



Global Healthcare Advisors, LLC

Building Leading Healthcare Companies

Pop Up Efficiency with Population Health Management

Vertical: Population Health Management, June 2016

Author: Nathalie A. Rouzier

MIAMI OFFICE

333 SE 2nd Avenue
Suite 2000
Miami, FL 33131

PROFESSIONAL TEAM

Lawrence S. Carter
Senior Managing Director
lcarter@ghadvisors.net

Jason Laurent, CFA
Managing Director
jlaurent@ghadvisors.net

Nathalie A. Rouzier
Vice President, Research
nrouzier@ghadvisors.net

Josh Weber
Vice President
jweber@ghadvisors.net

Julian Astrove
Analyst
jastrove@ghadvisors.net

Inna Pillipenko
Executive Assistant
ipillipenko@ghadvisors.net

ADVISORY BOARD

Frank Blair
Stanley B. Blaylock
Joel B. Braunstein
Brad Buxton
Martin Z. Craig
Timothy Dickman
Angus Duthie
Greg Guckes
Steven C. Straus

Executive Summary

Market Analysis: Population Health Management (PHM) is the strategic effort to effectively manage the health of a given population, seeking to systematically keep the population as healthy as possible. The global PHM market is expected to reach \$31.6B by 2020, from \$11.13B in 2015, at a CAGR of 23.2%. The novelty and blurriness of this market render statistics such as profit margins difficult to estimate.

Growth Factors: PHM is pivotal in the federal push to contain costs at a juncture where the population is aging and spending in healthcare is expected to skyrocket. CMS estimates that healthcare spending will reach 19.6% of GDP by 2024, up from 17.4% in 2013.

Risk Factors: A significant investment is necessary to develop and maintain a successful PHM strategy. It also exposes providers and patients to the risk of cyberattacks that have become increasingly attractive to hackers.

Regulation: The signing of the Affordable Care Act (ACA) into law in 2010 is largely to thank for the growing interest in population health management in the US. The ACA employs a number of regulatory mandates that reward population health management to improve the quality of care delivered while containing costs.

Reimbursement: The ACA spearheaded a shift away from fee-for-service reimbursement models toward value-based reimbursement models that emphasize longitudinal outcomes of care, closely aligning care with the maintenance of good health. CMS has officially stated their goal to shift 50% of Medicare payments to alternative models by the end of 2018.

Competitive Landscape: There are three ways of adopting PHM strategies – a health system may develop a process in house, it may outsource to large IT companies with PHM capabilities, or it may outsource to companies that solely focus on increasing quality of care while containing costs. The space is fairly consolidated with major players acquiring smaller companies to access their intellectual property.

Acquisition Environment: Organizations involved in PHM have experienced an active year when measured by M&A activity, which has grown 50% YoY. Strategic acquisitions are abundant as buyers seek to gain access to IP, diversify their offerings, and unlock brand power.