Life Sciences Snapshot

A Quarterly Report on Financing Trends

Telehealth Transformation: Innovating Mental Health Care
Q1 2025

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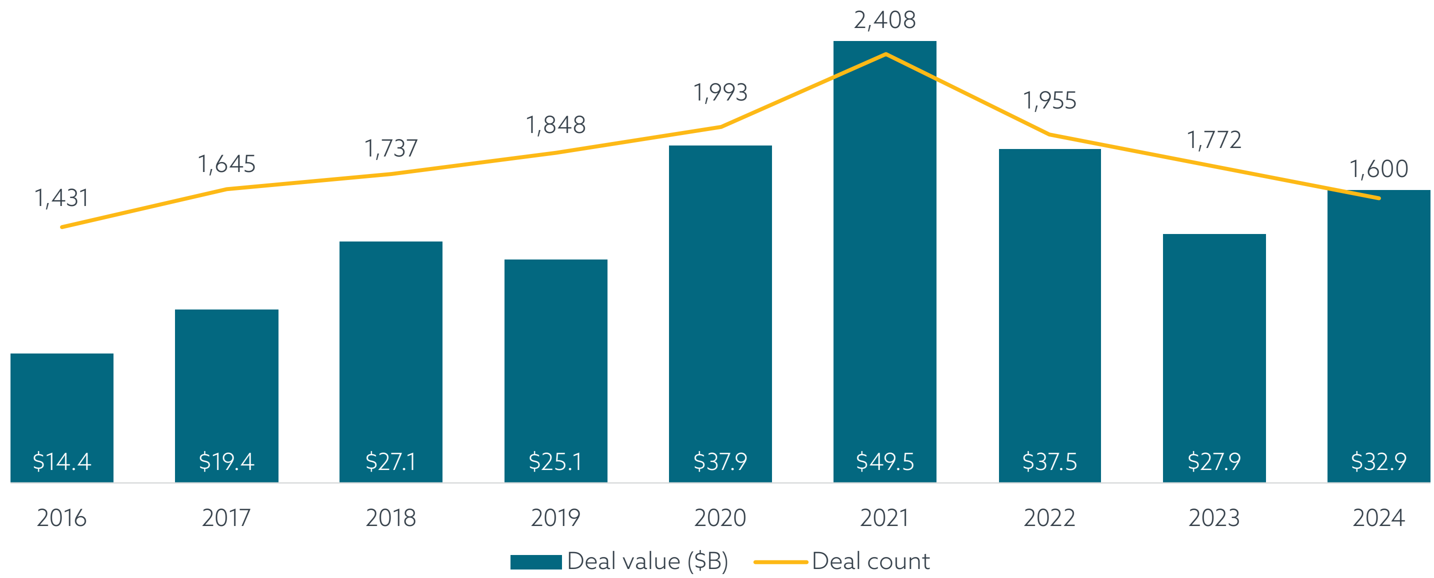
Data provided by

PitchBook®

Key Takeaways

Life sciences VC deal activity



Source: PitchBook • Geography: US
As of December 31, 2024

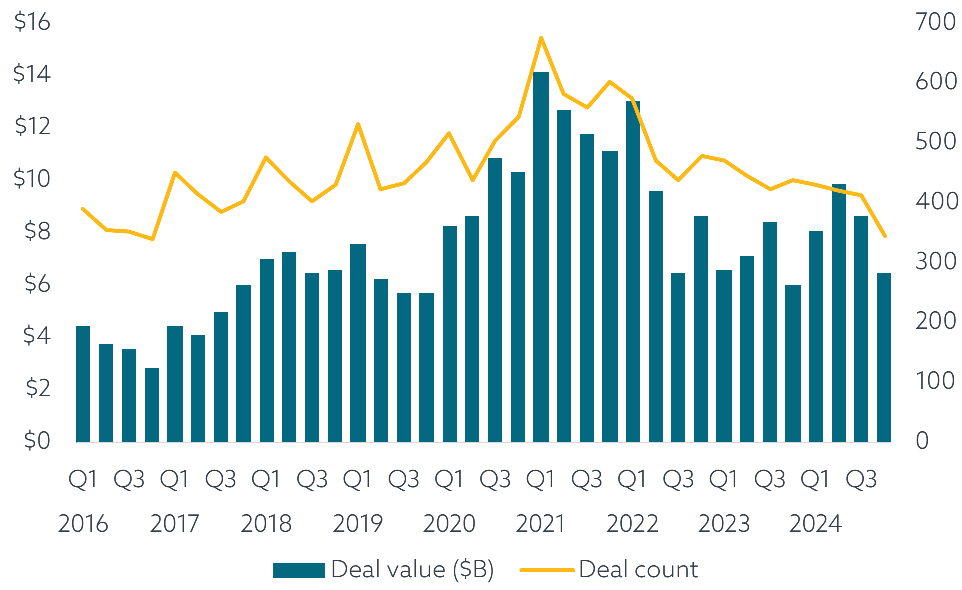
Q4 2024 marked the conclusion of a turnaround year for life sciences venture investment. After two consecutive years of declining activity and macroeconomic uncertainty, the dust has settled, and investment is back on the rise. Key takeaways for Q4 2024 include:

