

Walgreens' VillageMD buys Summit Health with backing from Cigna

Article

The news: Walgreens-owned VillageMD and Cigna's health services division Evernorth struck a deal Monday to acquire multispecialty physician group **Summit Health**, the parent entity of urgent care provider **CityMD**, for **\$8.9 billion**. The transaction is expected to close in Q1 2023.

Key terms of the deal include:

- Walgreens will invest **\$3.5 billion** through an equal mix of debt and equity to support the Summit Health acquisition and will retain approximately **53% ownership** in VillageMD after the deal closes.
- Walgreens previously doubled its ownership stake in VillageMD from **30% to 63%** with a \$5.2 billion investment—but per the new terms, **its stake is reduced to 53%**.
- That's in part because Cigna's Evernorth is a minority investor in the deal; specific terms of its involvement were not disclosed.

What the deal means for Walgreens: Though its ownership stake in VillageMD has been diluted some, Walgreens is still the largest shareholder of the combined entity.

Last week, we broke down the then-rumored deal with a focus on [Walgreens' big-picture healthcare plan](#) to capitalize on the shift away from hospital care by being a point of entry for patients through multiple outpatient channels such as home health, primary care, and urgent care.

- VillageMD and Summit Health will now include more than **680 provider locations in 26 markets**.
- The buyers are scooping up **2,800+ Summit Health/CityMD physicians** in the deal, bringing the new company's total combined providers to **over 4,100** who care for more than **7 million patients**.
- That makes the combined organization one of the largest physician group operators in the US.

What the deal means for Cigna: Health insurers are increasingly buying or investing in medical practices. This control helps them rein in the costs of services that they're liable for when providers deliver care. Cigna needed a physician practice footprint to keep up with rival players who already have one.

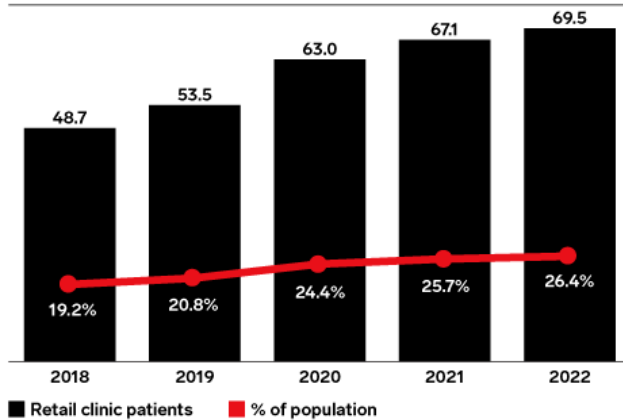
- **UnitedHealth Group's Optum** has the largest physician network in the US, encompassing about 60,000 providers.
- **Aetna**, under the arm of **CVS**, has over **1,100 MinuteClinic** locations and numerous more HealthHubs.
- **Humana** operates **214** senior-focused primary care clinics.

How about other retail health players? CVS and Walmart obviously weren't part of this acquisition, but as retail clinic competitors of Walgreens, they'll still feel the ramifications.

- CVS recently bought [home health provider Signify Health](#) and has been poking around senior primary care group **Cano Health**.
- [CVS said](#) in its Q3 earnings call—as well as previous ones—that it wants to add a primary care organization through M&A. This might be a necessary move to keep up with Walgreens in the back-and-forth retail healthcare arms race.
- Unlike its rivals, Walmart hasn't made a provider group M&A splash. It chose the partnership route instead, including a small three-clinic tie-up with **Oak Street Health** in Texas. We think it's likely Walmart will continue in this direction, with a focus on providers in rural areas.

US Retail Clinic Patients, 2018-2022

millions and % of population



Note: ages 18+; adults who visit retail clinics in-person at least once during the calendar year; examples include CVS MinuteClinic, Walgreens Healthcare Clinic, Kroger's The Little Clinic, Walmart Care Clinic, etc.

Source: Insider Intelligence, Jan 2021

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