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CASE STUDY · MARLUC SYNOPSIS

IBM Watson Health

IMPLEMENTED 2015–2022 · TECHNOLOGY AND SOFTWARE · US · BAND F · REVERSED

VERSION 1.1 · PUBLISHED 15 NOVEMBER 2026 · UPDATED 15 NOVEMBER 2026 · FACTS CHECKED 15 NOVEMBER 2026

IBM formed a Watson Health division in 2015 and bought four health-data companies at a reported cost of about US$4 billion. In 2022 it sold the division's data and analytics assets to Francisco Partners for an undisclosed price.

ABOUT THIS SYNOPSIS

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Facts and figures are as reported by the sources listed below, which may be incomplete, self-reported or out of date. Check the original source before relying on any figure.

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NOTICE WORDING LAST UPDATED 16 NOVEMBER 2026

AT A GLANCE

What went wrong: Business or programme failure.

AI and automation used: Natural-language processing and machine learning for clinical decision support, sold alongside health data and analytics products.

Implemented: 2015–2022. Grade: band F, Failure, Reversed.

Headline result, as reported: IBM sold its Watson Health data and analytics assets in 2022 after acquisitions reported at about US$4 billion; IBM did not disclose the price

1 · The case

The facts, as reported by the 5 sources listed at the end. Where a source is silent, the field says "Not reported".

Organisation

IBM. US technology company. Its Watson Health division, formed in 2015, sold AI and data products to hospitals, insurers, drug companies and researchers; it had 7,000 employees at one point, per STAT's reporter speaking to Slate. Canvas block: 3. Customers and proposition. Also 6. Data and technology, 8. Governance and risk.

Business challenge

The challenge. IBM wanted to apply Watson's language skills to patient records and the medical literature to support diagnosis and treatment decisions, per IEEE Spectrum. Its chief executive at the time called health care "our moonshot", as relayed by Slate. IBM had fallen behind other technology companies and needed something big to stay relevant, in IEEE Spectrum's words.

Who implemented it

In-house (In-house): IBM's own Watson Health division.

Technology (SEAM pillar E)

SEAM types: T5 Custom / fine-tuned models, T8 Predictive / ML models. Deployment: Not reported. Vendors and products: IBM, Watson for Oncology, Watson for Genomics, Watson for Clinical Trial Matching, Health Insights, MarketScan, Micromedex.

Where it was built in: Sold to hospitals, genetics labs, insurers and drug companies as decision-support tools and data products; Watson for Oncology was trained with physicians at Memorial Sloan Kettering.

What changed

Before: a Watson Health division inside IBM, selling AI tools and health data products. After: the data and analytics assets belong to Francisco Partners and trade as Merative; IBM said it would focus on hybrid cloud and AI and remained committed to Watson. [1] [2] [3] [4] [5]

Cost of failure

Not disclosed by IBM. As reported: about US$4 billion on four health-data acquisitions by mid-2016, per IEEE Spectrum; STAT's reporter put the acquisitions at US$5 billion when speaking to Slate. The assets sold for what Bloomberg said was more than US$1 billion, as relayed by Slate; IBM said financial terms were not disclosed. Write-off: Not reported.

What it saved

Not reported [1] [2] [3] [4] [5]

Governance and control

Senior vice president John E. Kelly III guided the Watson effort and took direct oversight of Watson Health in late 2018, per IEEE Spectrum. IBM described its tools as decision support for clinicians. Customer hospitals published their own comparisons of Watson for Oncology with expert opinion. IBM's own testing and assurance process: Not reported.

S2 · Accountable owner · Evidenced
Senior vice president John E. Kelly III guided the Watson effort and took direct oversight of Watson Health in late 2018, per IEEE Spectrum. [2]

A1 · Safe use · Not reported
Not reported.

A2 · Human in the loop · Claimed
IBM described its aim as decision support using AI, per IEEE Spectrum; how clinicians reviewed recommendations is not reported. [2]

A3 · Monitoring and assurance · Not reported
IBM's own assurance process is not reported; customer hospitals in India and South Korea published comparisons of Watson for Oncology with expert opinion. [2]

A4 · Vendor AI · Not reported
IBM was itself the vendor; how customers assured the tools before use is not reported.

A5 · Agent controls · Not reported
No agents described.

A6 · Standards and regulation · Outside scrutiny (a regulator, court, auditor or similar body acted)
A diabetes app built with Medtronic was approved by the FDA and launched in 2018, per IEEE Spectrum; regulatory review of other Watson Health tools is not reported. [2]

What worked, what did not, what is unproven

WORKED

– Watson for Genomics: the US Department of Veterans Affairs used its reports in more than 70 hospitals, per IEEE Spectrum.

– An app built with Medtronic for diabetes management was approved by the FDA and launched in 2018, per IEEE Spectrum.

– Hospitals in India, South Korea and Thailand adopted Watson for Oncology, per IEEE Spectrum.

DID NOT

– The health business was not profitable, per STAT.

– IBM struggled to integrate the acquired companies' data and cultures, losing clients and missing sales targets, per STAT.