- Deal activity tapered off a bit from $8.6 billion in Q3 2024 to $6.4 billion in Q4, but this did not erase the gains made from major deals closed earlier in the year. Only one of the top 10 largest deals in 2024 closed in Q4, which was Kailera Therapeutics' $400 million Series A—another GLP-1 entrant with ex-China rights to four drugs.
- Valuations continued to see robust growth across all company stages to round out the year, with the pre-seed/seed stage seeing the largest median YoY gain of 50%. The late-stage VC category also saw material growth of 34.7% in this period as select startups approached a more promising exit window.
- Similarly, median check sizes expanded across all stages, with late-stage VC deals showing the largest YoY growth of more than a quarter, highlighting investors' willingness to deploy larger amounts into promising indications and themes such as biotech AI integrations and weight-loss drugs. Concentration of activity within fewer, larger deals is an enduring theme in the industry.
- Exit activity clearly illustrates the more positive tone that emerged in 2024, with a 62.4% YoY rise in cumulative exit value, though exit count fell by 18.6% over the same period. A complete rebound of exit flow remains on the horizon as companies favor valuation outcomes over speed, but investors are still eager for liquidity in the near term. IPO activity exhibited a long-awaited rise in 2024.

Market Analysis

Vital signs are improving for the venture-backed life sciences community. Life sciences VC activity experienced a significant rebound in 2024, with annual deal value reaching nearly $33 billion, a 17.7% YoY increase. This marks the first year of growth in the sector since 2021, signaling renewed investor confidence amid leading breakthroughs entering 2025. On the macroeconomic front, 2024 interest-rate cuts signaled progress against inflation and provided a boost of confidence for dealmakers. Postelection clarity has settled in regarding the direction of legislative and federal department leadership in 2025, though exact appointments and regulatory impacts remain to be seen.

Life sciences VC deal activity by quarter



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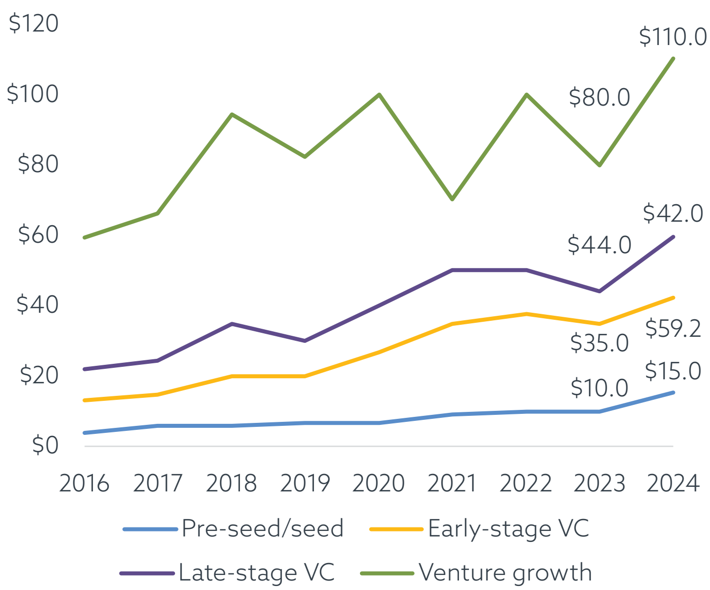
Median life sciences VC pre-money valuation ($M) by stage



