HEALTHCARE GROWTH PARTNERS

HGP Health IT Market Review

Health IT & Health Information Services | July 2025

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FOREWORD

1H 2025: Rising Above the Noise

We began 2025 as optimistic as we've felt in years, finally seeing the kind of setup for dealmaking that hadn't come together since the pandemic. But our optimism didn't last long. A wave of self-imposed policy shocks from the Trump administration, including tariffs, executive orders, and regulatory noise, sent the NASDAQ down 25 percent in just weeks and turned a smooth start into one of the choppiest stretches we've seen in recent memory.

It was volatile, unpredictable, and exhausting at times. And yet, deals continued to get done. A steady wave of healthy Health IT transactions moved forward. Valuations not only held – they broke through levels last seen before the pandemic run-up in 2021. We finished the half about where we started, but not in a straight line.

Looking ahead, we're more confident than we were in January. Interest rates are falling. Capital is accumulating on the sidelines. The IPO market is functioning again. And VC and PE firms are feeling real pressure to bring aging portfolios to market and put dry powder to work. We think they will, once the conditions are right, and from our perspective, they already are.

Health IT has shaken off the overfunding and dislocation of the COVID era and is moving into a more rational, sustainable phase of innovation and growth. The One Big Beautiful Bill adds another layer, bringing both opportunity and risk across the healthcare landscape. But from our seat, the window for deals has opened, provided erratic policy shifts do not slam it shut.

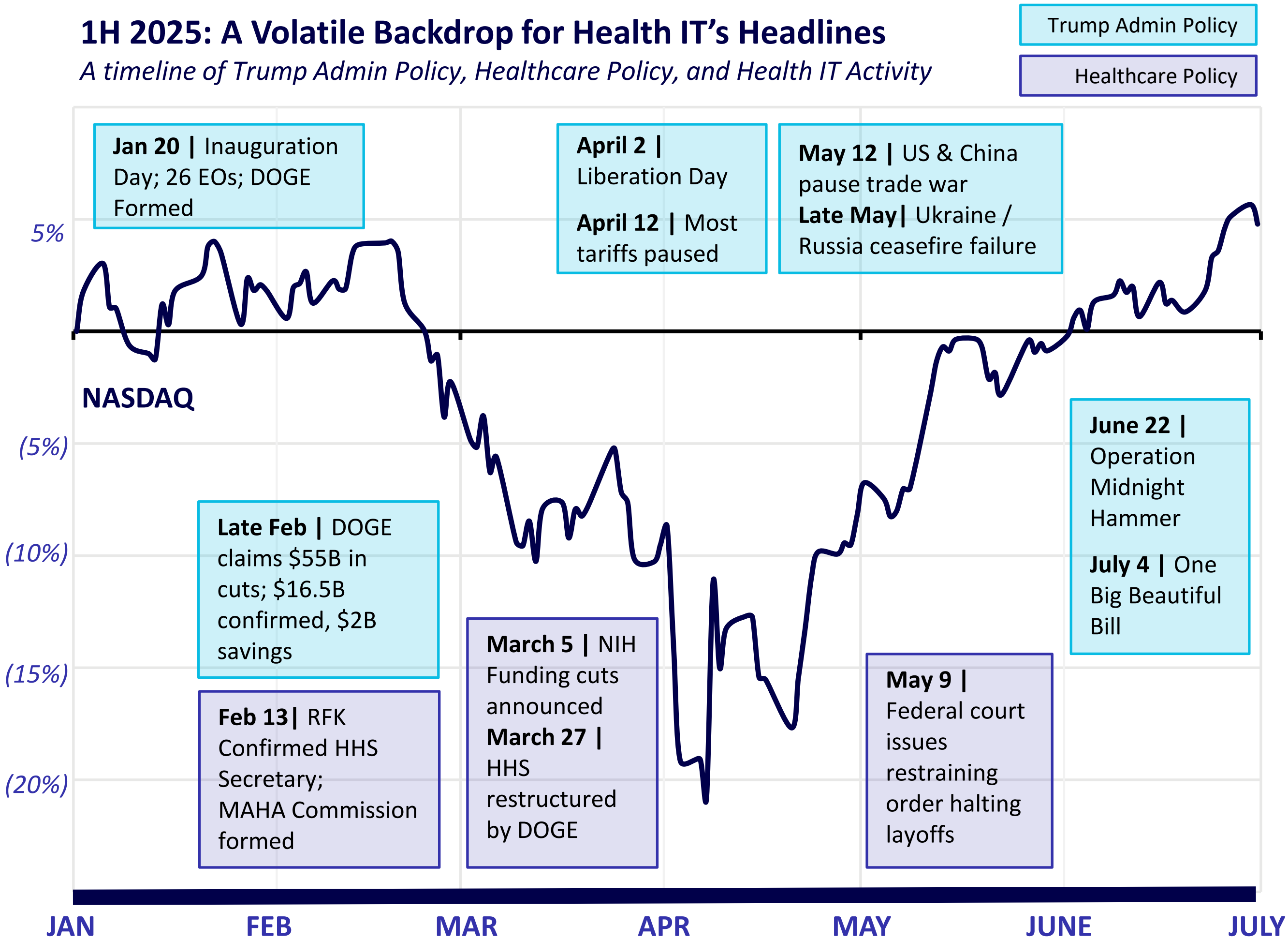
Further detail on these themes can be found in our July 2025 Health IT Market Review, along with our customary market analytics. In addition to the insights provided in this report, **HGP's Health IT Market Analytics** ↗ are available on our website, updated in real-time to reflect the latest market trends and developments.

Healthcare Growth Partners

The chart below highlights the series of policy shocks and resulting market volatility that shaped the backdrop for a surprisingly resilient pace of Health IT transaction activity. Despite the noise, the sector pushed forward.

1H 2025: A Volatile Backdrop for Health IT's Headlines

A timeline of Trump Admin Policy, Healthcare Policy, and Health IT Activity



JAN	FEB	MAR	APR	MAY	JUNE
Jan 9 Hippocratic AI $141M Series B ($1.5B)	**Feb 10** Edifecs acq. by Cotiviti ($3.05B)	**March 3** Clearlake inv. in ModMed ($5.3B)	**April 2** Dotmatics acq. by Siemens ($5.1B)	**May 22** Hinge Health IPOs at $2.6B	**June 6** Omada IPOs at $1.1B
Jan 9 Truveta $320M Series C ($1.2B)	**Feb 22** Blackstone inv. in VaxCare ($1.7B)	**March 19** CentralReach acq. by Roper ($1.85B)	**April 8** Bain inv. in HealthEdge ($2.6B)	**May 30** Abridge $300M Series E ($5.0B)	**June 18** Tennr $101M Series C ($519M)

Steady wave of Health IT Transactions

Looking ahead, we're moving into the second half of the year with a sense of renewed confidence, despite the volatility that defined the first. Below we outline five key dynamics driving momentum across the broader market and within Health IT.

Markets Have Adjusted to Trump's Playbook

- Investors have learned to distinguish between Trump's aggressive opening statements and actual policy, reducing reactionary volatility.
- The administration remains pro-growth, pushing deregulation and easing FTC scrutiny on M&A.

Capital Is Abundant and Poised to Move

- U.S. money market fund assets have grown to $7.1 trillion from $4.7 trillion in 2021, and likely to rotate into risk assets as interest rates decline.
- Private equity dry powder stands at $2.5T, just 7.7% below its 2023 peak.
- Private credit AUM has climbed to $1.7T, up from $1.3T in 2021, as direct lenders fill gaps in traditional bank financing.
- Economists expect three rate cuts by year-end, as tariff inflation is expected to be transitory.

Major Indices at Highs, and IPOs Are Back

- Equity markets are at all-time highs, with strength broadening beyond the Mag 7.
- Despite volatility, 1H 2025 saw approximately 109 US IPOs, the highest rate since 2021.

Private Markets Face Growing Exit Pressure

- Buyout hold periods now average 7.1 years, compared to a historical norm of 3–5 years.
- Venture capital is facing even deeper strain, with median late-stage VC hold times near 9 years and fundraising at a 10-year low ($101B in 2024).
- About one-third of PE assets are held for over 8 years, amplifying LP pressure for liquidity.

Health IT Is Emerging from the COVID Dislocation with Renewed Momentum & Innovation

- The sector is shaking off the overfunding and COVID-era dislocation and entering a more rational, sustainable phase of growth.
- Virtual care is reaching mainstream adoption, validated by IPOs (Hinge, Omada) and reinforced by permanent telehealth flexibilities in the OBBBA.
- AI has rapidly been adopted into administrative workflows, and accelerating in clinical workflows, with platforms like OpenEvidence rapidly gaining traction in CDS.
- CMS aims to have 100% of Traditional Medicare beneficiaries in accountable care arrangements by 2030; currently around 50% are in ACOs, and APM-linked reimbursements already cover about 30% of payments, with continued growth projected.
- In addition to CMS programs, expanded HSA/ICHRA rules are driving new opportunities in value-based care.

Executive Summary: Key Findings & Insights 1

Health IT Transaction Valuations Rally in 2025: Health IT M&A valuations accelerated sharply in Q2 2025, pushing the six-month rolling revenue multiple to 6.0x, up from 4.3x at the start of the year. Premium transactions reached as high as 9x revenue at the 75th percentile.

Strong Activity Despite Volatility: M&A volume averaged 110 deals per quarter in the first half, up 29% from 2019 levels. Activity proved resilient despite political uncertainty and market swings.

Buyout Market Adjusts But Remains Active: Private equity buyout activity declined nearly 25% from 2024's record pace but remained historically strong.

PE Deployment Pressure and Competitive Dynamics Drive Structuring: Private equity firms are under pressure to deploy a significant and aging capital overhang, contributing to competitive deal processes and elevated valuations for high-quality assets.

Macro Tailwinds Position 2H 2025 for Acceleration: Looking ahead, improved policy visibility, declining interest rates, stronger credit markets and the return of IPO activity are expected to drive increased M&A volume.

Non-Buyout Investment Nears Pre-Pandemic Levels but Lags Recovery: Venture and growth equity activity fell short of expectations in 1H 2025. Total U.S. Health IT investments declined 18% year over year to 199 transactions, with investment value falling 22% to $5.1 billion.

Fewer Large-Scale Deals, but Targeted AI Plays Advance: Large-scale investments pulled back in 1H 2025, with only 28 deals over $50 million totaling $2.9 billion, compared to 41 deals totaling $4.2 billion during 1H 2024. AI was critical in a material portion of these large-scale deals.

Health IT Capital Markets Show Signs of Reopening: The first half of 2025 offered cautious optimism for health IT capital markets, highlighted by the successful IPOs of Hinge Health and Omada Health.

Public Valuations Navigate Volatility and Display Resilience: HGP's Health IT Index posted strong early gains. Notably, the period marked the first without any bankruptcies or take-privates, signaling a promising new chapter of stability and renewed momentum for the sector.

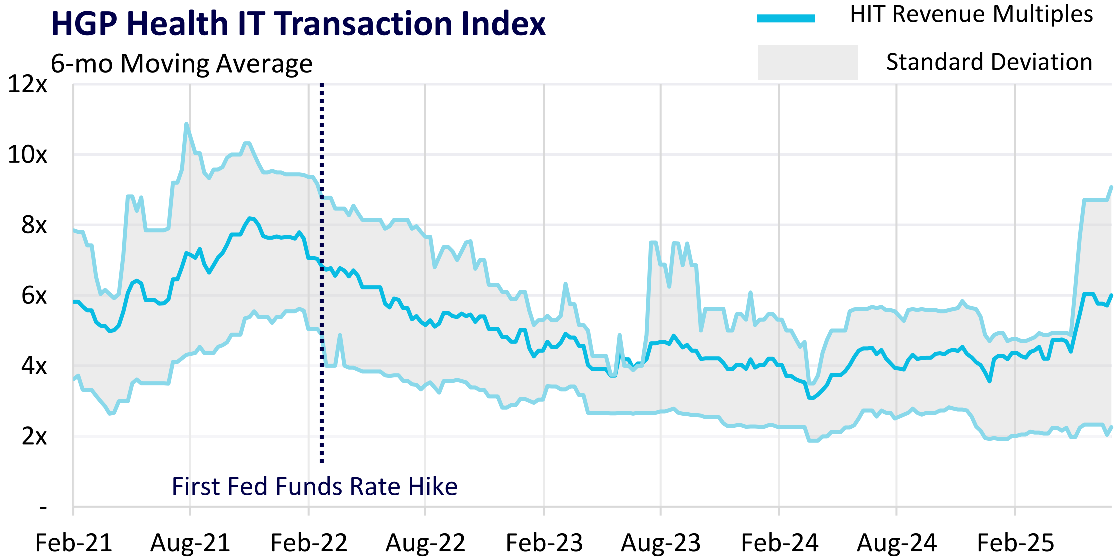
Policy Whiplash, Not External Shocks, Drove 2025's Early Volatility: The year began with optimism as markets anticipated a pro-growth agenda under President Trump's return. But that optimism was quickly tested by the administration's executive orders, abrupt DOGE-driven spending cuts, and the surprise "Liberation Day" tariff proposal triggered sharp uncertainty.

Policy Clarity and Resilience Restore Market Momentum: After the Trump Administration walked back its most aggressive tariffs, markets began to reassess, and confidence returned.

Economic Signals Stabilize, Markets Rebound: Q1 GDP contracted by 0.5%, the first decline in over three years, largely due to a front-loaded import surge ahead of tariffs. But early Q2 indicators point to recovery. Despite ongoing geopolitical risks and fiscal uncertainty, the second half of 2025 appears positioned for continued and hopefully less volatile progress.

Health IT M&A and Buyout Trends – Valuations

M&A valuations have surged past pre-pandemic levels, driven by a sharp rebound in market activity and deal quality. The year opened with a 6-month rolling revenue multiple of 4.3x, holding relatively steady through Q1. Momentum accelerated in Q2, ending the quarter at 6.0x as a wave of high-value transactions combined with the phasing out of lower-multiple months from 1H 2024, significantly lifting the rolling average.



