

Humana pours \$1.2B with PE firm to open 100 new clinics by 2025

Article

The news: Humana teamed up with private equity firm **Welshe, Carson, Anderson & Stowe (WCAS)** to launch a second JV. The new JV will shell out **up to \$1.2 billion** to open 100 value-based primary care clinics by 2025.

- This expands on Humana-WCAS's existing JV that invested **around \$800 million** to open 67 clinics by early 2023.

- WCAS will have a majority ownership, and Humana will hold a minority stake.
- The end goal is for the new clinics to reach profitability by 2025.

How we got here: Humana is placing a premium on Medicare Advantage (MA) markets.

- Humana reported **\$930 million in profit** and **28% year-over-year growth in MA enrollment** in Q1 2022. It plans to **add 150,000 to 200,000 new members** this year.
- It also acquired the largest home health provider in the US, **Kindred at Home**, for **\$5.7 billion** in April 2021. This cushioned its revenue streams and grew the MA members enrolled in its program.

The bigger picture: Payers targeting the fast-growing Medicare Advantage (MA) market.

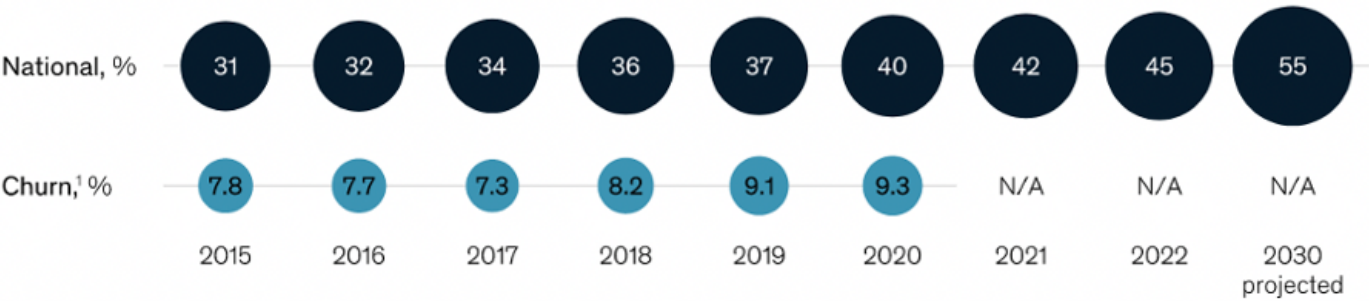
- In 2021, **42% (26 million) of all Medicare members were enrolled in an MA plan**. That's more than double the number of MA members from 2011, according to the Kaiser Family Foundation.
- Not to mention, more options can be available to MA members at lower premiums: **96% of MA beneficiaries have access to at least one \$0 premium plan**. And **MA beneficiaries report a 98% satisfaction rate**, according to the Better Medicare Alliance's 2021 State of Medicare Advantage report.

Why Humana's JV could succeed: As Humana captures more MA members, it can boost value to both its members and internal business by offering in-person primary care clinics.

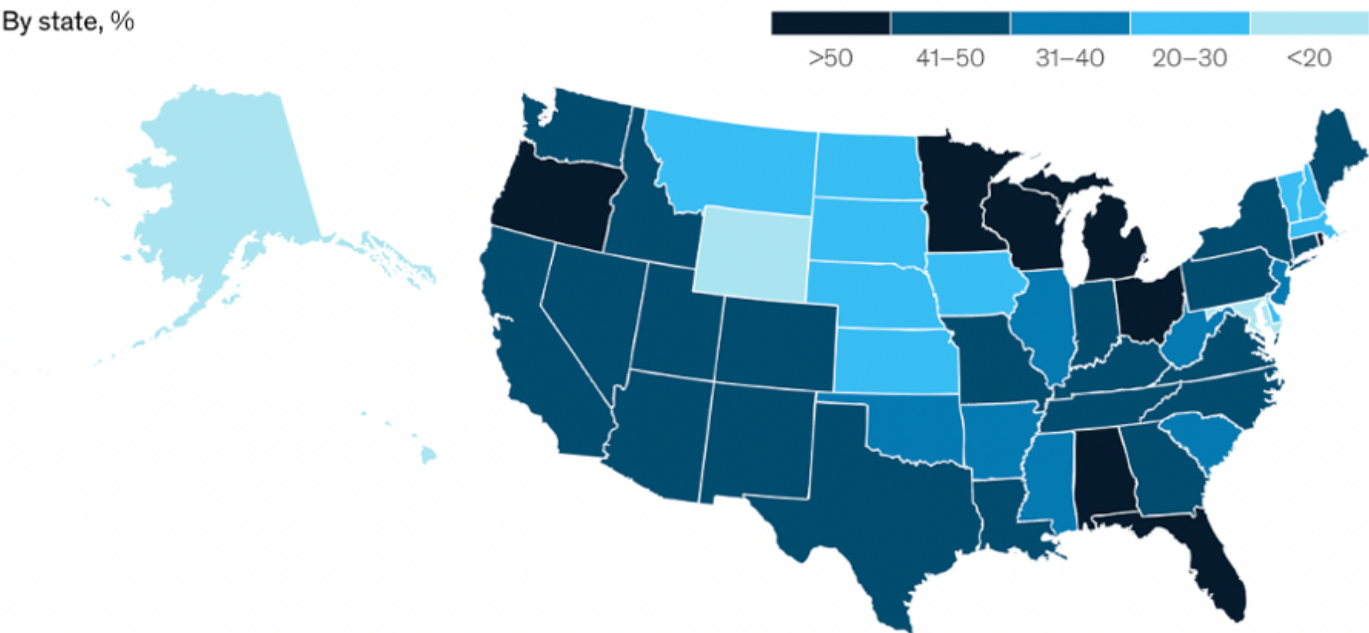
- **31% of MA members missed at least one annual physical exam** in the past five years, per McKinsey's June 2021 Medicare Shopping survey.
- Annual physical exams are key checkpoints of care where patients can get screened for health risks and providers can catch chronic diseases early before they become worse.
- Older adults face higher risks for chronic conditions, making annual exams and physical health appointments important. These require the need for physical versus virtual locations.

Since 2015, Medicare Advantage penetration has grown to 45 percent, and enrollment has increased by more than ten million members.

Medicare Advantage (MA) penetration



By state, %



Source: McKinsey, 2022