Capsule

State Of The Market:

A Deep-Dive Discussion On Digital Health In 2025

Next-level thinking
for scale up businesses

Of all the global economy's areas of strength, Digital Health feels an area uniquely positioned to positively contribute to a much-needed growth story. Funding in 2025 is on track to exceed 2024 totals, with investment gravitating towards businesses with robust long-term plans and proof of output. While there was a strong focus on AI, there were accolades of other drivers including online prescribing, medical software, virtual scribes, as well as specific therapeutic areas like weight loss and mental health.

Here to help us unpack it all is **Ellie Saunders**, Head of Healthcare and Life Science at **CFC**. Ellie Saunders brings deep expertise in healthcare insurance, developed over years of working across diverse markets in the UK and North America – offering rich insights into the current state of play that we can all learn from.

She sat down with our own **Zara Kennedy**, Head of MedTech & Biotech at Capsule, for an in-depth discussion and to answer some key questions on 2025's trends. There's plenty of valuable insights for founders and scale-ups around future market shifts and practical strategies to manage evolving risk profiles, too.

What subsectors within Digital Health have stood out so far in terms of growth or innovation, Ellie?

If you asked me what's been making waves lately, AI would be the obvious answer, however, it's become so embedded within operational models and so is less of a standalone sector, rather more a powerful layer enhancing everything else. This aside, there are two areas that have really stood out over the past year.

Firstly, the weight loss and GLP-1 segment. This area has exploded, largely thanks to the tailwind of massive demands and success in outcomes that we saw throughout 2024, however the growth continues with new innovations on the horizon.

With that growth has brought a lot of attention – some good, some not so good. Regulators are now taking a closer look at how weight loss treatments are being advertised, manufactured, and prescribed, especially when it involves compounding. A big part of the growth story here has been the rise of remote care though - being able to prescribe online has made these models incredibly scalable.

The second big mover is medical software that boosts operational efficiency. We're seeing a lot of momentum around tools that help with workflow management and triaging in clinics. There's clearly more trust now in what these tools can deliver, and that's largely down to how fast AI has evolved. Whether it's image generation, predictive chat, disease detection, drug development, or even just streamlining admin tasks, AI is helping clinicians focus on what really matters: patient care.

With investors and vendors paying close attention to who's using these tools effectively, those companies that are slow to adopt AI or are unwilling to adapt may risk falling off their radar.

As Rock Health recently reported too, it's apparent that clinical workflow startups are pulling in a big chunk of the funding right now. Echoing this shift, at CFC, we're seeing more and more startups building AI into their models in some way or another.

Do you think FemTech is still growing at pace, or are there too many players?

