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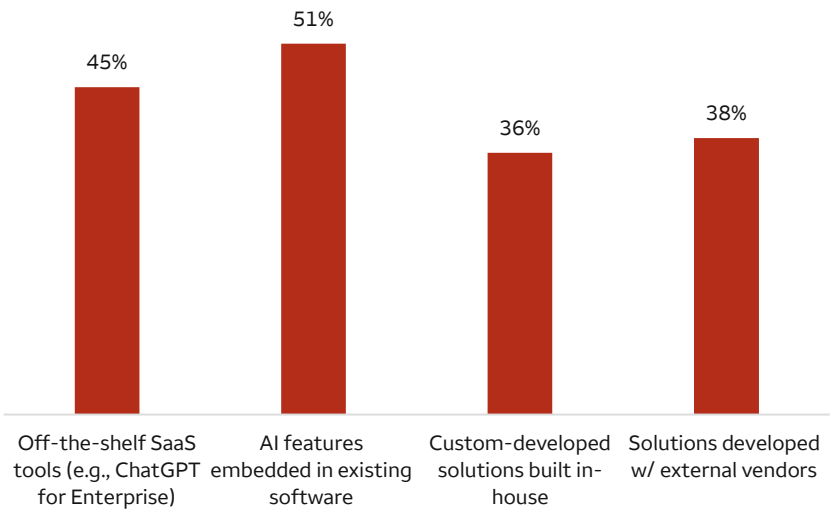
Commercial Banking

Healthcare IT and Digital Health:
AI Adoption, Cyber Risk, and the Capital Cycle Ahead

Key Industry Trends & Challenges:

- **Cybersecurity is the top operating risk.** U.S. healthcare logged 710 breaches exposing 62 million+ records in 2025; the average breach costs $11 million — highest of any industry.[2]
- **Interoperability and value-based care mandates continue to expand.** While more than 90% of EHR vendors support standardized data-sharing protocols, hospital interoperability remains limited. CMS's mandatory TEAM program, launched January 1, 2026, across 750 hospitals, is expected to boost demand for healthcare IT solutions that improve care coordination and outcomes tracking.[1]
- **Revenue cycle is automating under fee pressure.** Consolidated health systems are compressing per-claim fees; AI-assisted coding contains unit labor costs, but rising volumes and complex denial rules absorb the gains.
- **Ambient AI is now a baseline requirement.** 62% of U.S. acute-care hospitals adopted an ambient AI documentation tool by mid-2025; compared to human scribes, AI scribing can cost 60–75% less and cut documentation time up to 28%.[1]

How are Healthcare Services companies sourcing their AI capabilities?[3]



$21.2B
Electronic Health Record (EHR) systems revenue, 2026[1]

$36.1B
Telehealth services revenue, 2026[1]

$82.6B
Security software revenue, 2026[1]

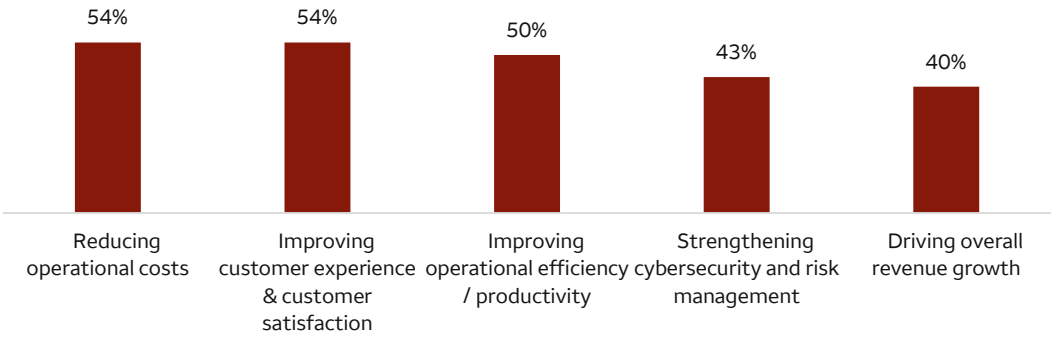
$2.2B
Wearable devices revenue, 2026[1]