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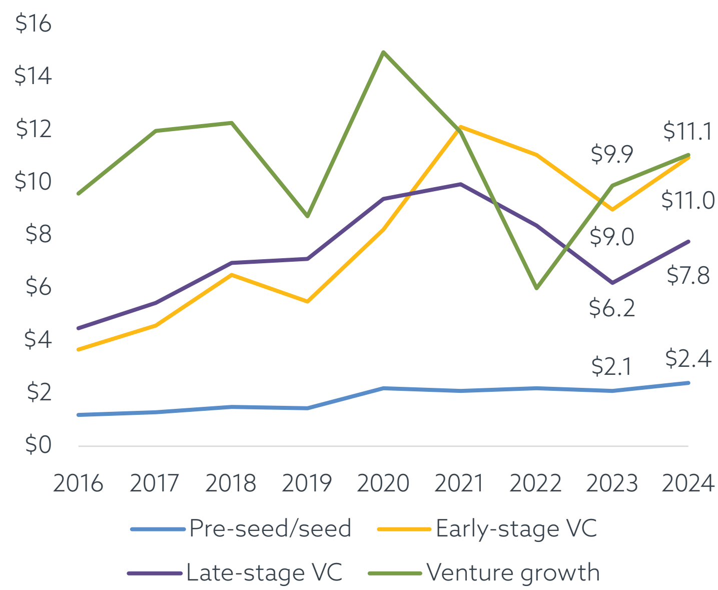
Median life sciences VC deal value ($M) by stage



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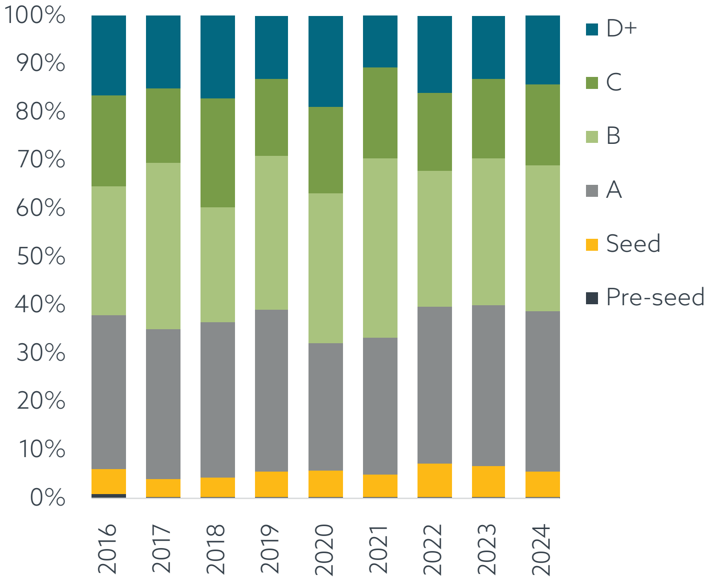
Share of life sciences VC deal value by series



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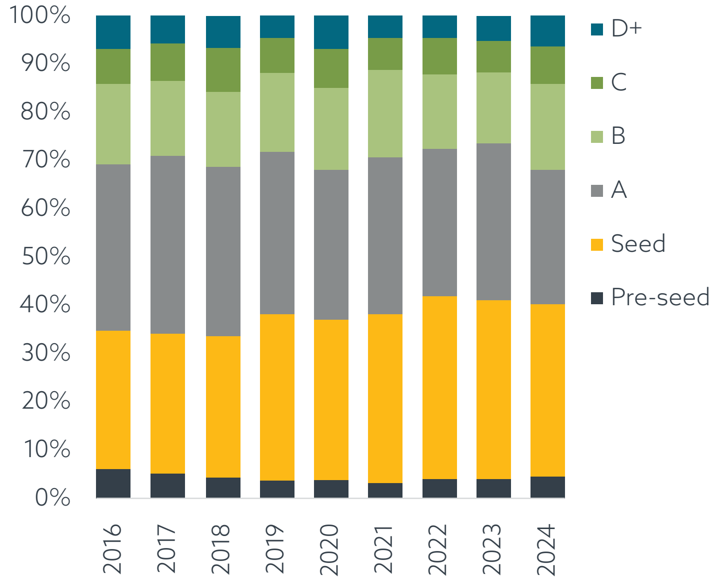
Share of life sciences VC deal count by series



