PRIVATE EQUITY'S FAILED BET ON VALUE-BASED CARE

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MAY 2025

PRIVATE EQUITY STAKEHOLDER PROJECT

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Key Points

- Government payers and private insurers have been pushing for a shift to value-base care payment arrangements, and private equity firms see opportunity to capitalize on the trend.

- Participation in value-based care arrangement takes resources – especially financial resources – which may be a barrier for independent physicians to participate. The high barrier to entry serves as a driver for consolidation among healthcare providers.

- While private equity may offer capital and resources to physician groups looking to participate in value-based care arrangements, the private equity business model that relies on high levels of debt to generate outsized returns on its investments can actually generate financial risks for VBC providers, as the case studies in this report show.

- In 2024, at least three private equity-backed value-based care (VBC) companies filed for Chapter 11 bankruptcy: Cano Health, CareMax, and Miami Beach Medical Group (dba Clinical Care Medical Centers [CCMC]). These companies specialized in value-based primary care, and served patient populations that were disproportionately dual eligible for Medicare and Medicaid. Because dual eligible patients receive higher reimbursements for their care under capitated VBC payment models, this population may be especially vulnerable to private equity extraction.

- The bankruptcies of CareMax, Cano Health, and CCMC have further contributed to consolidation in the VBC landscape, as vertically integrated insurers and private equity-owned platform companies were able to buy many of the companies' assets out of bankruptcy.

- In the case of Cano Health, its financial decline led to layoffs of at least 400 workers and the closures of multiple clinics. CareMax is also closing clinics in relation to its bankruptcy.

    - During the period it was an investor in Cano Health, InTandem extracted at least $575.7 million from the company through debt-funded dividends, annual management fees, and a payout from the reverse merger.

- Value-based care models have been touted as solutions to improve care and reduce costs. However, in the current regulatory landscape that allows aggressive, debt-based financial strategies, VBC models are vulnerable to extraction from private equity investors and other groups who can drive companies into bankruptcy with little consequence to themselves.

- The case studies in this report highlight the larger issues with the financialization of healthcare. Investors and their debt-based financial strategies operate in ways that are far removed from the goals and ideals of value-based care. Intensely focused on market growth and share price, their debt-based strategies have led to layoffs, clinic closures, and complicated bankruptcy proceedings that funnel millions of dollars to the law firms representing them.

- Policy solutions that may address private equity's debt-based and extractive strategies include placing limits on the debt that private equity firms and other investors can use to finance leveraged buyouts and expansion of healthcare companies, limiting or prohibiting dividend recapitalizations at healthcare provider companies, limiting management fees, and requiring joint liability for private equity firms and their investments.

- A growing body of research suggests that the transition to value-based care may be a driver of healthcare consolidation. Policymakers that are designing, implementing, and evaluating VBC and other forms of payment programs must consider this possibility and take it seriously. If one of the goals of transitioning to value-based care is to reduce healthcare costs, consolidation driven by such a transition is counterproductive. Antitrust enforcement is needed at the federal and state levels can help address the growing issue of consolidation in the VBC landscape.

Introduction

In 2024, at least three private equity-owned value-based care (VBC) companies filed for Chapter 11 bankruptcy: Cano Health, CareMax, and Miami Beach Medical Group (dba Clinical Care Medical Centers). These companies specialized in value-based primary care, and served patient populations that were disproportionately dual eligible for Medicare and Medicaid.

Two of the companies – Cano Health and CareMax – were not majority private equity-owned at the time of their bankruptcies; however, their private equity investors played various roles in creating the conditions that brought these companies to financial distress and the need to restructure under Chapter 11.

The bankruptcies of Cano Health, CareMax, and Clinical Care Medical Centers (CCMC) serve as cautionary examples of the incompatibility of private equity's debt-based financial strategies with value-based care.

What is value-based care?

Value-based care (VBC) is a payment model in healthcare that seeks to tie payment to results and outcomes, such as quality, rather than volume of services provided, as occurs under the dominant fee-for-service model.[1]

Proponents of value-based care argue that it can bring greater accountability to providers as well as give them greater flexibility to provide better care.[2] Proponents also argue that VBC arrangements may lead to reduced costs, improved care coordination, and better patient outcomes.[3] As such, a well-functioning and properly implemented VBC payment arrangement could theoretically have the potential to improve care for patients with complex care needs, such as the dual eligible population.

While there are various VBC payment arrangements, many such arrangements use capitation. As defined by the Centers for Medicare and Medicaid Services (CMS), capitation refers to "a way of paying health care providers or organizations in which they receive a predictable, upfront, set amount of money to cover the predicted cost of all or some of the health care services for a specific patient over a certain period of time."[4] This type of payment arrangement can introduce financial risk to providers, who can lose money if the cost of providing care to patients exceeds the capitated payment.[5] To help reduce such risks, as well as to better guard against providers opting to provide less care to higher needs patients, VBC capitated payments include risk adjustment, which modifies the capitated payment rates

based on a risk adjustment formula that uses patient data, such as demographics and diagnoses, to more accurately predict the cost of care.[6] Payment arrangements can be built with downside, upside, or two-way risk for providers.

In downside risk, the provider loses revenue if cost and quality targets are not met.[7] With upside risk models, sometimes termed "shared savings," providers receive a higher payment if they meet or exceed cost or quality benchmarks, but do not lose anything if they fail to do so.[8] Lastly, two-way risk models involve both downside and upside risks for providers.[9]

Fee-for-service continues to be the dominant form of payment to US physicians,[10] despite efforts from government payers[11] and insurance companies[12] to bring more providers into value-based care arrangements.

Research examining the effectiveness of VBC models to reduce costs and improve quality of care shows modest or mixed results.[13] Furthermore, participation in value-based care arrangement takes resources – especially financial resources – which may be a barrier for independent physicians to participate[14] and serve as a driver for consolidation among healthcare providers.[15]

For example, transitioning to and implementing VBC models requires physician practices to have robust technological and data analytical capabilities in order to both succeed in their own benchmarking and measurement, as well as provide the requisite data and metrics to payers. The technological and administrative burdens to participate in VBC can incentivize physicians to work with managed services organizations[16] and hospital systems,[17] some of which are private equity-backed.

As described in a February 2025 viewpoint article published in *JAMA*,

> "[Value-based payment] arrangements demand careful clinician selection, beneficiary attribution, risk coding, data transformation and a willingness to bear total-cost risk – factors that drive small practices toward hospital systems, private equity firms, for profit 'conveners,' and insurance conglomerates."[18]

While private equity may offer capital and resources to physician groups looking to participate in value-based care arrangements, the private equity business model that relies on high levels of debt to generate outsized returns on its investments can actually generate financial risks for VBC providers, as the case studies in this report will show.

