Research suggests that only half of the tens of millions of people in the U.S. with mental health conditions receive treatment in a given year. The venture capital world is increasingly viewing that as an opening.

A recent analysis shows that in 2019 alone, venture capital companies invested $637 million in over 60 startups working in the mental health space. That’s more than 22 times the investment that venture capitalists made into mental health companies in 2013.
“I think intuitively all the people in this field know that the future of mental health is going to involve digital health care in some way, shape, or form,” said Ravi Shah, a psychiatrist at Columbia University and an author of a new paper on venture capital investing in mental health, published this week in JAMA Network Open.

That surge in investment has been mirrored by a surge in popularity among users, particularly among mainstream mental health apps like Headspace and Calm, which have seen their downloads spike during the Covid-19 pandemic.

“We’re seeing that mental health is becoming a priority,” said Obianuju Berry, a psychiatrist at NYU Langone Health and a co-author of the new paper. “There is a ground-level swell of people realizing that this is something they want.”

Venture capitalists have been pouring money into consumer-facing meditation and mindfulness apps as well as digital tools that directly connect patients with health care providers. Such virtual tools may have a broad appeal, but they could particularly benefit those unable to access traditional care due to cultural stigma, work commitments, or a lack of transport.

Here are five key takeaways from the new analysis of venture capital funding in the space, from the targets drawing in the most dollars to the looming quality and data privacy concerns.

**Smartphone apps draw buzz, but virtual care companies bring in the biggest investments**

Venture capitalist-backed startups like Calm and Headspace have raised over $300 million combined in capital investment since their inception. The products — which largely consist of self-guided meditation and mindfulness exercises — have become some of the biggest names in mental health tech, and have the user bases to show for it.

Lyra, which offers virtual and in-person care from both clinicians and health coaches, has raked in more than $175 million in venture capital funding, more than any other company included in the study. Doctor on Demand, a telehealth platform, has brought in $165 million, while Mindstrong Health — which offers virtual therapy and psychiatric care with a smartphone app and remote monitoring tools — has received $159 in venture capital investments.

“These licensed providers are probably doing what they are trained to do in a classical way, and just adapting it to a more digital form,” Shah said.

That type of technology could potentially leverage the existing health care system and make it more accessible to more people, experts said.

**VCs — and the companies they support — are steering clear of digital tools for severe mental illnesses**

Most of the startups that have drawn major investment from venture capital firms focus on anxiety, depression, and insomnia.

There’s little focus on people with severe mental illnesses such as psychosis, schizophrenia, or bipolar disorders. While these patients may require more intensive care than the apps can provide, Berry said market size might also be an important factor in the lack of investment in companies working on those conditions.
“Because their numbers are small, in terms of incidence, they may not be a target from a purely business standpoint,” Berry said. “That’s not where the money is.”

Social interaction could be a coming target

In the context of mental health and well-being — and particularly during continued physical distancing during the pandemic — there’s an opening for digital mental health platforms to provide users with more social interaction opportunities.

But so far, venture capital-backed startups in the space have not put significant emphasis on those kinds of connections.

“This is not a problem that companies are necessarily solving right now, but there’s room for improvement,” Shah said. “I am however hearing more and more about peer support apps and peer-led apps.”

That type of offering would mean companies need to be even more careful about privacy and safety protocols, but “that doesn’t mean it’s undoable,” he said.

Investing in evidence — and privacy — is growing more important

Venture capital companies tend to evaluate success based on revenue and a growing consumer base. But for health care tools, it’s not just uptake that matters — it’s outcomes.

“It’s not going to be enough to just have a sexy app or a great user experience,” Shah said. “Those are going to be table stakes.”

There are no national standards in place to evaluate the effectiveness of the thousands of mental health apps and other digital health tools on the market. Many of those apps have failed to provide robust research to show they’re effective for the conditions they’re marketed toward.

That has left consumers to largely do the heavy lifting to determine whether a digital tool might prove helpful for their condition. In July, digital psychiatry researchers in Boston rolled out a new online database to help consumers sort through the clinical evidence and privacy policies of hundreds of digital mental health apps.

But when it comes to the privacy policies or scientific support for many other tools, consumers are still on their own.

Shah said companies can work to make that process easier for patients with several approaches, including being transparent with customers about clinical trial outcomes. He also said mental health tech startups could have independent experts review their study designs and privacy protocols. That could help ensure that these don’t just satisfy company lawyers, but meet patient needs as well, he said.

“There’s going to be an expectation from companies to invest in these checks and balances,” Shah said.

Mental health care is seeing the ‘move fast and break things’ mentality
In traditional mental health care settings, academic medical centers are central to the development and rigorous testing of new treatments. Researchers carefully vet new models of mental health treatment in studies, and then clinicians start rolling those approaches out in practice. That process is crucial to building an evidence base that shows whether a specific treatment is safe and effective — but it has also meant that new treatments are sometimes slow to reach patients.

“We have a lot of evidence-based treatments that we know work,” Shah said. “But we’ve done a terrible job of dissemination.”

Venture-backed mental health tech companies, meanwhile, are taking a more Silicon Valley style approach — racing to quickly scale up their products while simultaneously collecting data on how to potentially improve them.

Their digital platforms give the companies continuous data and feedback to improve their products and consumer experience. That also stands somewhat in contrast to the conventional approach to mental health care delivery, Shah said.

“We know traditional health care has been slow to take patient feedback seriously and act on it quickly,” he added.