Revenue Multiples	Pre CV-19 Avg.	CV-19 Peak	First Rate Hike	June 30, 2025
HIT M&A/Buyout	4.6x	8.1x	6.6x	6.0x

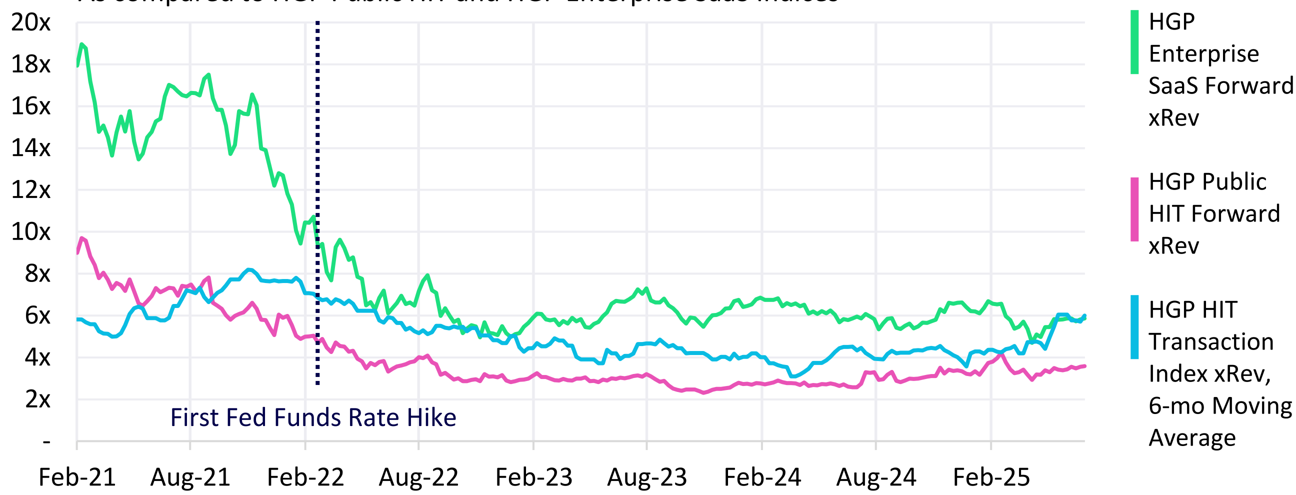
Valuation trends in Health IT remain bifurcated, with standout deals achieving premium multiples while others continue to trade at a discount. HGP's data shows a wide dispersion in revenue multiples within the 6-month rolling average at the end of Q2. High-quality, standout deals are commanding premium valuations, with the 75th percentile reaching 9x revenue. At the other end of the spectrum, a consistent subset of companies are trading at discounted levels, often due to operational challenges, market headwinds, or overcapitalization. Notably, many of the highest-quality transactions are occurring at enterprise values below $100 million.

Market conditions in 2025 have improved meaningfully, setting the stage for renewed transaction activity in the second half. Following Liberation Day, markets adjusted to a new normal under the Trump Administration. Risk appetite increased, credit markets loosened, and capital began to flow again. We ended the quarter with strong momentum heading into the back half of the year. potentially reopening the long-awaited exit window for capital allocators.

Private Health IT valuations have overtaken enterprise SaaS for the first time in years. With the recent uptick in private HIT M&A and buyout revenue multiples, the HGP Private HIT Index has surpassed the HGP Enterprise SaaS Index for the first time since 2022, when it briefly and marginally edged ahead.

HGP Health IT Transaction Index

As compared to HGP Public HIT and HGP Enterprise SaaS Indices

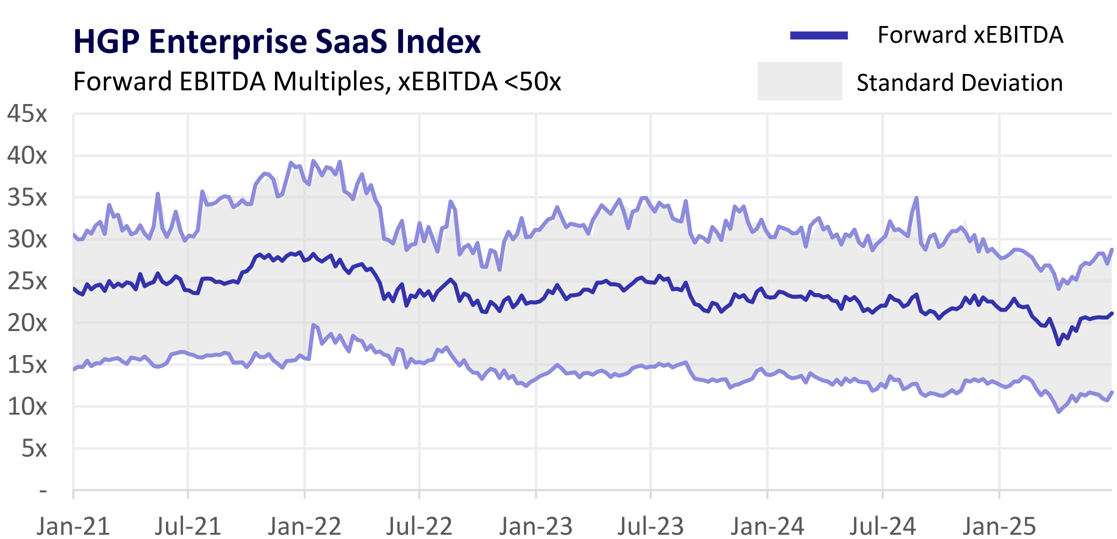


Revenue Multiples	Pre CV-19 Avg.	CV-19 Peak	First Rate Hike	June 30, 2025
Enterprise SaaS	8.8x	18.8x	7.5x	5.9x
Public HIT	5.4x	10.1x	4.6x	3.6x
HIT M&A/Buyout	4.6x	8.1x	6.6x	6.0x

Public SaaS valuations are shifting, with EBITDA multiples compressing even as revenue multiples climb. EBITDA-based valuations have continued a modest decline from the 20–30x range to 15–25x, with the first quartile dipping below 10x for the first time in recent history. Paired with rising revenue multiples, this trend may signal a renewed market emphasis on growth over profitability.

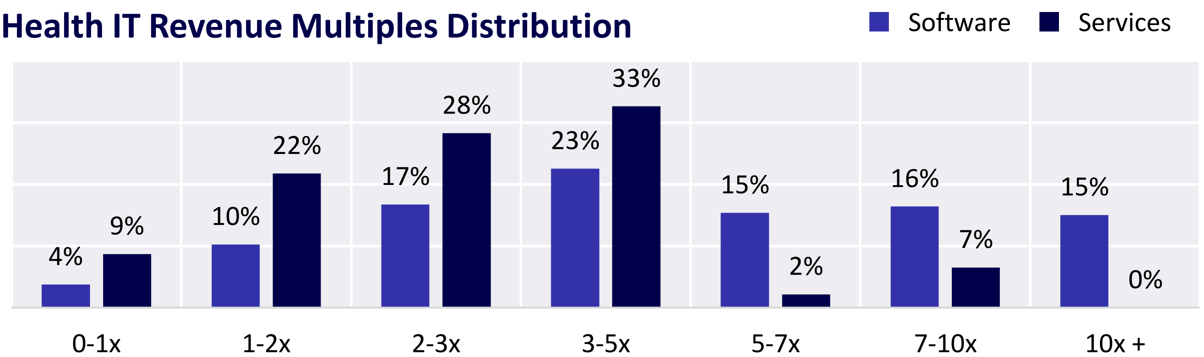
HGP Enterprise SaaS Index

Forward EBITDA Multiples, xEBITDA <50x

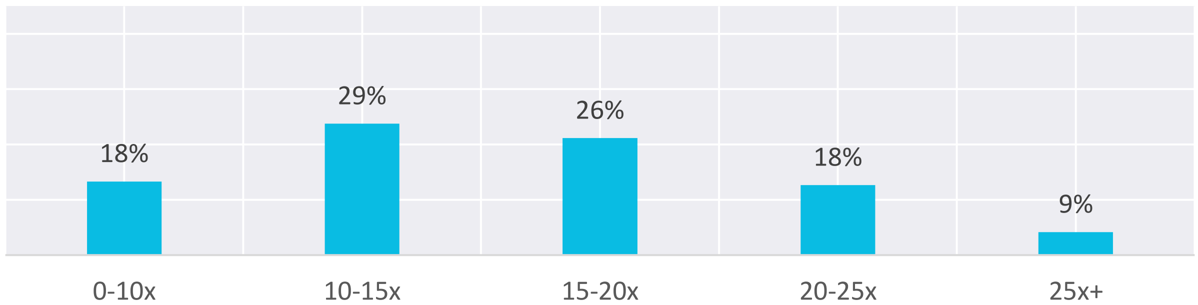


The following charts provide additional details on Health IT revenue and EBITDA multiples distributions for software and services companies. *All periods 2019 – 1H 2025, Global*

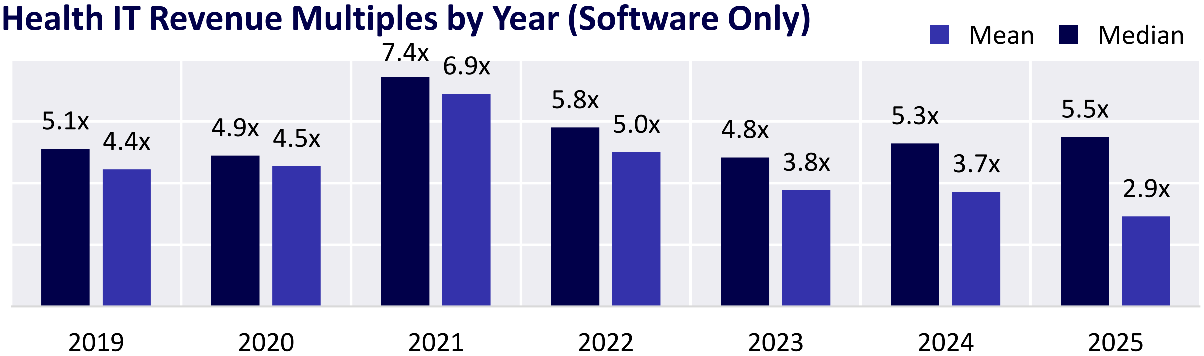
Health IT Revenue Multiples Distribution



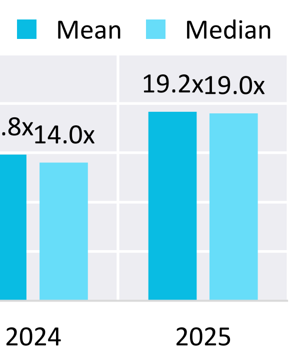
Health IT EBITDA Multiples Distribution (Software and Services)



Health IT Revenue Multiples by Year (Software Only)



Health IT EBITDA Multiples by Year (Software and Services)



Health IT Software Revenue Multiples by Transaction Size

2019 – 1H 2025, *Global*

As many are aware, the surge of both valuation and volume of activity during the COVID hype cycle was a temporary phenomenon that has the potential to distort valuation metrics. To tease this out, HGP evaluated Health IT M&A/Buyout multiples across three periods: All transactions from 2019 – 1H 2025, the COVID period (Q3 2020 – Q1 2022), and 2019 – 1H 2025 excluding the COVID period. Notably, while the COVID period represents 25% of the timeframe it represents 39% of transaction multiples, a reflection of the outsized share of transaction activity that occurred during this time. HGP believes the exclusion of the COVID period as presented in the bottom table best represents valuations in the current market environment.

All Data (2019 – 1H 2025)

Transaction Size	<$30M	$30-$100M	$100-$500M	$500-$1B	>$1B
90th Percentile	8.0x	10.6x	11.9x	12.1x	12.8x
75th Percentile	5.4x	7.1x	8.4x	8.3x	9.4x
50th Percentile	3.1x	4.3x	5.6x	6.6x	6.8x
25th Percentile	2.2x	2.3x	3.2x	2.4x	4.6x
Mean	4.4x	5.3x	6.3x	6.3x	7.2x
Median	3.1x	4.3x	5.6x	6.6x	6.8x

COVID-19 Period Data (Q3 2020 – Q1 2022)

Transaction Size	<$30M	$30-$100M	$100-$500M	$500-$1B	>$1B
90th Percentile	7.7x	7.9x	12.8x	11.6x	13.4x
75th Percentile	5.2x	6.9x	11.3x	10.8x	11.5x
50th Percentile	3.0x	4.4x	7.4x	9.5x	8.4x
25th Percentile	2.3x	3.2x	5.0x	5.1x	5.2x
Mean	4.4x	5.0x	7.8x	7.5x	8.5x
Median	3.0x	4.4x	7.4x	9.5x	8.4x

Excluding COVID-19 Period Data (Q1 2019 – Q2 2020; Q1 2022 – 1H 2025)

Transaction Size	<$30M	$30-$100M	$100-$500M	$500-$1B	>$1B
90th Percentile	8.0x	12.3x	8.4x	11.9x	9.4x
75th Percentile	5.8x	7.4x	6.2x	8.2x	7.4x
50th Percentile	3.8x	3.2x	4.3x	6.5x	4.8x
25th Percentile	2.0x	2.0x	3.0x	2.4x	3.5x
Mean	4.4x	5.5x	4.9x	6.1x	5.8x
Median	3.8x	3.2x	4.3x	6.5x	4.8x

Select 1H 2025 Benchmark Transactions

The following transactions represent a mix of 2025 deals that, in HGP's view, illustrate current market conditions and the range of completed transactions. They include a variety of EBITDA-multiple deals, spanning consolidation, cost synergy, and growth themes, as well as revenue-multiple transactions involving both profitable and unprofitable growth-oriented companies. Collectively, they blend to an average consistent with YTD 2025 data.

So far in 2025, there has been a notable uptick in high-revenue-multiple transactions for high-quality companies. Revenue multiples trended upward throughout the year, with a sharp acceleration in Q2 that pushed averages above pre-pandemic levels, although with a notably wide dispersion. To achieve these valuations, companies must demonstrate high-quality revenue and scalability. However, they can now operate with modest profitability, or even losses, and still command strong multiples if the underlying business model is clearly scalable. Standards have loosened somewhat.