Before visiting these case studies, the next section of this report will provide an analysis of private equity investment trends in value-based care.

Private equity in value-based care

Because government payers and private insurers are pushing for a shift to VBC payment arrangements, private equity firms see opportunity to capitalize on the trend. As characterized by a 2023 analyst note published by data provider *PitchBook*, "investors are eager to be on the right side of a secular change in an industry that represents nearly 20% of GDP."[19]

Echoing what academic researchers have pointed out about the cost to transition to VBC, *PitchBook* notes that significant capital investment is needed for the technological, operational, and clinical elements of making such a transition, and that private equity can play a role.[20] This can take the shape of investing in and acquiring provider organizations, and it can also involve acquiring health IT-oriented companies that specialize in data analytics, care coordination, and more. *PitchBook* has termed such companies "VBC-enablers," which it defines as companies that "help healthcare provider organizations transition from fee-for-service into value-based payment models by providing wraparound technological, administrative, and clinical resources."[21]

Increasingly, artificial intelligence (AI) technologies will play a role in VBC transitioning,[22] and so it can be expected that private equity and other investors will look to acquire companies developing and implementing AI technologies in support of VBC transitioning and implementation.

On the provider side, investors have mainly focused on VBC primary care.[23] Private equity firms, more specifically, have acquired a number of value-based primary care providers for older adults in recent years in the Medicare and Medicare Advantage markets. See **Table 1** below.

Some private equity firms have also begun to invest in value-based specialty care.[24] **Table 1** includes a handful

of private equity-backed VBC-oriented companies in the cardiology and orthopedics spaces.[25]

Through investments and acquisitions, private equity firms typically seek to generate outsized returns over short time horizons, often through the use of debt-based strategies. As the case studies below will illustrate, high debt levels can lead to financial distress and bankruptcies that negatively impact patients and their providers. As physicians and provider groups search for investors to provide capital for their transition to and participation in VBC, they should be wary of partnering with private equity-owned companies that rely too heavily on debt to carry out their business strategies.

Table 1: Select list of private equity-backed value-based care companies*
**This list includes mainly provider organizations, although it is important to know that there are many more private equity-backed VBC-focused companies in the health IT space that function as VBC-enablers[26]*

Company	PE Investor(s)	Description
Better Health Group (fka Physician Partners[27])	Kinderhook Industries[28]	Value-based primary care provider;[29] a January 2025 credit rating from S&P Global suggests the company has an unsustainable capital structure and is expected to be in a cash flow deficit through 2028.[30]
Cardiovascular Associates of America	Webster Equity Partners[31]	Cardiology-focused value-based care company that operates as a physician practice management platform.[32] It merged with Novocardia in 2023, a practice management company backed by Deerfield Management. Webster continues to be the majority investor in CVAUSA, although Deerfield has a board seat at the platform company.[33]
CardioOne	WindRose Health Investors[34]	A cardiology physician practice management company specializing in value-based care."[35]
CenterWell Senior Primary Care	Welsh, Carson, Anderson & Stowe (WCAS) via a joint venture with Humana[36]	Value-based primary care provider for older adults; the joint venture operates 37 clinics.[37]
Claremedica Health Partners	Beecken Petty O'Keefe & Company[38] and Revelstoke Capital Partners[39]	Florida-based[40] value-based primary care provider for older adults.[41]
Genuine Health Group	Crestline Investors[42]	Value-based primary care group; offers two service lines to partner with physicians in offering value-based primary care: Accountable Care Organizations (ACOs) for traditional Medicare beneficiaries and a managed services organization (MSO) for Medicare Advantage enrollees.[43]

Company	PE Investor(s)	Description
HOPCo	Linden Capital, Audax Private Equity, and Frazier Healthcare Partners[44]	Orthopedic value-based care organization.[45]
InnovaCare Health	Bain Capital (majority-stake);[46] Summit Partners[47]	Value-based care provider[48] that operates 37 medical clinics in Florida and Texas; serves 500,000 individuals, half of which are dual eligible.[49]
Palm Medical Centers	MBF Healthcare Partners[50]	Value-based primary care provider operating 34 medical clinics across Florida and Texas. As of 2023, it served a combined 50,000 Medicare Advantage and managed Medicaid patients under value-based contracts.[51]
Revere Medical	Kinderhook Industries[52]	Physician group with value-based care focus;[53] acquiring CareMax's MSO out of bankruptcy.[54]

Case studies

CareMax, Inc.

CareMax, Inc. is a private equity-backed value-based care company that filed for bankruptcy in November 2024. As of its bankruptcy filing, the company had 46 clinical centers based in Florida, served 260,000 patients annually, and had approximately 1,100 employees.[55]

At the time of its bankruptcy, CareMax was publicly traded (CMAX) on the Nasdaq. It reported six owners that held a 5% or greater ownership stake. Combined, these owners held a majority of the company at 61.2%. Private equity firm Deerfield Management had a 16% stake and former Steward Health Care CEO Ralph de la Torre held a 15.3% stake. Other entities with a more than five percent ownership stake are listed in **Table 2**.[56]

Because CareMax was publicly traded for multiple years leading up to its bankruptcy, we have a window onto its finances that we do not typically have for private equity-

Table 2: Entities and individuals with 5% or greater ownership at the time of CareMax's bankruptcy[238]

Entity or individual	Ownership stake
Deerfield Management	16.0%
Dr. Ralph de la Torre	15.3 %
Morgan Stanley and affiliated entities	9.3%
Eminence Capital and affiliated entities	9.1%
Carlos A. de Solo	5.9%
O.M. Investment Group	5.6%

backed companies. As a public company, it reported information about its business and finances regularly to the Securities and Exchange Commission (SEC).

