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Barbarians at the Primary Care Gate

Private equity is targeting your primary care market — health systems that move now to secure employer relationships will protect their commercial revenue and referral base.

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Venture capital-backed primary care companies are actively eroding the patient base and physician pipeline that community health systems depend on — and employer-based health plans are next in their sights.

The Challenge

National healthcare spending is projected to reach $4.01 trillion by the end of 2020 and $6.19 trillion by 2028, according to CMS. Medicare spending alone is growing 7% annually, with 10,000 seniors enrolling daily. These numbers are exactly why the primary care market has become so attractive to venture capitalists and private equity firms — who currently hold over $1.6 trillion in dry powder and are actively looking to deploy it in healthcare.

Companies like Oak Street Health and VillageMD have already moved aggressively. Oak Street Health went public in August 2020 and operates 54 primary care centers across nine states, targeting Medicare Advantage members with value-based primary care designed explicitly to reduce hospital utilization. VillageMD, through its Walgreens partnership, is deploying primary care services in 500 to 700 stores across 30+ underserved markets — and is actively recruiting primary care physicians to fuel that expansion.

These companies are not simply competing for patients — they are competing for physicians, employer relationships, and the referral patterns that drive downstream revenue. Private equity has the capital to outspend health systems on technology, salaries, and market access. Although their initial focus is Medicare and underserved communities, it is only a matter of time before they pivot to the commercial market. Employer-based health plans represent the most profitable revenue for hospitals and health systems. Health systems cannot afford to wait.

$6.19T

projected U.S. healthcare spending by 2028 — fueling private equity appetite for primary care

$1.6T

in private equity dry powder actively targeting healthcare market share

THE COMMERCIAL MARKET IS THE PRIZE

Oak Street and VillageMD are starting with Medicare and underserved markets — but their playbook is built for scale. Once their primary care infrastructure is established, the commercial employer market is the natural next target. Health systems that have not already secured employer relationships will find themselves competing against well-capitalized adversaries on their own turf.

The Opportunity

Engaging the commercial market through direct-to-employer initiatives is the most effective defense health systems have against private equity encroachment. Securing relationships with local employers locks in the patient volume, referral patterns, and revenue that fund health system operations — before outside competitors can establish a foothold.

Health systems have a structural advantage that Oak Street and VillageMD cannot replicate: deep community roots, established specialist networks, and the full continuum of care. The opportunity is to translate those assets into employer-facing programs that demonstrate measurable cost savings and population health outcomes — making the health system the undeniable partner of choice for local employers.

Key Strategies to Protect the Primary Care Perimeter

- **Focus on Preventive Health Benefits:** Preventive care is often inexpensive to deliver yet yields significant downstream savings. Providing preventive care is estimated to save employers between $89 and $111 billion annually — a powerful proof point for health system-led employer programs.
- **Reduce Wasted Healthcare Costs:** Twenty-three percent of healthcare spending is wasted, amounting to $2,581 per individual against an average total spend of $11,559 per person. Health systems that can demonstrate their ability to eliminate waste become the clear provider of choice for cost-conscious employers.
- **Deliver Value-Based Care:** Research shows providers in value-based models screen patients at higher rates for cancer, achieve better blood sugar control, and deliver more comprehensive preventive care than fee-for-service counterparts — keeping employees healthier and reducing hospitalization costs for employers.
- **Get Chronic Condition Patients into the System Early:** More than 30% of U.S. adults are obese; diabetes affects 10.9% of the population (up 148% in two decades); and the cardiovascular death rate has risen 4% in five years. During COVID-19, hospitalizations for those with chronic conditions were 45.4% higher and deaths were twelve times higher than healthy individuals. Early detection and intervention is both a clinical and financial imperative.

The Solution

Employers who work directly with a hospital or health system will better understand the health of their employees through technology and resources that identify high-risk populations early. Analytics enable employers to determine which employees are delaying care or not taking medications — allowing health system interventions before conditions escalate. A focus on primary care is especially important as employers look to reduce healthcare costs and maintain workforce health, while also driving revenue and an improved payer mix for the health system.

Applied Health Analytics positions hospitals and health systems as the leading providers of population health management services in their communities. AHA partners with health systems to deliver evidence-based, risk-stratified member engagement technology that identifies individual health risks and aligns those risks with client-provided services — giving health systems a proven, scalable framework for direct-to-employer strategy.