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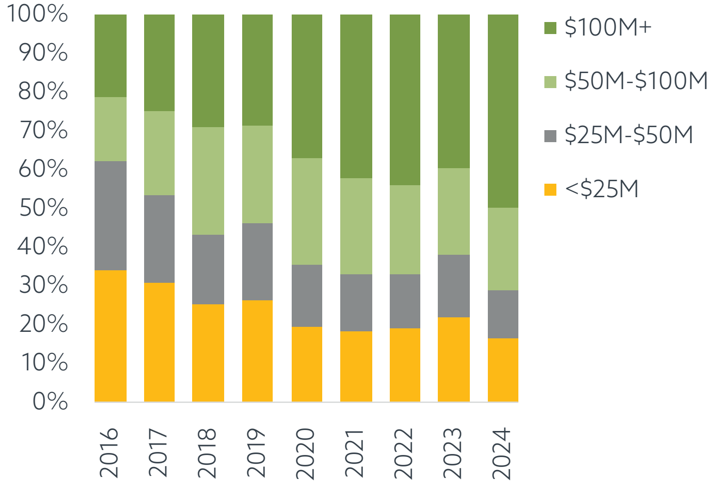
Growth in early-stage valuations reflects increasing competition among investors for earlier opportunities, though valuations in these nascent stages of development could experience material directional changes along the path to market. Investor selectivity is a prevailing theme across the VC ecosystem even as momentum picks up, and activity reflects larger check sizes for a waning crop of startups. Deals over $100 million each accounted for nearly half of total life sciences deal value in 2024, up from just under 40% in 2023.

One major area of focus attracting these larger checks is the use of GLP-1s for weight-loss treatment. This rapidly developing market drove several of the biggest deals in 2024, including a $400 million round raised by Kailera Therapeutics. Ex-China GLP-1 rights and licensing agreements drove outsized VC checks for several players in the US and England as well. In contrast to many other industries, global pharmaceutical firms are experiencing a rise in engagements and out-licensing agreements with Chinese firms due to structural constraints in China and the desire for new growth channels.[1] UBS estimates the global GLP-1 market will reach $126 billion in sales by 2029,[2] with much of the action concentrated in the US, boosting prospects for domestic players. The convergence of these trends and existing high competition in the space indicates that an active pipeline of consolidation and financings for existing leaders is set to carry over into 2025.

Interest in life sciences AI applications remains high, but the pressure is on for specific and tested applications that improve patient outcomes, clinical trial administration, and commercial success, among other functions. Gray areas surrounding privacy and ethics remain risks for the industry's AI integrations, and new regulations are likely to eventually standardize legal treatment of the rapidly growing technology. After more than two years of surging AI investment from VC firms, valuation corrections may be on the way for some players, though companies utilizing specific applications within life sciences are likely more insulated compared with the AI heavyweights currently racing to develop large language models. 7.6% of life sciences deals in 2024 were allocated to companies also operating in the AI vertical, down slightly from 9% in 2023. Major commercial priorities like oncology and healthtech continue to attract sizable investments as well. With colorectal cancer rates on the rise for young people and a newly identified direct link between alcohol consumption and cancer risk,[3, 4] the spotlight remains on improving cancer screening and treatment options.

1: "Out-Licensing Deals Between Chinese Pharma and Global Companies Are Heating Up," Pharmaceutical Executive, Adam Zhang Yu, January 19, 2024.
2: "GLP-1: A Medication Worth $126 Billion in Sales by 2029?" UBS, n.d., accessed January 7, 2025.
3: "Cancer Statistics, 2024," CA: A Cancer Journal for Clinicians, Rebecca L. Siegel, Angela N. Giaquinto, and Ahmedin Jemal, January 17, 2024.
4: "U.S. Surgeon General Issues New Advisory on Link Between Alcohol and Cancer Risk," US Department of Health and Human Services, January 3, 2025.