CareMax patient population and payment mix

In CareMax's last annual filing with the Securities and Exchange Commission (SEC) before its bankruptcy, it reported operating 56 care centers across Florida, New York, Tennessee, and Texas.[57] It touted its "focus on underserved communities," elaborating that it "primarily operates centers in underserved communities, resulting in a higher number of dual eligible patients…dual eligible patients receive higher reimbursement due to the correlation between socioeconomic status, comorbidities, and barriers to care… CareMax has shown the ability to provide high-quality care to these underserved communities."[58]

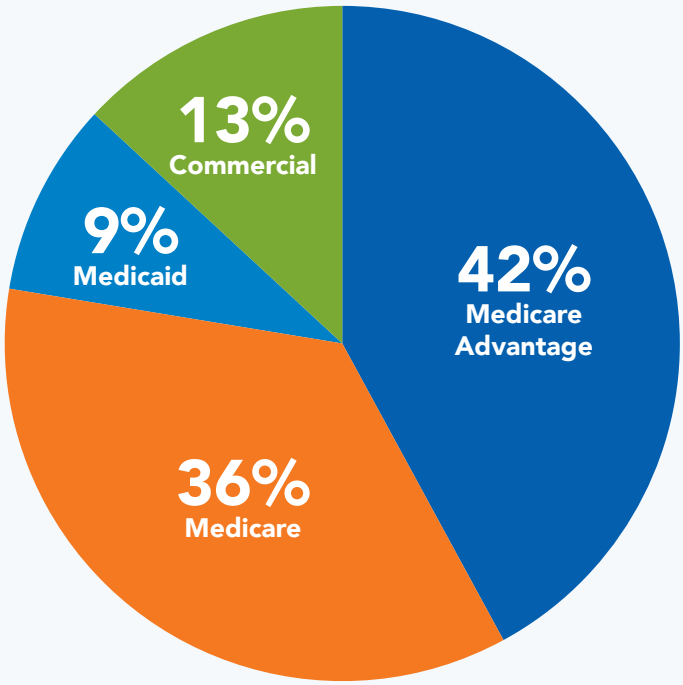
At the close of 2023, CareMax reported having 115,000 Medicare Advantage patients, 98% of whom were covered by value-based agreements, and 33% of whom were under full-risk contracts – meaning that CareMax was financially responsible for substantially all of the patients' medical costs. CareMax had 97,500 patients covered by government Medicare value-based care programs, 92% of which were in the Medicare Shared Savings Program, and 8% covered by ACO REACH. All 25,500 of its Medicaid patients were covered by value-based care agreements, with 90% under full-risk agreements. In addition to its 238,000 patients covered by Medicare Advantage, Medicare, and Medicaid, CareMax served 36,000 patients covered by commercial payers, with 96% of them covered by upside only value-based care agreements.[59]

CareMax history

CareMax was co-founded by Carlos de Solo and Alberto de Solo in 2011 as a network of full-risk VBC Medicare Advantage clinics.[60] In 2021, private equity firm Deerfield Management helped facilitate the company's entrance to the stock market through a reverse merger process. Deerfield's special purpose acquisition company (SPAC), Deerfield Healthcare Technology Corp (DFHT), announced its merger with CareMax and IMC Medical Group Holdings in December 2020.[61] The $614 million[62] transaction closed in June 2021, at which time CareMax became a publicly traded company on the NASDAQ.[63]

See **Box 1** for more information about SPACs.

Figure 1: CareMax patient mix by payer type as of December 31, 2023



BOX 1

What is a special purpose acquisition company (SPAC)?

SPACs provide companies with an alternative path to becoming publicly traded on a stock exchange, a process often called a "reverse merger." A SPAC is first created by a group of investors with the purpose of acquiring a specific company. The SPAC is taken public in an IPO, and has up to two years to merge with its target company. Upon the merger (the "de-SPAC"), the target company becomes publicly traded, without having needed to go through its own initial public offering.[239] While SPACs used to be a relatively fringe method to take companies public, the use of this strategy has become more common than when it first appeared in the 1990s, and SPACs surged in 2020 and 2021.[240] Due to a combination of increased scrutiny, rising interest rates, and oversaturation of the SPAC market, SPACs have decreased since their peak in 2021. It is likely SPACs will rise in popularity again as macroeconomic and regulatory factors shift.[241]

CareMax took on approximately $122 million in debt from a syndicate of lenders and financial institutions to finance the SPAC merger, which it calls the "Business Combination" in its regulatory filings.[64]

At the close of the merger, CareMax owned 26 medical centers in South and Central Florida, servicing approximately 16,000 Medicare Advantage members under value-based contracts, as well as 36,000 Managed Medicaid and Affordable Care Act patients. 64% of CareMax's Medicare Advantage patients were dual eligible.[65]

The company quickly embarked on a growth strategy built on "organic growth and selected acquisitions in a highly fragmented industry."[66] Most of its acquisitions occurred in the six months following the SPAC.[67]

In 2021, CareMax acquired multiple VBC and primary care businesses, including Senior Medical Associates,[68] Stallion Medical Management,[69] Unlimited Medical Services of Florida,[70] Advantis Physician Alliance,[71] and Business Intelligence & Analytics.[72] CareMax acquired three additional businesses in 2021, the names of which it does not disclose in its annual filings.[73]

CareMax also entered into a "collaboration agreement" with health insurer Anthem in 2021, consisting of plans to open approximately 50 centers across eight states as part of a de novo (new build) expansion strategy. Anthem agreed to provide debt financing of up to $1 million for each new center opened in partnership with it.[74] As of April 2025, this strategy did not fully pan out. It appears that Anthem, which became Elevance Health, and CareMax entered into a promissory note for $1 million in October 2022, due in 2023, to finance the opening of just one new center.[75]

In 2022, CareMax acquired Steward Health Care's value-based care business line, consisting of a provider group of 1,800 physicians[76] for $25 million.[77] CareMax also issued 23.5 million shares of Class A Common Stock, valued at $138.5 million, as part of the transaction.[78] Additionally, Steward Health Care and CareMax entered into an agreement where Steward Health Care was required to exclusively make its participating provider network available to CareMax for the provision of services to Medicare Advantage members under Medicare Advantage risk agreements for a period of ten years.[79]

Steward CEO Ralph de la Torre was appointed to serve on CareMax's board of directors in November 2022 following the acquisition,[80] and acquired a 15% stake in the company.[81] This transaction occurred in the context of Steward Health Care's own declining financial situation in which the company was selling off assets. Steward was a multistate hospital system that was owned by private equity firm Cerberus Capital Management from 2010 to 2020 and itself filed for bankruptcy in May 2024, reporting more than $9 billion in liabilities.[82] Around the time of Cerberus' exit, Steward paid out a $111 million dividend to its owners, including Ralph de la Torre.[83] Not long after, de la Torre bought himself a $40 million yacht. Steward filed for bankruptcy in May 2024, reporting more than $9 billion in liabilities.[84]

