

'A very friendly elephant': Health tech favors partnerships over M&A

Erin Brodwin

2 hours ago



Illustration: Gabriella Turrisi/Axios
Exit Content Preview

It wasn't mergers or acquisitions but partnerships that emerged as one of the biggest undercurrents in the health tech sector in 2022.

Why it matters: It was supposed to be [the year of health tech M&A](#), but instead this year leaders mostly inked softer arrangements amid shaky market conditions and economic instability, *Axios has learned*.

Details: Smaller-scale M&A has slowed, as startups that normally would have moved to merge with or acquire a competitor or complementary business are instead partnering with those entities, several digital health CEOs and industry observers told Axios at HLTH.

- COVID forced more strategic thinking, says Availity CEO Russ Thomas, adding, "There were assets we thought we could buy [before the pandemic] that are now more expensive."
- "I think we'll see a reckoning where big bets don't happen, or happen a lot less," says Steven Wardell, a digital health consultant.

Zoom in: For home lab testing startup Getlabs, those conditions influenced its decision in April to launch Getlabs for Labcorp.

- The arrangement sees diagnostics market dominator Labcorp investing in Getlabs and launching a partnership combining Labcorp's tests with the startup's phlebotomy service.
- "We think of [Labcorp] as a very friendly elephant," Getlabs CEO Kyle Michelson tells Axios. "We're not looking for M&A so much as potential partners."

Yes, and: Cohere Health CEO Siva Namasivayam agrees, adding that he has seen multiple former rival businesses narrow their focus in recent months — to the point where they are no longer competitors, but rather potential partners.

- "The market for organic growth has exploded," he says.

Meanwhile, facing rising demand for behavioral health services, home care management platform MedArrive signed a partnership with virtual-first mental health provider Brave Health.

- The partnership enables both companies to cross-refer members to their respective services.
- "Behavioral health was coming up a lot among our members," says MedArrive CEO Dan Trigub, "so we started bringing Brave into the home to curb mental health-related hospital admissions."

The intrigue: Upmarket players with plenty of cash to spend aren't necessarily knocking down doors to roll up.

- Rushika Fernandopulle, the CIO of One Medical (which bought Iora Health and which [Amazon recently agreed to purchase](#)), cited the value of organic growth over M&A activity.
- "Generally we are building from scratch," he says. "We think it just works better."

 **Our thought bubble:** If and when market conditions improve, we wonder if these partnerships could evolve into full-scale takeovers.

Axios on facebook
Axios on email