Share of life sciences VC deal value by size bucket



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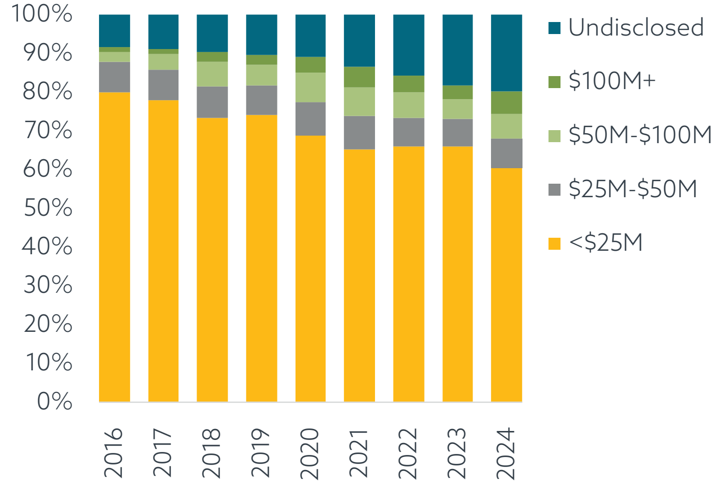
Share of life sciences VC deal count by size bucket



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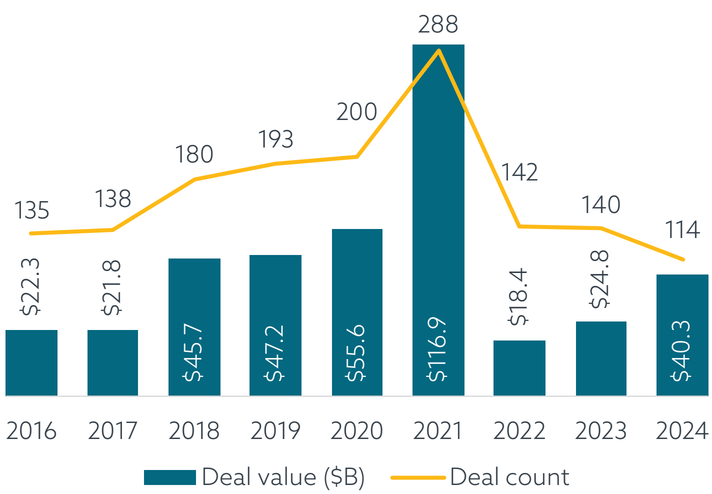
Life sciences VC exit activity



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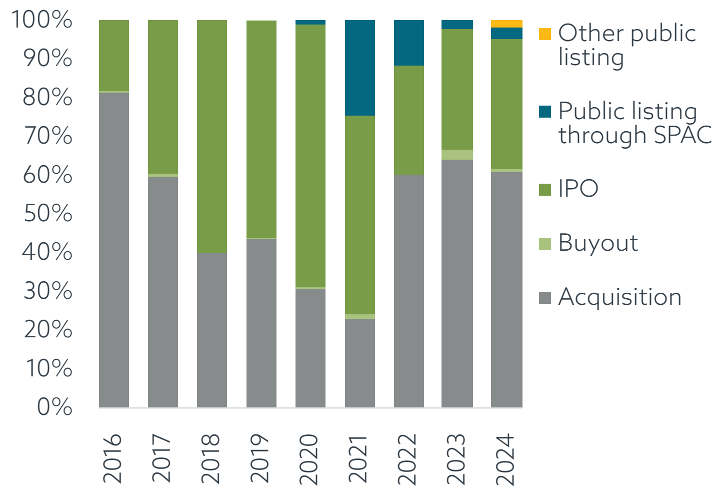
Share of life sciences VC exit value by type



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Exit activity also reflects positive momentum across the space with more than $40 billion closed in 2024, a 62.4% YoY increase. The number of exits dropped to its lowest annual level since 2011, however, with SPAC markets stalled and PE firms slower to close buyouts. Acquisitions from pharmaceutical giants continue to carry overall exit activity. Aliada Therapeutics secured the largest exit in Q4 with a $1.4 billion acquisition by AbbVie, while SystImmune closed the largest exit of 2024 in April with its $8.4 billion acquisition by Bristol Myers Squibb.

IPO activity is back on the rise with 25 debuts in 2024, up from 20 in 2023. Though just a few more IPOs closed in 2024 compared with 2023, 2024's selective group of listings generated a 75.4% higher collective value compared with 2023's cohort, suggesting a long-awaited resumption in public listing activity can be expected in 2025.

