

Healthcare Is Nearing a Breaking Point

AI Alone Won't Save Us, Tech-Enabled Services Will

By Lee Shapiro and Eric Shan
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Chronic disease has risen steadily over the past decade in America, with 194 million American adults living with at least one chronic condition and with chronic disease and mental health conditions now accounting for 90% of healthcare spend. This problem is only expected to get worse: Chronic disease rates are expected to nearly double by 2050 for adults over 50.

However, the system that is supposed to treat and manage these conditions is under duress. U.S. healthcare is losing workers (and not replacing or training new ones at a sufficient pace), struggling with the growing lack of affordability and continuing to face gaps in access.

Amidst this crisis, technological innovation has claimed to solve many of the problems in healthcare, from AI scribes addressing provider burnout to chatbots that make medical information universally accessible to remote patient monitoring solutions that have 24/7 eyes on a patient.

As investors at 7wire Ventures, we've seen thousands of these digital health solutions over the years. We've learned that that software alone won't fix the challenges of this broken system. Rather, what healthcare needs most are tech-enabled services — companies that strengthen human-delivered care with technology to extend their capabilities and



drive improved outcomes at lower costs. These are the companies best prepared to address the disease burden and headwinds fueling healthcare's challenges.

Yet we are in a funding landscape that isn't prioritizing these companies. U.S. digital health companies have seen a meaningful rise in funding lately, with \$14.2 billion raised in 2025 and \$4.0 billion in Q1 2026 alone, according to Rock Health, the San Francisco-based digital health venture capital firm. However, the majority of this funding — 54% — has been captured by AI-enabled companies, a share that only continues to grow.



While we are excited about the rapidity of AI software advances, we still see the most opportunity in pairing that technology with services anchored in consumer engagement and trust. It's this approach that will solve the structural headwinds facing healthcare.

There are multiple advantages that tech-enabled services companies have that allow them to serve this purpose. By leveraging rising telehealth adoption, sometimes in conjunction with in-person care, these companies broaden how patients can receive care. What might have taken months or weeks previously to get diagnosed or prescribed can now happen in a matter of days or hours.

For example, one company we work with delivers digital care for the LGBTQIA+ community. Ninety-five percent of their members lacked access to a LGBTQIA+ competent provider before joining the platform. Engagement with the platform drove a 39% increase in quality of life.

In addition, virtual experiences unlock comprehensive, longitudinal care through the integration of novel touch points throughout the care journey — from automated provider texting to virtual ad-hoc engagement with health coaches to at-home testing and diagnosis. Patients aren't limited to just a doctor's appointment but rather receive sustained and continuous care for better outcomes.

One leading home care provider offers at-home care for consumers with multiple chronic conditions. As a result of their comprehensive care model where physicians, nurses and other healthcare providers deliver regularly scheduled and on-demand

touchpoints over the course of a member's journey, the company has been able to reduce hospitalizations by 35% and emergency room admissions by 44%.

Tech-enabled services companies don't just address the consumer side. They address provider needs as well. By giving providers tools for documentation, billing, care planning and more, technology is helping them practice at the top of both their license as well as their capacity. By designing workflows with this technology in mind, these companies make it easy for providers to adopt these innovations, leading to increased ability to take on larger panels of patients and make the care of each patient incrementally more affordable.

Another well-known women's health platform introduced an AI orchestration platform in 2026 to broadly support care delivery, including provider workflows. This represents a doubling down on AI for the company, which has already seen a 30% decrease in documentation time post-appointment through the use of AI.

Not only are these companies able to drive better outcomes, but they are also increasingly able to measure and validate that ROI as well. Companies are now increasingly looking to third-party resources or conducting their own independent studies to estimate the impact they drive, creating more compelling narratives for the health plans and self-funded employers many of them serve.

Another company we work with delivers comprehensive autoimmune care, and it leaned on independent actuarial analyses to show a four-times ROI for its customers — driven by a 71% reduction in imaging studies, 64% reduction in ER visits, and

38% reduction in inpatient stays. This type of analytical rigor is something the broader industry is paying attention to as well. The Duke-Margolis Institute for Health Policy recently published its Health Value-Evidence Quality Framework, which outlines the four stages of evidence strength when healthcare companies make claims around their ability to deliver value.

All of this is rapidly being accelerated by AI. The technology will drastically improve the unit economics for these companies, enabling them to garner better rates from payers through improved outcomes while also lowering costs for both care delivery and the back-office operations of running the business. As such, AI will enable tech-enabled services advantages to compound further.

Healthcare is moving quickly towards a breaking point, but a clear path forward is emerging through tech-enabled services. This next generation of healthcare companies won't be defined by the sophistication of their tech stack but rather by their ability to integrate technology into the actual delivery of care to generate improved outcomes, expand access, empower providers, and take on economic accountability for doing all of the above.

Only with these aligned incentives across patient, provider, payer and policy will we be able to address the systemic challenges in healthcare. This is where our industry should be prioritizing our efforts and resources.

AUTHORS



Lee Shapiro is Partner at 7wire Ventures, an investment firm he co-founded over a decade ago. He also served as Chief Financial Officer of Livongo Health [NASDAQ:LVGO] until November 2020. Previously he was President of Allscripts [NASDAQ:M-DRX] from 2001 until the end of 2012. His leadership was integral in the execution of over \$4B in mergers, acquisitions, and financings. His responsibilities included the company's strategy, international operations, business development and partnerships, legal, government relations and health plan initiatives.

Prior to stepping in as CFO of Livongo and leading its 2019 IPO, Lee served on the board of the company since its launch, chaired the audit committee, and served as a member of its compensation committee. During his tenure as CFO, Livongo also had a successful secondary offering, raised \$550M in convertible debt and entered into an agreement to merge at the highest valuation, \$18.5B, of any healthcare technology company, based on revenue multiples. The price of \$159 per share was over six times the price of Livongo's shares at the time of its IPO, just 12 months earlier.



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He joins the firm from the Perelman School of Medicine at the University of Pennsylvania, where he completed three years of medical training. Throughout medical school, Eric held multiple roles in digital health and early-stage investing, working with funds including Flare Capital Partners, Springbank, Redpoint Ventures, and Rock Health Capital.

He began his career as a Quantitative Researcher at Meta, where he used causal inference, experimental analysis, and machine learning techniques to study user privacy.

Eric received his BS in Economics from The Wharton School.