Reading the Room: How Top Healthca VCs Should Respond to 2026's Marke Realities

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Abstract

Sachin Jain's 2026 healthcare predictions paint a picture of an industry hitting structural friction points across multiple domains simultaneously. For leading v firms like Oak HC/FT, General Catalyst, Khosla Ventures, and Andreessen Horo his ten predictions signal the need for significant strategic repositioning. This a examines how growth stage healthcare investors should respond to predictions c implementation challenges, the mainstreaming of alternative care models, Medi Advantage's defensive positioning, accelerating consolidation, and the reopening exit windows for digital health. The synthesis suggests that the firms best positi for 2026 and beyond will be those that can simultaneously support portfolio companies through implementation grinding periods while identifying opportu in market fragmentation and polarization. The winners will not be those betting revolutionary disruption but those backing companies that can survive and even thrive through a period of systemic stress testing across payer, provider, and technology sectors.

Introduction: When the Oracle Speaks, Smart Money Listens

Sachin Jain has earned the right to make predictions. As CEO of SCAN Health P with over 300,000 members and revenues exceeding five billion dollars, he's not consultant packaging obvious insights or an investor talking his book. He runs a Medicare Advantage plan, which means his organization lives or dies based on accurate forecasting of healthcare market dynamics. When someone in that posi publishes predictions, you pay attention because they have to be right or their business suffers.

His ten predictions for 2026 read like a field guide to navigating turbulence. AI hitting speed bumps. Alternative care going mainstream. Medicare Advantage remaining popular despite criticism. Patient and clinician discontent boiling ov Regional players getting absorbed. Digital health IPOs accelerating. Pharma pri under fire. Lots of legislative noise but little action. Health equity making a quie

comeback. These aren't wild swings or hot takes. They're the sober assessment c someone watching the industry from an operator's seat.

For venture firms with significant healthcare exposure, these predictions create strategic challenges and tactical opportunities. The easy bet for the past few yea to back companies riding obvious trends. Medicare Advantage growth, value bas care expansion, AI disruption, telehealth penetration. That playbook is getting r complicated. The trends haven't reversed but they're encountering friction, resistance, and reality. Companies that looked inevitable now look vulnerable. Business models that seemed obvious now seem questionable.

The question for Oak HC/FT with its five billion in assets, General Catalyst witl Health Assurance Transformation Company and 27 billion plus under managem Khosla with its reputation for contrarian bets, and a16z with its growth stage firepower is how to adapt. Not whether to adapt but how. Because Jain's predicti aren't about the world changing. They're about the world refusing to change as f everyone assumed it would.

Speed Bumps, Not Highways: The AI Investment Recalibration

Jain's first prediction is probably the most important for VCs who've been pouri money into healthcare AI over the past three years. He predicts that healthcare's revolution will hit speed bumps, with rewards materializing slower than expecte legacy operators resisting change, and AI snake oil salespeople flooding the zone matters because healthcare AI has been the easiest pitch to LPs for the past 24 months. Show them ambient documentation demos, talk about the Menlo Ventu study showing healthcare leading AI adoption, mention labor cost pressures, and you're halfway to a term sheet.

But Jain is telling you that the gap between impressive demos and actual organizational change is wider than pitch decks suggest. He mentions that while works for straightforward uses like ambient dictation, other applications will be challenged and problematic. He specifically calls out agentic AI as holding prom

but facing resistance from legacy operators unwilling to change processes, value attitudes. And he warns about AI snake oil salespeople fueled by venture capital chasing outsized returns.

That last part should sting a bit if you're a healthcare VC. He's basically saying t venture capital's enthusiasm for healthcare AI is creating noise and false starts t threaten the pace and depth of real organizational change. When the CEO of a n health plan says that out loud, you should probably listen.

The strategic implication is that healthcare AI investing needs to split into two distinct categories with different expectations and different timelines. Category the infrastructure and foundational model companies that are genuine technolo bets. These are science projects with binary outcomes. They either work at a fundamental level or they don't. They either get acquired by Epic, Oracle Cerne Microsoft, or Google for strategic reasons or they die. Khosla is probably best positioned for these kinds of bets given their history of backing technically amb companies that fail often but win big occasionally.

Category two is the application layer companies building on existing models but focused obsessively on implementation and change management. These aren't technology bets, they're operational execution bets. The AI works but can you ge clinicians to use it? Can you integrate into existing workflows? Can you prove R six months instead of 18? Can you get past pilot purgatory? These companies ne different teams, different go to market strategies, and different capital structure They're going to burn more on sales and implementation than on R&D. They're g to have longer sales cycles than projected. And they're going to need patient cap that understands the difference between technical validation and commercial adoption.