Revenue Multiple Transactions

Date	Seller / Buyer	Sector	EV	Revenue Multiple
xRevenue Transactions				
Q1-25	Accolade / Transcarent	Benefits Mgmt	$621mm	1.1x
Q1-25	Upfront / Health Catalyst	Patient Comms	$86mm	8.6x
Q1-25	Catapult / Teladoc	Telemed	$65mm	2.2x
Q1-25	Confidential	Infrastructure Tech	$40-60mm	4.9x
Q1-25	CentralReach / Roper	PM/EMR	$1.65B	9.4x
Q2-25	Dotmatics / Siemens	Life Sciences Tech	$5.1B	17.0x
Q2-25	iCAD / RadNet	Decision Support	$103mm	5.3x
Q2-25	LifeSpeak / Beedie Capital	Pop Health - Well	$107mm	3.0x
Q2-25	Confidential	PM/EMR	$40-60mm	8-9x
Q2-25	UpLift / Teladoc Health	Telemed	$30mm	2.0x
Q2-25	TrueLark / Weave	Patient Comms	$35mm	14.0x
Q2-25	Genoox / Qiagen NV	Genomics	$80mm	16.0x
Q2-25	Streamline Health / MDaudlt	RCM Tech	$46mm	2.6x
Q2-25	23andMe / TTAM (Management)	Genomics	$368mm	1.9x

Note: Certain valuations are rumored and not confirmed.

EBITDA Multiple Transactions

Date	Seller / Buyer	Sector	EV	EBITDA Multiple
xEBITDA Transactions				
Q1-25	Confidential	RCM Tech	$175mm	19.0x
Q1-25	Confidential	Analytics	$50-100mm	11.0x
Q1-25	Confidential	Infrastructure	$40-60mm	12.4x
Q1-25	CentralReach / Roper	PM/EMR	$1.65B	22.0x
Q2-25	Dotmatics / Siemens	Life Sciences Tech	$5.1B	40.8x
Q2-25	HealthEdge / Bain Capital	Benefits Mgmt	$2.60B	21.7x

Note: Certain valuations are rumored and not confirmed.

Key Transactions Themes

Easing Criteria Opens the Door to Stronger Valuations. Revenue multiples have made a strong return, supported by both strategic acquirers and private equity investors. The bar remains high, though not as exclusive as in prior years. Investors are increasingly emphasizing a balance between growth and profitability versus overemphasizing profitability. Companies with strong net retention, diversified revenue streams, and scalable models continue to attract premium valuations. While these standards are not new, they have eased just enough to allow more companies, not just the top tier, to achieve attractive outcomes.

Private Equity Pressure Creates Valuation Dislocation. Private equity firms are under pressure to deploy capital after several years of slower deal flow and rising diligence standards. The result is heightened competition for a limited number of qualifying deals, sometimes driving valuations higher than fundamentals alone would justify. While a pickup in deal flow could relieve some of this pressure, the current supply-demand imbalance is likely to persist through the remainder of 2025.

Strategics Capitalize on Valuation Resets in Out-of-Favor Sectors. Teladoc's two acquisitions in 2025 reflect opportunistic buying amid sector-wide valuation resets. Both deals reportedly closed at around 2x revenue, signaling that acquirers are selectively capitalizing on depressed prices in telehealth and other markets that have rotated out of favor.

Flexible Deal Structures Bridge Valuation Gaps. Transaction structures continue to play a key role in reconciling buyer and seller expectations. Teladoc incorporated earnouts into both of its acquisitions, while Weave used approximately 30% equity in its acquisition of TrueLark. Transaction structures continue to leverage earnouts and rollover equity to manage risk and align incentives.

Synergies and Tax Shields Bolster Valuations. Some of the highest-multiple transactions are justified by identifiable value creation opportunities. For example, Siemens projects substantial revenue synergies from its acquisition of Dotmatics, with approximately $100 million annually in the medium term, accelerating to over $500 million per year long-term. Similarly, Roper's $1.6 billion acquisition of CentralReach includes an estimated $200 million tax shield.

Health IT M&A and Buyout Trends – Activity

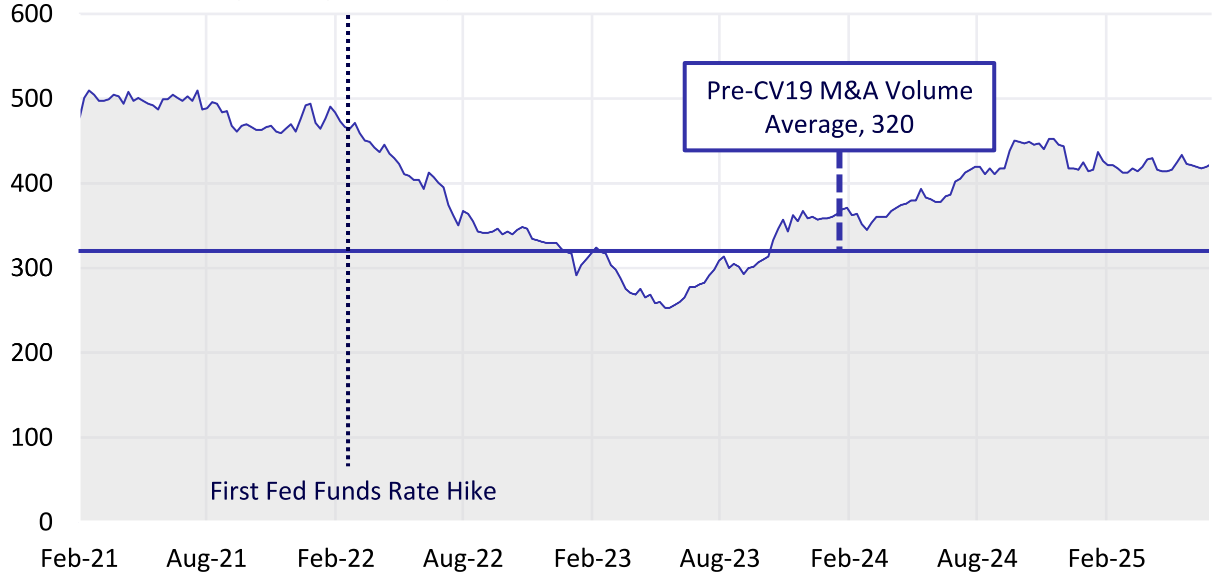
Despite significant political and market volatility in 2025, M&A activity remains strong. The S&P 500 swung over 20% in 1H, yet U.S. Health IT M&A proved resilient, averaging 110 deals per quarter, 29% above the 2019 average, with valuations now above pre-pandemic levels. For context, quarterly volume peaked at 131 in Q4 2020 and bottomed at 58 in Q4 2022.

We began the year noting that sentiment was positive - and it was in 1H 2025, just not in a straight line. Optimism wavered after the Trump inauguration, as executive orders and DOGE-led spending cuts raised fears of a healthcare downturn. Sentiment hit a low on April 2, Liberation Day, with the announcement of sweeping global tariffs. But concerns faded as markets concluded the measures would be less severe than feared. Now, on the other side of the turbulence or at least adjusting to it, optimism has returned and deal momentum remains strong. While the One Big Beautiful Bill brings mixed implications, it offers much-needed policy clarity to support continued M&A activity.

Buyout activity in U.S. Health IT remains historically strong, though down nearly 25% from 2024's record pace. Despite the slowdown from late last year, many 2025 transactions have been large and strategically significant. New Mountain's acquisition of Access Healthcare (RCM services), combined with SmarterDx and Thoughtful to form Smarter Technologies, represents a potentially transformational platform in AI-enabled services. Blackstone announced the $1.7 billion acquisition of VaxCare, a vaccination management platform, shortly after RFK Jr. was appointed HHS Secretary. In EMR, Clearlake invested in Modernizing Medicine at a $5.3 billion valuation, while Madison Dearborn partnered with Thoma Bravo to invest in NextGen. Bain also invested in HealthEdge at a $2.6 billion valuation, along with numerous other $500+ million enterprise value transactions that took place throughout the quarter.

Health IT Annualized M&A & Buyout Volume

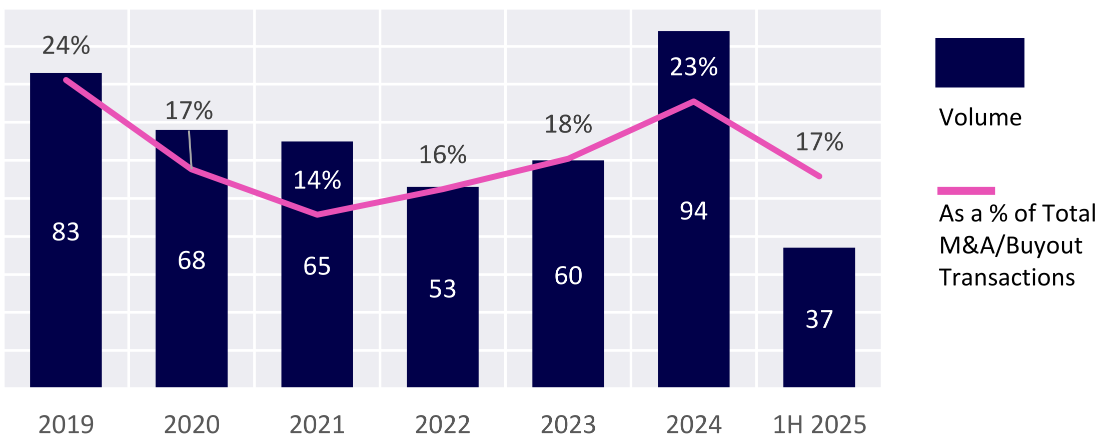
6-mo Moving Average, *US-Only*



Looking ahead to 2H 2025, we expect M&A activity to accelerate due to several converging factors. First, markets are adjusting to Trump-era volatility, as seen in the rebound in sentiment and deal flow following early-year policy shocks. Second, economists including Goldman Sachs now project three rate cuts by year-end, with tariff-driven inflation broadly viewed as transitory pass-through rather than structural. Third, financing conditions are improving – new issue LBO loan spreads have narrowed by ~100 bps since early 2023 – reflecting stronger lender appetite and increased credit availability. Finally, capital markets are reopening. Recent IPOs, including Omada Health and Hinge Health, have priced well and are trading near or above their offer price, a positive signal for future exits and private equity liquidity. Together, these trends point to rising buyer confidence and increased transaction capacity in the second half of the year.

Health IT Buyouts

2019 – 1H 2025, *US-Only*



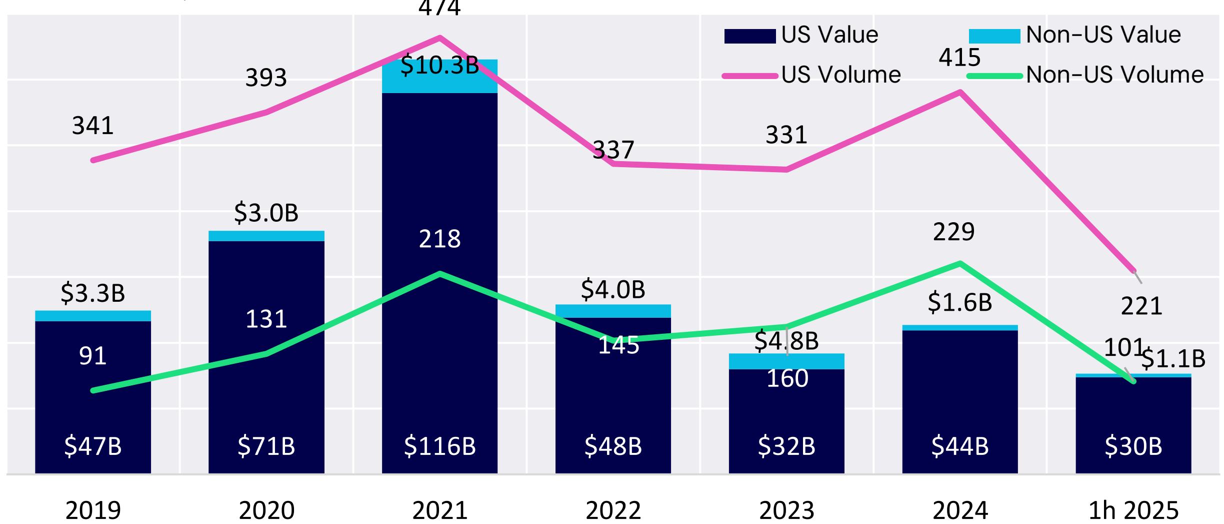
Health IT Institutionally-Backed Exits

2019 – 1H 2025, *US-Only*

The following charts provide additional details on Health IT M&A and Buyout activity.

