# Primary Care

<div align="right">Q4 2023</div>

## Market Update

Primary care continues to gain significant interest from investors with a thesis on continued development of value-based care models. Despite a challenging macro-economic climate, M&A activity has persisted in this sector as investors and larger practices seek to align themselves with organizations that are well-positioned to capitalize on these tailwinds to succeed in a value-based care environment.
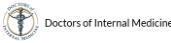
The bulk of M&A activity has continued to be driven by private-equity backed platforms who are leveraging the capital and strategic resources provided by their sponsors to expand their patient base, push into new markets, and build scale to more effectively negotiate with payors and establish attractive value-based contracting arrangements.

Other factors influencing the market landscape and M&A within primary care include the implementation of the new CMS HCC model, v28, to replace v24 which will be phased out from 2024 – 2026. CMS' rationale for this shift is to implement a coding system that more accurately predicts costs, focuses on the most prevalent conditions, and eliminates conditions that did not have "well-specified" diagnostic coding criteria.

While the full impact of this change is yet to be determined, the market expectation is for this to decrease risk scores by ~2.0% nationwide, creating a more challenging landscape to generate shared savings in risk-based payor arrangements.

Provident has recently published a comprehensive Sector Update & Outlook presentation (link below) that summarizes the impact of these changes alongside other trends and factors influencing market activity in the Primary Care space.

## Select Transactions

| Month | Acquirer | Target | Deal Description |
|---|---|---|---|
| December | TYGON PEAK CAPITAL | Doctors of Internal Medicine | Tygon Peak Capital, a lower-middle-market focused private equity firm, has created a new primary care platform in the Dallas, TX market through its investment in Doctors of Internal Medicine and Internal Medicine Associates of Plano. The partnership will provide the combined platform with the capital to expand its service offering across its existing clinic footprint, deepen its provider base, and accelerate its organic growth and M&A efforts. |
| November | consensus health | *5 Independent Primary Care Groups* | Consensus Health, a physician-owned medical group comprised of 160 New Jersey-based independent primary care providers and specialty doctors across 69 locations, has added five physician practices network, expanding its market leading position in NJ. The combination accelerates Consensus' value-based care initiatives by adding capacity, patient lives, and ability to improve population health outcomes across the state. |
| November | apollomed | *Community Family Care Medical Group IPA, Inc* | Community Family Care Medical Group was acquired by Apollo Medical Holdings (NAS: AMEH), a subsidiary of Alfresa Holdings, for $202M. The acquisition will allow Apollo Medical Holdings to enhance its population health capabilities across its Medicaid patient base, while leveraging its back-office infrastructure to realize cost synergies and economies of scale. |
| September | TGH Tampa General Hospital | BRAVERA HEALTH | Tampa General Hospital acquired three Bravera Health hospitals in the greater Tampa region for a combined purchase price of $290 million from their current owners, Community Health Services. The transaction allowed Community Health to divest its Florida-based hospitals to focus on its core Tennessee footpring, while allowing Tampa General to build additional scale and market density in its primary service area. |

## Provident Industry Coverage Team

**Craig Sager**
Director
(617) 226-4218
csager@providenthp.com

**Dustin Thompson**
Director
(617) 226-4267
dthompson@providenthp.com

**Brendan Schroeder**
Associate
(617) 226-4292
bschroeder@providenthp.com

## Publications & Podcasts

**Press Release**

Provident published a comprehensive deck outlining our views on emerging trends and competitive landscape in the Primary Care space