Steward and Ralph de la Torre came under investigation from the Senate Health Education Labor and Pensions (HELP) for his role in Steward's collapse. In July 2024, the HELP Committee issued a subpoena to de la Torre to testify to the Committee.[85] A week before the scheduled hearing in September, de la Torre sent a letter via his attorney to the committee's chair, Sen. Bernie Sanders (D-VA), stating that de la Torre would not attend.[86] The Senate gave unanimous consent to hold him in contempt after de la Torre was absent at the hearing, and in late September, De la Torre sued the HELP Committee alleging they violated his fifth amendment rights. He also resigned from Steward Health Care, effective October 1, 2024.[87]

Despite his embattled reputation, he continued on the Board of CareMax and was still a 15.3% equity holder at the time of CareMax's bankruptcy filing less than two months later.[88]

CareMax's financial condition leading up to its bankruptcy

CareMax took on debt on multiple occasions following its SPAC. In May 2022, it entered into a $300 million debt refinancing agreement, part of which was used to pay off the $121 million remaining from the SPAC transaction.[89]

In November 2022, the company took on an additional $35.5 million in debt at a 12% per annum interest rate to finance its acquisition of Steward Health Care's VBC business.[90] And in March 2023, CareMax amended its credit agreement to take on an additional $60 million in debt.[91]

As CareMax grew through debt-funded acquisitions, its revenues were also increasing. The table below shows

Table 3: CareMax's increasing revenues 2020 to 2023 (in thousands)[242]

Revenue	2020	2021	2022	2023
Medicare Risk-Based Revenue	$103,051	$233,282	$486,718	$519,834
Medicaid Risk-Based Revenue	--	$46,493	$96,534	$105,893
Government VBC Revenue	--	--	$6,389	$67,708
Other revenue	$370	$15,987	$41,492	$57,667
Total revenue	**$103,421**	**$295,762**	**$631,132**	**$751,102**

CareMax had total revenues of $751.1 million for 2023, compared to $103.42 million in 2020.

However, in the three years it was publicly traded (June 2021 to November 2024), the company operated at a net loss. The reasons for this have to do with operating losses the company logged from 2021 to 2023, as well as rising interest expense. In 2023, its operating losses were partly driven by the rising costs of providing care under its capitated value-based care agreements,[92] alongside a major reduction of the market value of the company's stock.[93] In 2020, prior to its SPAC merger, CareMax reported net income of $7.57 million. By 2023, the company reported net losses of $683.35 million.

Interest expense reflects the costs associated with a company's borrowed funds. In other words – interest expense shows how much the company's debt is costing it.

In 2020, the company reported paying $1.66 million in interest expense.[94] By 2023, that number had ballooned to $54.43 million,[95] a nearly 3200% increase. Its interest coverage, a ratio representing the value of a company's earnings relative to its interest expenses, plummeted from 5.56 (a healthy ratio) in 2020 to -11.57 in 2023. Financial analysts generally consider the minimal acceptable ratio for a company to be around 1.5.[96] See **Table 5**.

In its annual filing for 2023, CareMax highlighted the risks it faced from its leverage, explaining that "Our level of indebtedness may place us at a competitive disadvantage to our competitors that are not as highly leveraged. Fluctuations in interest rates can increase borrowing costs. Increases in interest rates may directly impact the amount of interest we are required to pay and reduce earnings accordingly."[97]

Table 4: CareMax's net income (loss) 2020 to 2023 (in thousands)

2020	2022	2023	2024
$7,572	$(6,675)	$(37,796)	$(683,348)

Table 5: CareMax's coverage ratios[243]

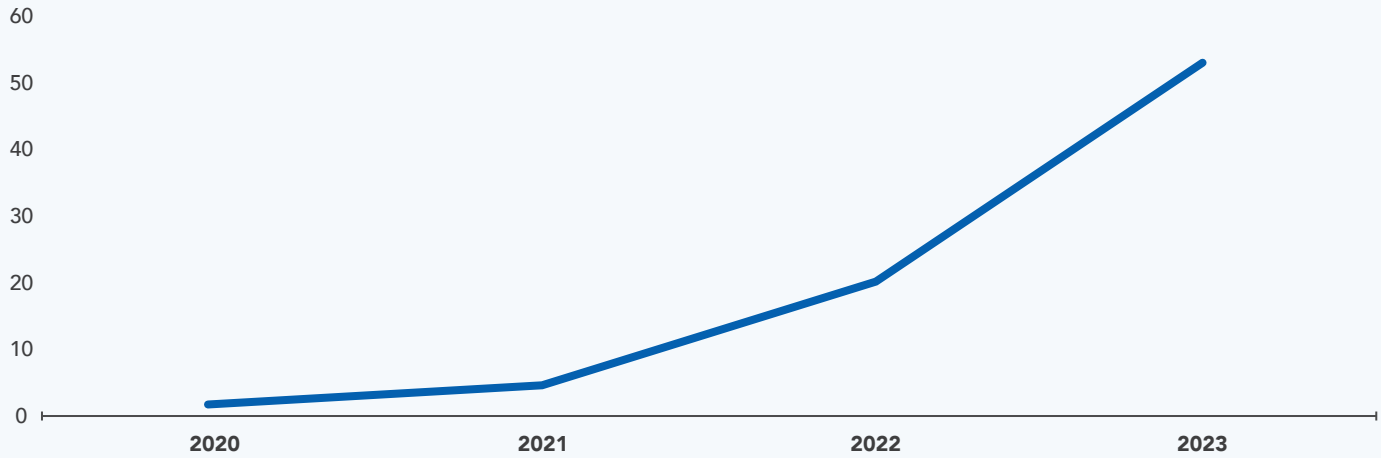
2020	2021	2022	2023
Interest coverage			
5.56	-0.45	-1.80	-11.57
EBITDA interest coverage[244]			
6.47	2.49	-0.74	-10.85

Indeed, CareMax's leverage would be a major factor in its November 2024 bankruptcy.