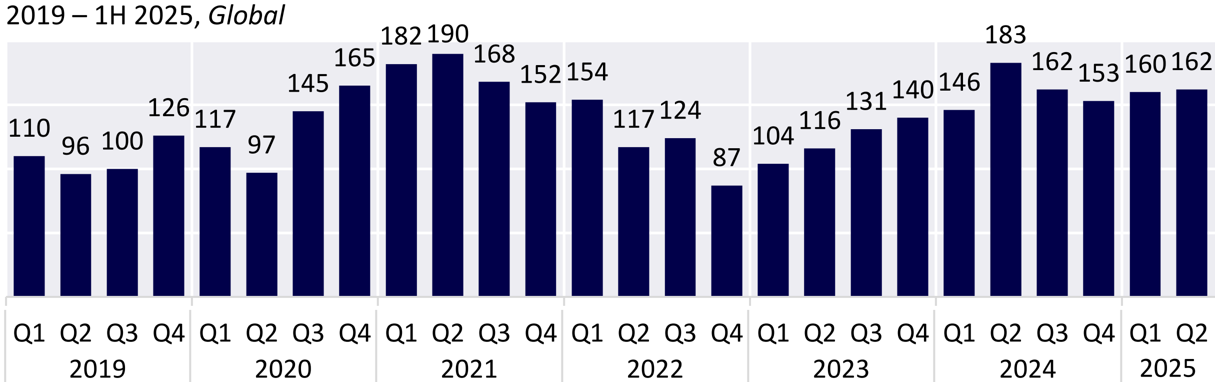
Health IT M&A & Buyout Activity

2019 – 1H 2025, *US and Non-US*



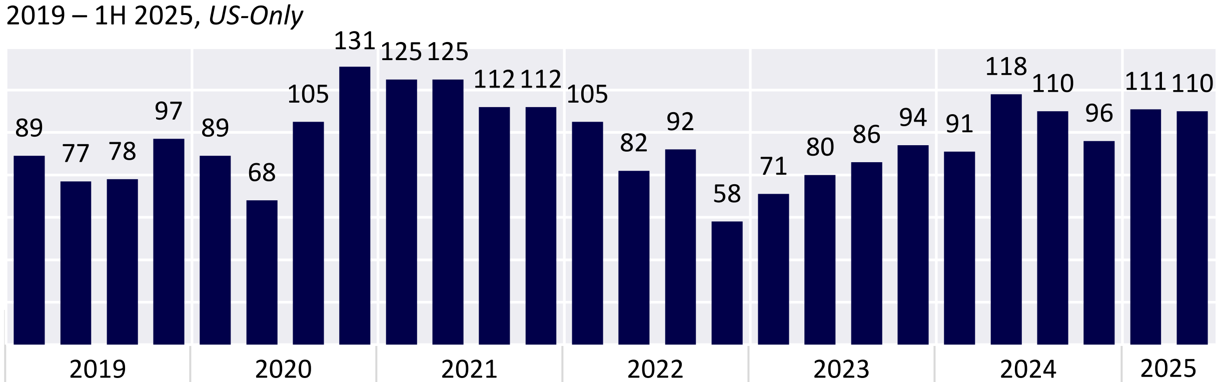
Health IT M&A & Buyout Volume by Quarter

2019 – 1H 2025, *Global*



Health IT M&A & Buyout Volume by Quarter

2019 – 1H 2025, *US-Only*



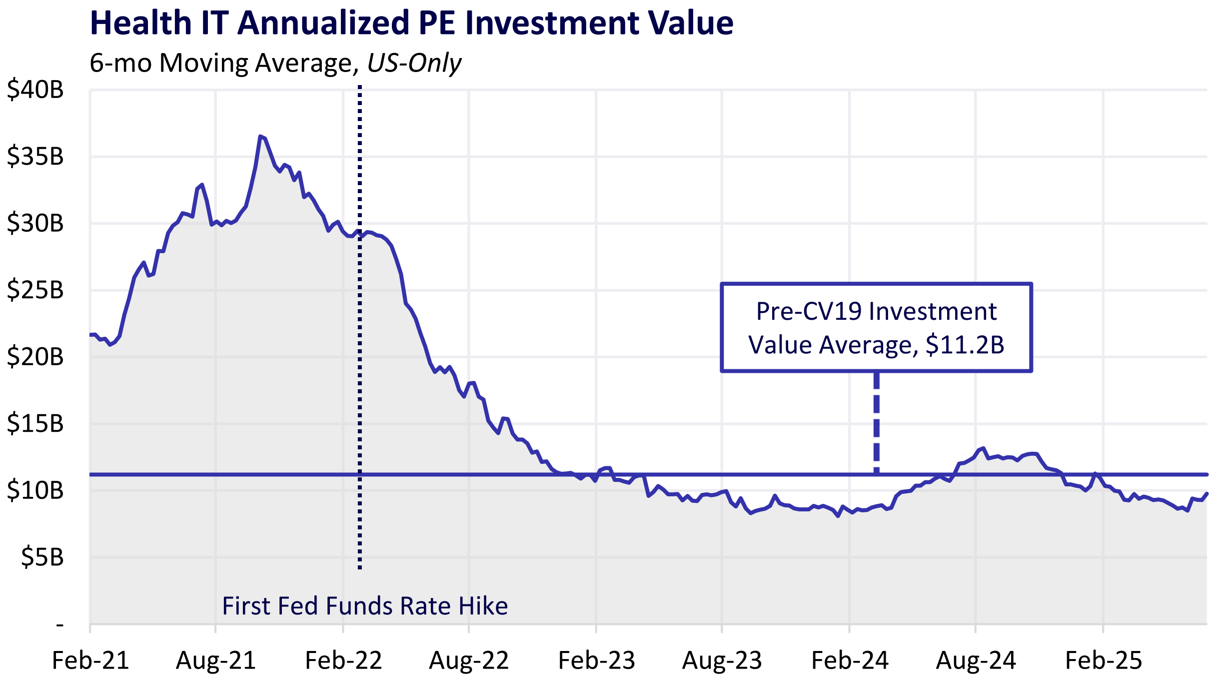
HGP's Target Metrics for Emerging Growth Companies

HGP has observed several tangible and intangible company and transaction characteristics that typically define where a deal falls on the valuation distribution. Growth, profitability, and recurring revenue are the most commonly identified factors used to justify valuation multiples. Not all health IT companies capture premium valuations just because they operate in health IT. However, those companies that offer a combination of growth, address an unmet need, and fit into the vision of healthcare reform and innovation are seeing valuations higher than historical patterns of activity. Premium value is also created when a seller fulfills the specific needs of a buyer at a specific point in time. Timing and serendipity are external factors that play a large and sometimes unpredictable role in the creation of value.

Metrics	Best	Good	Passable	Avoid
Recurring Revenue	Monthly Subscription or Monthly Transaction	Annual Subscription or Prepaid Transactional	1-Year+ Prepaid Subscription	Perpetual License + Maintenance
Revenue Metric	Contracted Annual Recurring Revenue	Annual Recurring Revenue	Trailing Twelve Month	Sum of Parts Revenue Multiples
Revenue Growth	35%+	20-35%	10-20%	<10%
Gross Margin	80%+	70-80%	60-70%	GM <70% for SaaS Lower for Services
Gross Rev Retention	95%+	90-95%	Depends on Customer Type	<90%
Customer Concentration	<10%	10-20%	20-30%	1 customer > 30% or a handful of >50%
Profitability	20%+	0-20%	Small Losses	Large Losses
Management Team	Backable, Proven Success	Backable, First Platform	Not Backable, Open to Transition	Not Backable, Not Open to Transition

Health IT Investment Trends 3

Non-Buyout Investment activity is hovering near pre-pandemic levels. The recovery in non-buyout investment activity continues to lag M&A and buyout activity. After a steep decline in 2022 following November 2021's peak, activity remained near its lows throughout 2023 and early 2024. Early-2025 saw a modest rebound, but activity slowed again in Q2, coinciding with policy-related uncertainty. As of June 2025, investment activity stands at approximately $10 billion, about 10% below pre-pandemic levels.



The Health IT Investment Market: A tale of two fund classes. The valuation bubble and subsequent crash - from the 2020–2021 surge through the 2022–2023 correction - created the most challenging environment for venture investors in over a decade. Based on HGP's survey last fall, 71% of venture capitalists ranked "returning more capital" as their top priority for 2025 - compared to 45% of growth equity and 37% of buyout investors, who placed a more balanced emphasis on both returning and deploying capital. The sector has also been plagued by the lowest DPI metrics, with 2019–2022 vintages returning just $0.15 on the dollar, far behind the 0.5–1.0x typical in buyout and growth equity. Looking ahead, however, venture may be best positioned to capitalize on the AI wave, which offers a meaningful opportunity to drive value creation and restore returns.

For further details on the HGP Health IT PE Survey follow this link to the full PDF report. ↗

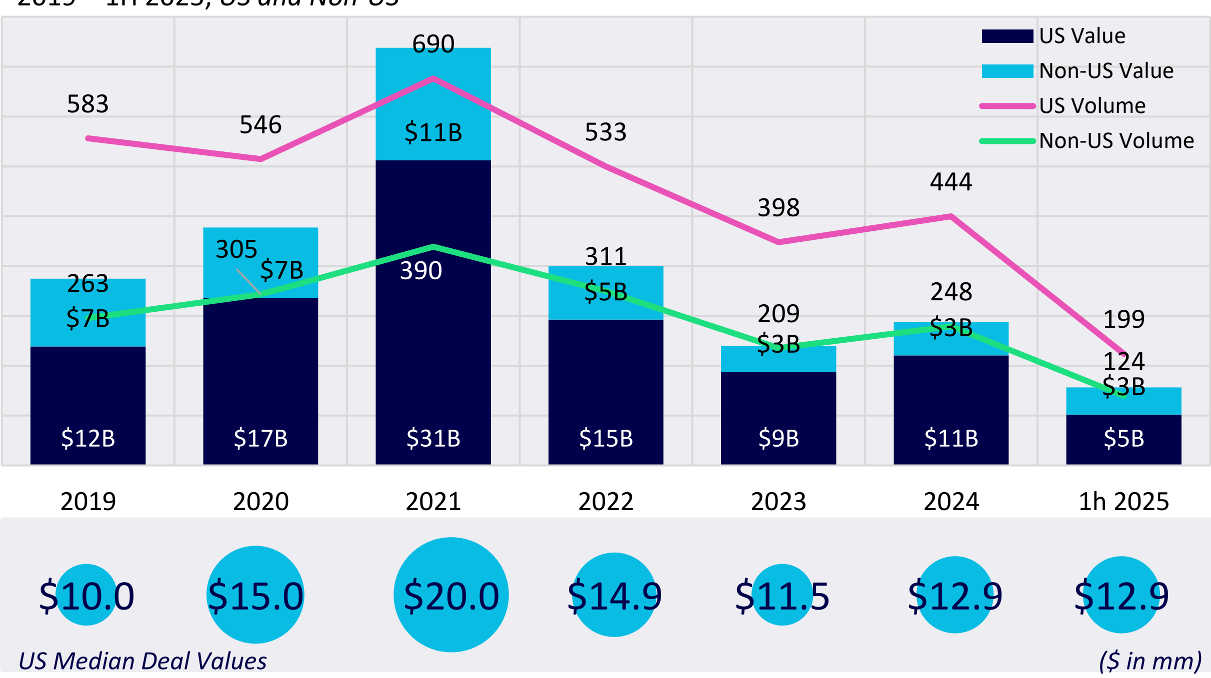
Venture and growth equity investment fell short of expectations, despite strong tailwinds from AI. Overall investment activity declined, with 199 U.S. Health IT transactions in the first half of 2025, down 18 percent year over year, and total investment value falling 22 percent to $5.1 billion. The slowdown appears driven by a mix of factors: mounting pressure to return capital, especially among venture funds with aging, unrealized portfolios; ongoing valuation discipline; and a thinner pipeline of scalable opportunities. Despite strong enthusiasm for AI, investors remain cautious, prioritizing selectivity and pacing over aggressive deployment. As we move into the second half of the year, the market appears poised for recovery, though likely driven more by quality than quantity, as was the case in the first half of 2025.

Seed and Series A Health IT investment also declined more than expected. In the first half of 2025, early-stage investing softened, with HGP tracking 51 seed and 45 Series A investments, down from 57 and 52, respectively, in the same period last year. Total seed investment fell 30 percent year over year to $314 million, while Series A dropped 18 percent to $933 million. While improved capital efficiency in software development may explain smaller check sizes, it does not account for the broader drop in deal volume, suggesting a more cautious stance from investors overall. The slowdown potentially raises concerns about the long-term pipeline of innovation and the availability of follow-on capital in later stages.

Marquee deal activity lagged, even with clear AI-driven potential. Given the enormous opportunity to apply AI to complex healthcare datasets and the persistent inefficiencies across the healthcare system, the limited volume of large-scale transactions was surprising, even amid political volatility. HGP tracked 28 investments over $50 million totaling $2.9 billion, down from 41 investments totaling $4.2 billion during the same period last year.

Health IT Investment Activity

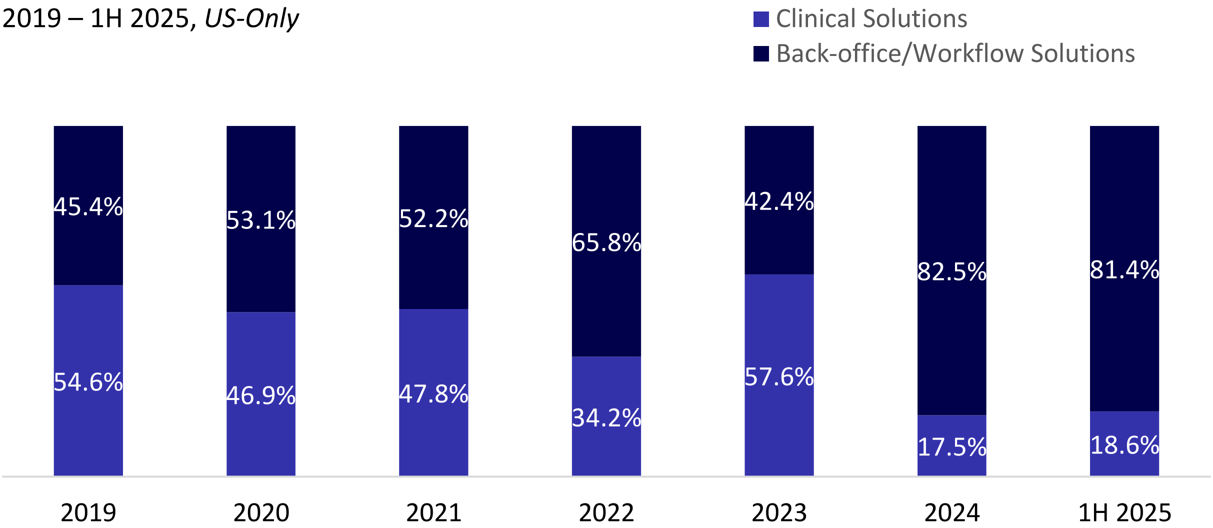
2019 – 1H 2025, *US and Non-US*



AI investment continues to accelerate, comprising 62% of total U.S. investment value. A large share of funding has gone to high-profile AI-native companies focused on back-end/workflow solutions, administrative efficiency, and RCM – widely seen as low-risk, high-impact entry points with strong provider and investor support. While investment still favors non-clinical applications, we believe the market is on the verge of shifting toward clinical capabilities – a shift already visible in the rapid adoption of OpenEvidence and their most recent $210mm Series B at a $3.5B post-money valuation just five months after the Series A that earned them unicorn-status.