> *"Wells Fargo is committed to meeting the growth capital and strategic advisory needs of Healthcare IT and digital health companies throughout their life cycle."*
>
> - Wallace Saunders,
> Head of Wells Fargo
> Commercial Banking Healthcare

AI Impacts:

- **AI-native challengers are reshaping the healthcare technology stack.** Most generative AI investment in healthcare is flowing to startups rather than incumbent EHR platforms.
- **Ambient documentation and coding:** AI scribes turn clinician-patient conversations into structured notes; 62% of U.S. acute-care hospitals adopted an ambient tool by mid-2025, adoption rates are as low as 28.8% at for-profit and rural facilities.[1]
- **Devices and wearables are AI-enabled:** More than 1,200 FDA-approved AI-enabled devices by mid-2025; wearables feed continuous ECG, glucose and oxygen data into telehealth and EHR workflows.[1]
- **Top Concerns:** Top AI barriers are data quality and security (36%), regulatory/ compliance uncertainty (30%), lack of AI skills within the company and employee resistance to change (27%).[3]

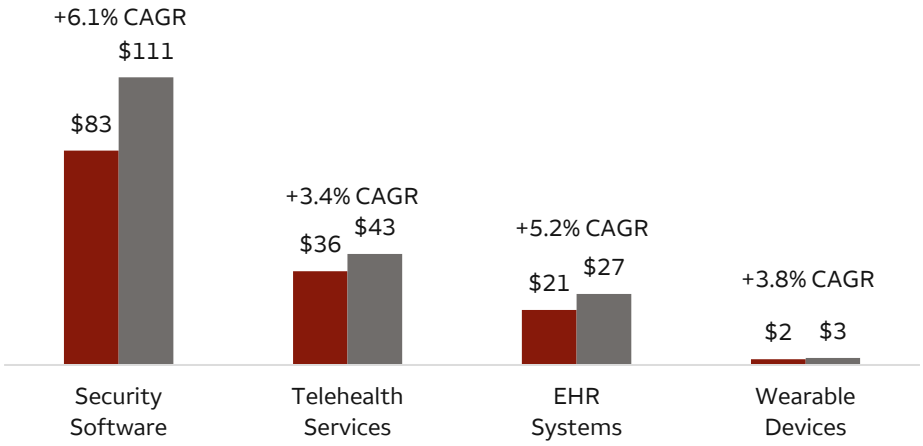
What benefits do you anticipate from AI?[3]



Capital Raising and M&A Environment:

- Funding is rebounding selectively — AI-native and proven platforms attract capital while unprofitable point solutions face down-rounds and consolidation.
- Strategics, PE, and well-capitalized incumbents are driving active M&A and take-privates; the IPO window is reopening.
- Hospital and health-system M&A is elevated — 22 deals in Q1 2026, the highest Q1 total since 2020, with 18% distressed sellers.[1]
- EHR M&A keeps concentrating the market around a few platforms; pressuring smaller vendors to exit or sell.
- Private funding is deep: OpenEvidence raised $250 million in Jan 2026 ($767 million total), Abridge $758 million.[4]

Key U.S. Sub-Segments – 2026 vs 2031 Forecasted Revenue ($ Billions)[1]



Source: IBISWorld US industry reports — 2026 actual and 2031 forecast revenue, inflation-adjusted to 2026.

Sub-Segment Growth ('26–'31 CAGR):

- **Security software (+6.1%):** healthcare is a core buyer; breach exposure and FDA device rules drive spend.[1]
- **EHR systems (+5.2%):** acute-care adoption is 96% saturated; growth comes from ambulatory and specialty upsell.[1]
- **Wearable devices (+3.8%):** nearly 1 in 3 Americans uses one and over 80% share the data with a clinician.[1]
- **Telehealth services (+3.4%):** slowest — utilization has plateaued; reimbursement policy is unsettled.[1]

Let's help position your business for long-term growth and disciplined execution.

Collaborate with Wells Fargo to help maximize opportunities and trends

Source: 1. IBISWorld US industry reports; 2. HIPAA Journal / ORDR healthcare breach statistics; 3. INCMM Mid Year 2026 Middle Market Indicator, Healthcare Services respondents; 4. PitchBook and Crunchbase company financing data (Aug 2026)

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