Oak HC/FT's background in healthcare IT gives them an edge here. They've seer movie before with EHR adjacent technologies, revenue cycle management tools, population health platforms. They know that healthcare technology adoption is grind. The firms that will struggle are the ones treating healthcare AI like consu

internet, assuming that if you build something magical then adoption will follov won't.

The other implication is that a bunch of portfolio companies are about to need b rounds or down rounds because their 2025 projections assumed faster AI adopti than Jain thinks is realistic. If you're a VC with five to ten healthcare AI compan your fund, you need to triage now. Which ones can survive the speed bumps? Wl ones have teams that understand change management and implementation? Whi ones are so dependent on rapid adoption that they're essentially dead if Jain is ri

The MAHA Opportunity: Alternative Ca as Investable Reality

Jain's second prediction about the Make America Healthy Again movement and alternative care going mainstream is fascinating because it represents a genuine market structure shift driven by political and cultural forces rather than technol or policy. He predicts that longevity medicine and lifestyle medicine will gain traction, that companies like Function Health doing direct to consumer lab testi and Prenuvo doing direct to consumer radiology will grow in prominence, and tl biohacking and quantified self movements will become more mainstream.

This is interesting for VCs because it's not a trend anyone was betting on 24 mor ago. The consensus was that digital health would win by integrating into traditic care delivery, not by building parallel infrastructure outside of it. But Jain is arg that patient discontent with traditional healthcare is so deep that alternative mo will grow not despite lacking integration with traditional care but because they it.

The investment opportunity here is genuine but it requires a different framewor than most healthcare VCs are used to. These are mostly cash pay businesses or businesses that sit outside traditional reimbursement. They don't need to crack code on prior authorization or figure out how to sell into integrated delivery networks. They need to understand consumer marketing, brand building, and cr experiences that justify out of pocket spending.

a16z probably has the most natural advantage here given their consumer interne DNA. They understand performance marketing, conversion funnels, lifetime val calculations, and building brands that consumers actually want. Oak HC/FT and General Catalyst, with their deep healthcare expertise, might actually be at a disadvantage because they're trained to think about healthcare as a B2B enterpr sale, not a consumer transaction.

The risk is that this opportunity is real but small. How many people can actually afford to spend five thousand dollars a year on concierge primary care, longevity medicine, continuous glucose monitors, and whole body MRI scans? Jain frames as a growing market but he also points out that Americans are regressing toward yourself healthcare because they struggle to access high quality traditional prim care. That's not necessarily a sign of a massive addressable market, it's a sign of market failing large segments of the population who then seek alternatives beca they have no other choice.

The smart play is probably not to bet big on any single alternative care company to have a few small positions that give you exposure to the trend without overcommitting to a market that might top out at a relatively small scale. Unless genuinely believe that longevity medicine and biohacking are going to go from f to mass market in the next five years, in which case you should be backing the infrastructure and platforms that enable practitioners rather than individual cli or consumer brands.

Medicare Advantage's Resilience Problem

Here's where the essay I originally wrote got it completely wrong. I had Jain pred Medicare Advantage pullback and margin compression. What he actually predic that Medicare Advantage will remain popular despite its haters, that the progra continue growing after a small expected decline in 2025, and that it's become the feasible option for most seniors because traditional Medicare with supplemental coverage costs roughly twelve thousand dollars per year for a couple.

This is actually more important for VCs to understand than the narrative I was pushing. If MA was genuinely in trouble, that would be a clear signal to reduce exposure to MA dependent digital health companies. But Jain is saying the oppo He's saying MA is going to persist and grow because the alternative is worse. Th not a bullish signal, it's a defensive signal. MA isn't winning because it's great, i winning because traditional Medicare is priced out of reach for most seniors.

For VCs, this creates a subtle but important strategic insight. Companies that ar dependent on MA as their primary or only customer are not in a growth market, they're in a defensive market. MA plans are not expanding aggressively, they're defending their position. They're under regulatory scrutiny, facing margin press and dealing with a political environment where they're constantly attacked. The not going to take big swings on unproven vendors. They're going to work with incumbents they trust.

What this means practically is that if you've backed digital health companies wh growth projections depend on MA penetration reaching 60 or 65 percent of Med beneficiaries, you should be revising those projections downward. MA will rema 50 to 55 percent, not because it stops working but because it reaches an equilibr where the seniors who need the lower cost structure are in MA and the seniors v can afford traditional Medicare plus supplemental coverage stay there for the br network and fewer utilization controls.