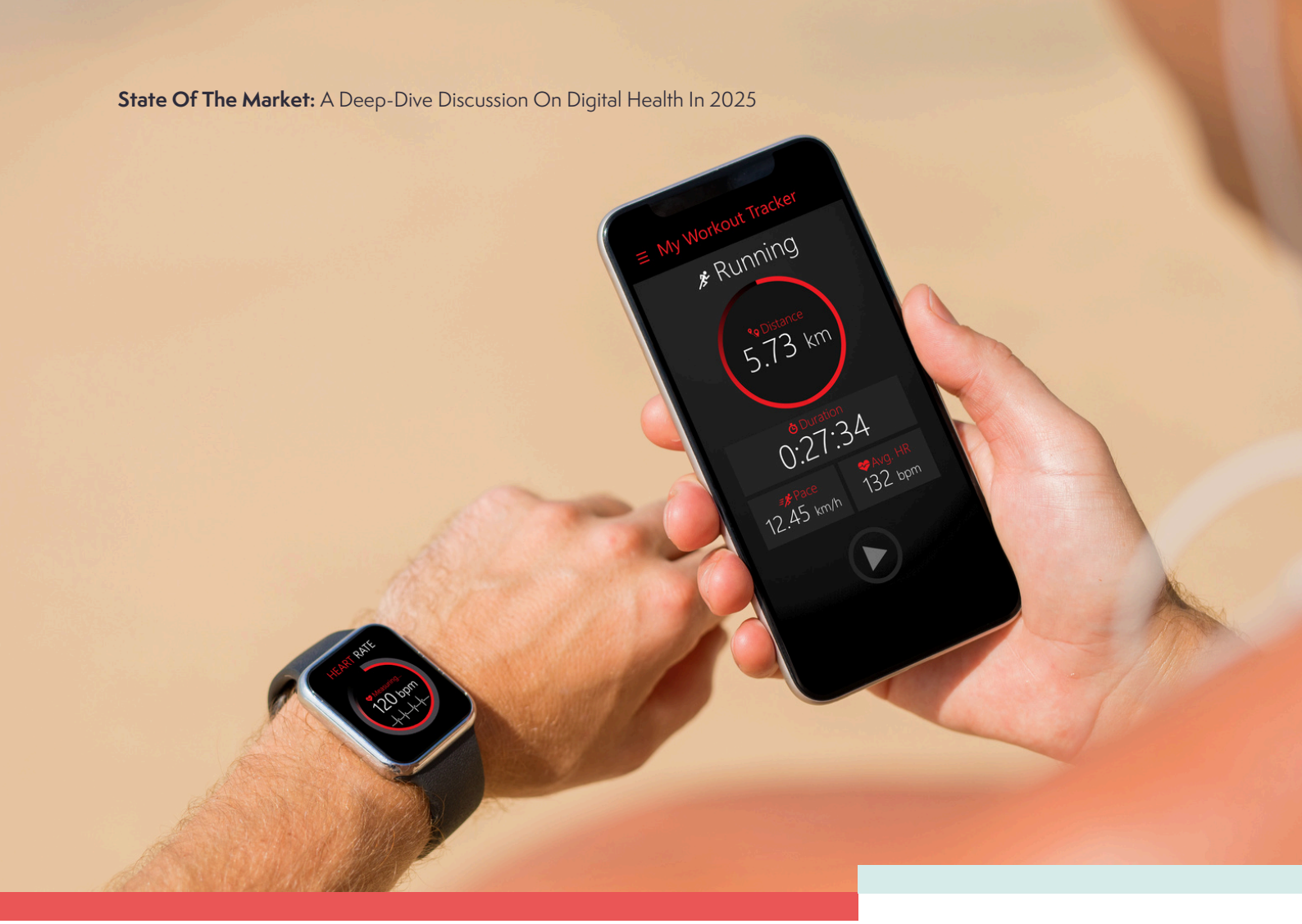
I wouldn't say there are too many players – if anything this would encourage growth and incentivize new businesses in the space. There is so much to women's health, and so much of it remains in the dark when it comes to medicine – or remained until more recently. The fact that women have only been involved in trials for the last 30 years shows just how much more research is needed in the space to fully understand it. It's an exciting space really, as more opportunities unfold, for businesses to make an impact. Through the accessibility of digital tools and AI to collect personalised data points, general understanding across the space is certainly gaining depth. And investors are acknowledging this. Women are typically working longer too, and so fertility therapies and other perimenopause-related health matters are becoming more prevalent. It's a space to watch for sure as we enter the next era of FemTech.

Any surprises, green shoots, or signs of renewed investor confidence you've seen so far this year in the Digital Health space?

There have certainly been signs of improved investor confidence across the space, with funding gravitating towards those businesses with robust long-term plans and proof of output. These areas naturally include the AI-based efficiency tools that can be deployed across a multitude of channels and present scalable growth opportunities.

Within the same realm includes the more recent excitement of virtual scribes that are really gaining momentum in adoption. Some of which need further development to become fully scalable, however, the space as a whole presents huge promise and efficiency savings for the industry.

