

BEHAVIORAL HEALTH-
INDUSTRY REPORT



SG Analytics
A Strive Company

US BEHAVIORAL HEALTH REPORT

Digital Therapeutics and AI Transform the US Behavioral Health Landscape

SEPT 2025



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Executive Summary



The US behavioral health sector is entering a pivotal growth phase, supported by the rising prevalence of mental illness and substance use, expanding coverage, and favorable policy reforms. Depression rates hit record highs in 2025, with nearly 48 million adults reporting current symptoms, while substance use disorders continue to climb. The Centers for Medicare & Medicaid Services (CMS) has introduced reimbursement increases and parity laws, reshaping provider economics, adding financial stability, and attracting both new entrants and private investment. Outpatient counseling accounted for the largest share of service delivery, with home-based and telehealth models scaling rapidly to meet demand. Anxiety and depression remain the leading disorder categories, reflecting significant unmet need across age groups and geographies. On the capital side, the market recorded 298 deals involving 291 companies and 311 investors from the start of 2024 to date. These transactions deployed \$15 billion in capital and generated 152 exits, underscoring sustained investor conviction in the sector's fundamentals. Combined with accelerating digital health adoption, advances in AI-enabled care, greater integration into primary care, and continuing de-stigmatization, behavioral health is positioned as a durable, long-term growth engine within the broader US healthcare ecosystem.

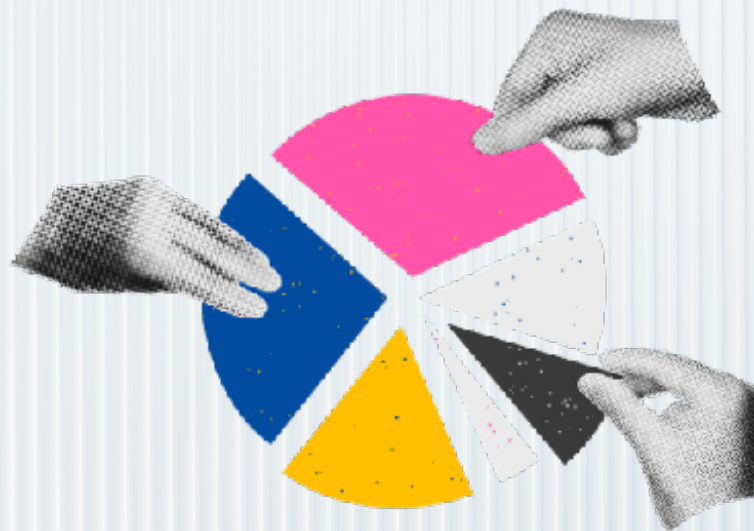
48 Million

adults reported experiencing depression in 2025, marking a record-high prevalence as per Gallup

\$15 Billion

in capital was deployed across 298 behavioral health deals from the start of 2024 till now

