HEALTHCARE INDUSTRY GROUP

Why Private Equity Works in Value-Based Primary Care

What disciplined private capital gets right—and why it should be scaled.

Private equity has become one of the most influential forces shaping the future of primary care. While critics often paint all healthcare investment with a single brush, emerging evidence from value-based care (VBC) environments tells a far more constructive story, one that investors should pay close attention to.

A recent claims-based analysis of Medicare Advantage (MA) primary care platforms operating under full-risk and downside-risk contracts provides the clearest signal to date: Private equity investment in value-based primary care does not inflate costs and can help sustain high-performing care models at scale.[1]

That distinction matters—not just for policy debates, but for investors determining where disciplined capital can create durable, defensible value.

The right model meets the right capital

Unlike fee-for-service medicine, VBC aligns financial incentives with outcomes. Revenue depends on controlling total cost of care, managing chronic disease, and preventing avoidable utilization. In this environment, operational excellence—not volume—is the growth engine.

The study examined nearly 100,000 MA patient-years across multiple investor-backed primary care platforms between 2018 and 2024. These practices were fully committed to VBC models.

The findings are instructive:

- Total per-patient costs continued to decline after investment.
- No evidence of post-acquisition cost inflation was observed.
- Cost performance remained stable even through periods of rapid organizational change.

In other words, private equity ownership proved compatible with disciplined cost management in VBC.

What private equity gets right in VBC

Identifying high-quality platforms, early

The strongest signal from the data is not that private equity "forces" cost reductions, but that investors are highly effective at identifying organizations with proven yet subscale value-based capabilities.

In many cases, these practices had already built:

- Care management infrastructure.
- Data-driven population health workflows.
- Clinical cultures aligned with accountability.

Private equity's role was not to reinvent these capabilities—but to recognize them, back them and scale them.

That approach is not a weakness of the model, it is a strength.

Scaling without disruption

One of the most overlooked risks in healthcare investing is operational disruption. In fee-for-service settings, acquisition often leads to behavior changes that increase utilization and cost. In VBC, the opposite appears true.

The study shows that while there may be a modest, temporary medical cost increase during the investment year—likely reflecting expanded outreach and increased patient engagement that uncovered unmanaged conditions—performance quickly stabilizes without reversing the underlying cost discipline.

This suggests that private equity capital, when deployed thoughtfully, can professionalize and expand value-based organizations without undermining their core clinical model.

Reinforcing incentive alignment

VBC constrains the excesses sometimes associated with healthcare investment. Full-risk MA contracts penalize unnecessary utilization and reward longitudinal management.

Private equity thrives in environments where:

- Incentives are clear.
- Performance can be measured.
- Scale improves execution.

Value-based primary care fits that profile remarkably well.

1. Bujnowski A. Financial outcomes in value-based care: A comparative claims-based study of Medicare Advantage patients in investor-backed primary care practices pre/post investment [dissertation]. Birmingham (AL): University of Alabama at Birmingham; 2025.

Why these findings matter for the next wave of healthcare investment

The policy environment is increasingly supportive of accountable care. Centers for Medicare & Medicaid Services (CMS) has set explicit goals to move most Medicare beneficiaries into value-based arrangements by 2030. MA enrollment continues to grow. Payers are seeking partners who can manage risk at scale.

This study provides empirical support for a key investment thesis:

Private equity is not antithetical to VBC; it may be one of its most effective enablers.

By backing organizations that already know how to manage risk, capital can accelerate:

- Geographic expansion.
- Contract sophistication.
- Care model replication.
- Technology and analytics adoption.

None of these require raising costs. All of them require capital.

A more refined view of value creation

The findings also help refine how investors should think about value creation in VBC platforms.

The upside is not short-term cost compression driven by financial engineering. It is long-term enterprise value built on:

- Consistent cost performance.
- Scalable clinical model.
- Durable payer relationships.
- Predictable cash flows under risk.

That is precisely the type of value private equity is well positioned to build.

The bigger takeaway

For too long, discussions about private equity in healthcare have failed to distinguish between payment models. This lack of nuance attributed poor financial and operational outcomes of some PE-backed platforms across all investment types. This study makes clear that VBC changes the equation.

When incentives are aligned, private capital can:

- Preserve cost discipline.
- Strengthen operational infrastructure.
- Enable growth without degradation of care models.

Rather than restricting or discouraging investment in value-based primary care, policymakers, payers, and investors should focus on expanding the conditions under which this model succeeds.

The future of healthcare will not be built by capital alone, but it will likely not scale without it. In value-based primary care, private equity has an opportunity to be part of the solution.

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