

Signify Health considers selling its business—here's what we think it means for value-based care in 2022

Article

The news: Value-based care (VBC) healthcare analytics company **Signify Health** is considering selling its business—just 18 months after it went public and reached a **\$4 billion** valuation, per the *WSJ*.

- For context, Signify Health's cloud platform connects physician practices and health systems to health insurers to identify patients' health risks and improve health outcomes.

How we got here: Last month, Signify exited the CMS' bundled payments program—a big part of its business.

Signify Health says recent CMS policy changes that lowered prices per episode of care made the program's pricing model unsustainable.

- The cost to restructure Signify Health after it exited the CMS program was steep, and likely contributed to the company's decision to sell.
- The company estimated costs like employee severance amounted to **\$30 million**, for example.

Instead, Signify Health announced it will pivot its focus to its home care business and its February 2022 [acquisition](#) of accountable care organization **Caravan Health**.

- Together, Signify and **Caravan Health** created one of the largest VBC footprints in the US. Caravan's network includes **200+ health systems, 100 Federally Qualified Health Centers (FQHCs), and 10,000+ primary care practices** alone.

The problem: The cost to lure over and keep physician talent is going up, and multiyear VBC contracts don't always account for that.

- Healthcare worker and physician [shortages](#) have led many health systems to spend [extra cash](#) to sign on and retain clinicians.
- That likely isn't helping already low hospital margins.

Our prediction: We expect to see more VBC-focused companies consolidate this year.

As the macroeconomic environment becomes more uncertain, it's possible VBC models will become even more difficult to sustain. In fact, we've already seen well-established digital health entrants seek refuge in the arms of tech giants to avoid major organizational changes.

- For example, primary care disruptor **One Medical** recently [sold](#) its business to **Amazon** in a \$4 billion deal.

Further reading: We detail the current challenges digital businesses face during this period of uncertainty in our [Era of Uncertainty report](#).

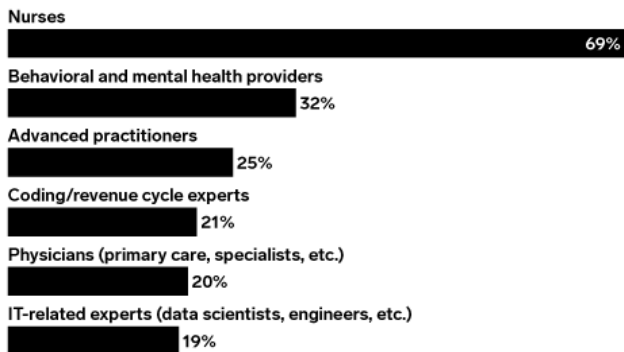
Go deeper: For more on how tech is transforming pharmacies, read our [Digital Pharmacies 2022 report](#).

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% of respondents



Note: *compared to one year ago
Source: Guidehouse, "2021 Provider Health IT and Corporate Services Trends" conducted by Healthcare Financial Management Association (HFMA), May 26, 2021

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