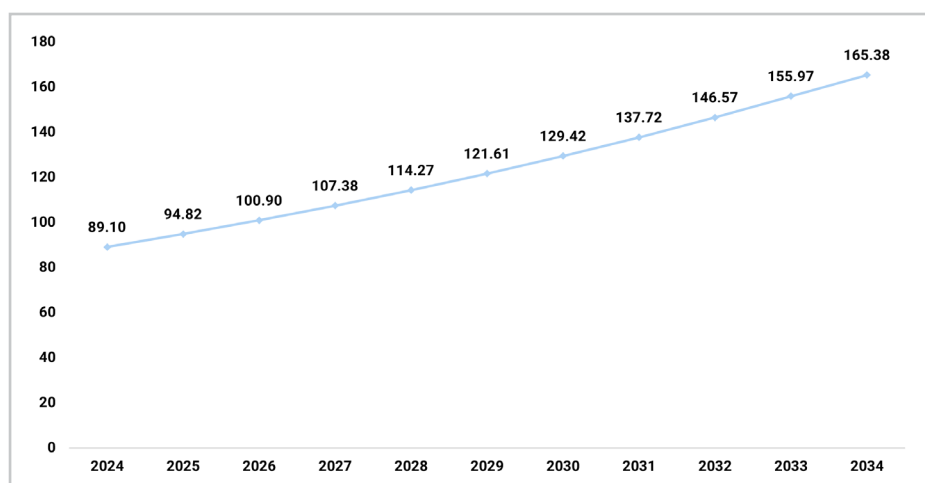
Market Overview



The US behavioral health market is projected to grow from \$94.82 billion in 2025 to \$165.38 billion by 2034, expanding at a 6.4% CAGR, as per Precedence Research. Growth is underpinned by rising prevalence of mental illness and substance use, expanded coverage, and strong policy support. Depression rates hit historic highs in 2025, with 18.3% of adults, or nearly 48 million Americans, reporting current depression, per Gallup. Substance use disorder prevalence increased from 8.7% in 2021 to 9.8% in 2024, with 48.4 million Americans aged 12 and older meeting the criteria for substance use disorder, as per SAMHSA. Moreover, access remains constrained, as only 3.5% received care out of the 18.2% of individuals (53.6 million) needing substance treatment in 2024. The CMS is driving economics with a 2.5% Inpatient Psychiatric Facility (IPF) payment rate hike for 2026, estimating an additional \$70 million, while also raising electroconvulsive therapy reimbursement. Outpatient counseling leads with a 35% share in 2024, while the Anxiety & Depression Disorder segment held the largest market share by disorder type. Deal activity is robust, with 47 transactions, including 34 M&A deals in 1Q25, reflecting investor confidence in behavioral health as a core growth sector, as per the Metrz Taggart Behavioral Health M&A Report.

The US behavioral health industry is undergoing structural expansion, supported by rising demand, broader insurance coverage, and favorable policy actions. Access challenges persist, but outpatient services and core disorder segments remain dominant. Strong investor participation underscores the sector's resilience, with mergers and acquisitions signaling long-term conviction. Together, these dynamics position behavioral health as a central pillar of the healthcare landscape and an attractive avenue for sustained capital deployment.

Figure 1: US Behavioral Health Market Size 2024 to 2034 (\$ Billions)



Source: Precedence Research

Macro Drivers of Behavioral Health in the US



Rising Prevalence Across Age and Geography

The 2024 National Survey on Drug Use and Health reveals the magnitude of America's behavioral health challenge. 21.7% of US adults reported symptoms of generalized anxiety disorder, with 7.4% experiencing moderate or severe, as per SAMHSA.



Critical Workforce Shortages

As of August 2024, over 122 million Americans live in Mental Health Professional Shortage Areas, with projected deficits by 2037, including a 45% shortage in addiction counselors and 43% shortage in adult psychiatrists, as per HRSA Health WorkForce.



Technology and Digital Health Transformation

Digital mental health attracted \$2.7 billion in funding in 2024, a 38% YoY increase, with 48% of the funding going to AI-driven ventures, as per Galen Growth.



Government Policy and Healthcare Economics

SAMHSA provides strategic funding with \$46.8 million allocated in 2024, while mental health parity laws require equal insurance coverage, generating \$190 in medical cost savings per \$100 invested in behavioral health benefits.



Cultural De-stigmatization

Mental health awareness campaigns and generational attitude shifts reduce treatment barriers, with younger populations increasingly open about mental wellness on social media, driving normalized workplace mental health initiatives and employer benefit programs.

Emerging Behavioral Health Trends



Rise in Digital Therapeutics (DTx) Treatments

The US behavioral health sector is experiencing rapid adoption of digital therapeutics as technology-driven interventions gain clinical credibility and regulatory backing. The DTx market, valued at \$9.73 billion in 2025, is projected to grow at a 21.4% CAGR, nearly doubling to \$21 billion by 2034, as per Precedence Research. This momentum is supported by advances in artificial intelligence, growing acceptance of DTx for chronic and mental health management, and a steady rise in regulatory approvals. Together, these factors signal a structural shift toward personalized, evidence-based digital interventions that complement or, in some cases, replace conventional therapies.

FDA approvals illustrate the transition of DTx into clinically validated use cases. MamaLift Plus became the first prescription DTx for postpartum depression in 2024, while DaylightRx was cleared for generalized anxiety disorder through an app-based CBT model. The policy environment is beginning to align as well: beginning January 2025, CMS introduced reimbursement codes for seven digital mental health therapies, spanning insomnia, depression, substance use disorder, and maternal health. Investor activity reflects these clinical and regulatory advances. In 1H25, DTx companies focused on mental health secured \$726 million in private funding. For providers, validated reimbursement frameworks enhance treatment adoption, while for investors, scalable, tech-enabled models make DTx one of the most attractive growth opportunities in behavioral health.

