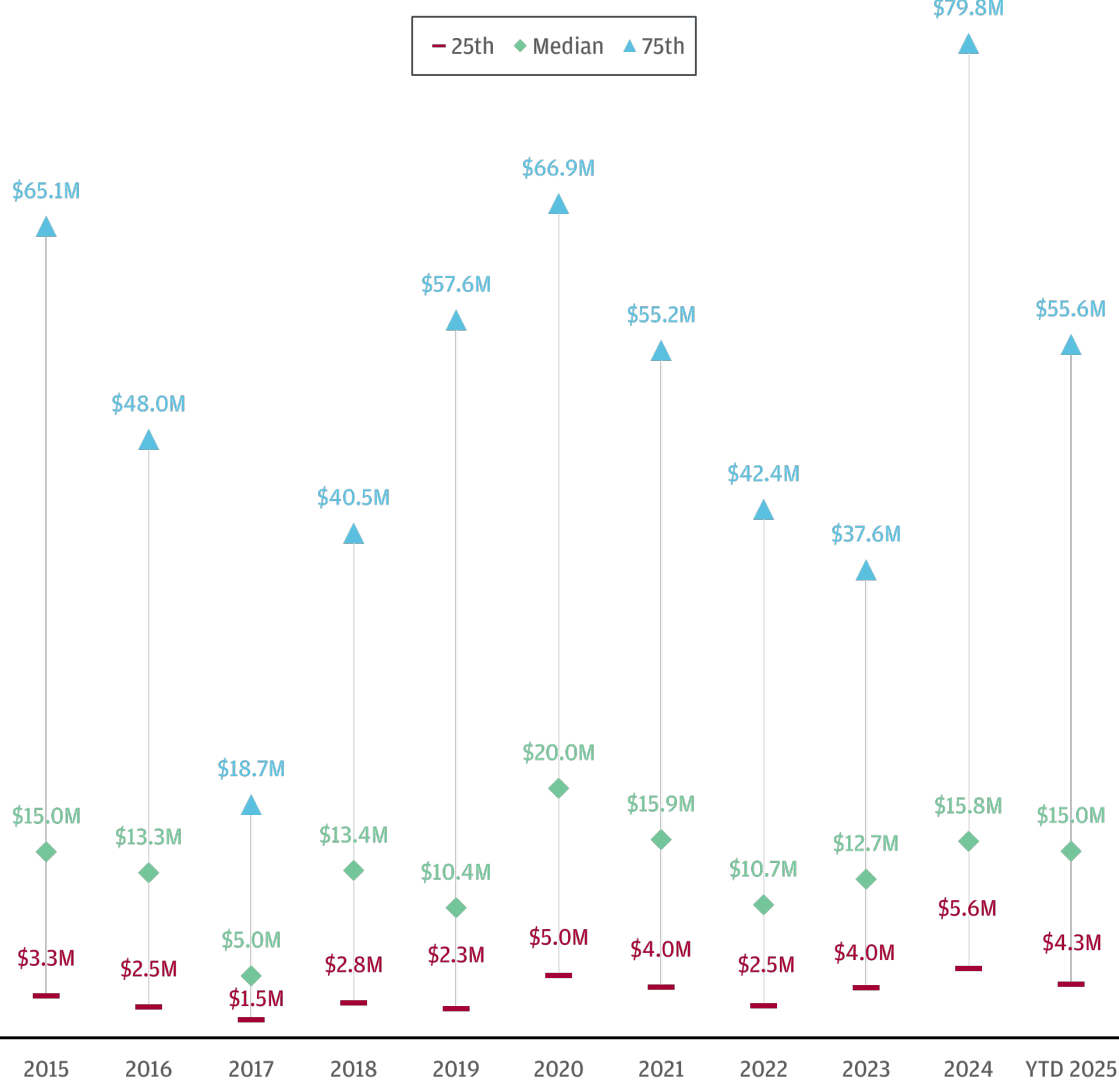
ACQUISITIONS ARE THE MOST COMMON EXIT ROUTE FOR HEALTHTECH STARTUPS

U.S. HEALTHTECH EXIT ACTIVITY^{1,2}



MEDIAN CAPITAL RAISED BEFORE EXIT HAS RISEN SINCE 2024

TOTAL AMOUNT OF CAPITAL RAISED PRIOR TO EXIT, BY EXIT YEAR^{1,3}



Acquisitions continue to be the primary exit strategy for HealthTech startups, highlighting incumbents' strategic interests, potential synergies and the value of scale—particularly for companies in fragmented, capital-intensive sub-sectors without a clear route to profitability. However, 2024 and 2025 have also seen a rise in public market activity, which may offer a promising exit option for mature and category-defining businesses.

Note: ¹ YTD 2025 is as of September 30, 2025. ² 'Public listing' includes both IPOs and reverse merger transactions. 'Acquisitions' includes strategic acquisitions, buyout by PE firms, secondary buyouts, and buyouts by company management. ³ Percentiles calculated using only deals with disclosed deal data. N = 1,325 U.S.-based HealthTech startups that exited in 2015 or after. Total amount of capital raised for some companies may include a mix of venture capital, debt, etc. Includes only companies with disclosed figures.

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