– Of 24 partnership projects in IEEE Spectrum's 2019 sample, 19 had no tool or app in use, on MarLuc's count of its table.

– Watson for Oncology's top recommendations matched experts in 49% of 656 colon cancer cases at one South Korean hospital and 73% of 638 breast cancer cases at an Indian centre, per IEEE Spectrum.

– A separate project at MD Anderson Cancer Center was cancelled in 2016 after US$62 million was spent, per IEEE Spectrum.

UNPROVEN

– Whether Watson tools improved patient outcomes: a former IBM Research chief medical scientist told IEEE Spectrum in 2019 that there were no published papers of consequence.

– One article alleged that Watson for Oncology gave useless and sometimes dangerous recommendations; IBM contests this, per IEEE Spectrum.

– IBM's total spend and its loss on the sale: Not reported by IBM.

Timeline

2011 Watson appears on the quiz show Jeopardy! [4]

2012 Memorial Sloan Kettering begins working with IBM Watson on cancer care [2]

2014 IBM invests US$1 billion in its Watson unit [2]

2015 IBM forms the Watson Health division; Watson for Oncology becomes a product [2]

2018 Senior vice president John E. Kelly III takes direct oversight of Watson Health [2]

Apr 2019 IEEE Spectrum reports that many announced Watson health partnerships have produced no commercial product [2]

Jan 2022 IBM agrees to sell Watson Health data and analytics assets to Francisco Partners [1]

Jul 2022 Sale closed; the new owner names the business Merative [5]

2 · Grade and SEAM assessment

MarLuc's opinion, made on the evidence above. How cases are graded: marluc.co.uk/case-studies/how-we-rate

Level of change and impact

Claimed: Not applicable. Grade: F, Failure. Proof: Reversed. Level of change: Not graded.

No level assessed: band F, a business built around AI that was sold off. The sale is confirmed by IBM; the acquisition costs and the sale price are press reports, so the marker is Reversed.

Graded F: a business built to apply AI across health care was undone. IBM confirmed the sale; the price and the money spent are press reports, and IBM has not published a loss.

The SEAM view and lessons learnt

The difficulty sat at the join between the technology and the work it was meant to change. IBM bought data and customers through acquisitions, but integration proved hard and the products did less than the public claims, by the press accounts cited here. Evidence that the tools improved care was thin. For a larger organisation, the transferable point is to prove one product in real use before building a division around it.

1. Prove the product in real use before scaling the business around it.
2. Publish outcome evidence before making public claims.
3. Plan the integration of acquired data and teams before you buy.

Evidence

Score 2 of 4. Company announcement and press reporting: IBM confirmed the sale; costs, price and product results come from IEEE Spectrum, STAT and Slate.

Evaluation method. Company announcement and press reporting: IBM's sale announcement, with acquisition costs, sale price and product results from IEEE Spectrum, STAT and Slate; no audit or regulator finding on the division.

Sources disagree. IEEE Spectrum puts the four acquisitions at about US$4 billion; STAT's reporter, speaking to Slate, said the acquisitions cost US$5 billion. IBM said terms of the sale were not disclosed; Slate relays a Bloomberg report of more than US$1 billion.

Status. Closed: the sale to Francisco Partners closed by early July 2022 and the business was renamed Merative.

3 · Original sources

Read these in full. To challenge a fact or a grade, use the contact form at marluc.co.uk or the link on https://marluc.co.uk/case-studies/ibm-watson-health

[1] IBM: Francisco Partners to Acquire IBM's Healthcare Data and Analytics Assets (January 2022)
https://newsroom.ibm.com/2022-01-21-Francisco-Partners-to-Acquire-IBMs-Healthcare-Data-and-Analytics-Assets

[2] IEEE Spectrum: How IBM Watson Overpromised and Underdelivered on AI Health Care (April 2019)
https://spectrum.ieee.org/how-ibm-watson-overpromised-and-underdelivered-on-ai-health-care

[3] STAT: IBM to sell the core data assets of Watson Health (January 2022)
https://www.statnews.com/2022/01/21/ibm-watson-health-sale-equity/

[4] Slate: How IBM's Watson Went From the Future of Health Care to Sold Off for Parts (January 2022)
https://slate.com/technology/2022/01/ibm-watson-health-failure-artificial-intelligence.html

[5] STAT: Under new ownership, IBM Watson Health's core assets get a rebranding (July 2022)
https://www.statnews.com/2022/07/06/ibm-watson-health-merative-data/

IBM website: https://www.ibm.com

Version 1.1 · Published 15 November 2026 · Updated 15 November 2026 · Facts checked against sources 15 November 2026 · Downloaded 26 November 2026. This PDF may be out of date: the latest version, and a way to report an error or a better source, is at https://marluc.co.uk/case-studies/ibm-watson-health

VERSION HISTORY

v1.1 15 November 2026 Method update: standards and regulation (A6) relabelled "outside scrutiny" because the evidence is a regulator, court, auditor or similar body acting, not the organisation's own compliance.
v1.0 15 November 2026 First published