21.4%

CAGR projected for the DTx market from 2025 to 2034, as per Precedence Research

\$726 Million

funding secured by DTx companies focused on mental health in 1H25

Virtual Reality (VR) Therapy as a Transformative Force in Behavioral Health

Virtual reality therapy is gaining momentum as an innovative treatment modality in US behavioral health, delivering immersive and personalized care. According to Spherical Insights, the market is expected to expand at a CAGR of 21.6% from 2025 to 2035, fueled by rising clinical acceptance and strong patient engagement. Unlike traditional talk therapy, VR places patients in controlled, simulated environments that mirror real-world triggers, enabling exposure therapy, mindfulness training, and stress management. This interactive approach enhances participation and, in some cases, delivers outcomes superior to conventional methods.

21.6%

CAGR projected for the VR therapy market of the US Behavioral Health industry from 2025 to 2035, as per Spherical Insights

Clinical validation is accelerating adoption. Meta-analyses of more than 50 studies involving 3,000+ participants show that VR exposure therapy outperforms passive controls in addressing social anxiety, phobias, panic disorders, and post-traumatic stress disorder. Results in some cases rival gold-standard treatments, making VR both a powerful adjunct and a credible standalone option. Policy backing further strengthens its role, with the US Department of Veterans Affairs and FDA supporting research, grants, and regulatory clarity. Commercial momentum is equally strong. Leaders such as AppliedVR, OxfordVR, and Limbix are scaling solutions for anxiety, PTSD, pain management, and rehabilitation. New entrants like Frontera Health, which raised \$32 million in seed funding in 2025, and Brooklyn Health, which secured \$6.5 million of funding, are leveraging AI-driven phenotyping to



The Integration of Primary Care and Behavioral Care

The integration of primary care and behavioral health is becoming a defining feature of US healthcare, combining clinical benefits with measurable cost savings. A 2025 JAMA Network Open study of an employer-sponsored behavioral health program found that integrated care reduced medical spending by \$164 per member per month, equating to \$1,070 in annual savings and delivering a 1.9× ROI. Embedding behavioral services into primary care improves treatment adherence, enhances depression outcomes, and streamlines delivery by consolidating services, making integration a necessary step toward patient-centered, holistic care.

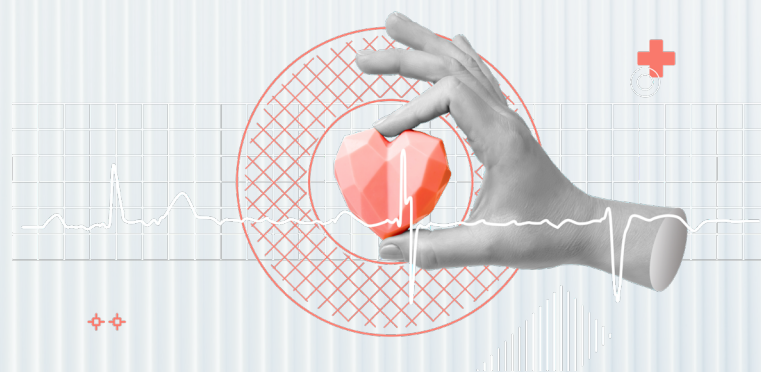
Policy and capital flows are reinforcing this trend. Health plans are eliminating co-insurance requirements, while investments in provider infrastructure and workforce training are enabling scale. The Certified Community Behavioral Health Clinic (CCBHC) model exemplifies this shift, moving providers from volume-based payment to outcomes-based reimbursement. Investor activity is also strong, with private equity and institutional capital flowing into providers such as Acadia Healthcare and Universal Health Services to fund expansion of specialized centers. Technology-enabled collaborative care platforms, supported by Medicare Advantage billing codes, further enhance scalability. With behavioral health needs present in 75% of primary care visits, integration improves early detection, reduces stigma, and broadens access. For investors, aligned policy, cost efficiency, and scalable infrastructure make integrated care a transformative opportunity.



