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## Why Consolidation Will Occur in Your Healthcare Market

by Tom Schramski, PhD, CMAA, Managing Partner

*Tom Schramski is a presenter at the Spring Conference session entitled, **Consolidate 2 Integrate**. [Register today](#).* Learn how national healthcare trends are applicable to North Carolina and what you as a provider should consider when thinking about Medicaid Transformation – **attend the Consolidate 2 Integrate session at [Spring Conference](#).**

**You cannot escape it. The US healthcare market is obsessed with consolidation.** To add to this extraordinary activity, Amazon, Berkshire Hathaway and JP Morgan Chase intend to form their own healthcare insurance company. Why now?

There are at least eight good reasons for this healthcare consolidation frenzy:

- **Technology is becoming more sophisticated and expensive** – While technology is driving considerable innovation, it is a big challenge for many healthcare providers who lack the expertise and financial ability to leverage it. Merger or acquisition are viable strategies to make this next step.
- **Growing reimbursement pressure and complexity** – The combination of value-based care and outcome-oriented initiatives in primary medicine and long-term care services is forcing a re-evaluation of how services can be best provided in the most economical manner, encouraging providers to consider consolidation.
- **Increasing reliance on managed care** – States have found that despite a variety of issues, managed care organizations (MCOs) can provide more cost-effective services than they can operate, with less of the political entanglement. MCOs always prefer smaller provider networks, leading to consolidation.
- **Instability in the funding environment** – Consolidation can be an antidote for some of the instability in many funding environments, especially Medicaid reimbursement, which can vary considerably between states.
- **Transparency requires a larger, retail mindset** – CMS is strongly encouraging providers to become more transparent and several states are requiring price transparency for a variety of healthcare services and products. This retailing of healthcare will likely accelerate and place significant pressure on small healthcare providers.
- **The new provider is an insurance company** – Insurance companies are leading the way in the consolidation of the “outpatient pathway” and are providing an example of how to rapidly gain a strong footprint in desirable healthcare verticals. They also provide an opportunity for consolidated organizations, whether in home care/hospice or addiction

treatment, to partner directly with insurance entities and position themselves for future growth.

- **Strategic opportunities abound** – Consolidation opportunities are growing as acquirers are increasingly marketing their interest and Baby Boomers are ready, whether as the CEOs of a nonprofit IDD provider or the owner of multi-site DME company.
- **Superabundance of capital** – There is no shortage of investment capital in the US today and healthcare has been historically underinvested, especially by private equity. Investors/buyers want to build consolidated platforms to quickly build large healthcare companies.

Significant disruption and the factors above translate into opportunity, if an organization can scale its operations and diversify its offerings. Remarkably, nonprofit and for-profit organizations, small and large, see the same thing – the necessity of consolidation in a turbulent healthcare marketplace.

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