

# CVS closes in on \$10 billion acquisition of Oak Street Health

## Article

**The news:** CVS Health is closing in on a deal to acquire [senior-focused primary care company](#) Oak Street Health for \$10.5 billion including debt, according to a WSJ report.

- Oak Street shares jumped by over 30% following the Monday evening report.

**Who is Oak Street?** It's a national value-based primary care company for Medicare-eligible patients, particularly in underserved communities.

- It operates **169 centers in 21 states**, employing around **600 primary care providers**.
- It cares for nearly **210,000 patients**, offering ancillary services for many of them, such as transportation to appointments, a 24/7 hotline, and behavioral health support.
- The company went public in 2020 and has a market cap of around **\$6.5 billion**.

**CVS' value-based care intentions:** It appears to be gunning for the Medicare Advantage (MA) market. MA financially incentivizes health insurers to lower patients' medical expenses and keep them out of the hospital.

MA can be a moneymaker for insurers—they get paid by the Centers for Medicare & Medicaid Services for effectively managing sicker patients' costs.

- Under its VBC contracts, Oak Street is responsible for patients' medical costs in exchange for a flat per-member, per-month payment.
- These **capitated agreements** accounted for nearly **99% of Oak Street's revenues** in Q3 2022.
- CVS/Aetna has been growing its **MA membership**, with over **3.2 million beneficiaries** currently enrolled in an Aetna MA plan.

**Key stat:** **Value-based primary care** for seniors is a **\$700 billion total addressable market**, Humana president and CEO Bruce Broussard said during the company's investor day in September.

**CVS vs. its healthcare rivals:** CVS would be acquiring a smaller provider organization—at a higher price—than its competitors.

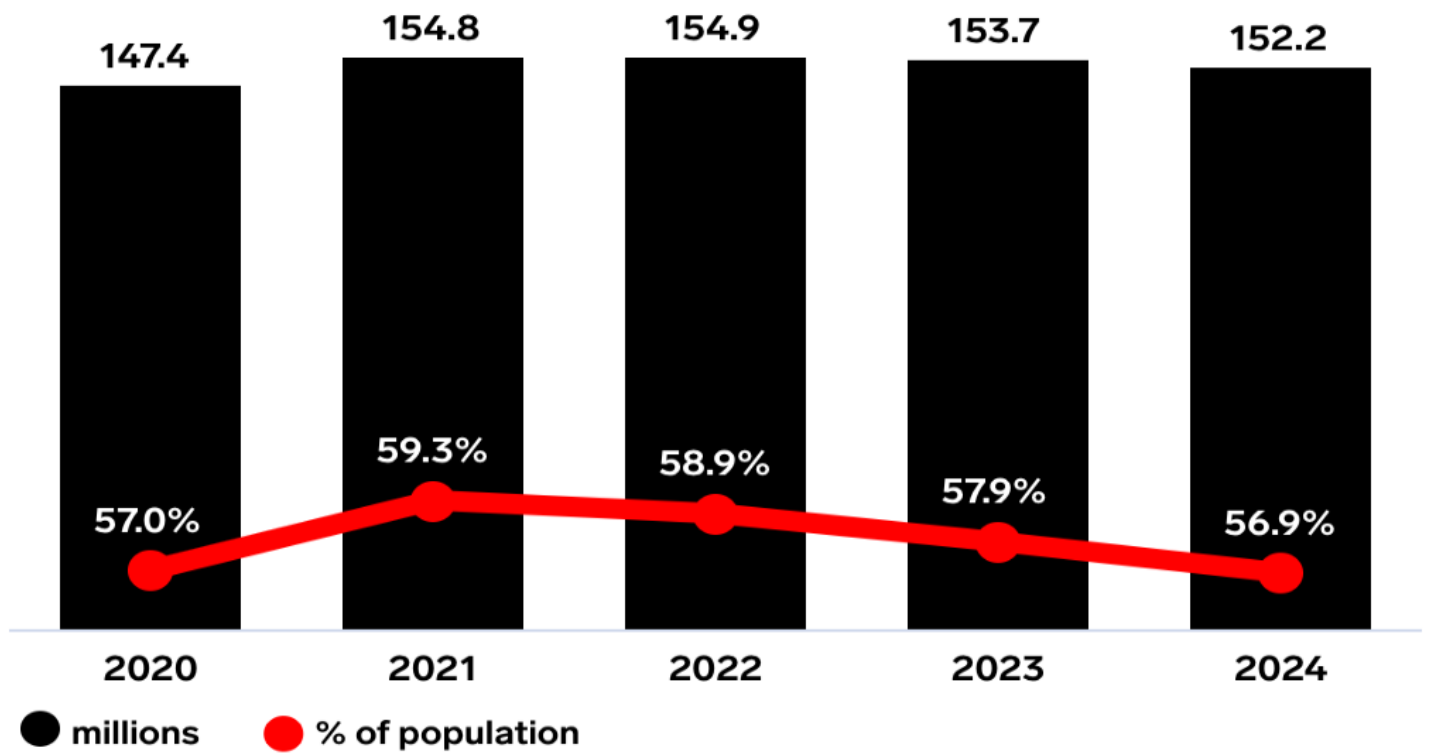
- **Walgreens-owned VillageMD** and **Cigna** acquired **Summit Health**, a multispecialty physician group and parent entity of urgent care provider **CityMD**, in November for **\$8.9 billion**. Summit's combined footprint is around **370 locations** across multiple Northeast states and Oregon, employing **2,800+ providers**.
- **Amazon** **acquired One Medical** for **\$3.9 billion** last July. The deal is facing regulatory scrutiny, but if it closes, Amazon will reel in the primary care provider's **800,000+ members across 26 markets**.

**Our take:** CVS hasn't been shy about its aspiration to acquire a primary care business. But by being late to the primary care buying party, CVS may have lost some pull and paid a premium.

But perhaps the retailer isn't as concerned with the cost as it is with building a vertically integrated healthcare giant. It is combining pharmacy, insurance, retail clinics (MinuteClinics + HealthHUBs), home health (Signify Health, acquired last year), and now primary care to compete with UnitedHealth Group/Optum, Walgreens/VillageMD, and Humana/CenterWell.

## Primary Care Physician Patients

US, 2020-2024



Note: ages 18+; adults who visit a primary care physician practice in-person at least once during the calendar year; excludes visits to specialists; excludes people who only visit on behalf of someone else

Source: eMarketer, November 2022

InsiderIntelligence.com

*This article originally appeared in Insider Intelligence's Digital Health Briefing—a daily recap of top stories reshaping the healthcare industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*