Health IT Investment Value in AI by Use Case

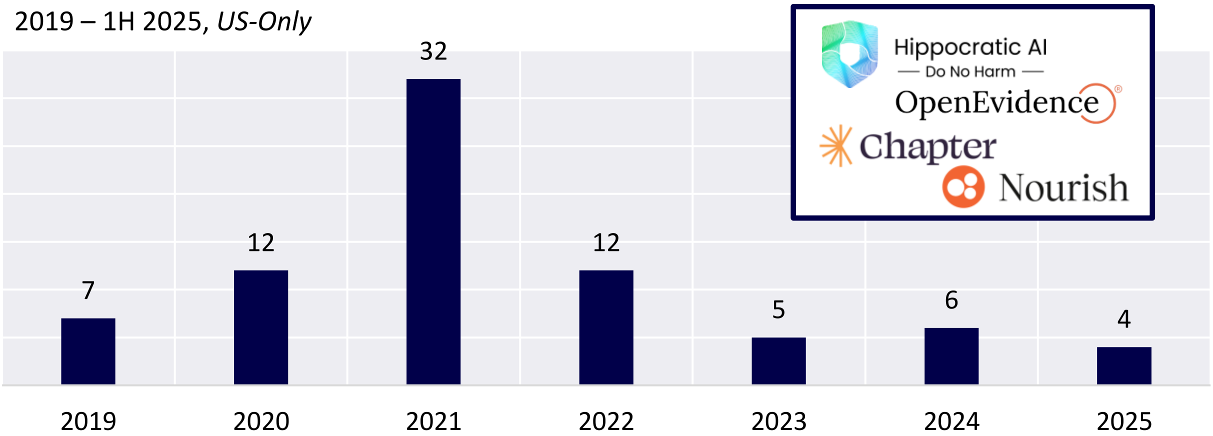
2019 – 1H 2025, *US-Only*



1H 2025 saw a mix of newly health IT unicorns, including AI players such as Hippocratic AI and OpenEvidence, the AI-driven Medicare broker Chapter, and personalized nutrition vendor Nourish.

Health IT Newly Minted Unicorns

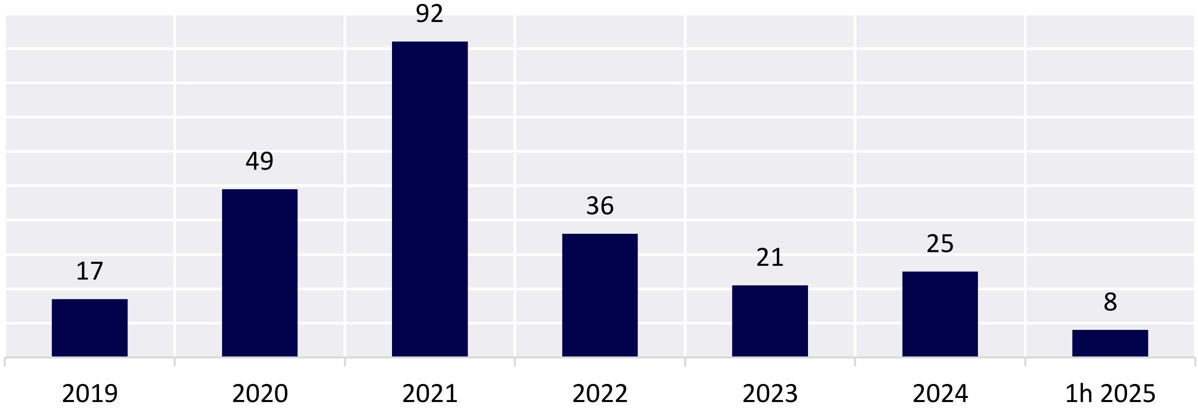
2019 – 1H 2025, *US-Only*



The following charts provide additional details on Health IT Investment activity.

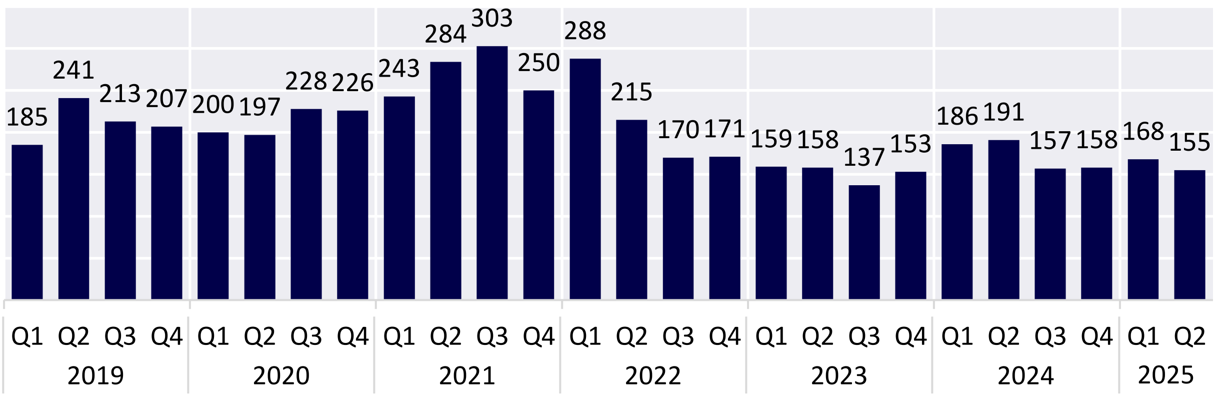
Health IT Investment Volume over $100mm

2019 – 1H 2025, *US-Only*



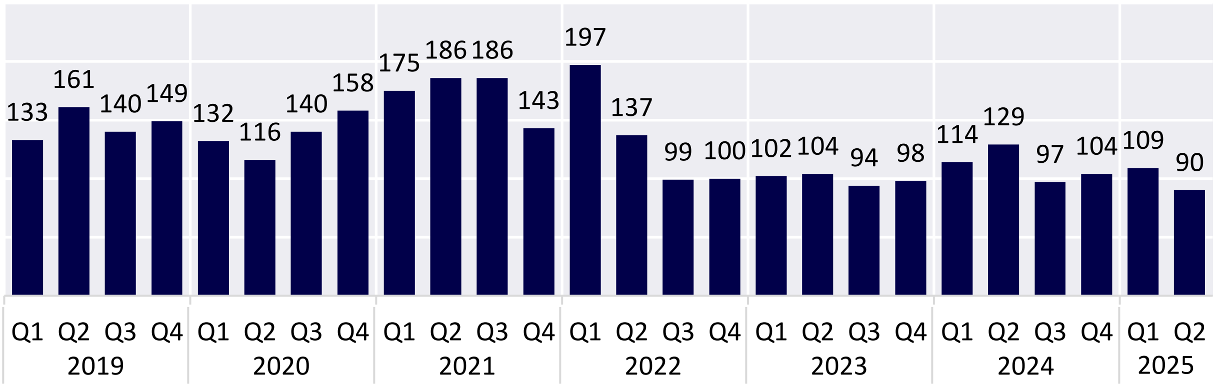
Health IT Investment Volume by Quarter

2019 – 1H 2025, *Global*



Health IT Investment Volume by Quarter

2019 – 1H 2025, *US-Only*



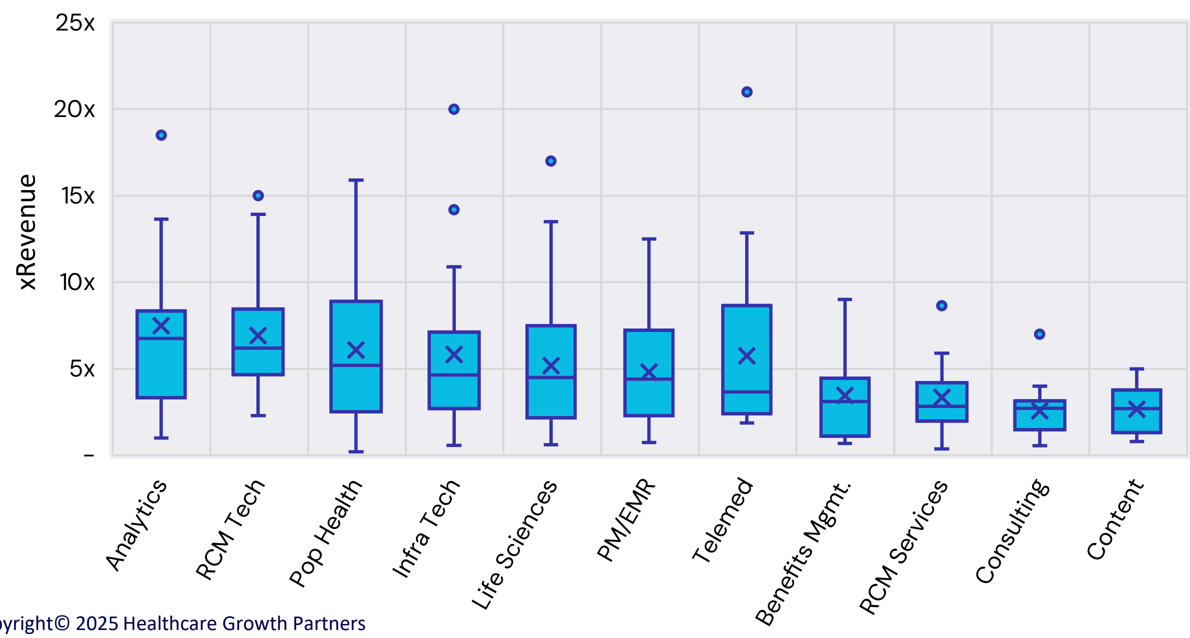
Health IT Sector Trends

HGP tracks health IT trends across 11 subsectors. Valuations are relatively consistent, with no major changes occurring over the past 6 months. Analytics remains a leader, backed by ongoing AI-focused investment. AI feels less frothy than six months ago, but valuations remain strong – possibly now driven more by realistic conviction than momentum. Population health is up over a quarter-turn on revenue, potentially reflecting renewed Medicare Advantage support from the current administration.

Multiples Distribution by Health IT Sector

2019 – 1H 2025, *Global*

Reported 2019 – 1H 2025	Revenue Multiple						EBITDA Multiple
	25th %	Median	75th %	90th %	Mean	St. Dev	Median
Analytics	3.7x	6.8x	8.3x	13.4x	7.5x	6.4x	18.3x
Benefits Management	1.2x	3.1x	4.4x	7.1x	3.5x	2.6x	17.0x
Consulting/Outsourcing	1.5x	2.7x	3.1x	3.7x	2.6x	1.3x	12.5x
Content	1.4x	2.7x	3.7x	4.2x	2.7x	1.4x	13.8x
Infrastructure Tech	2.8x	4.6x	6.9x	10.9x	5.8x	4.2x	13.1x
Life Sciences Tech	2.2x	4.5x	6.7x	11.4x	5.2x	4.2x	20.2x
PM/EMR	2.3x	4.4x	6.8x	8.7x	4.8x	3.1x	16.5x
Pop Health & Comms	2.5x	5.2x	8.6x	12.8x	6.1x	4.2x	12.9x
RCM Services	2.2x	2.8x	4.1x	6.2x	3.4x	2.3x	14.4x
RCM Tech	4.8x	6.2x	8.3x	12.0x	6.9x	3.2x	16.7x
Telemed	2.5x	3.7x	8.0x	11.3x	5.8x	4.6x	17.0x



M&A Volume by Health IT Sector

2019 – 1H 2025, *US-Only*

2019	2020	2021	2022	2023	2024	1H 2025
Pop Health, 69	Pop Health, 97	Pop Health, 103	Pop Health, 69	Pop Health, 66	Pop Health, 72	Pop Health, 50
Outsourced Services, 56	Outsourced Services, 51	Outsourced Services, 59	Outsourced Services, 58	Outsourced Services, 48	Outsourced Services, 66	Outsourced Services, 25
PM/EMR, 36	Analytics, 46	RCM Tech, 48	RCM Services, 41	Infrastructure Technology, 47	Life Sciences Tech, 45	PM/EMR, 20
RCM Services, 31	RCM Tech, 43	Infrastructure Technology, 41	Infrastructure Technology, 39	RCM Services, 32	Infrastructure Technology, 38	RCM Services, 19
Infrastructure Technology, 28	Infrastructure Technology, 37	Telemed, 41	Life Sciences Tech, 25	PM/EMR, 25	RCM Services, 33	Analytics, 18
Analytics, 24	RCM Services, 27	PM/EMR, 40	PM/EMR, 21	Analytics, 23	Content, 32	Infrastructure Technology, 17
RCM Tech, 24	PM/EMR, 26	Analytics, 34	Analytics, 20	Telemed, 23	RCM Tech, 28	Life Sciences Tech, 17
Content, 22	Telemed, 21	RCM Services, 33	RCM Tech, 17	Life Sciences Tech, 17	Telemed, 27	RCM Tech, 17
Telemed, 22	Benefits Management, 19	Content, 31	Telemed, 17	RCM Tech, 17	Benefits Management, 27	Content, 16
Benefits Management, 14	Content, 16	Life Sciences Tech, 31	Content, 15	Content, 16	Analytics, 26	Telemed, 16
Life Sciences Tech, 13	Life Sciences Tech, 9	Benefits Management, 12	Benefits Management, 15	Benefits Management, 16	PM/EMR, 21	Benefits Management, 6

1H 2025 has experienced some shifts in M&A activity across subsectors. Notably, PM/EMR seen a rise in M&A activity reflecting its importance as a central tool for various stakeholders adjacent to and within the HIT. Additionally, HGP is categorizing AI scribes in this category, which is supplementing the growth. The only sectors currently not on track to match or exceed their M&A counts from 2024 are Outsourced Services (which had a record number of transactions last year), Life Sciences Tech and Benefits Management.

