

Primary Care

Q3 2023

Market Update









Primary care has continued to be one of the most active sub-sectors of healthcare services in terms of M&A activity as both private equity sponsors and strategic acquirers position themselves to effectively capitalize on the shift towards value-based contracting. PCP's position as the "quarterback" for care delivery, specialist referrals, and preventative care enables primary care providers to effectively drive shared savings.

It was a quiet quarter for new platform creation, but existing platforms have remained active in pursuing add-on investments to bolster their market footprint and increase the volume of covered patient lives. Optima Medical, backed by Trivest Growth, executed three add-on acquisitions across Arizona, which has emerged as an attractive environment for risk-based payor models. On the other hand, Cano Health's share price has plummeted amidst ongoing concerns of its ability to remain liquid, forcing the platform to divest certain assets. This bears monitoring going forward to understand its impact on the primary care landscape at large.

Provident expects the pace of consolidation to accelerate into Q4 and early 2024, with groups that demonstrated meaningful traction into value-based contracting, ACO membership, or other risk-based arrangements to attract premium valuations. The role of technology for primary care platforms is also expected to grow as the importance of tracking a patient's journey becomes increasingly critical to understand outcomes, return to hospital rates, and other quality metrics.

Provident recently published a comprehensive Sector Update & Outlook presentation (link below) that provides a robust outline of the competitive landscape, emerging trends, and transaction considerations for operators across the primary care landscape.

Select Transactions

Month	Acquirer	Target	Deal Description
September		 BENEZE MEDICAL GROUP ALL WELLNESS MEDICAL CENTER	Optima Medical, an AZ-based primary care platform backed by Trivest, completed three acquisitions of AZ-based primary care practices to bolster its presence in the state. Optima is actively seeking additional deals in the Southwest to build upon its existing 14+ locations and 200,000+ annual patient visits.
September			Cano Health (NYSE: CANO) divested substantially all of its senior-focused primary care centers in Texas and Nevada to CenterWell Senior Primary Care for \$66.7M. The transaction comes amidst Cano's struggles to remain in compliance with its debt covenants, pushing the Company to strengthen its balance sheet.
September			Medical Specialists of the Palm Beaches (MSPB), a primary care-focused, multi-specialty group, has acquired Metzger Comprehensive Care, a concierge medicine practice in Boca Raton, to bolster its concierge medicine offering and diversify its patient panel to encompass a more affluent population.
July			Bright Health Group divested its California Medicare Advantage business, including its Brand New Day and Central Health plans, to Molina Healthcare for an estimated \$600M. The cash proceeds from the divestment will be utilized to fund remaining liabilities towards its discontinued Affordable Care Act business.

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Publications & Podcasts

Sector Update

[Provident published a comprehensive deck outlining our views on emerging trends and competitive landscape in the Primary Care space](#)

Podcast

[Craig Sager joined McGuireWoods "Corner Series" podcast to discuss M&A in primary care](#)