To add to this, biometrics, biomarkers and personalised medicine could certainly be the next big hype where AI can accelerate development; most people these days have some form of app or device that track their health metrics, feeding more data to the ecosystem each day. The more of these data points we unlock, or provide platforms access to, the more comprehensive our health analysis becomes. Personalised medicine is the future of how clinical care should be delivered – or even avoided for that matter – and thus a promising segment for investors.



Facilitating expansion and innovation.

What's your take on founders expanding into the US for profitability?

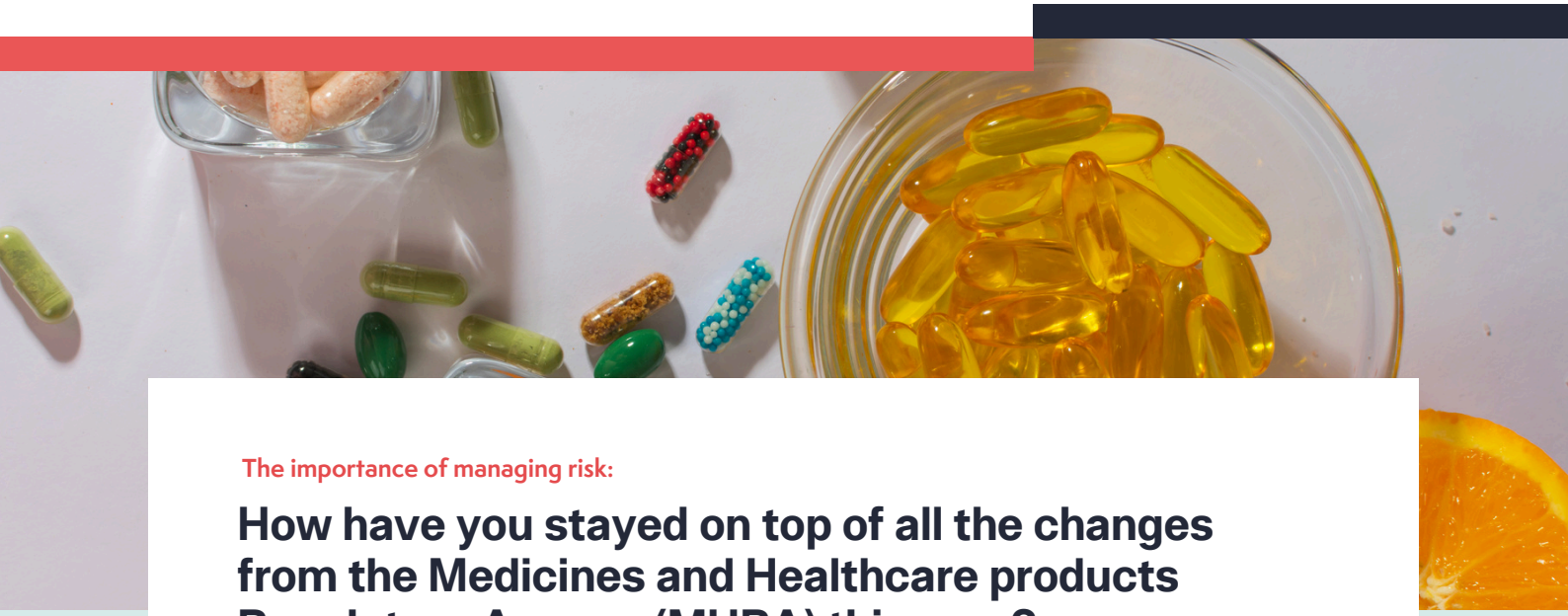
From an underwriting perspective, businesses that prioritise patient health and outcomes inspire more confidence, over profitability. But looking at it commercially, the growth potential is huge in the US, given the sheer population size and diversity – especially if you can target specific population groups. That's not just about profitability; it's about improving access to care and reducing inequalities.

The challenge is that the US market is saturated with big players and complex systems to navigate, as well as geopolitical factors that make it even harder to break in. Investors right now tend to favour established platforms or those showing real promise – so for pure startups, it's tough unless they've got their own capital to get off the ground.