On the eve of bankruptcy

CareMax noted to its investors in its March 2024 annual filing that it had faced recurring losses and negative cash flows since the SPAC transaction that brought it public. Despite having $65.5 million in cash and cash equivalents

Figure 2: CareMax's ballooning interest expense (millions)



and $114.8 million of accounts receivable (net), the company was at risk of being out of compliance with a credit agreement with its lenders unless it could sell certain assets, exit certain markets and reduce operating expenses.[98] It also reported that it failed to make rent payments on various leases as of March 2024.[99]

The month prior, CareMax had experienced several technical defaults under the definition of default outlined in its credit agreement. On March 15, it was able to reach a deal with its lenders to "waive certain events of defaults through May 15, 2024."[100] The remainder of 2024 saw the company extend its waiver eleven more times, the last one being on November 8.[101]

CareMax's stock price followed a general downward trend between its SPAC merger and bankruptcy filing in November 2024. At the close of its first day of trading on June 7, 2021, the company's share price was $442.50. By June 3, 2024, it was trading at $2.66. In September 2024, the company had received a delisting warning notice from Nasdaq because its share price had plummeted too low.[102] By the close of trading on November 18, 2024 – the day after it filed for bankruptcy – CareMax shares were trading at $0.87.[103]

The bankruptcy

On November 17, CareMax filed for bankruptcy. The company reported $390 million in assets and $693 million in liabilities.[104]

CareMax cited a number of reasons for its need to file for Chapter 11, including the company's growth strategy that "required large sums of capital and substantial operating expenses" which in turn had "required" the company to take on debt under its "prepetition term loan."[105] At the time of the filing, this balance on the term loan totaled $422.6 million.[106] It also blamed macroeconomic factors like the rising interest rate that increased its debt service payments and made it difficult for the company to be in compliance with covenants related to its credit agreement.[107] It also cited industry headwinds, such as regulatory reimbursement rates, widespread inflation, and high levels of medical utilization following the COVID-19 pandemic.[108]

And finally, the company placed blame on its "complex business relationship" with Steward Health Care which itself experienced financial distress and declared bankruptcy in 2024. The company's restructuring officer explained that

> "On June 22, 2024, Stewardship Health filed a motion seeking to wholesale and abruptly reject its business relationship with CareMax in connection with the Steward chapter 11 cases, which posed an existential threat to CareMax's MSO Business (including the ACO Business)."[109]

While the business relationship with Steward and its unceremonious end through Steward's bankruptcy may have impacted CareMax's own finances, it is important to note that CareMax's declining financial state preceded its relationship with Steward, and that CareMax's acquisition of Steward's provider group occurred after journalists had begun to expose financial challenges at Steward Health.[110]

In addition to the $422.6 million in debt obligations under its prepetition term loan and associated credit

agreement,[111] CareMax also reported an estimated $254.1 million in long term lease liabilities in its bankruptcy filing. It also owed $6.9 million to landlords and $11.2 million to third-party vendors.[112]

CareMax's rapid, debt-funded expansion and overall unsustainable debt levels were the primary factors in its bankruptcy. In some media coverage following its bankruptcy, this fact has been glossed over in favor of covering other reasons – like its relationship to bankrupt Steward and inflationary costs.[113] But debt is the key part of this story, because having unsustainable debt makes it difficult – and sometimes impossible – for companies to be nimble and competitive amidst shifting market conditions.

What's next for CareMax

As part of its bankruptcy reorganization, CareMax is delisting from the stock exchange. All existing equity in the company has been wiped out, meaning that shareholders will receive no distributions.[114]

CareMax has reached agreements to sell nearly all of its assets to two separate private equity-backed chains. Revere Medical, formerly Rural Health Group, has agreed to purchase the VBC managed services organization that CareMax acquired from Steward in 2022.[115] Revere Medical is owned by private equity firm Kinderhook Industries and also acquired Steward Health Care's physician group out of bankruptcy in late 2024.[116] Kinderhook Industries also owns another VBC provider company, Better Health Group, that S&P said is in a cash flow deficit and has an "unsustainable" capital structure.[117]

ClareMedica, a VBC provider company currently owned by private equity firm Beecken Petty O'Keefe & Company (BPOC),[118] is acquiring CareMax's other business line – the VBC clinical care centers. On BPOC's profile for ClareMedica on its website, it notes that ClareMedica "is currently seeking add-on acquisition opportunities." Of the 46 CareMax centers, ClareMedica is only acquiring between 38 and 40, and the rest have been closed or will be closed in conjunction with the sale.[119]

The remainder of CareMax's assets – its pharmacies and optical businesses "were sold in three targeted transactions to existing stakeholders in the underlying business," according to a law firm representing the company.[120]

Revere Medical and ClareMedica's acquisitions of CareMax's assets highlight another risk from the rising tide of private equity-backed bankruptcies,[121] where assets can be sold to companies and firms that are undergoing their own efforts to consolidate.

Deerfield Management's track record

Deerfield Management has been involved in other healthcare companies that have filed for bankruptcy. Deerfield Management bought Adeptus Health, an operator of free-standing emergency rooms,[122] out of Chapter 11 bankruptcy in 2017. It had previously been a lender to the company.[123] Adeptus went on to file Chapter 7 bankruptcy in 2020 under Deerfield's ownership.[124]

Deerfield Management was also an investor in Pipeline Health, a safety net hospital system that declared Chapter 11 bankruptcy in 2022.[125] Adeptus and Pipeline, while they were both backed by Deerfield Management, had entered into a joint venture agreement in which they purchased 22 freestanding emergency rooms in Texas in 2019.[126]

Cano Health

Cano Health is a value-based care provider that filed for Chapter 11 bankruptcy on February 4, 2025. At the time of its bankruptcy, it was publicly traded (CANO) on the New York Stock Exchange (NYSE), and private equity firm InTandem Capital Partners held a 16% stake in the company.[127] In the years leading up to the bankruptcy, InTandem held an estimated 34% stake, according to Moody's.[128] InTandem had originally acquired Cano Health through a leveraged buyout in 2017.[129]

Similarly to CareMax, Cano Health went public in 2021 through a $4.4 billion reverse merger (see **Box 1**) that was facilitated under its private equity ownership.[130] Following the close of the transaction, InTandem became a minority investor in the publicly traded company.[131] Because Cano Health was publicly traded for three years, we have a window into its finances that is not typically available for private equity-backed companies.

