



LEADING TO WIN · MAY 2026 · CRUCIBLE HEALTH

When Everyone Has AI, Leadership Becomes the Moat

AI is now table stakes in healthcare. The companies that win from here will differentiate on leadership, strategy, and execution—not technology.

Rock Health just retired its "AI deal" tracking analysis. The reason: AI has become "table stakes in how digital health companies and their offerings are built and delivered" [1]. After years of treating artificial intelligence as a differentiator worth a premium multiple, the industry's most-cited funding tracker now considers it the baseline. That single editorial decision tells you more about where healthcare competition is heading than any investor deck we've seen this quarter.

The implication is uncomfortable for a lot of founders and boards: if everyone has AI, technology stops being the moat. What separates the winners from the walking dead is something harder to copy and harder to buy—the quality of the people running the company.

The Capability Plateau

We had a conversation this week with a well-known healthcare VC who put it bluntly. For product companies, technology is no longer a barrier to entry. Technical skills are abundant and increasingly commoditized. For

service companies, AI will be deployed to drive efficiency, reduce labor costs, and improve margins—but again, every serious operator will have access to the same tools. The best companies will not be able to differentiate based on capabilities alone. They will have to differentiate based on leadership, strategy, and execution.

The funding data backs this up. Q1 2026 saw \$4 billion deployed in digital health—the strongest first quarter since the pandemic peak—but 59% of that capital flowed to just 12 mega-deals [2]. Average deal size hit \$36.7 million, the highest Rock Health has tracked since Q4 2021 [3]. Capital is concentrating. Investors are not spreading bets across dozens of AI-enabled startups anymore; they are backing the teams they believe can actually execute in an unforgiving operating environment.

Bessemer Venture Partners made a similar observation in their State of Health AI 2026 report: the most significant barrier to widespread clinical AI adoption isn't the technology—it's the payment models and the operational complexity of embedding AI into existing workflows [4]. That is a leadership problem, not an engineering problem. It requires CEOs who understand reimbursement mechanics, who can hold a health system relationship through a two-year integration cycle, and who can make hard resource allocation decisions when the path to revenue is measured in quarters, not sprints.

The Evidence on Leadership and Failure

The data on what kills startups is remarkably consistent, and it has nothing to do with inferior technology. Research cited by Harvard Business School found that 65% of leading VCs identified bad management at the senior level as the major contributing factor for failure in high-potential startups [5]. A peer-reviewed study in *Frontiers in Psychology* confirmed that among team-related factors influencing startup success, leadership of the entrepreneur and the capabilities of the founding team are the two competence-related factors most correlated with failure [6].

Healthcare magnifies this. The sector is unforgiving in ways that punish weak leadership faster than most industries. Regulatory complexity, binary clinical outcomes, reimbursement risk, and long sales cycles all demand executive teams with domain depth and strategic discipline. As one LPL Financial analysis noted, healthcare "may reward skilled managers, while punishing surface-level exposure" [7]. That statement was about public-market portfolio managers, but it applies with even more force to operating teams.

What This Means for Operators and Investors

For product companies, the playbook shifts. When your competitor can spin up the same large language model, access the same APIs, and hire from the same pool of ML engineers, your technical architecture is necessary but not sufficient. What matters is whether your CEO can navigate an EHR integration with Epic that takes 18 months and a compliance review, whether your VP of Sales can hold a health system's attention through three budget cycles, and whether your board can tell the difference between a strategy that is working slowly and one that is failing quietly.

For service companies, AI-driven efficiency gains will compress margins industry-wide. Every home health agency, every RCM shop, every staffing firm will deploy AI to cut costs. The ones that pull ahead will be those whose leadership teams redeploy those savings into growth—new geographies, new service lines, better clinical talent—rather than simply harvesting margin. That is a CEO decision, not a CTO decision.

For investors, the due diligence filter should shift accordingly. Rock Health's Q1 report described a market that is "active, but selective" [10]. In that environment, backing a strong team in a competitive category will outperform backing a mediocre team with a proprietary model. The proprietary model has a half-life measured in months. A CEO who can recruit, retain, and execute in healthcare has a half-life measured in decades.

The Tension Worth Naming

The counter-argument is obvious: leadership has always mattered, so what's new? What's new is the speed of capability convergence. Three years ago, a company with a fine-tuned clinical NLP model had a genuine technical moat. Today, foundation models from OpenAI, Anthropic, and Google have collapsed that advantage. The Rock Health report flagged that most digital health AI applications now rely on third-party APIs rather than proprietary models [11]. When the technology layer is essentially rented, the only durable asset is the team that decides what to build, for whom, and how to get paid for it.

Boards and leadership teams need to treat talent with the same rigor they apply to capital allocation. That means honest assessments of whether the current CEO can lead the company through its next stage—not just its last one. It means investing in executive coaching, board composition, and succession planning as strategic priorities, not HR afterthoughts. It means recognizing that in an AI-commoditized world, the scarcest resource in healthcare isn't compute—it's judgment.

The companies that win from here will not be the ones with the best algorithm. They will be the ones with the best leaders running the best teams, making the hardest calls, in the most unforgiving industry on earth. Now, more than ever, leadership is the product.

SOURCES

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[2] Rock Health — Q1 2026 funding overview: Capital continues concentrating and four other market signals (2026-04-06)

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"Total funding reached \$4.0B across 110 deals; 59% of all capital deployed came from 12 mega deals."

[3] Fierce Healthcare — Digital health funding hit \$4B in Q1 as AI becomes table stakes (2026-04-06)

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"Average deal size climbed to \$36.7 million, the highest average Rock Health has tracked since Q4 2021."

[4] Bessemer Venture Partners — State of Health AI 2026 (2026-01-23)

<https://www.bvp.com/atlas/state-of-health-ai-2026>

"The most significant barrier to widespread clinical AI adoption isn't technology—it's payment models."

[5] GoingVC — Surviving the Startup Gauntlet: Lessons in Failure and Success

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[6] Frontiers in Psychology — Why do startups fail? A core competency deficit model (2024-01-26)

<https://www.frontiersin.org/journals/psychology/articles/10.3389/fpsyg.2024.1299135/full>

"Leadership of the entrepreneur and the technological/business capabilities of the founding team play a significant role in failure."

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"Healthcare may reward skilled managers, while punishing surface-level exposure."

[8] Patient Safety & Quality Healthcare — Hospital CEO Turnover Is Up Halfway Through 2025 (2025-08-05)

<https://www.psqh.com/news/hospital-ceo-turnover-is-up-halfway-through-2025/>

"One-third (33%) of new CEOs in the first half were appointed on an interim basis, compared to just 9% the year prior."

[9] HealthLeaders Media — Hospital CEO Turnover Flattens as Boards Adopt 'Wait-and-See Approach' (2026-03-01)

<https://www.healthleadersmedia.com/ceo/hospital-ceo-turnover-flattens-boards-adopt-wait-and-see-approach>

"Boards rushed leadership changes through 2024 and 2025; February's drop suggests a wait-and-see approach."

[10] Rock Health — Q1 2026 funding overview: Capital continues concentrating and four other market signals (2026-04-06)

<https://rockhealth.com/insights/q1-2026-funding-overview-capital-continues-concentrating-and-four-other-market-signals/>

"The first quarter of 2026 points to a market that is active, but selective."

[11] Angel Investors Network — Venture Funding Concentration Q1 2026 Digital Health (2026-04-10)

<https://angelinvestorsnetwork.com/startups/venture-funding-concentration-q1-2026-digital-health>

"Most digital health AI applications are thin wrappers around GPT-4 or Claude API calls, not defensible technology moats."