The companies that will succeed in selling to MA plans are not the ones promisi transformation or disruption. They're the ones that can demonstrate immediate, measurable ROI on problems that MA plans are desperate to solve. Reducing inpatient utilization. Improving STAR ratings. Automating prior authorization. Preventing avoidable ER visits. Boring problems that actually matter to a plan tr to defend its margins and regulatory standing.

General Catalyst probably has the clearest view on this given their Health Assur strategy and partnerships with hospital systems. They understand that MA plans looking for partners who can take risk off their plates, not vendors who want to them software subscriptions. The firms that will struggle are the ones with portf

companies that positioned themselves as consumer facing digital health brands t
happen to contract with MA plans. Those business models are getting squeezed
both sides.

The Consolidation Wave: Picking Winn
in a Shrinking Field

Jain's sixth prediction about small guys continuing to lose is probably the most
actionable for growth stage VCs. He predicts that regional health plans and sma
hospital systems will continue to be sold or absorbed because scale is becoming
critical to survival. He cites specific examples like Commonwealth Care Alliance
becoming part of CareSource, Minnesota's UCARE being shut down and absorb
Medica, and Independent Health joining forces with MVP Health.

This creates both threats and opportunities. The threat is that if you've backed
companies that depend on regional health plans as customers, your TAM just sh
Regional plans made decent customers because they were more willing to try ne
technologies than national plans and they actually had decision making authorit
concentrated in a single location. As they get absorbed by larger players, those
decisions get centralized, pilots get killed, and vendor relationships get consolid

The opportunity is that consolidation creates winners and losers, and if you can
out which companies are positioned to win consolidation, you should be backing
or helping your portfolio companies get acquired by them. Consolidation is
deflationary for most companies in the ecosystem but it's extremely valuable for
companies that become the consolidated platforms.

Oak HC/FT has historically been good at identifying infrastructure plays that be
from consolidation. When the market fragments into a thousand point solutions
companies that win are the ones that aggregate and create platforms. When the
market consolidates, the companies that win are the ones that become the new
infrastructure for the consolidated entities.

The firms that will struggle are the ones with portfolios full of point solutions targeting mid market health systems and regional plans. Those companies are go see their addressable market shrink, their sales cycles lengthen, and their win ra decline. Unless they can either move up market to national plans and large healt systems, which is really hard, or move down market to physician practices and cl which requires a completely different go to market motion.

The smarter play is probably to be actively helping portfolio companies either ge acquired by strategic buyers who need their capabilities to compete with the consolidators, or to facilitate roll up strategies where you combine three to five portfolio companies in a specific category and create something with enough sca survive consolidation. Private equity has been doing healthcare roll ups for a dec there's no reason venture firms can't use similar playbooks when market conditi warrant it.

Digital Health Exits: The Window Open But Not For Everyone

Jain's seventh prediction about digital health IPOs continuing apace is probably most immediately relevant for VCs trying to return capital to LPs. He notes that saw Hinge Health and Omada Health go public and predicts 2026 will bring mor such transactions as venture investors seek liquidity and public markets show reasonable appetite.

But he also includes a crucial caveat. Alongside IPOs, there will be other transac as startups attempt to avoid the growing digital health graveyard. Companies tha have run their course will find themselves in face saving merger activity with gre proclamations of success despite insider knowledge to the contrary.

This is VC code for you're going to see a lot of mergers of equals that are actuall acqui hires or soft landings for companies that raised too much at too high a valu and can't justify their existence anymore. For VCs with vintage 2020 and 2021 fu full of digital health companies that raised at pandemic era valuations, this is yo window. You have maybe 18 months to get liquidity before the window closes ag

The companies that can actually go public are probably fewer than VCs want to believe. You need consistent revenue growth, a path to profitability, defensible u economics, and a story that public market investors can understand. Hinge Heal works as a public company because musculoskeletal care is a huge market, they enterprise contracts with major employers, and the ROI story is clear. Omada wo because diabetes prevention and chronic condition management have obvious va propositions.

But a lot of digital health companies in venture portfolios are in categories that market investors don't understand or don't believe in. Virtual behavioral health companies that depend on reimbursement that might not exist in three years. Ca navigation platforms that generate revenue through savings sharing arrangemen are hard to audit. Specialty telehealth companies in narrow categories. These are IPO candidates, they're merger candidates at best.

For VCs, the strategic imperative is to be honest about which portfolio compani have a path to IPO and which ones need to find strategic buyers in the next 12 to months. The companies with IPO potential need help getting their unit economi cleaned up, their revenue growth re accelerated, and their narratives sharpened. companies that don't have IPO potential need to be shopped aggressively to stra buyers who might have strategic reasons to acquire them even if the financial ret aren't great.