When we assess opportunities, we're looking for growth driven by patient needs – serving underserved populations or improving how care is delivered - not just chasing profit, but I can see the pull.

How do you see insurance playing a role in supporting startup innovation and scalability?

Insurance is fundamentally a risk management solution, which is a facilitator for sustainable growth and innovation. Something that may be too financially risky for a business to take on will unlikely happen without the assurance that they'll be financially supported in the event of failure. In Digital Health, tailored insurance products are essential for managing unique risks and fostering innovation. In addition, those businesses who adopt proactive solutions to improve their overall risk profile, by partnering with specialist insurers, make them a more attractive investment. However, insurance must keep evolving to stay ahead of these emerging exposures and ensure adequate protection is in place – there is a great amount of trust businesses put in their insurance partners, which is imperative for the space to grow.



The importance of managing risk:

How have you stayed on top of all the changes from the Medicines and Healthcare products Regulatory Agency (MHRA) this year?

As an emerging risk insurer, it is fundamental that we stay current on any market trend or regulatory changes – particularly since many of our insured companies have a global footprint. The MHRA changes that pertain to medical device post-market surveillance and clinical trial protocols are certainly on the radar, alongside the public health emergency waivers in the US and AI reform/acts globally, since these shape our products and what they are built to protect.

Take digital health – with changes to the regulatory framework and licensure requirements of both software tools built for healthcare and doctors themselves providing remote consultations into new territories, we built in a coverage specific to these regulatory and licensure complexities. We have a global team of 40 underwriters that are dedicated to the Healthcare and Life Sciences space – all eager to build the insurance solutions for tomorrow.

AI certainly seems to be having a big moment in the Digital Health space. How are insurers viewing AI-related risks now?

Digital health encompasses the whole continuum of healthcare and life science when it comes to technology, and we've certainly witnessed how AI continues to reshape and improve efficiencies across both verticals. When considering clinical care, AI has shown to improve both speed and delivery of patient care, improving trust in output for facilities and providers. It is, however, an industry where there has been a slight hesitancy in utilisation too, from end consumers and patients, owing to the nature of functionality and type of data that is collected. And, from the developers, there is also much more at stake when considering diagnostics.

Our bespoke product was built specifically for the digital health industry and so tailored to incorporate the unique exposures that arise with technology tools and solutions delivered in healthcare. There has been a grey area, however, when it comes to 'AI coverage' and what this actually means.

Traditional insurance policies may not respond to errors that involve AI – perhaps a hallucination in the technology or a flaw in the underlying algorithm. Yet we're seeing a shift in the market that is re-shaping the narrative – some insurers are hesitant to provide cover, with others applying affirmative language case by case. For us, whilst coverage for AI-related threats was intended within our digital healthcare product, we've recently bolstered this intent with affirmative language that ties not just to cyber-associated risk, but also to technology errors and omissions and professional services.

The huge increase in the GLP-1 market triggered regulatory changes to improve safety this year. What impact has this had on the insurance market?

The weight loss and GLP-1 space was front and centre in the news for a very long period over 2024 – massively gaining attention of the regulators. You couldn't turn a blind eye even if you tried with the amount of media attention it gained. A space that perhaps slipped under the radar boomed overnight (well, over the course of the year).

There has been much volatility in the market for weight loss providers and manufacturers – drugs being listed on the shortage list, resulting in an increase in compounding requests, and then being removed, raising IP-related concerns and matters from the giants. Additionally, there have been some geographies, such as Australia, applying heavier guardrails and restrictions of compounded variants more broadly, with some imparting rigorous prescription protocol requirements and others taking a rather more flexible approach.

Some regions allow prescriptions to be filed through basic questionnaires, without a full video and audio consultation creating an incredibly complex regulatory landscape to navigate.

The insurance market, specifically, was in a bit of a flux owing to these changes. Some insurers have been imposing exclusions for non-FDA prescriptions, others excluding age-related prescriptions, and others displaying a much more lenient approach to the market. The dust is certainly settling, and insurers are finding their feet in terms of what their comfort level is with the space and where appropriate premiums can be achieved.