Roundtable

INTRODUCTION

Telehealth is reshaping mental healthcare, addressing critical needs like geriatric care and alternative therapies while navigating regulatory, operational, and privacy challenges. This discussion examines the evolving landscape, payer dynamics, and regulatory shifts, offering strategies to adapt and seize emerging opportunities.

Panel

Contributors

Dr. Raghu Appasani
Addiction Psychiatrist,
Co-Founder & CMO,
Ginko Labs

Neelam Brar
Founder & CEO,
Total Life

Kris Engskov
Co-Founder & CEO,
Rippl

Preeti Krishnan
Founder & CEO,
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Jeremy Sherer
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Thora Johnson
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of Life Sciences and
Healthtech Group,
Orrick

Neel Lilani
Global Head of
Tech Clients,
Orrick

Jeremy Sherer: How can virtual care address mental health needs in geriatric populations?

Let's start with the intersection of virtual care and geriatric mental health. Kris, since Rippl specializes in dementia care, what are you seeing in terms of both the challenges and opportunities for telehealth in this space?

Kris Engskov: Historically, dementia care has been tied to in-person visits, but we've seen firsthand that virtual care is not only feasible but, in many cases, preferable. Telehealth allows us to expand access, particularly in rural areas where geriatric mental health services are scarce.

Many assume that older adults are resistant to virtual care, but the reality is different. They may not initiate care on their own, but they are far more likely to engage when they can do so privately from home. In fact, what we've found is that engagement is highest when telehealth is integrated into the patient-caregiver dynamic.

At Rippl, we treat a dyad—meaning both the patient and their caregiver. This is essential because dementia doesn't just impact the individual; it deeply affects families. Virtual care has made it easier to support both parties, providing structured guidance and ongoing engagement.

Thora Johnson: That's fascinating. What's the biggest challenge you've encountered in making this model work?

Kris Engskov: The biggest hurdle is changing perceptions. Many still believe dementia care can only be delivered in person. While it's true that some aspects of care require physical presence, much of what we do—assessment, behavioral interventions, caregiver education—works extremely well virtually.

AI is also a big part of the equation. If we can use AI to automate scheduling, documentation, and patient assessments, we free up clinicians to focus on what really matters—building trust and delivering care.

Preeti Krishnan: That's exactly the point. Telehealth can unlock massive efficiencies, but only if we implement AI in ways that actually reduce clinician workload rather than adding new administrative burdens.

Jeremy Sherer: How can AI tools improve efficiency and reduce clinician burnout? Let's talk more about AI. Preeti, you've worked extensively on AI-driven efficiencies in healthcare. What's your take on how AI is—or isn't—helping?

Preeti Krishnan: AI has the potential to transform care delivery, but there's a fine line between using it as a support tool and as a replacement for human interaction—which is where some companies have gone wrong.

For example, AI-powered documentation tools can significantly cut down on paperwork, allowing clinicians to spend more time with patients. But if AI is deployed in a way that adds complexity—forcing providers to learn new workflows or manually validate automated entries—it creates friction instead of relief.

The best AI solutions work is in the background. If we can cut a clinician's documentation time from two hours to ten minutes, that's a real improvement. But if the AI system is clunky and requires constant corrections, it just increases frustration.

Dr. Raghu Appasani: I completely agree. AI-powered note-taking has been a game-changer in my practice. I use a system that records sessions, extracts key points, and preps summaries for my next appointment. It's saving me double-digit hours per week, which means I can spend that time where it really matters—talking to my patients.

AI has also been hugely beneficial in handling insurance paperwork, patient communications, and administrative tasks. These are necessary functions, but they don't require a psychiatrist's direct involvement. Automating them helps reduce burnout and increases efficiency.

Neelam Brar: And that's just one piece of the puzzle. Licensing, credentialing, and billing are massive barriers for clinicians in telehealth. At Total Life, we take care of all of that—so that providers can focus entirely on care delivery.

We've also had to rethink how care is delivered effectively virtually. Many older adults don't have access to smart devices plus some folks aren't comfortable using video conferencing—so we've expanded our offering to include audio-only telehealth sessions. This makes behavioral health services accessible to those who might otherwise be excluded from digital care.

Jeremy Sherer: That's an important consideration. It's not just about what technology can do—it's about how people actually interact with it.