Risk-Stratification Engine	Purposefully designed algorithms, health risk assessments, biometric data, and claims data work together to provide a prescriptive view of individual and overall employee population wellbeing — delivering accurate, easy-to-query analytics that empower change and measure impact.
Care Coordination	The risk-stratification engine identifies individuals by health risks, behavior change needs, health history, or gaps in care and targets them to promote health system services, products, partnerships, and PCPs. Effective care coordination is the foundation of value-based care delivery.
Early Detection (bMetrix™)	Biometric screenings and health risk assessments (HRAs) surface underlying conditions, family histories, and risk behaviors before they escalate. The bMetrix™ application enables seamless collection and recording of biometric data — detecting the onset of diabetes, heart disease, and other high-cost chronic conditions.
Direct-to-Employer Strategy	AHA helps health systems structure and execute direct contracting relationships with local employers — demonstrating cost savings, preventive care value, and quality outcomes that differentiate the health system from private equity-backed competitors.
bIQ™ Population Health Platform	The bIQ™ platform integrates risk stratification, care coordination, health coaching, and engagement tracking into a single system — giving health systems real-time visibility into employer population health and the tools to continuously improve program performance.

"Health systems need to be prepared to protect their commercial markets, because quite literally, the barbarians are at the gate. The only way to do this is to start capturing the commercial market as quickly as possible before private equity gets there first."

— Applied Health Analytics, Barbarians at the Primary Care Gate

Proven Results

The threat from private equity-backed primary care is not theoretical — it is already reshaping how patients access care and how physicians choose employers. Health systems that have proactively built employer relationships and direct-to-employer programs are seeing the benefit in protected patient volume, stronger payer mix, and deepened community ties.

By deploying AHA's risk-stratification engine and employer engagement model, health system partners are able to identify high-risk employee populations, connect them to primary care and preventive services, and demonstrate measurable cost savings to employer clients — creating the kind of sticky, data-driven relationships that private equity competitors cannot easily replicate.

The result is a defensible commercial market position: employers remain anchored to the health system's primary care network, referral patterns are preserved, and the health system is positioned as an indispensable community partner rather than a commodity provider competing solely on price.

23%

of all healthcare spending is wasted — $2,581 per person that health systems can help employers recover

10,000

seniors enrolling in Medicare daily — the population private equity is already capturing

A Partnership with Applied Health Analytics

Applied Health Analytics brings together market intelligence, proven employer engagement tactics, and population health technology to help health systems act before private equity competitors establish market presence. AHA's model is built around three integrated components that move a health system from reactive to proactive in the commercial market.

Direct-to-Employer Strategy Development

AHA helps health systems identify and prioritize target employers in their market, design compelling employer value propositions centered on cost savings and quality, and structure the contractual and operational frameworks for direct employer relationships.

Population Health Technology

The bIQ™ platform and bMetrix™ screening application give health systems the analytics infrastructure to identify high-risk employee populations, coordinate care, and track outcomes — providing the data-driven proof points that employers demand from any healthcare partner.

Market Defense & Ongoing Execution

AHA monitors the competitive landscape and supports health systems in continuously deepening employer relationships — ensuring that as private equity competitors expand their footprint, health system partners are already entrenched as the employer's trusted, high-value provider of choice.

Conclusion

The window to act is now. Private equity-backed primary care companies are already in your market, recruiting your physicians and targeting your patients. Their progression to the commercial employer segment is not a question of if — it is a question of when.

Health systems that move decisively to build direct employer relationships — backed by the risk stratification, care coordination, and engagement technology that AHA provides — will lock in the commercial revenue and referral patterns that sustain their mission for decades to come.

Applied Health Analytics is ready to help you build your direct-to-employer strategy before the competition arrives. Contact us at appliedhealth.net to schedule a strategy session.

Ready to advance your commercial market strategy? Visit **appliedhealth.net** or call **(615) 665-8825** to schedule a strategy session.

ABOUT APPLIED HEALTH ANALYTICS

Founded in 2009 as a Joint Venture partner with Vanderbilt University Medical Center in Nashville, Tennessee, Applied Health Analytics is recognized by health system executives across the United States as the trusted leader in the execution of employer-centric, population health management strategies. Through the combination of strategy leadership, best-in-class technology, and go-to-market sales support, Applied Health Analytics links the workforce health interests of over 3,700 employers nationwide with the commercial market share and payer mix objectives of health system leadership.