

Primary care M&As are financially helping hospitals, but hurting physicians

Article

The news: Primary care company **Aledade** raised **\$123 million** in Series E funding to support investments in value-based care for seniors covered under Medicare Advantage plans.

Here's how Aledade's business model works: Aledade partners with primary care practices to build accountable care organizations (ACOs).

ACOs are groups of providers operating under a coordinated care model in which they're responsible for the cost and quality outcomes of a patient population. Over the past decade, Aledade claims it has accumulated more than 1,000 independent primary care organizations (comprising 11,000 physicians in 36 states) to build its ACOs.

Aledade provides its partners with technology like data analytics and an EHR interface.

- It profits when the primary care practices demonstrate cost savings to insurers.
- Aledade claims a **1% increase in savings rate attained by Aledade's physician can generate \$100 million in revenues.**

The bigger picture: Organizations like Aledade work with independent practices to save them from selling to health systems or a private equity firm. That could prevent them from having to cut back on physician pay and compound clinician burnout.

Hospitals buy primary care practices regularly.

- Last year, **16.3% of hospital M&As were mega-merger transactions.** That's up from **8.9% in 2021**, per Kaufman Hall.

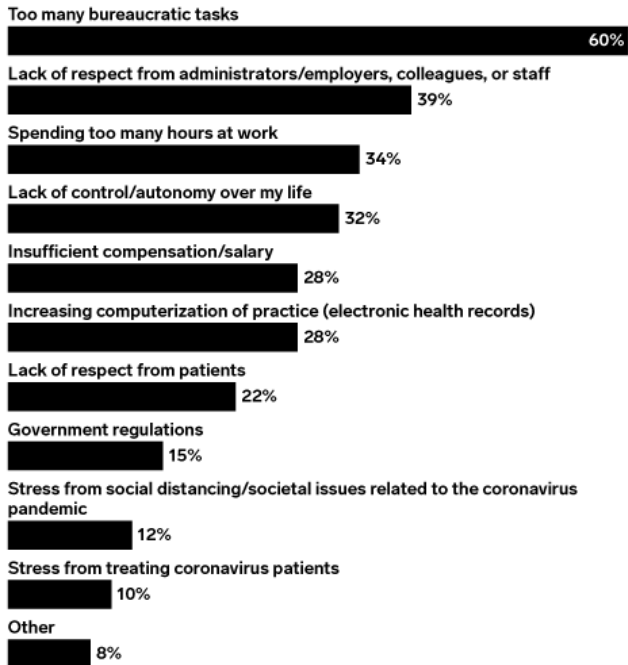
While physician practice buyouts tend to help hospitals financially, it can hurt individual physician pay, [according to](#) a 2021 Health Affairs study. That's directly linked to physician burnout.

- From 2014 to 2018 alone, hospital M&As of physician practices **decreased physicians' income by nearly 1%.**
- **About 28% of physicians say their insufficient compensation contributes most to their burnout, [per](#) Medscape.**

In fact, last year, **Aledade's CEO Farzad Mostashari, MD [told](#)** Insider Intelligence that physician practice “consolidation does not improve coordination, it does not improve patient experience, and it certainly doesn't increase patient choice. A lot of insurance companies—not just Medicare—are really keen on supporting groups like ours, and on supporting independent practices so they don't have to sell to the hospital, health system, or private equity firm.”

Leading Factors that Contribute to Burnout According to US Physicians, Sep 2021

% of respondents



Source: Medscape, "Physician Burnout & Depression Report 2022," Jan 21, 2022

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