During the period it was an investor in Cano Health, InTandem extracted at least $575.7 million from the company through debt-funded dividends, annual management fees, and a payout from the reverse merger. Cano Health's debt load and associated debt payments,

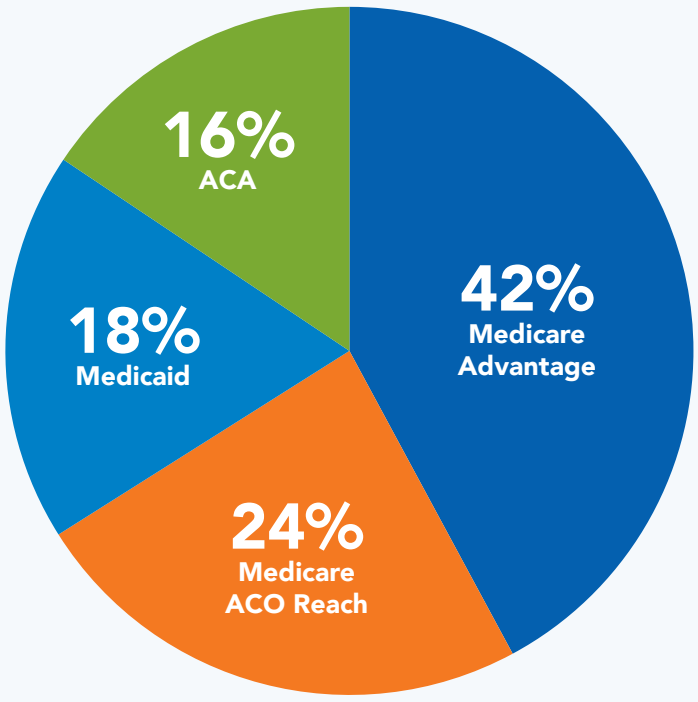
alongside an aggressive growth strategy, led to the company's financial decline that resulted in the layoffs of hundreds of employees. the closures of multiple clinics, and the company's eventual bankruptcy.

Cano Health's patient population

At the close of its de-SPAC transaction that brought it public, 50% of Cano Health's patient population was dual eligible. In a press release announcing the transaction close, the company highlighted this fact, writing, "Cano serves a predominantly minority population (80% of its patients are Latino or African American) and low-income population (50% of its patients are dual eligible for Medicare and Medicaid).[132] On the eve of its bankruptcy, the company reported that 40% of its Medicare Advantage members were dual eligible and that 29% of its total members were covered by state Medicaid programs.[133] Capitated revenue through value-based care agreements accounted for approximately 97% of Cano Health's revenues in 2023.[134]

See **Figure 3** for the payer mix for Cano Health's 267,917 patient members as of the close of 2023.[135]

Figure 3: Cano Health patient mix by payer type as of December 31, 2023



Cano Health's history

Cano Health was founded in 2009 in Florida as a value-based care company with a capitated care model.[136] In January 2017, it became private equity-owned following InTandem Capital Partners' purchase of the company in a leveraged buyout.[137] In the firm's press release announcing the buyout, the firm declared its goal was to "create a regional consolidator in primary care committed to clinical excellence and efficient operation that caters to all demographics."[138]

Under InTandem Capital Partners, Cano Health embarked on a rapid, debt-financed expansion strategy. According to data provider PitchBook, Cano Health took on a $29.79 million term loan in 2019, received $80 million in debt financing in early 2020 to fund acquisitions, received another $130 million in debt financing in June 2020 to finance more acquisitions, and entered into a $15 million revolving credit agreement in August 2020.[139]

During its period of private equity ownership, Cano Health made numerous acquisitions, some of which are listed below.

- March 2018 – Florida-based Rangel Medical Center[140]
- January 2019 – six Florida-based medical centers[141]
- May 2019 – three Florida-based medical centers[142]
- July 2019 – Central Florida Internists[143]
- September 2019 – Belen Medical Centers in Florida for $110 million[144]
- January 2020 – Primary Care Physicians of Hollywood in Florida for $60.2 million[145]
- June 2020 – Healthy Partners in Florida for $195.4 million[146]

Cano Health also entered into a "strategic alliance" in March 2018 with Florida-based Dental Excellence Partners, which rebranded to Cano Dental to provide dental care to Cano Health members.[147]

Cano Health also entered into a business relationship with Humana, which included embarking on a de novo expansion strategy in partnership with the insurer, opening four medical centers in Texas and three in Las Vegas, Nevada in 2020.[148]

As is typical with private equity ownership of companies, Cano Health and its private equity owner had an advisory

services agreement in which Cano had to pay InTandem annual fees[149] for financial and management consulting services. The agreement also specified that if Cano were to make an acquisition or be sold, InTandem would receive an advisory fee of 2% of the enterprise value of the transaction.[150] In 2019 and 2020, Cano Health paid $9.2 million in total to InTandem Capital under this agreement.[151]

Critics of the private equity industry have claimed that many of the types of fees in advisory services agreements, including transaction fees and monitoring fees, can be extractive if no related services are being provided. Transaction fees may also create conflicts of interest for the private equity owners, and historically some private equity firms have been out of compliance with regulations that required them to be registered as broker-dealers to collect such fees.[152]

In November 2020, the *Wall Street Journal* reported that Cano Health was planning a $4.4 billion reverse merger with Jaws Acquisition Corp., a SPAC company backed by Barry Sternlicht of Starwood Capital Group. As part of the transaction, Cano would receive an $800 million investment from a group of investors including Sternlicht.[153] (See **Box 1** for more information about SPAC transactions). The definitive agreement was announced on November 12, 2020 and indicated that the transaction was expected to provide up to $1.49 billion in proceeds to the company.[154]

Approximately one month later, the company executed a $685 million dividend recapitalization in conjunction with its SPAC agreement with Jaws Acquisition Corp.[155] Dividend recapitalizations are transactions by which a company takes on new debt and then uses some or all of the loan proceeds to provide a special dividend to its investors. $100 million of Cano Health's December 2020 transaction was used to fund a shareholder distribution to InTandem Capital Partners[156]. Part of the proceeds from this loan were used to refinance Cano Health's existing debt from InTandem's original leveraged buyout as well as the debt the company secured in June 2020.[157] Essentially, the November 2020 dividend recapitalization was used to replace Cano Health's debt with new debt, as well as to pay out dividends to InTandem.