75%

of primary care visits involve
behavioral health needs

Operationalizing AI in the Behavioral Health



AI-driven innovation is reshaping US behavioral health as investors channel record capital into scaling proven technologies. Digital health funding surged in 1H25, with AI-focused companies up 47% in 1Q from the prior quarter, according to CB Insights. This momentum underscores concentrated confidence in natural language processing, machine learning, and predictive analytics, which have moved from pilot use cases into mainstream clinical practice across therapy and primary care. The US behavioral health AI market, valued at \$59.49 billion in 2025, is forecast to reach \$115.65 billion by 2034, expanding at a 7.7% CAGR, per Towards Healthcare.

Company-level developments highlight how capital is accelerating adoption. In June 2025, Sword Health raised \$40 million at a \$4 billion valuation to launch Mind, an AI-powered platform combining its Phoenix AI Therapist with licensed PhDs. Its proprietary M-band wearable enables continuous monitoring and proactive care, shifting treatment from episodic sessions to real-time support. Spring Health, valued at \$3.3 billion after a \$100 million Series E, deepened its employer partnerships by integrating AI-driven benefit optimization tools into Workday Wellness. The company's AI tools have achieved 95% user satisfaction, with 70% of participants reporting improved outcomes in 2025 research studies. Meanwhile, Mentally, an Israeli-American startup, secured \$3 million in seed funding to expand LIV, its AI psychiatric intake platform. By simulating multilingual assessments, LIV addresses shortages impacting 120 million underserved Americans. Natural language processing leads behavioral health AI by powering primary care screening and dominating SaaS deployments that deliver advanced tools without heavy infrastructure costs.

7.7%

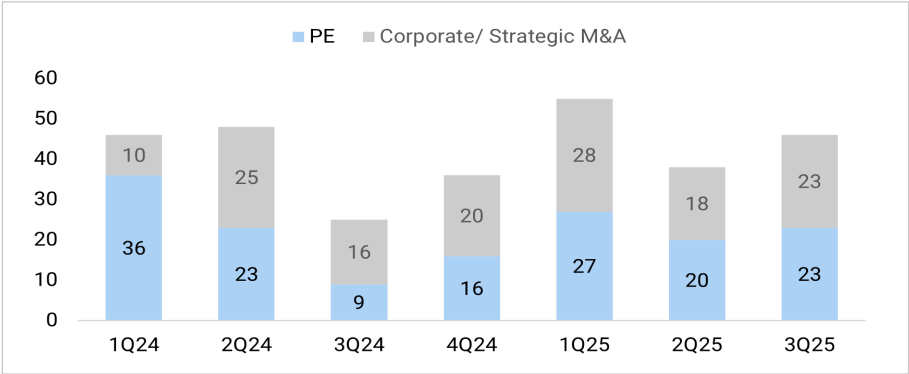
CAGR projected for the US behavioral health AI market from 2025 to 2034, as per Towards Healthcare

47%

QoQ increase in 1Q25 funding for AI-focused companies in the digital health sector