Thora Johnson: How can behavioral health be better integrated with primary care?

Dr. Raghu Appasani: One of the biggest problems in mental health care is that it's treated separately from primary care, even though conditions like depression and anxiety are deeply linked to chronic illnesses.

The Collaborative Care Model at the University of Washington is a great example of how we can integrate these services. Behavioral health specialists provide real-time support to primary care doctors, allowing them to address mental health concerns within their existing practice rather than referring patients out.

Neelam Brar: This is especially important for older adults. Many see multiple specialists, but their mental health is often overlooked.

For example, depression is common in patients with chronic illnesses, yet it frequently goes undiagnosed. By embedding our Total Life behavioral health services into primary care workflows, we ensure that mental health concerns don't fall through the cracks.

We also provide education for primary care providers, helping them recognize signs of mental health conditions earlier so they can refer patients to therapy and provide timely interventions to support them early.

Jeremy Sherer: What regulatory changes would help telehealth and mental health innovation?

Dr. Raghu Appasani: Licensing remains a huge issue. If a patient moves to another state, they often lose access to their provider because that clinician isn't licensed there.

A national licensing framework for telehealth providers would eliminate these disruptions and improve continuity of care.

Neelam Brar: Reimbursement policies are also holding us back. While some insurers cover teletherapy up to 100%, others levy hefty copays which can often be an impediment for patients. At Total Life, we prioritize verifying coverage upfront so patients can access support without financial anxiety.

We need consistent reimbursement policies so all patients can have access to much needed support no matter their insurance.

Preeti Krishnan: AI-driven mental health tools face unclear regulations as well. Many align with existing CPT codes for remote monitoring, but insurers don't always reimburse for them.

Kris Engskov: And let's not forget the Drug Enforcement Administration (DEA)'s shifting policies on telehealth prescriptions. The constant regulatory changes around controlled substance prescriptions disrupt care and create uncertainty for providers.

Jeremy Sherer: It sounds like the common theme is regulatory consistency—whether it's licensing, reimbursement, or prescribing rules. Without it, providers and companies can't plan for long-term growth.

Jeremy Sherer: What's happening with M&A and consolidation in behavioral health? Shifting gears, let's talk about financing trends and consolidation in behavioral health. The market has seen a wave of investment in telehealth and digital health over the last few years, but now, many companies are facing capital constraints. What's the outlook for M&A and roll-ups in this space?

Dr. Raghu Appasani: We're seeing significant private equity (PE) investment in behavioral health, particularly in treatment centers. While consolidation can standardize care and create efficiencies, there's also a risk that financial metrics become the driving factor rather than patient outcomes.

One challenge is clinician retention—when PE-backed firms acquire multiple behavioral health providers, there's often an increase in clinician burnout due to operational pressures. If consolidation doesn't prioritize provider well-being, patient care will suffer.

Preeti Krishnan: We're also seeing consolidation in mental health technology. Over the last decade, there's been an explosion of point solutions—standalone tools addressing specific problems like billing, scheduling, or patient engagement.

Now, the trend is shifting toward integrated platforms. Companies are acquiring or merging with complementary solutions to provide end-to-end services—from administrative support to clinical workflows. This is especially important in behavioral health, where fragmented systems make care coordination challenging.

Neelam Brar: Behavioral health is also becoming more specialized. Generalist platforms that try to serve all populations are struggling, while companies that focus on specific demographics—such as seniors, children, or niche mental health conditions—are gaining traction.

We've seen a wave of strategic partnerships where healthtech companies are aligning with traditional healthcare providers rather than going fully independent. That allows for better integration with existing care models while still leveraging digital tools. Doctors and patients don't want multiple point solutions, and we solve this with our comprehensive platform for healthier aging encompassing the 5 pillars of longevity.

Kris Engskov: The biggest driver of consolidation right now is reimbursement pressure. As payers become more selective about which virtual services they reimburse, companies that can demonstrate strong clinical outcomes and cost efficiency will be best positioned for growth.

Jeremy Sherer: So it sounds like we're moving into an era where scale and specialization are key. Smaller companies will likely merge or be acquired, while those that deliver tangible value to payers, providers, and patients will have staying power.

Neel Lilani: Thank you so much, everyone. We deeply appreciate the time and the perspectives.