Intellectual property remains a key focus for the Digital Health sector, specifically in the Biotech space. Have you seen this reflected in the claims market?

IP risk in Life Sciences is a big topic. Whether it's a trademark, patented formula or algorithm, these businesses face real exposure to infringement. And with AI now embedded everywhere, such as large language models and predictive chat, the question of who owns the output is still up for debate. Is it the developer, the person who wrote the prompt, or the AI itself? So, ultimately, whose asset or intellectual property is at risk?

In Life Sciences, AI is being used to accelerate drug development, design products, and even centralise trials, so the exposures to infringement are only growing. In fact, in our Digital Health analysis earlier this year, about a third of notifications were IP related – which includes Biotechs.

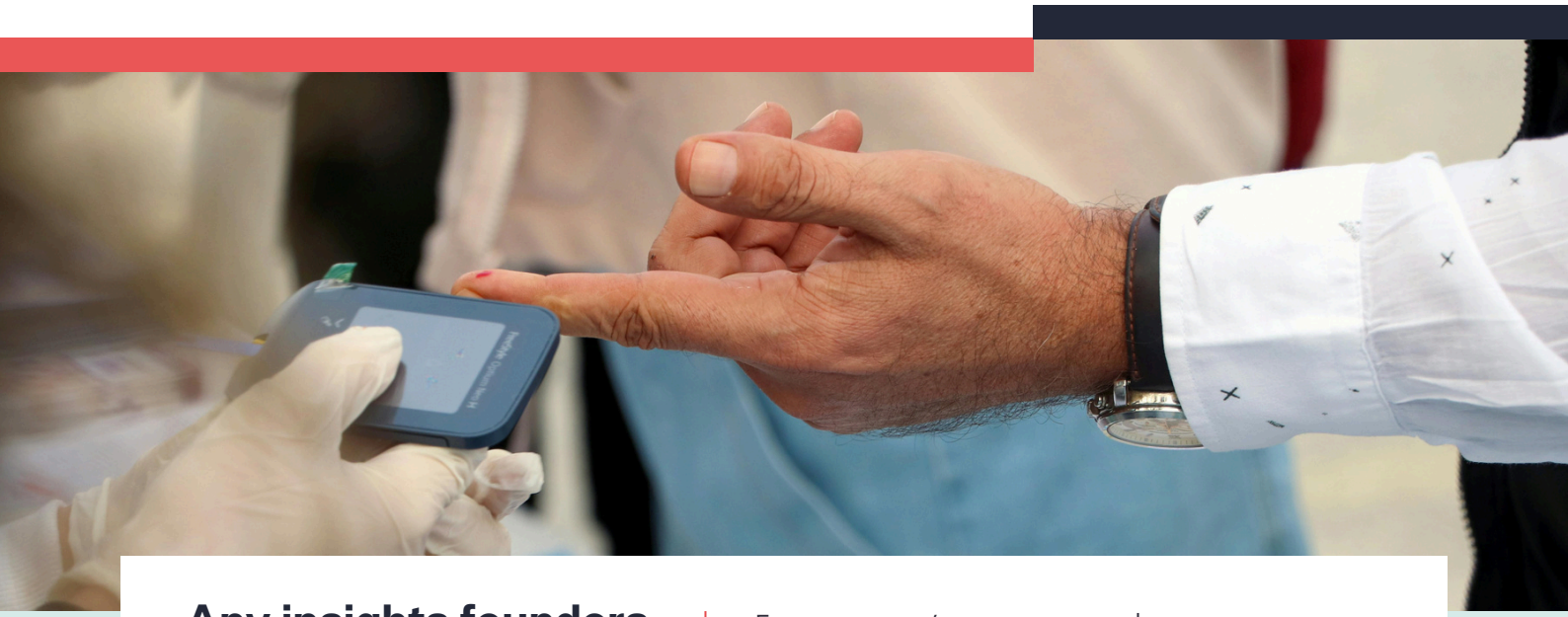
We have our standalone IP product here too now, which has been tailored to cover a wide range of exposures tied to trademarks and patents. Policy count has grown month by month, which is a clear indicator of the increase in awareness of risk. Or perhaps even litigation.