Investment Value by Health IT Sector

2019 – 1H 2025, *US-Only*

2019	2020	2021	2022	2023	2024	1H 2025
Pop Health, $3.3B	Pop Health, $6B	Pop Health, $10.3B	Pop Health, $4B	Pop Health, $2.5B	Pop Health, $3B	Pop Health, $1.4B
Analytics, $2.2B	Telemed, $3.1B	Telemed, $5.1B	Life Sciences Tech, $3B	Telemed, $1.5B	Analytics, $2.3B	Analytics, $1.1B
Telemed, $1.7B	Benefits Management, $1.9B	Analytics, $3.8B	Telemed, $2.4B	Infrastructure Technology, $1.2B	Telemed, $2.1B	Infrastructure Technology, $551mm
Benefits Management, $1.7B	Analytics, $1.9B	Benefits Management, $3.1B	Analytics, $1.5B	Benefits Management, $942mm	Benefits Management, $745mm	RCM Tech, $467mm
Life Sciences Tech, $1.3B	Life Sciences Tech, $1.5B	Life Sciences Tech, $2.9B	Infrastructure Technology, $1.1B	Analytics, $923mm	Life Sciences Tech, $726mm	Telemed, $341mm
Outsourced Services, $457mm	Content, $735mm	Infrastructure Technology, $2B	Benefits Management, $628mm	Life Sciences Tech, $743mm	RCM Tech, $627mm	PM/EMR, $289mm
Content, $356mm	Infrastructure Technology, $600mm	Content, $1.2B	Outsourced Services, $520mm	RCM Tech, $533mm	Outsourced Services, $468mm	Benefits Management, $266mm
Infrastructure Technology, $345mm	Outsourced Services, $306mm	RCM Tech, $900mm	RCM Tech, $495mm	Outsourced Services, $468mm	Content, $335mm	Life Sciences Tech, $261mm
RCM Tech, $273mm	RCM Tech, $287mm	Outsourced Services, $829mm	PM/EMR, $462mm	PM/EMR, $365mm	Infrastructure Technology, $325mm	Outsourced Services, $158mm
PM/EMR, $242mm	PM/EMR, $271mm	PM/EMR, $346mm	Content, $460mm	Content, $172mm	PM/EMR, $312mm	Content, $152mm
RCM Services, $0mm	RCM Services, $0mm	RCM Services, $0mm	RCM Services, $30mm	RCM Services, $0mm	RCM Services, $44mm	RCM Services, $0mm

Population Health, consistently leading in investment value due to its broad applicability, is on a trajectory to stay at pre-pandemic levels after 1H 2025. Investor interest in telemed appears to be waning, after a longer tail post-pandemic than many may have expected. Meanwhile, Life Sciences Technology, a mid-to-high performer historically, dropped in the rankings in the first half of 2025. Analytics remains a high performer, bolstered by advancements in AI along with RCM Tech, which has experienced steady growth in a segment that seems perpetually poised for further development rather than maturity.

The following table provides additional context on the Health IT subsectors tracked by HGP.

Sector	Description	Representative Deals
Analytics Median: 6.8x Std. Dev.: 6.4x	Primarily represents a mix of life sciences, provider analytics & payer analytics. Includes many AI entities.	Syntellis (Strata), Caption Health (GE Healthcare), Vigilanz (Inovalon), LeanTaaS (Bain), Signify Health (CVS), CoreEvitas (Thermo Fisher)
Benefits Management Median: 3.1x Std. Dev.: 2.6x	Includes benefits management and admin software companies serving payers and employers.	HealthEdge (Bain Capital), Accolade (Transcarent), PinnacleCare (Sun Life), LifeWorks (Telus), Ametros Financial (Webster Financial), VBA (Spectrum Equity)
Consulting and Outsourced Services Median: 2.7x Std. Dev.: 1.3x	Project-based IT consulting and staff augmentation companies generally serving provider organizations.	Agiliti (THL), Guidehouse (Bain Capital), CynergisTek (Clearwater Compliance), ClearHealth Strategies (UnitedHealth Group), Everise (Warburg Pincus)
Content Median: 2.7x Std. Dev.: 1.4x	Transactions are a mix of online consumer content and provider-oriented clinical content.	ShareCare (Altaris), WebMD (Internet Brands), Care.com (IAC), Medlife (PharmEasy), MedCerts (Stride), mdBriefCase (Think Research), MDSave (Tendo)
Infrastructure Tech Median: 4.6x Std. Dev.: 4.2x	Compliance and resource management software generally serving provider organizations.	Everbridge (Thoma Bravo), symplr (Clearlake), Haemonetics (GPI), Intelligent Medical Objects (Thomas H. Lee Partners), IPG (Evolent)
Life Sciences Tech Median: 4.5x Std. Dev.: 4.2x	Includes traditional CTMS vendors as well as other vendors that deliver value in the drug/device process.	Dotmatics (Siemens), 23andMe (TTAM), Bracket Global (Genstar Capital), Cytel (Nordic Capital), Pinnacle 21 (Certara)
PM/EMR Median: 4.4x Std. Dev.: 3.1x	Includes ambulatory, acute, post-acute, alternate site, and departmental EMR/PM systems (includes AI Scribes).	CentralReach (Roper), NextGen (Thoma Bravo), NexTech (TPG), Cerner (Oracle), Intelerad (HGCapital), athenahealth (Veritas), Therapy Brands (KKR)
Population Health Mgmt. and Communications Median: 5.2x Std. Dev.: 4.2x	Comprised of patient engagement, provider connectivity, and care management technologies.	Virgin Pulse (Healthcomp), Iora Health (One Medical), Preventice (Boston Scientific), VRI (ModivCare), Castlight (Vera), Specialty Networks (Cardinal Health)
RCM Services Median: 2.8x Std. Dev.: 2.3x	Outsourced revenue cycle management services generally serving hospitals and physicians.	R1 (Towerbrook), Acclara (R1), Intermedix (R1), AGS Health (Baring), MedData (Frazier), mNet (SSM), Ensemble (Berkshire), CloudMed (R1), Medusind (Alpine)
RCM Tech Median: 6.2x Std. Dev.: 3.2x	Includes tech-oriented RCM vendors serving hospitals and physicians, and to a lesser extent, payers.	Revspring (Frazier), Change Healthcare (Optum), VisitPay (R1 RCM), TransUnion Healthcare (nThrive), RevSpring (Frazier Healthcare), Model N (Vista)
Telemed Median: 3.7x Std. Dev.: 4.6x	Contains a mix of pure telehealth tech, telehealth services, and virtual care models.	Oak Street (CVS), 2nd.MD (Accolade), PillPack (Amazon), Silvercloud (Amwell), BrightMD (98point6)

HGP Health IT Index Performance

HGP tracks a custom Health IT index and evaluates its performance against standard indices to assess publicly traded health IT companies within the wider market. Over the past few years, the index has undergone significant shifts, initially marked by a flurry of activity that introduced younger and lower-quality companies into the mix, and later by the market reset that resulted in many bankruptcies and take-privates. After a tumultuous few years, the Health IT public company cohort is coming up for air. Of the 54 constituents, 31 of them delivered positive 1H 2025 returns, an improvement from the 18 in 2024. Notably, the period marked the first without any bankruptcies or take-privates, signaling a promising new chapter for the sector.

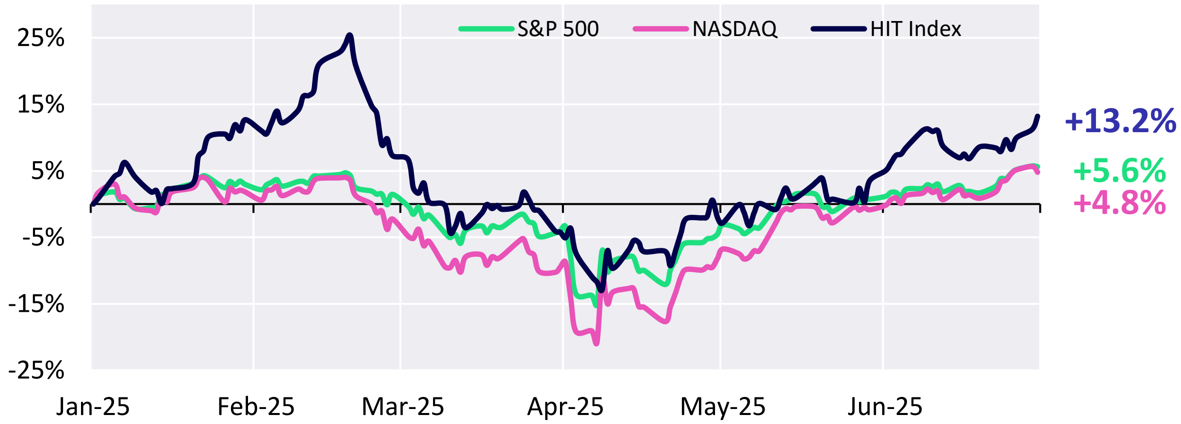
Looking at performance more broadly, the index mirrored overall market volatility but stood out with strong early gains, peaking at +25% YTD on February 19th, driven in part by two index constituents:

Hims & Hers Health (NYSE: HIMS) saw a remarkable +184% YTD increase by February 19th, fueled by strong Q4 2024 earnings and a controversial Super Bowl commercial promoting its GLP-1 weight-loss treatments. However, the momentum slowed after the FDA resolved the semaglutide shortage, ending the legal basis for compounded versions forcing the company to halt its low-cost GLP-1 program, triggering a rapid stock correction.

Tempus AI (NASDAQ: TEM) rose +154% over the same period, benefiting from its strategic position at the crossroads of healthcare and AI. The company's gains were supported by recent acquisitions, federal healthcare modernization efforts, and key partnerships. Retail investor enthusiasm grew following public disclosure of Nancy Pelosi's call option purchases, boosting trading volume.

Despite facing broader market headwinds midway through 1H 2025, the Health IT Index finished the period up more than +13%, demonstrating resilience and renewed investor confidence. As noted earlier, this performance was aided by recent index adjustments as well as additions like Hinge Health and Omada Health, which increased the Index's exposure to high-growth digital health businesses.

Health IT 1H 2025 Index Performance



Health IT Subsector Performance Detail

As of June 30, 2025

Detail on sectors and companies HGP tracks as part of the health IT index can be found below. Multiples are shown based off 2025E revenue and EBITDA.

Company	% Return YTD	xRev	xEBITDA	Company	% Return YTD	xRev	xEBITDA
Benefits Tech							
eHealth	-53.7%	0.8x	8.4x	HealthEquity	+9.2%	8.1x	20.3x
Evolent Health	+0.1%	1.1x	14.5x	Progyny	+27.5%	1.4x	8.4x
GoHealth	-58.6%	0.9x	6.0x	SelectQuote	-36.0%	1.0x	7.8x
GoodRx Holdings	+7.1%	2.5x	7.3x				
Consumer Health							
23andMe	+52.6%	1.0x	NMF	Peloton	-20.2%	1.5x	10.7x
Owlet Baby Care	+88.8%	1.5x	NMF				
Infrastructure Technology							
Claritev	+205.3%	5.8x	9.2x	Phreesia	+13.1%	3.9x	28.3x
Consensus	-3.4%	2.9x	5.4x	Roper Technologies	+9.0%	8.7x	22.0x
Doximity	+14.9%	17.8x	32.7x	Streamline Health	+38.0%	1.8x	NMF
HealthStream	-13.0%	2.5x	10.7x	Trubridge	+18.8%	1.5x	8.1x
NRC Health	-4.8%	NA	NMF	Veradigm	-51.8%	0.9x	6.5x
Omnicell	-34.0%	1.2x	12.0x	VSee Health	-14.7%	1.6x	NMF
OptimizeRx	+177.8%	2.6x	19.3x	Waystar Health	+11.4%	7.7x	19.0x
Pharma Tech							
Certara	+9.9%	4.7x	15.2x	Simulations Plus	-37.4%	4.2x	14.7x
IQVIA	-19.8%	2.5x	10.8x	SOPHiA GENETICS	+1.0%	2.4x	NMF
Labcorp	+14.5%	2.0x	11.9x	Tempus AI	+88.2%	8.8x	NMF
Schrodinger	+4.3%	4.5x	NMF	Veeva Systems	+37.0%	14.8x	29.0x
Population Health Management							
DarioHealth	-14.8%	1.1x	NMF	Health Catalyst	-46.7%	1.0x	6.7x
Definitive Healthcare	-5.1%	2.2x	8.4x	ModivCare	-73.6%	0.5x	9.2x
GeneDx Holding	+20.1%	6.9x	NMF	Premier	+3.4%	2.0x	8.4x

Company	% Return YTD	xRev	xEBITDA	Company	% Return YTD	xRev	xEBITDA
Tech-Enabled Payers							
Clover Health	-11.4%	0.7x	23.0x	Oscar	+59.5%	0.3x	8.6x
NeueHealth	-7.0%	1.2x	16.8x				
Value-Based Care							
Alignment Healthcare	+24.4%	0.7x	NMF	Privia Health	+17.6%	1.2x	21.4x
Virtual Care							
American Well	+22.6%	NMF	NMF	LifeMD	+175.2%	2.2x	18.1x
DocGo	-63.0%	0.4x	NMF	LifeStance Health	-29.9%	1.6x	16.5x
EUDA Health	-20.0%	8.4x	NMF	Omada	-20.4%	6.5x	NMF
Hims & Hers Health	+106.2%	4.5x	32.4x	Talkspace	-10.0%	1.5x	19.4x
Hinge Health	+37.8%	7.5x	NMF	Teladoc Health	-4.2%	0.8x	6.8x
iRhythm	+70.7%	7.0x	NMF				

Health IT and Subsector Index Valuation Multiples

As of June 30, 2025

	Revenue Multiples		EBITDA Multiples	
Median Values	2025E	2026E	2025E	2026E
Enterprise SaaS	4.3x	3.9x	20.2x	17.1x
Health IT (all)	2.0x	1.9x	11.9x	11.4x
Pharma Tech	4.3x	3.8x	14.7x	11.6x
Virtual Care	3.3x	2.4x	18.1x	13.2x
Infrastructure	2.6x	2.4x	12.0x	12.9x
Pop Health Mgmt	1.5x	1.5x	8.4x	8.4x
Consumer Health	1.5x	1.2x	10.7x	11.1x
Benefits Tech	1.1x	0.9x	8.4x	6.7x
Value-Based Care	1.0x	0.8x	21.4x	21.2x
Tech-Enabled Payers	0.7x	0.5x	16.8x	13.7x

Except for Pharma Tech on a xRev basis and Value-based Care on an xEBITDA basis, all subsectors trade at a discount to Enterprise SaaS. The Health IT Index is trading at a 54% discount to Enterprise SaaS on a 2025E xRev basis and a 44% discount based on 2025E xEBITDA.

Health IT IPOs and SPACs

The first half of 2025 is living up to the cautious expectations set by 2024's tepid revival of the health IT capital markets, marked by the debuts of two highly anticipated tech-enabled services companies, Omada Health and Hinge Health. Bolstering this sentiment, 1H also marks the first period in several years without any bankruptcies or take-privates, signaling an end to the tumultuous period of recalibration that began in 2021.

