



Technological Integration & AI

ANALYSIS - EVALUATION - OPPORTUNITIES - KEY DEVELOPMENTS

Dr. Quoc Duy Vo

Artificial Intelligence Applications: Can Radiology Take Inspiration from the Industrial Sector?

Prof. Karl A. Stroetmann, Velimir Kanev

NeuroGenAI: Transforming Personalised Medicine in Neurology

Aarthi Janakiraman, Debarati Sengupta

Hospitals of the Future: The Next Frontier in Patient-Centred Care

Steve Lieber

The Smart Hospital Maturity Model: Paving the Way for Healthcare's Digital Future

Dr. Anna K. S. von Eiff, Prof. Dr. Wilfried von Eiff

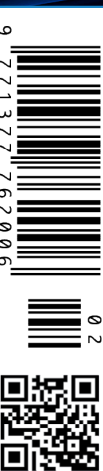
Closed-Loop Medication Logistics: Enhancing Patient Safety and Reducing Work Burden for Medical Staff by Smart Cabinets

Naomi L. Nathan, Dr. Urvashi Fowdar Gunpath, Diego Angelino Velazquez

Advancement of 3D Printing in Healthcare and Its Impact on Sustainability

Dr. Luis Concepción Aramendía, Miguel Cabrer, Bansi Shah, Emilio Vivancos Rubio

AI Orchestration in Emergency Radiology – Implementation in the Valencia Health Region



Private Equity in Context for Independent Practices

Independent physician groups face mounting pressure from workforce shortages, rising costs, reimbursement cuts, tech demands and consumer expectations. Private equity is one of several partnership options alongside hospital or insurer alignment. While benefits can include operational efficiency and clinical control within agreed governance, careful partner selection and deal structuring is critical to ensure long-term physician alignment, cultural preservation and continued autonomy.

ANDREW COLBERT



Senior Managing Director I Healthcare Investment Banking | Ziegler | New York, USA

key points

- Physician shortages and high nurse turnover strain independent practices.
- Rising labour and operational costs erode already thin profit margins.
- Reimbursement cuts further reduce revenue for smaller provider groups.
- Tech demands and consumer expectations add pressure on limited resources.
- Private equity can offer capital and scale but requires careful partner selection and deal structuring.

As the healthcare landscape evolves, five major macro trends are converging to challenge independent physician practices, compounding cost pressures, technological demands and shifting patient expectations into a perfect storm:

Persistent Physician Shortages and Workforce Shifts. Independent physician practices are facing a mounting crisis: a wave of retirements and insufficient replacement rates. Many long-standing physicians, accustomed to higher compensation and a slower pace during the COVID years, are opting for early retirement, thinning the ranks across specialties.

Simultaneously, nurse turnover has surged, particularly over the past few years, reaching nearly 20%, the highest in some time. And as labour costs rise across the board, healthcare is feeling the squeeze more than many sectors with its intensive demand for specialised medical professionals.

Soaring Labour and Operational Costs. Healthcare has not been immune to inflationary pressures. Across multiple industries, labour costs have jumped 4–5%

annually. When added to the inflation loop, total cost escalations exceed 10%. For independent practices, already grappling with tight margins, this ballooning expense structure severely compresses profitability.

Squeezed Revenues Through Reimbursement Reductions. Independent provider groups relying on Medicare, Medicaid and many commercial payers are experiencing stepped-up downward pressure on reimbursement rates. Adjustments like Medicare's 3% annual fee-schedule decrease have directly cut into revenue—a hit felt acutely by smaller practices without diversified revenue streams.

Technology Overload and AI Acceleration. Doctors face rapid digital transformation—longstanding Electronic Health Records (EHR) systems, rising cybersecurity threats and an explosion of new tools like AI-based diagnostics. These innovations promise increased efficiency and improved patient care, yet they demand complex evaluation, integration and ongoing investment—costs that smaller practices struggle to meet.



The Rise of Consumerism in Healthcare.

Patients are now shareholders in their healthcare journey: with high-deductible plans and online health marketplaces, they demand transparent pricing, comparative quality and even public-facing digital personas for their providers. These expectations add marketing, operational and technology requirements for independent groups; the ability to meet them varies by practice size, resources and local market.

Private Equity's Evolving Role in Healthcare

For independent groups seeking scale and financial backing without ceding identity to hospitals or insurers, private equity (PE) is one of the partnership options. This section outlines current dynamics and potential implications.. Let's explore where this trend stands—and its implications.

A Market Maturing, Not Nascent

Between 2017 and 2021, PE investment in physician practices soared: from roughly 270 transactions in 2017 to over 800 in 2021. However, with rising interest rates and reduced debt appetite, deal activity has contracted—dropping to just 250 new deals in 2024.

PE's market maturation reflects broader financial shifts. Access to cheaper debt funding is harder to come by, and many of the most promising practices have already been acquired. What remains is a mix of niche opportunities like med-spas, physical therapy clinics and outpatient infusion centres that are drawing investor interest.

Financing Pressures Impact Deal Flow

Interest rates have more than doubled since the days of near-zero rates, dramatically increasing the cost of leveraged acquisitions. As a result, PE firms are more selective and deal volume has moderated.

Acquisition Overhang

Many PE-backed healthcare platforms have hit mid-cycle—5 to 8 years post-acquisition—without achieving planned exits or payoffs. Doctors in these systems are pushing back; reports of execution fatigue in some organisations adds another drag to PE activity.