What does the future hold?

The NHS has released their 10-year plan with a large focus on Digital Health. What impact do you think this will have on UK innovation?

Any governmental plan that includes the use of emerging tools should enhance innovation, yes. However, could it also encourage businesses to attempt to scale quicker in a less controllable manner, potentially posing a threat to patient data or the quality of care provided? Also, yes.

That's why it's so important that these developers collaborate with specialists in the field. They must ensure they have robust infrastructure to support their growth and adequate quality assurance procedures in place. Doing so makes sure the tools that commercialise or have the responsibility of providing clinical guidance are effective, reliable, ethical and safe – elements that investors are looking out for too.



Any insights founders or scale-ups should consider to manage their risk profile?

Insurance is far more than just numbers on a page – it should be seen as a core component to a business's risk management strategy. Increasingly, insurers are offering added-value services to help clients manage their exposures more effectively. These include advisory hotlines, proactive scanning and incident response tools as well as regular risk reviews.

For startups, it's important to choose an insurance partner that doesn't hinge entirely on price, but more one that adapts to the environment as it grows. Partnering with specialist insurers in the field with historical expertise, claims experience, a deep understanding of the space, and one that responds to the market trends with product updates, will be important for managing emerging risks, as well as those unknown exposures down the line.

That said, I'm not an advisor – just someone who believes in the value of the product we've developed for this space.

What's on your immediate radar for 2026? Any market shifts you think brokers and clients should prepare for now?

Beyond the current geopolitical challenges affecting the digital healthcare market and access to remote services, it's not 'new' news that there has been a noticeable shift in investment away from traditional brick-and-mortar facilities. With funding being increasingly directed towards tech-enabled and virtual-first business models, embracing this shift is becoming essential - those that don't adapt risk a gradual decline or even closure.

Even health systems, which have historically been slow to adopt AI, are now making significant strides in upgrading their technology infrastructure. As AI integration becomes a necessity rather than a luxury, systems must evolve to remain relevant. The growing accessibility and usability of AI – such as tools that generate common language instead of code – makes it easier for non-technical users to engage with these technologies. Healthcare providers must now consider including such tools to deliver more streamlined and comprehensive care, ultimately become digital healthcare providers themselves.

There is no denying it, AI's role in health data is transformative. It enables a holistic view of an individual's health, identifying risks and recommending preventative measures. With access to a wide range of data points, AI can generate meaningful, personalised insights that evolve over time as more data becomes available.

However, this progress brings increased scrutiny around data collection, consent, and regulatory compliance. Organisations that implement robust, transparent data governance frameworks – and can clearly demonstrate them – will be more attractive to both investors and insurers. Equally important is the ability to showcase high-quality, adaptable AI models that deliver accurate results and evolve with new data. This adaptability signals a sustainable, future-ready business model.

While the US remains a dominant force in Digital Health, other regions are gaining momentum. Australia, the UK, Denmark, and Ireland are emerging as strong players. Notably, Australia has seen a 39% increase in premium compared to 2024, with consistent month-on-month growth in client numbers – likely supported by favourable local regulations and policies.

Capsule

Scaling up?
Double down on dynamic insurance

The demand from both patients and medical organisations for Digital Health innovation is clear as day. But while inspiring strides are being taken, they must be made in a controllable way that doesn't sidestep risks in the race to scale quicker.

For an insurance broker that can maintain pace with your growth, look no further than Capsule.

Our specialist team keeps tabs on your movements – whether you're looking to expand into new markets, offer new products, or bring in new key personnel – staying one step ahead of the risks so you can focus on the opportunities.

If you're getting ready to scale, let's talk.