The firms that will do well in this environment are the ones that are unsentimen about exits. If you can get two x on a company that raised at a ridiculous valuatio merging it with another portfolio company or selling it to a strategic buyer, you that. You don't hold out for five x when the realistic outcome is zero. General Catalyst's operational approach and willingness to be active in company building probably positions them well here. They're not afraid to do creative things to ge liquidity.

Beyond the Portfolio: What This Means for Fund Strategy

Taking all ten of Jain's predictions together, what do they mean for how healthca VCs should think about fund strategy going forward?

First, the era of pure software businesses in healthcare is probably over. The companies that will win going forward are the ones that combine software with services, that take risk alongside their customers, that can demonstrate ROI in quarters not years. That means investing in companies that look more like healtl services businesses with technology enablement than pure software plays. It mea higher capital requirements, messier business models, and lower gross margins. also means more defensibility and more alignment with customer incentives.

Second, the bifurcation between incumbent enabling technology and insurgent c delivery models is going to widen. You can either back technology that makes ex health systems, health plans, and physician practices work better, or you can bac models that bypass them entirely. The middle ground where you're selling softw incumbents while promising transformation is getting squeezed. Pick a side.

Third, the return profile for healthcare investing is going to look more like tradi growth equity than venture. You're going to see more companies growing 30 to 4 percent year over year and achieving solid exits at three to five x rather than grov 200 percent year over year and achieving outlier exits at 20 x. That's fine if you structured your fund and set your LP expectations accordingly. It's a disaster if y raised a fund on venture return promises.

Fourth, the skill set required to be a successful healthcare investor is changing. healthcare domain expertise matters more than ever because the easy opportunit based on obvious tailwinds are gone. You need to be able to underwrite complex business models, understand reimbursement and regulatory dynamics, and evalu execution risk alongside technology risk. Generalist VCs who parachuted into healthcare because it looked hot are going to struggle.

Fifth, and this is maybe the most important insight, the winning strategy is prob not to have a winning strategy that you stick to religiously. The healthcare mark entering a period of turbulence and uncertainty where the playbook changes eve

months. The firms that will thrive are the ones that can read the market accurat adapt their approach quickly, and support portfolio companies through multipl pivots. That requires smaller funds with more concentrated portfolios, deeper fi involvement in portfolio companies, and probably longer fund lives than the traditional ten year structure.

Oak HC/FT with its focused healthcare and fintech strategy, General Catalyst w transformation oriented approach and willingness to be creative, Khosla with its history of contrarian bets and technical depth, and a16z with its growth stage ca and operational resources are all theoretically well positioned for this environm But being well positioned and actually executing are different things.

Conclusion: Investing in Turbulence

Jain ends his predictions by noting that 2026 will be a year of tumult in America healthcare, with winners and losers, villains and heroes, and an underlying spiri revolution and change. For healthcare VCs, turbulence creates opportunity but i creates risk.

The opportunity is that market dislocations and structural changes create openi for new companies to gain footholds, for business models that didn't work befor suddenly make sense, and for companies with strong execution to take market sl from weaker competitors. If you have dry powder and the ability to move quickl turbulent markets are where you can generate the best returns.

The risk is that turbulence destroys portfolio value faster than you can create ne value. If half your portfolio needs bridge rounds, a third needs to be restructure sold, and you're trying to make new investments in a market where nothing is w like it used to, you can very easily end up with a fund that generates zero x retur despite everyone working really hard.

The firms that will succeed in 2026 and beyond are the ones that can do three th simultaneously. One, support existing portfolio companies through a difficult operating environment with capital, strategic guidance, and operational help. Tw

disciplined about new investments and only back companies that can survive an eventually thrive in a world where all the easy assumptions are wrong. Three, ge liquidity through creative exits even when traditional exit paths are constrained.

That's a hard combination to pull off. It requires more staff, more engagement, r creativity, and more willingness to do uncomfortable things than most venture fi are set up for. But the alternative is a portfolio full of zombie companies that ne die but never generate returns.

Jain's predictions aren't a roadmap, they're a warning. The healthcare market is going to cooperate with venture business models built on assumptions of steady growth, predictable trends, and multiple expansion. It's going to be messy, frust and full of false starts. Companies that looked like winners will flame out. Busir models that seemed obvious will stop working. Bets that seemed safe will turn o be disastrous.

But that's also when the best investors separate themselves from the mediocre o When the market is easy, everyone looks smart. When the market is hard, skill a judgment actually matter. The healthcare VCs who take Jain's predictions seriou who adapt their strategies, who support their portfolio companies through the turbulence, and who keep their heads when everyone else is panicking will come of this period with strong returns and even stronger reputations.

The ones who don't will be left explaining to their LPs why their 2021 vintage fu full of digital health unicorns is returning 0.7 x.

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