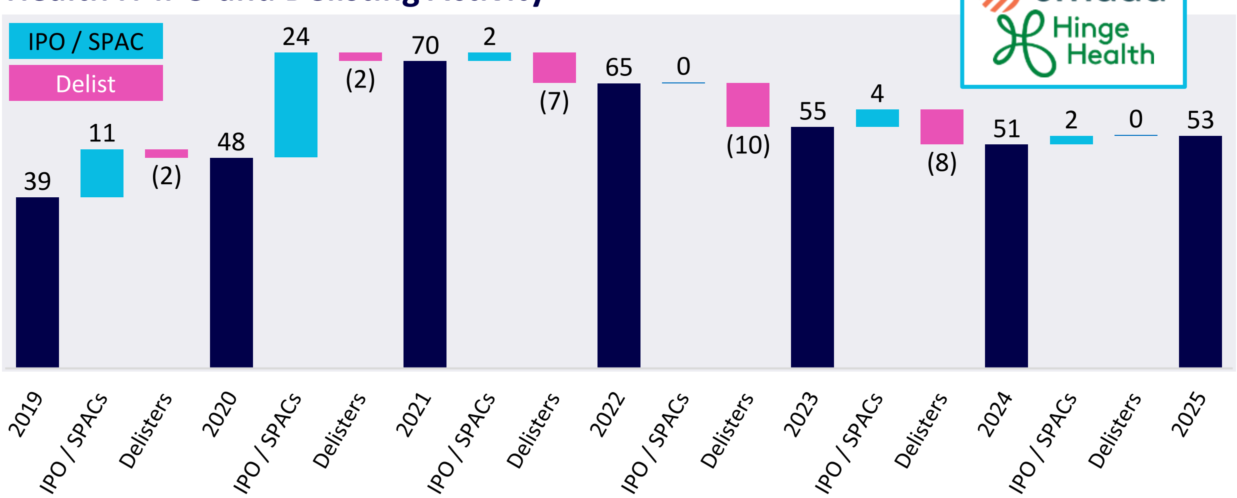
Last year's four entrants (Waystar, Tempus AI, VSee, and Nuvo) proved to be a mixed bag. While the SPACs disappointed, Waystar and Tempus AI established a more stable foundation for this year's newcomers, Tempus AI surging 88% in 1H and Waystar posting a more muted, but stable 11% return.

Digital physical therapy company, **Hinge Health** was the first to test the waters, launching its IPO on the NYSE in May at $32 per share, valuing the company at $2.6B. It had a strong debut, closing its first day at $37.56 and has continued to surge, ending 1H up 61% from its IPO price. While the offering was widely celebrated as a revival of the health IT capital markets, the IPO marked a down round for Hinge from its $6.2B Series E valuation in 2021, highlighting that this success was not without its battle scars. Following on the heels of Hinge, virtual chronic care provider, **Omada Health,** made its debut at $19 per share at a $1.1B valuation in late June. Omada saw a modest first-day pop, closing at $23, but ended the half slightly below its listing price at $18.30.

Notably, both companies operate in the virtual care space, a sector that has experienced significant volatility in the last couple of years. As major beneficiaries of the Covid-era surge in demand for virtual care, they have also felt the effects of the subsequent market correction. Their successful IPOs reflect the broader recalibration that has been underway, signaling that companies with demonstrated resilience and proven outcomes are beginning to emerge from the noise.

Looking ahead, we remain optimistic that the successful debuts of Hinge and Omada mark a turning point for health IT capital markets, establishing a viable path for more companies to follow suit. Other rumored candidates include Sword Health, Ro, Quantum Health, Spring Health, ZocDoc, Headway, and Maven Clinic. We expect these companies to continue monitoring Omada and Hinge as a test for sustained momentum and an indication of whether the markets have truly reopened for health IT.

Health IT IPO and Delisting Activity



Macroeconomics 6

Macroeconomic Snapshot

The first half of 2025 proved more eventful than expected. Markets began the year bullish, buoyed by expectations that President Trump's return would usher in pro-growth policies centered on lower taxes and reduced regulation. That initial optimism gave way to volatility as investors were surprised by the rapid pace and breadth of executive orders, sharp spending cuts driven by DOGE, and the unexpectedly aggressive "Liberation Day" tariff proposal.

However, as the year progressed, markets concluded that the executive orders and DOGE-related noise would have limited long-term impact, and the tariffs were better understood as part of a broader strategic negotiating posture. Confidence recovered quickly, aided by the passage of the "One Big Beautiful Bill," which provided greater policy visibility and reinforced Trump's influence over both the Republican Party and his governing agenda, despite concerns that its potential to expand the deficit could put upward pressure on interest rates over the long term.

Economic data reflected the market's turbulent path. Q1 GDP came in at –0.5%, the first contraction in over three years, largely attributed to a surge in imports ahead of anticipated tariffs. But early signs from Q2 suggest a rebound is underway. The labor market remains stable, with unemployment easing slightly to 4.1% in June. Inflation continues to moderate, with core CPI trending toward the Fed's 2.0% target and holding around 2.8%.The Fed has held rates steady through midyear, citing uncertainty and a desire to avoid reigniting inflation. Markets now anticipate modest cuts beginning in the fall, with year-end expectations for the Fed funds rate moving to around 3.5%–3.75%, more or less in the range anticipated at the start of the year.

The S&P 500 regained ground after early-year volatility, with a sharp rally in Q2 lifting year-to-date gains to 5.5%. Market breadth improved, signaling broader participation beyond the mega-cap names that dominated 2023. As we head into Q3, the market is once again firmly bullish – reflected not only in equity performance but also in the reawakening of the IPO market, where activity has picked up meaningfully for the first time in over two years.

Despite ongoing risks, from global tensions to fiscal concerns, the policy backdrop, resilient consumer demand, and investor sentiment all suggest that 2025 remains on track for modest but real progress.

US Core Measures	EOY 2024	Q1 2025	Q2 2025	EOY 2025E
GDP Growth	2.50%	-0.50%	1.5% Est	2.50%
Unemployment Rate	3.80%	4.20%	4.10%	4.30%
Core CPI	3.30%	2.90%	2.80%	2.60%
Fed Funds Rate	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	3.60% - 4.10%

One Big Beautiful Bill Act (OBBBA)

The One Big Beautiful Bill Act (OBBBA) introduces significant changes to federal healthcare policy, particularly reshaping Medicaid eligibility and funding. It tightens eligibility by imposing stricter enrollment criteria, shortening coverage redetermination windows, and limiting auto-renewals for certain groups. These changes are projected to disenroll millions of low-income individuals, disproportionately affecting rural residents, people with disabilities, and communities of color. Supporters argue the bill promotes personal responsibility and fiscal sustainability by ensuring benefits are targeted to those who meet clear eligibility criteria. The bill is estimated to reduce Medicaid spending by ~$1 Trillion or 15% of the total over the next 10 years.

Alongside eligibility changes, the OBBBA requires states to implement new verification protocols and reporting systems. Proponents contend these measures will reduce fraud, waste, and abuse, improving program integrity. However, many policy experts and providers caution that the increased administrative requirements may raise costs and complicate enrollment processes, placing additional strain on already resource-limited state agencies and safety-net providers.

To mitigate potential disruptions, the bill includes a $50 billion Rural Health Transformation Program and investments in community health centers and emergency care. While these efforts aim to support providers facing funding shortfalls, many experts expect that the resources will not fully compensate for enrollment declines and increased administrative burden over time. A few additional provisions aimed at expanding access to care include permanently extending pandemic-era telehealth flexibilities that allow patients to receive virtual care without additional out-of-pocket costs, permitting HSAs to cover Direct Primary Care arrangements, and broadening access to Home and Community-Based Services by enabling eligibility through a new waiver pathway that no longer requires individuals meet prior institutional-level care criteria.

Outside of direct healthcare policy, the OBBBA also institutes a major tax change impacting many technology businesses relating to the treatment of R&D expenses under Section 174 of the internal revenue code. The bill repealed the requirement to capitalize and amortize domestic R&D costs, including software development. Starting in tax year 2025, companies can once again immediately expense qualifying domestic R&D. Additionally, eligible small businesses (generally those with less than $31 million in average annual gross receipts) can retroactively amend their 2022-2024 tax returns to deduct R&D costs that were previously capitalized, potentially reducing taxable income and unlocking refunds.

Overall, the OBBBA attempts to tighten Medicaid access while including some safeguards for certain provider institutions, but significant challenges remain. Many question whether the proposed support measures will be sufficient to offset the program's reductions and prevent disruptions to care, especially in vulnerable communities.

For a detailed breakout of the OBBBA, please see Hogan Lovells' **Legislative Summary** ↗, which outlines the impact of each section under 'Subtitle B – Health', the portion of the bill most directly focused on healthcare policy.

Health IT Headlines

Notable headlines from 1H 2025 are outlined in the following pages. Key themes include significant leadership and policy shifts under the new administration, major restructuring efforts at federal health agencies, renewed activity in the public markets, and continued engagement from the private sector in the transformation of care delivery.

Q1 Headlines

Veterans Affairs reboots Oracle health records project for $330M

February 6: The US Department of Veterans Affairs has restarted a project to implement Oracle electronic health records in its hospitals after the project was suspended in 2023.

Robert F. Kennedy, Jr. Sworn in as 26th Secretary at HHS, President Trump Signs Executive Order to Make America Healthy Again

February 13: Robert F. Kennedy, Jr. was sworn in as the 26th Secretary of the U.S. Department of Health and Human Services (HHS) in the Oval Office by Associate Justice of the Supreme Court Neil Gorsuch. Immediately following the ceremony, President Trump with Secretary Kennedy by his side, signed the "Establishing the President's Make America Healthy Again Commission" Executive Order to investigate and address the root causes of America's escalating health crisis, with a focus on childhood chronic disease.

Ex-Palantir Veteran to Run Data, IT Security for RFK Jr.'s Health Department

February 14: Clark Minor, a longtime Palantir veteran (nearly 13 years as an engineer leading platform infrastructure and cloud strategy), has been appointed as Chief Information Officer (CIO) at the U.S. Department of Health and Human Services (HHS).

Research funding cuts put healthcare in a 'shaky period,' says HIMSS CEO

March 5: HIMSS CEO Hal Wolf warned that cuts to healthcare research funding are creating a "shaky period" for the industry, threatening innovation, workforce stability, and digital health progress. He emphasized that reduced grant support could derail critical advancements and urged stronger collaboration among government, tech, and healthcare leaders to address the crisis.

Sycamore Partners to take Walgreens private in deal valued at $10B

March 6: Private equity firm Sycamore Partners has entered into a definitive agreement with Walgreens Boots Alliance to acquire the struggling retail pharmacy chain. Walgreens has struggled financially of late, battered by headwinds that have struck the retail pharmacy industry as well as challenges at its VillageMD unit.

Hinge Health files for IPO amid stock market volatility

March 12: Hinge Health, a digital musculoskeletal care platform, filed for an IPO with the U.S. Securities and Exchange Commission to go public under the symbol HNGE, despite recent stock market volatility due to uncertainty around U.S. trade policies.

Kennedy to slash 10,000 jobs in major overhaul of US health agencies

March 27: Robert F. Kennedy Jr. announced plans to reshape federal public health agencies including cutting 10,000 employees and centralizing some functions of the FDA, CDC and others under his purview. The job cuts include 3,500 at the Food and Drug Administration, 2,400 at the Centers for Disease Control and Prevention, and 1,200 at the National Institutes of Health.

Q2 Headlines

Senate confirms Oz as head of CMS along party lines

April 3: The Senate has confirmed Mehmet Oz as administrator for the Centers for Medicare and Medicaid Services (CMS), making him the head of Medicaid at a time where its funding is at risk of being severely cut.

Epic Systems expands EHR market share lead over Oracle Health

April 30: Epic Systems, the biggest electronic health records (EHR) vendor, notched its largest ever net gain in hospital market share on record in 2024, widening its lead over rival Oracle, according to a report from Klas Research. Epic added a total of 176 facilities and 29,399 beds in 2024, while Oracle lost 74 sites and 17,232 beds during the same period, the report said.

UnitedHealth Group CEO Andrew Witty steps down, company suspends annual forecast

May 13: UnitedHealth Group announced the surprise exit of CEO Andrew Witty and suspended its 2025 forecast, sending shares of the health-care giant tumbling more than 10% in morning trading. Witty is stepping down immediately for “personal reasons,” the company said. He will act as a senior advisor to his successor, Stephen Hemsley, who served as UnitedHealth Group’s CEO from 2006 to 2017 after first joining the company in 1997.

2026 HHS budget would slash more than a quarter of current discretionary spending

June 2: The White House released its planned 2026 budget for the Department of Health and Human Services. President Donald Trump's budget proposes $94.7 billion in discretionary budget authority for HHS in 2026, a 27.5% decrease from the $130.7 billion for HHS requested by President Joe Biden in 2025. Importantly to critics of planned cuts to Medicaid in a budget currently being considered by the Senate, the 2026 proposed budget does not include changes to spending on Medicare and Medicaid.

VA takes steps to eliminate 80K jobs

June 11: The U.S. Department of Veterans Affairs will pay the Office of Personnel Management more than $726,000 to consult on a new round of layoffs at VA, according to documents obtained by Federal News Network. The proposed additional VA staff reductions may be the largest reduction in force under the Trump administration so far.

About Healthcare Growth Partners 8

Healthcare Growth Partners (HGP) is an exceptionally experienced Investment Banking & Strategic Advisory firm exclusively focused on the transformational Health IT market. We unlock value for our clients through our Sell-Side Advisory, Buy-Side Advisory, Capital Advisory, and Pre-Transaction Growth Strategy services, functioning as the exclusive investment banking advisor to approximately health IT transactions representing over $6 billion in value since 2007.

Our passion for healthcare inspires us to not only create value for our clients, but also generate broad, overarching improvements to the functionality and sustainability of health. With our focus, we deliver knowledgeable, honest and customized guidance to select clients looking to execute high value health IT, health information services, and digital health transactions. For more information, please visit **www.hgp.com**.

In addition to the insights provided in this report, **HGP's Health IT Market Analytics** are available on our website, updated in real-time to reflect the latest market trends and developments.

Securities offered through HGP Securities, LLC, member FINRA & SIPC, broker-dealer affiliate of Healthcare Growth Partners, LLC.

Sources of Information: Healthcare Growth Partners Database, Company Press Releases, Pitchbook, HIStalk, Rock Health, Hogan Lovells.