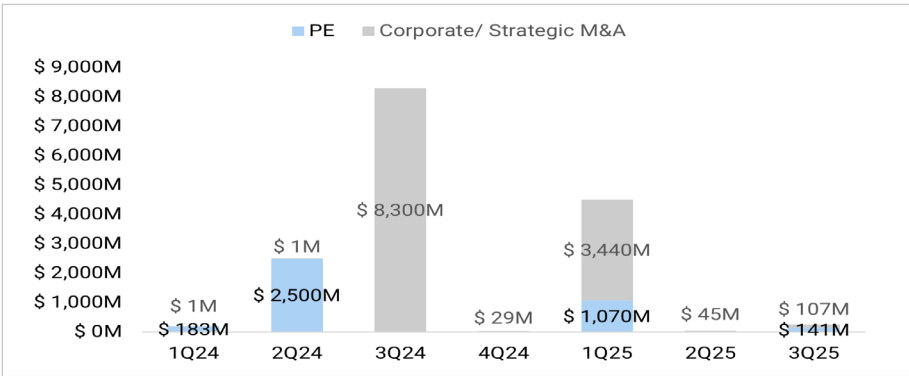
Key Behavioral Health Deals

Figure 2: Deal Count



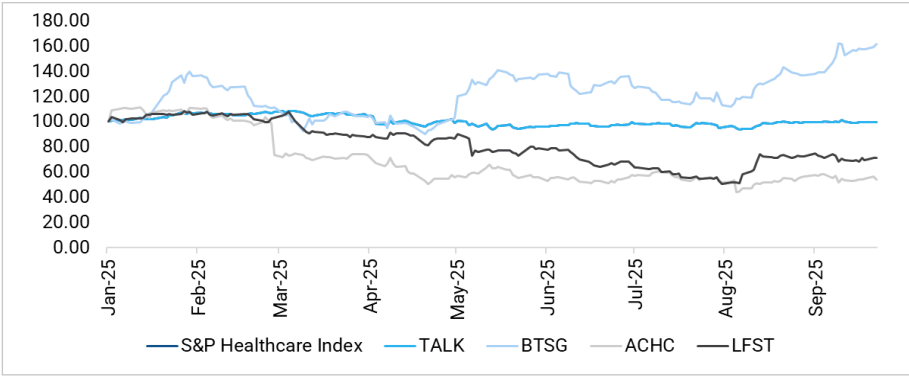
Source: PitchBook

Figure 3: Capital Raised



Source: PitchBook

Figure 4: Behavioral Companies Stock Performance VS S&P Healthcare Index



Source: Investing.com, data as of September 23, 2025

Behavioral Health Deals Summary since 2024

291

Companies

298

Deals

311

Investors

152

Exits















\$8.3B

Largest Deal




\$15B

Capital Invested

Key Private Equity Deals Tombstones

<p>Sep 1, 2025</p> <hr/> <p> Riverside IMPACT CAPITAL</p> <p>Acquires</p> <p> HILLCREST PSYCHOLOGICAL ASSOCIATES</p> <p>a provider of psychological therapy services for an undisclosed amount</p>	<p>Jun 1, 2025</p> <hr/> <p> K2 VENTURES</p> <p>Acquires</p> <p> i-Function</p> <p>a developer of a cognitive assessment and functional skills training software, for an undisclosed amount</p>	<p>May 12, 2025</p> <hr/> <p>Cressey & Company</p> <p>Invests in</p> <p> Paradigm Health</p> <p>a provider of hospice and palliative care services, for an undisclosed amount</p>
<p>April 15, 2025</p> <hr/> <p> TRAVERSE POINTE PARTNERS</p> <p>Invests in</p> <p> SOMA THERAPY</p> <p>an outpatient mental health provider, for an undisclosed amount</p>	<p>May 5, 2025</p> <hr/> <p> NexPhase CAPITAL</p> <p>Acquires</p> <p> Behavior Frontiers</p> <p>a provider of applied behavior analysis treatment services for an undisclosed amount</p>	<p>Feb 24, 2025</p> <hr/> <p>E X A</p> <p>Acquires</p> <p> precisioncare</p> <p>a provider of care management SaaS for behavioral health</p>
<p>Feb 10, 2025</p> <hr/> <p> Audax Private Equity</p> <p>Acquires</p> <p> Proud Moments ABA</p> <p>a provider of applied behavioral analysis (ABA) therapy for an undisclosed amount</p>	<p>Jan 23, 2025</p> <hr/> <p>LIGHTBAY CAPITAL</p> <p>Acquires (Majority Stake)</p> <p> RoHEALTH</p> <p>a provider of nursing and behavioral health services to students for an undisclosed amount</p>	<p>Jan 9, 2025</p> <hr/> <p>ASCEND PARTNERS</p> <p>Acquires (Majority Stake)</p> <p> unison THERAPY SERVICES</p> <p>a provider of outsourced therapy for underserved students, for an undisclosed amount</p>

Behavioral Health Conferences

		
Global Conference on Addiction Medicine, Behavioral Health, and Psychiatry	October 20-22, 2025	Hilton Garden Inn Lake Buena Vista, Orlando, FL
2025 Montana Behavioral Health Conference	October 23, 2025	Delta Hotels Helena Colonial, 2301 Colonial Drive Helena, MT 59601
Upstate Behavioral Health and Wellness Forum	October 30, 2025	701 Grove Rd, Greenville, South Carolina



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