

Primary Care

Q1 2024

Market Update

Primary Care has continued to be a sector of considerable interest among healthcare services investors, as the continued shift towards risk-based payment models places increased value on preventative care and outcomes-based programs which primary care providers are uniquely positioned to offer. These structural market trends provide consistent support for M&A activity and valuation levels across the space, despite macroeconomic challenges impacting overall deal flow.

Despite these tailwinds, the market has experienced obstacles in the shift towards value-based care. Several groups have experienced rising medical costs and increased utilization that negatively impacted bottom-line performance. Further, risk-taking groups will need to navigate the continued impact of CMS-HCC Version 28 that is expected to have a modest downward impact on RAF scores, decreasing shared savings payments under certain models. Groups that can navigate these conditions will be well-positioned for future growth.


Provident Transaction

Two of the largest providers of pediatric primary care services in South Carolina, SouthernMED Pediatrics and Sweetgrass Pediatrics, have partnered with US Pediatric Partners in a landmark transaction in the pediatrics space.

The combination will create one of the largest pediatric-focused platforms nationwide with 90+ providers across 17 clinics. The partnership also provides US Pediatric Partners with a foothold in South Carolina, which has emerged as a robust market for value-based care given its attractive Managed Medicaid payor landscape and offers an avenue for further expansion across the Southeast.



Select Transactions

Month	Investor	Target	Deal Description
March		<i>Medical Group of Central GA</i>	Southeast Primary Care Partners (SPCP), a primary care platform backed by Beecken, Petty, O'Keefe & Co., announced the acquisition of Medical Group of Central Georgia. This partnership deepens SPCP's market density across Georgia and adds an additional 10+ providers to its platform. The acquisition marks a continuation of SPCP's growth strategy to build patient density across the Southeast that will enable it to succeed under value-based payor arrangements.
February	 		Everside Health and Marathon Health, two leading providers of advanced primary care and occupational health for employers and unions, have merged to create a combined platform that will provide care to 2.5 million+ eligible patients through more than 680 health centers nationwide. This is a milestone transaction between two of the leaders in this space that will create a market leader in the occupational health and employer-focused primary care space.
February	 		The Corvallis Clinic, one of the largest independent physician-owned medical groups in Oregon, has been acquired by Optum, a subsidiary of UnitedHealth Group. The acquisition adds 100+ providers across 11 locations to Optum's footprint, and comes amidst a period of financial challenges for Corvallis where it was projected to lose money over the coming year if the merger hadn't gone through.
January	 		Cullman Primary Care, a 3-location primary care practice in Northern Alabama, has been acquired by Complete Health in a transaction that bolsters its leading market position across Alabama. Complete Health now has 155 providers across 28 locations in Alabama, Florida, and Virginia, 20 of which are in Alabama.

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