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HEALTHCARE GROWTH PARTNERS

HGP Transaction Experience

SELL-SIDE 2025 compliatric HAS BEEN ACQUIRED BY NTRACTS	SELL-SIDE 2025 RCM Services Vendor HAS BEEN ACQUIRED BY RCM Services Vendor	SELL-SIDE 2025 ENVISION TECHNOLOGY PARTNERS HAS BEEN ACQUIRED BY inductivehealth	BUY-SIDE 2024 INSIGHT PARTNERS HAS ACQUIRED azara healthcare	BUY-SIDE 2024 Patient Engagement Vendor HAS ACQUIRED Patient Engagement Vendor
SELL-SIDE 2024 Cost Containment Vendor HAS BEEN ACQUIRED BY Patient Integrity Vendor	CAPITAL RAISE 2023 CANTATA HEALTH SOLUTIONS RECEIVED FUNDING FROM TTCP	SELL-SIDE 2023 Experience.care HAS BEEN ACQUIRED BY WellSky	SELL-SIDE 2023 Access HAS BEEN ACQUIRED BY Phreesia	BUY-SIDE 2023 Solarity HAS ACQUIRED DISC
SELL-SIDE 2023 openDoctor HAS BEEN ACQUIRED BY SURGIMATE	BUY-SIDE 2023 IMO Intelligent Medical Objects HAS ACQUIRED MELAX TECH	SELL-SIDE 2022 BloodHub HAS BEEN ACQUIRED BY inVita	CAPITAL RAISE 2022 ALIVIA ANALYTICS RECEIVED FUNDING FROM CouncilCapital HEP HEALTH ENTERPRISE PARTNERS	SELL-SIDE 2022 MoveSpring HAS BEEN ACQUIRED BY Reward Gateway
BUY-SIDE 2022 nthrive HAS ACQUIRED PELITAS	BUY-SIDE 2022 symplr HAS ACQUIRED GREENLIGHT MEDICAL	SELL-SIDE 2021 erexpress HAS BEEN ACQUIRED BY HARRIS	BUY-SIDE 2021 symplr HAS ACQUIRED halo health	BUY-SIDE 2021 symplr HAS ACQUIRED SpinFusion
SELL-SIDE 2021 radixhealth HAS BEEN ACQUIRED BY RELATIENT	SELL-SIDE 2021 MDTech HAS BEEN ACQUIRED BY Evercommerce	BUY-SIDE 2021 imprivata HAS ACQUIRED XTON technologies	SELL-SIDE 2021 medullan HAS BEEN ACQUIRED BY ZS	BUY-SIDE 2021 MILLENNIA HAS ACQUIRED Jellyfish HEALTH

HGP Transaction Experience

Type	Year	Company	Transaction	Counterparty
SELL-SIDE	2021	prognoCIS By bizmatics	HAS BEEN ACQUIRED BY	HARRIS
BUY-SIDE	2021	symplr	HAS ACQUIRED	Phynd
SELL-SIDE	2020	pmg	HAS BEEN ACQUIRED BY	CORONIS HEALTH
SELL-SIDE	2020	HIPAA One	HAS BEEN ACQUIRED BY	Intraprise HEALTH
SELL-SIDE	2020	patient matters	HAS BEEN ACQUIRED BY	firstsource
SELL-SIDE	2020	DIGISONICS	HAS BEEN ACQUIRED BY	Intelerad
BUY-SIDE	2020	ontellus	HAS ACQUIRED	INTERTEL
SELL-SIDE	2020	ePreop	HAS BEEN ACQUIRED BY	provation
BUY-SIDE	2020	symplr	HAS ACQUIRED	Wolters Kluwer ComplyTrack®
BUY-SIDE	2020	symplr	HAS ACQUIRED	the patient safety company
SELL-SIDE	2020	alertmd	HAS BEEN ACQUIRED BY	Evercommerce
SELL-SIDE	2019	ImPACT APPLICATIONS, INC.	HAS BEEN ACQUIRED BY	Riverside Insights
BUY-SIDE	2019	ACCUMEN	HAS ACQUIRED	3DR LABORATORIES
BUY-SIDE	2019	OmniSYS	HAS ACQUIRED	STRAND
SELL-SIDE	2019	clearwave	HAS BEEN ACQUIRED BY	FRONTIER GROWTH
GROWTH STRAT.	2018	Diameter Health	RECEIVED FUNDING FROM	OPTUM
SELL-SIDE	2018	ChartSwap	HAS BEEN ACQUIRED BY	ontellus
SELL-SIDE	2017	RPA	HAS BEEN ACQUIRED BY	JENSEN HUGHES
BUY-SIDE	2017	ontellus	HAS ACQUIRED	Record Retrieval Service
SELL-SIDE	2017	Kognito	HAS BEEN ACQUIRED BY	ascend LEARNING
SELL-SIDE	2017	PROGNOSIS INNOVATION HEALTHCARE	HAS BEEN ACQUIRED BY	Azalea HEALTH INNOVATIONS
SELL-SIDE	2017	callpointe	HAS BEEN ACQUIRED BY	west
BUY-SIDE	2017	symplr	HAS ACQUIRED	VISTAR
SELL-SIDE	2017	ClockwiseMD	HAS BEEN ACQUIRED BY	DocuTAP
BUY-SIDE	2017	OmniSYS XiFin® Pharmacy Solutions	HAS ACQUIRED	voiceTech

HGP Transaction Experience

Type	Year	Company	Transaction	Counterparty
SELL-SIDE	2017	HIGH LINE HEALTH	HAS BEEN ACQUIRED BY	onecall
SELL-SIDE	2016	essette	HAS BEEN ACQUIRED BY	hms
SELL-SIDE	2016	Array Health	HAS BEEN ACQUIRED BY	GetInsured
BUY-SIDE	2016	ontellus	HAS ACQUIRED	second IMAGE NATIONAL
BUY-SIDE	2016	Lightbeam Health Solutions	HAS ACQUIRED	Browsersoft
BUY-SIDE	2016	symplr	HAS ACQUIRED	cactus SOFTWARE
CAPITAL RAISE	2016	InformedDNA Genetics, Decoded.	RECEIVED FUNDING FROM	Anthem.
SELL-SIDE	2016	docbookMD A Medici Company	HAS BEEN ACQUIRED BY	Sfax
CAPITAL RAISE	2016	Lightbeam Health Solutions	RECEIVED FUNDING FROM	HEARST corporation
CAPITAL RAISE	2016	vivify health	RECEIVED FUNDING FROM	UPMC LIFE CHANGING MEDICINE
BUY-SIDE	2016	Nextech	HAS ACQUIRED	SupraMed Your Practice Connected
SELL-SIDE	2016	Shareable	HAS BEEN ACQUIRED BY	Digital Reasoning
SELL-SIDE	2015	ivantage	HAS BEEN ACQUIRED BY	THE CHARTIS GROUP
SELL-SIDE	2015	clienttell ENTERPRISE-CLASS NOTIFICATIONS	HAS BEEN ACQUIRED BY	west
SELL-SIDE	2015	LWSI	HAS BEEN ACQUIRED BY	Netsmart
CAPITAL RAISE	2015	ClockwiseMD	RECEIVED FUNDING FROM	martin ventures
SELL-SIDE	2015	Med A Modernizing Medicine company	HAS BEEN ACQUIRED BY	ModMed MODERNIZING MEDICINE
CAPITAL RAISE	2015	sentry DATA SYSTEMS	RECEIVED FUNDING FROM	abry partners
BUY-SIDE	2015	symplr	HAS ACQUIRED	CBR Associates
SELL-SIDE	2015	Provider Advantage Innovative Services for Health Care	HAS BEEN ACQUIRED BY	SSI
CAPITAL RAISE	2015	Lightbeam Health Solutions	RECEIVED FUNDING FROM	Strategic Investor
CAPITAL RAISE	2015	Generation Partners	HAS BEEN ACQUIRED BY	ZIRMED INNOVATING CONNECTED HEALTHCARE
SELL-SIDE	2015	HealthUnity	HAS BEEN ACQUIRED BY	zeomega
BUY-SIDE	2015	MERGE	HAS ACQUIRED	DR Systems
CAPITAL RAISE	2015	ontellus	RECEIVED FUNDING FROM	capstreet

HGP Transaction Experience

SELL-SIDE 2015 HSM HAS BEEN ACQUIRED BY Magellan HEALTH	CAPITAL RAISE 2014 Vivify health RECEIVED FUNDING FROM labcorp	SELL-SIDE 2014 Patient Prompt HAS BEEN ACQUIRED BY Stericycle	CAPITAL RAISE 2014 Array Health RECEIVED FUNDING FROM NMP NORO-MOSELEY PARTNERS	CAPITAL RAISE 2014 Livongo by Teladoc Health RECEIVED FUNDING FROM GENERAL CATALYST
BUY-SIDE 2014 symplr HAS ACQUIRED MEDKINETICS	BUY-SIDE 2014 Net Health HAS ACQUIRED ReDoc	SELL-SIDE 2014 healthpost HAS BEEN ACQUIRED BY Advisory Board	CAPITAL RAISE 2014 IMMEDIATE MD QUALITY CARE WHEN YOU NEED IT RECEIVED FUNDING FROM First Trust	CAPITAL RAISE 2013 Livongo by Teladoc Health RECEIVED FUNDING FROM 7wire Ventures
SELL-SIDE 2013 care team connect HAS BEEN ACQUIRED BY Advisory Board	CAPITAL RAISE 2013 Conversio HEALTH RECEIVED FUNDING FROM HERITAGE GROUP	SELL-SIDE 2013 Medibis HAS BEEN ACQUIRED BY The SSI Group, Inc.	SELL-SIDE 2013 Integritas Inc. HAS BEEN ACQUIRED BY Net Health	CAPITAL RAISE 2013 Vivifyhealth RECEIVED FUNDING FROM HERITAGE GROUP
SELL-SIDE 2012 GHN HAS BEEN ACQUIRED BY Greenway Health	BUY-SIDE 2012 HEARST HAS ACQUIRED mcg	BUY-SIDE 2012 HEALTHTECH HOLDINGS, INC. HAS ACQUIRED acuitec	SELL-SIDE 2012 L&S Associates HAS BEEN ACQUIRED BY Human Arc	CAPITAL RAISE 2012 Net Health RECEIVED FUNDING FROM SPECTRUM EQUITY
SELL-SIDE 2012 studymanager Clinical Trial Success HAS BEEN ACQUIRED BY MERGE	SELL-SIDE 2012 gate HAS BEEN ACQUIRED BY SCI SOLUTIONS	CAPITAL RAISE 2012 DocuTAP RECEIVED FUNDING FROM BLUFFPOINT ASSOCIATES	SELL-SIDE 2012 Clinical Coding Solutions HAS BEEN ACQUIRED BY THE T SYSTEM A CorroHealth Solution	SELL-SIDE 2012 OptiLink Division of The Advisory Board Company HAS BEEN ACQUIRED BY KRONOS

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HGP Transaction Experience

SELL-SIDE 2011 MEDDIRECT HAS BEEN ACQUIRED BY MedData	SELL-SIDE 2011 Emergisoft HAS BEEN ACQUIRED BY FORERUN™	BUY-SIDE 2011 nextgen healthcare HAS ACQUIRED ViaTrack SYSTEMS	BUY-SIDE 2011 PROGNOSIS INNOVATION HEALTHCARE HAS ACQUIRED CREATIVE HEALTHCARE SYSTEMS, INC.	SELL-SIDE 2011 INTUITIVE MEDICAL SOFTWARE HAS BEEN ACQUIRED BY endo Pharmaceuticals
SELL-SIDE 2011 OIS HAS BEEN ACQUIRED BY MERGE	BUY-SIDE 2011 nextgen healthcare HAS ACQUIRED cqi solutions	BUY-SIDE 2011 TAYLOR COMMUNICATIONS HAS ACQUIRED Dialog Medical	SELL-SIDE 2011 IntraNexus HAS BEEN ACQUIRED BY nextgen healthcare	CAPITAL RAISE 2011 myhealth direct RECEIVED FUNDING FROM Arboretum VENTURES
CAPITAL RAISE 2011 CARDON HEALTHCARE NETWORK INC RECEIVED FUNDING FROM Serent CAPITAL	BUY-SIDE 2010 SXC Health Solutions, Inc. HAS ACQUIRED AssuranceRX, LLC	BUY-SIDE 2010 SXC Health Solutions, Inc. HAS ACQUIRED MedfusionRx Specialized Pharmacy Services	CAPITAL RAISE 2010 MED SOLUTIONS INTELLIGENT COST MANAGEMENT RECEIVED FUNDING FROM TA ASSOCIATES	SELL-SIDE 2010 fletcherflora Health Care Systems, Inc. HAS BEEN ACQUIRED BY MERGE
SELL-SIDE 2010 Satori Labs INNOVATE. DELIVER. REPEAT. HAS BEEN ACQUIRED BY nextgen healthcare	CAPITAL RAISE 2010 PROGNOSIS INNOVATION HEALTHCARE RECEIVED FUNDING FROM OPENVIEW	BUY-SIDE 2010 MERGE HAS ACQUIRED OLIVIA Greets	BUY-SIDE 2010 MERGE HAS ACQUIRED stryker	SELL-SIDE 2010 DOCUSYS HAS BEEN ACQUIRED BY MERGE
SELL-SIDE 2010 eWebHealth HAS BEEN ACQUIRED BY Hyland	SELL-SIDE 2010 opus HAS BEEN ACQUIRED BY nextgen healthcare	SELL-SIDE 2009 MEDHOST HAS BEEN ACQUIRED BY HEALTHTECH HOLDINGS, INC.	CAPITAL RAISE 2009 myhealth direct RECEIVED FUNDING FROM Chrysalis	BUY-SIDE 2009 TeleTracking HAS ACQUIRED AIONEX Time to make a difference.

HGP Transaction Experience

SELL-SIDE 2009	SELL-SIDE 2009	BUY-SIDE 2009	BUY-SIDE 2009	SELL-SIDE 2009
ANS	IKOE	SXC Health Solutions, Inc.	TeleTracking	eko systems
HAS BEEN ACQUIRED BY	HAS BEEN ACQUIRED BY	HAS ACQUIRED	HAS ACQUIRED	HAS BEEN ACQUIRED BY
inMediata	VARIAN medical systems	JASCORP	Hillrom	MERGE

BUY-SIDE 2008
SXC Health Solutions, Inc.
HAS ACQUIRED
Zynchros