Shifting to Outpatient, Cash-Pay Sectors

With higher financing costs and reimbursement pressure, some investors are focusing on areas less affected by government payment rates, such as med-spas, dental, oncology infusion and physical therapy. These sectors offer direct pricing control (to offset labour inflation) and aren't subject to Medicare/Medicaid reimbursement lags.

Weighing the Impact: Good, Bad and Path for Success

Pros for Practices and Patients

- **Capital and infrastructure:** PE investment can enable practices to modernise systems (EHR, billing, cybersecurity), hire staff and implement technology improvements.
- **Economics:** Potential for upfront financial returns depending on transaction terms and individual circumstances.
- **Scale benefits:** Consolidation can support centralised operations, reduce administrative duplication and strengthen payer negotiations.
- **Administrative competencies:** PE may support investment in leadership, financing, revenue cycle management, technology and growth.
- **Sustaining independence:** Private equity may be structured to preserve elements of physician ownership while introducing external resources, subject to negotiated terms.

Potential Concerns

- **Workforce challenges:** According to ACP surveys, PE-owned practices often report higher staff turnover and reduced clinician autonomy, perhaps due to physicians no longer having the same degree of equity ownership.
- **Loss of control:** Clinical decisions typically remain with physicians, while back-office and administrative functions are often standardised through management service organisations (MSOs).

Factors for Consideration

- **Clinical Governance:** It is critical for physicians to retain control over all clinical decision-making of the practice without being influenced by corporate entity's pursuit of profit.
- **Joint Venture Compensation Model:** High-performing contributors will always be more productive when their compensation grows in line with the business performance.
- **Retained Equity Ownership:** Physicians should retain some ownership in the MSO to align interests and give them direct skin in the game.

PE Public Scrutiny is Perhaps Misguided

A 2024 analysis by Avalere examined Medicare use across different physician practice models. It reported **lower expenditures for patients** attributed to PE-affiliated physicians compared with those affiliated

with hospitals or corporate entities. It also noted **lower expenditures for physicians** in the 12 months after PE affiliation compared with the 12 months prior. These findings are context-specific and based on a limited sample size (Avalere 2024).

The Balancing Act: Tipping the Triple Aim

To assess partnership choices, it helps to view trade-offs through the Triple Aim. The table below outlines where value may be created or eroded across cost, quality and access.

organisational goals, assessing internal strengths and challenges, exploring multiple partnership models and conducting thorough due diligence on potential collaborators. A broad and well-informed process can help secure terms that align with the group's long-term vision and clinical priorities.

Adding Perspective

While private equity can offer capital and scale, alternative models are also emerging. Some physician groups have explored joint venture models, nonprofit affiliations, Management Service Organisations (MSOs)

“PE investment can enable practices to modernise systems (EHR, billing, cybersecurity), hire staff and implement technology improvements.”

The Road Ahead: A Middle Path?

Physician groups today face a fork in the road:

1. Hospital/system employment

- o *Pros*: Stability, large-scale support
- o *Cons*: Loss of autonomy, higher costs, no equity ownership

2. Insurer/plan models

- o *Pros*: Integrated care vision, wide platform
- o *Cons*: Vertical integration concerns, employment model, no equity ownership

3. Private equity partnership

- o *Pros*: Capital infusion, investment in administrative resources, may retain some equity and elements of clinical independence
- o *Cons*: Potential for differences in strategic vision, future capital transaction

Regardless of the desired path forward, physician leaders should conduct a thoughtful exploration of their strategic alternatives. This includes identifying

or cash-pay concierge conversions as ways to stay independent while modernising operations. Switching to cash pay/concierge is one model that enables providers to increase revenue while lowering their patient census to provide more one-on-one service. One market research firm estimates that concierge medicine revenue will grow about 10.4% annually through 2030 (Grand View Research 2024). MSOs are another popular strategy for physician groups to outsource administrative services to third party organisations and cut down on costs. Health system affiliations and joint ventures also provide physicians with recourses and often bring the benefit of higher insurance reimbursement rates.

Final Take

Independent physician practices are at a crossroads: faced with cost burdens, technological leaps, workforce stress and consumer pressure compel tough choices. Private equity offers one of potential responses to this problem, offering capital and operational support, but

Dimension	Potential Benefit	Potential Risk
Cost	Operational efficiencies, scale savings	Operating clinics like a business
Quality	Investment in systems and staff	Centralising resources and driving greater efficiencies by using more technology
Access	Expanded outpatient reach in underserved areas	Optimising underperforming locations



it also carries trade-offs that require careful evaluation. Physician leaders should assess the strategic alternatives in light of their clinical goals, community role and long-term independence. Long-term success will require a partner that preserves the mission, sustainability and local governance of the practice.

Conflict of Interest

Andrew Colbert is the Senior Managing Director in Ziegler.

references

Avalere (2024) Medicare Service Use and Expenditures Across Physician Practice Affiliation Models (accessed: 01 July 2025). Available from aimpa.us/wp-content/uploads/2024/09/Avalere-White-Paper-Medicare-Service-Use-and-Expenditures-Across-Physician-Practice-Affiliation-Models.pdf

Grand View Research (2024) U.S. Concierge Medicine Market Size, Share & Trends Analysis Report By Ownership (Group, Standalone), By Specialty (Primary Care, Internal Medicine, Pediatrics, Cardiology, Osteopathy, Psychiatry), And Segment Forecasts, 2025 – 2030 (accessed: 09 July 2025). Available from grandviewresearch.com/industry-analysis/us-concierge-medicine-market-report/segmentation



HealthManagement
Promoting Management and Leadership