

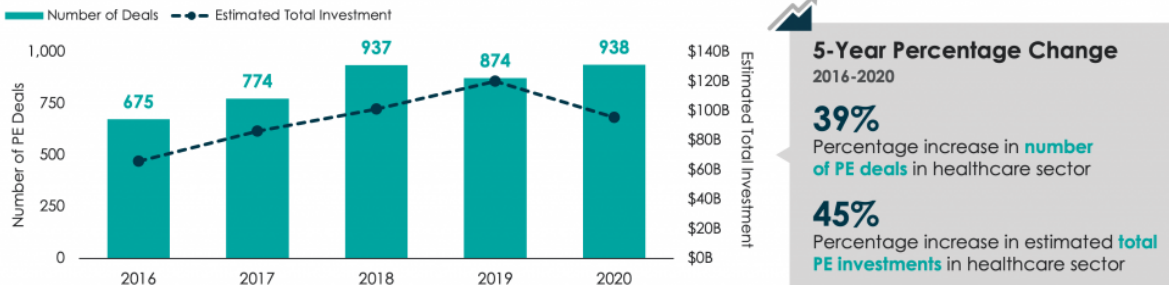
Private equity accelerates its push into physician practice

As we [reported](#) recently, healthcare M&A hit record highs in the first quarter of 2021—with deal activity in the physician practice space surging 87 percent. The graphic below highlights private equity firms' increasing investment in the sector over the last five years. **Both the number and size of PE-backed healthcare deals have increased substantially from 2015 to 2020**, up 39 and 45 percent respectively. In 2020, physician practices and services comprised nearly a fifth of all transactions, with PE firms driving the majority. **One in five physician transactions involved primary care practices—a signal that investors are banking on profits to be made in the shift to value-based care models.** Meanwhile, PE firms are still rolling up high-margin specialty practices, with ophthalmology, orthopedics, dermatology, and anesthesiology groups all receiving significant funding in 2020. PE investment in physician practices will likely continue to accelerate, as investors view healthcare as a promising place to deploy readily available capital. But we remain convinced that **private equity investors have little interest in being long-term owners of practices, and will ultimately look for an exit by selling “rolled-up” physician entities to health systems or insurers.**

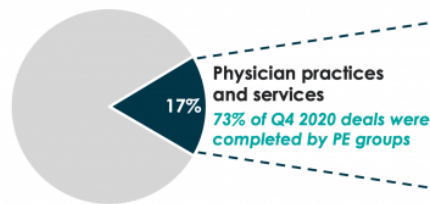
Private Equity Deals in Healthcare Continuing to Set Records

PE¹-Backed Transactions Driving Consolidation in Physician Practice Space

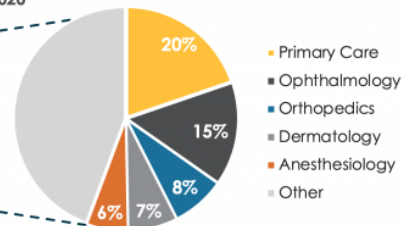
Number of Healthcare PE Deals and Estimated Size of Investments



Distribution of Total U.S. Healthcare M&A Transactions 2020



Distribution of Total U.S. Physician Practice Transactions 2020



1. Private equity.

Source: "Physician Medical Group M&A Activity Surges to Yearly High in Q4:20," Levin Associates Products, 20 Jan. 2021; Quarterly Press Releases, Levin Associates Products, 2020; Physician Practices Flash Report, Edgepoint, Mar. 2021; US PE Breakdown Q1 2021, Pitchbook, 19 Apr. 2021; Gist Healthcare analysis.