In June 2021, the $4.4 billion SPAC transaction closed and Cano Health became publicly traded on the NYSE.[158] Cano Health's ownership group led by InTandem Capital (the "Seller") received an aggregate value equal to approximately $3.5 billion, consisting of $466.5 million in cash and the remaining in shares in the now publicly traded Cano Health.[159]

As part of the reverse merger Cano Health was required to use $400 million of the transaction proceeds to pay down part of the debt that it had incurred in its December 2020 dividend recapitalization.[160] The SPAC agreement also ensconced a right of first refusal to Humana for any future sales made by Cano Health following the reverse merger. Cano Health would go on to characterize this business arrangement as a potential risk in future public filings, stating it "could impede our growth and adversely impact the value of the company.[161]

After it went public, Cano Health's appetite for acquisitions went unabated. The same month its reverse merger was finalized, it acquired University Health Care in Florida for $600 million.[162] The following month, Cano Health acquired Doctor's Medical Center, a network of 18 medical centers in South Florida, 15 of which served adult and pediatric Medicaid members. The deal added 7,000 Medicare Advantage members, 31,000 Medicaid members, and 14,000 ACA members to Cano Health.[163] By December 2021, Cano Health had expanded to eight states and Puerto Rico and had approximately 227,005 members.[164]

Cano Health was continuing to add debt to its balance sheet, including an additional $295 million in the same month its reverse merger closed,[165] a $250 million bridge loan in July of 2021 to finance the Doctor's Medical Center acquisition,[166] and another $100 million in September 2021.[167] The company also issued senior unsecured notes for $300 million in a private offering in September 2021, the proceeds of which were used to pay the July $250 million bridge loan in full.[168] As with its December 2020 dividend recapitalization, the company was merely replacing one form of debt with another.

At the close of 2021, Cano Health reported that through the SPAC transaction and debt financing activities, it had raised $2.1 billion; $657.9 million of which was used to pay down debt and $1.1 billion was used for acquisitions.[169] InTandem Capital Partners was still highly involved in the company, holding approximately 62.3% voting rights and 62.3% of economic rights in Cano Health at year end.[170]

Cano Health continued to make acquisitions through 2022,[171] including of Total Health Medical Centers for $32.4 million.[172] By the close of 2022, the company reported 4,365 active employees, including approximately 400 providers and 800 clinical support employees. It also maintained affiliate relationships with over 1,500 physicians.[173] In September 2022, the Wall Street Journal reported that both Humana and CVS were considering acquiring Cano Health, highlighting the fact that Humana had the right of first refusal established in its 2020 agreement with InTandem Capital Partners.[174] By October 2022, CVS had backed out of talks[175], and ultimately a deal with Humana to acquire the full company never materialized.

Cano Health's declining financial condition

For the years financial information is available (2019 to 2023), Cano Health's revenues increased year over year. In 2023, the company recorded $3.14 billion in revenues, up from $1.6 billion at the close of 2021. See Table 6.

However, Cano Health operated at a net loss as its debt payments increased each year. In 2022 and 2023, the company's operating losses were driven in large part by major decreases in the valuation of the company.[176]

Interest expense was simultaneously increasing those years, ballooning at $114.75 million in 2023.[177] See **Figure 4**.[178]

Table 6: Cano Health's revenues, 2019 to 2023 (in thousands)

2019	2020	2021	2022	2023
Revenue				
$361,384	$831,576	$1,609,369	$2,738,916	$3,137,757

Table 7: Cano Health's net losses, 2019 to 2023 (in thousands)

2019	2020	2021	2022	2023
Net loss				
$(19,780)	$(71,054)	$(116,737)	$(428,389)	$(1,098,903)

Figure 4: Cano Healh interest expense 2019-2023 (millions)

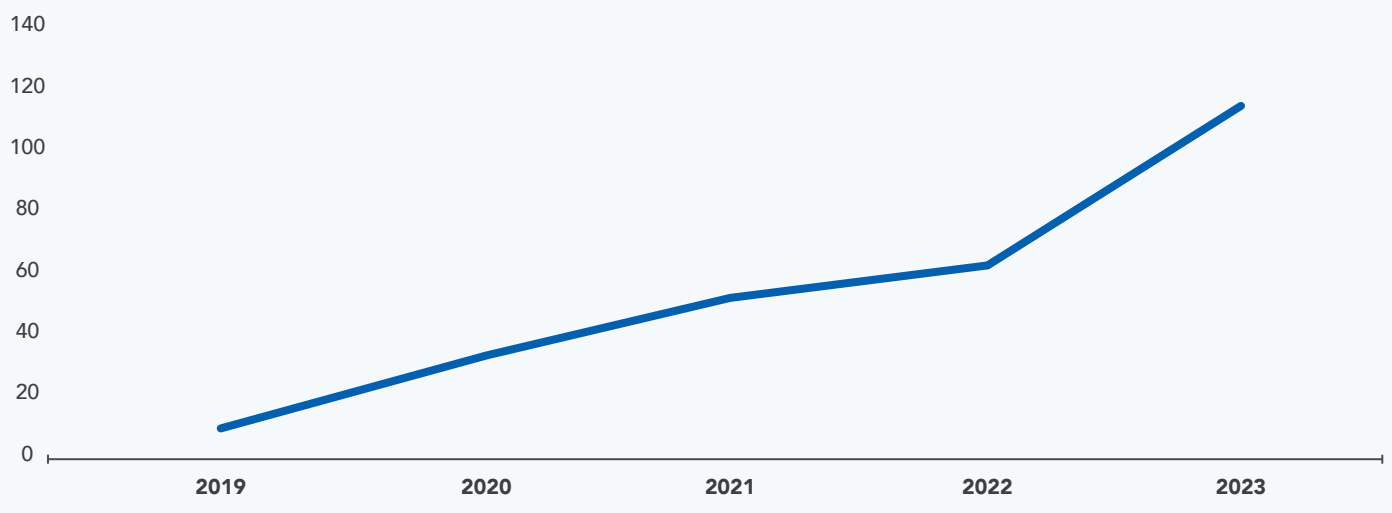


Table 8: Cano Health's coverage ratios[245]

2019	2020	2021	2022	2023
Interest coverage				
-0.98	-1.08	-1.28	-5.82	-8.60
EBITDA interest coverage[246]				
-0.31	-0.54	-0.31	-4.37	-6.97

Table 9: Cano's Membership and Medical Center Numbers, 2019 to 2023[247]

2019	2020	2021	2022	2023
Membership				
41,518	105,707	267,917	309,590	267,917
Medical centers				
35	71	130	172	100

Its interest coverage, a ratio representing the value of a company's earnings relative to its interest expenses, plummeted from -0.98 in 2019 to -8.60 in 2023. Financial analysts generally consider the minimal acceptable ratio for a company to be around 1.5.[179] See **Table 8**.

Despite its already large debt burden, in February 2023 Cano Health took out a $150 million loan with a 14% per annum interest rate for its first two years.[180]

Cano Health's financial underperformance was leading to rifts among its leadership. In April 2023, three board members, including Barry Sternlicht (who backed the Jaws SPAC) and Elliot Cooperstone of InTandem Capital Partners,[181] resigned. Collectively they owned 36% of voting shares of the company. In an open letter to shareholders, they outlined the issues they saw at the company and with its leadership, including the fact that Cano had "burned through" all of the $535 million of capital it received at the close of its SPAC and the fact that it had also burned through nearly $1 billion in debt capital it had raised since then. They also criticized the company's expansion strategy to states beyond Florida pointing out that "public markets are no longer rewarding growth at any cost."[182]

Insufficient data transparency was another issue the disgruntled former board members flagged, writing that "the Company has not reported data in a manner that allows public investors to fully understand the underlying performance of the business." CEO Dr. Marlow Hernandez was the target of much of the criticism, including contracts that Cano Health held with businesses affiliated with members of his family.[183]

The former board members called for shareholders to push for a new CEO and argued for a need to sell non-core assets to refocus on the Florida market.[184] By June 2023, Hernandez stepped down and was replaced by Mark Kent, the company's chief strategy officer.[185]

It is important to note that much of the debt used by Cano Health was to finance expansion within Florida, and InTandem Capital had indebted the company even

before its reverse merger. Furthermore, the December 2020 dividend recapitalization included a requirement that $400 million of the immediate proceeds from the SPAC transaction were used to pay debt from the 2020 transaction. While the three board members that resigned – including a partner at InTandem Capital Partners - had valid criticisms of how Cano Health was being run, the story of Cano Health's debt problem runs much deeper than a misguided expansion strategy.

In late 2023, under the weight of its debt and amidst operating losses, Cano Health began to sell off assets, shutter clinics, and lay off workers as it searched for a buyer.[186]

Table 9 demonstrates the company's rapid growth followed by its sudden offloading of clinics and the corresponding reduced patient membership numbers.

Cano Health sold its Nevada and Texas-based primary care centers in September 2023 to CenterWell Senior Primary Care, an affiliate of Humana, for $66.7 million, consisting of $35.4 million in cash paid at closing and the release of certain liabilities owed by Cano Health.[187]

From 2022 to 2023, the company reduced its workforce by 1,665 according to its annual filings, including a reduction of its providers (i.e., doctors, nurse practitioners, and physician assistants) by 25%.[188]

In the third quarter alone of 2023, Cano Health cut 21% of its workforce (842 employees); 52% of these cuts were attributable to exiting operations in certain markets, and 48% (approximately 400 employees) were layoffs that were part of organizational restructuring.[189] Cano's financial reporting for 2023 indicates that the company had abandoned 77 medical clinic leases by year-end because of the company's intent to "cease use" of those clinics.[190]

On the eve of its bankruptcy, the company had substantially reduced its footprint, having sold its assets in Texas and Nevada and exited markets in California, New Mexico, Illinois, and Puerto Rico.[191]

Cano Health's bankruptcy

After five consecutive years operating at a net loss amidst an aggressive expansion strategy and ballooning debt payments, Cano Health filed for Chapter 11 bankruptcy on February 4, 2024. It reported $1.26 billion in debt.[192] Its existing lenders committed to provide $150 million in debtor-in-possession financing to support the company's operations as it moved through bankruptcy.[193] At the time of its filing, Cano Health employed 300 providers across 95 medical centers and had affiliate relationships with approximately 630 provider practices.[194]

The NYSE notified Cano Health following its bankruptcy filing that it would commence proceedings to delist its stock. The delisting became effective on February 16, 2024.[195]

The bankruptcy petition reported that InTandem Capital Partners was the largest shareholder in Cano Health at the time of its filing, holding a 16% stake in the company. The only other entity or investor with a greater than 5% share was Cano Health's Chief Operating Officer, Bob Camerlinck who held an 8.2% stake.[196]

Cano Health's CEO, Mark Kent, stated in his declaration filed in support of the Chapter 11 petition that the primary factors for Cano Health's need to file for Chapter 11 were its failed acquisition strategy, as well as industry and regulatory headwinds.[197]

The magnitude of Cano Health's indebtedness is not discussed until pg. 10 of the declaration, in which the company reports a total of $1.26 billion in debt. Interest expense is not discussed explicitly until pg. 18 of the document. However, when examining the financial history of Cano Health – both under private equity ownership and its nearly three-year period as a publicly traded company – it is clear that the company's growing debt burden, much of which was used to finance its unsuccessful expansion strategy, was a major factor in the company's bankruptcy.

Cano Health's bankruptcy narrative asserts that the company's demise was mainly tied to its failed acquisition strategy that did not lead to any "synergies" and in fact resulted in significant operational inefficiencies.[198] However, this explanation glosses over the fact that that growth was fueled by a preponderance of debt. High levels of debt limit a company's ability to be nimble when market conditions shift or when there is a need to pivot on strategy.

The company's devaluation on the stock market was also a factor in its financial decline, and is an example of

the financialization of healthcare and how far removed a healthcare company can become from its mission of providing quality patient care. When Cano Health went public, it was valued at a whopping $4.4 billion. Research has shown that for SPAC transactions that occurred in the 2020 and 2021 SPAC boom, the companies lost an average of 67% and 59% of their value from their initial pricing.[199] Cano Health's devaluation on the stock market following its reverse merger was recorded on its balance sheet as an operating loss (CareMax also saw devaluations of its stock post reverse merger), which in turn factored into the company's net losses and eventual decision to file for Chapter 11.

Post-bankruptcy

Cano Health exited bankruptcy in July 2024 as a private company with a substantially reduced footprint of 80 clinics in Florida.[200] Filings with the Securities and Exchange Commission (SEC) show that the company is now owned by a group of investors including **Nut Tree Capital Management**, **Anchorage Capital Advisors**, **Squarepoint Ops**, **Diameter Capital Partners**, and the **Carlyle Group**.[201] Cano Health reportedly converted $1 billion in debt to a combination of common stock and warrants, and as part of the restructuring, the company's existing investors committed more than $200 million in new capital to support the company's go-forward business plan.[202]

In information disclosed as part of the bankruptcy proceedings, Cano Health reports that since September 2023, the company has been in the process of rejecting 100 leases associated with "under-performing" or inactive locations that are not core to their business going forward.[203] A report filed by a court-appointed Patient Care Ombudsman in May 2024 indicates that three of the clinics that have been closed are West Hialeah 68th Street, West Hialeah, and Golden Glades in Miami-Dade county. Their operations were reportedly absorbed into other clinic sites.[204] It is unclear which other clinics have been closed and in what locations.

After remaining with Cano Health through its bankruptcy and restructuring, CEO Mark Kent stepped down in March 2025.[205] On April 1, Cano announced its new CEO, Eric Jenkins, who has held positions at Humana, Aetna, ArchWell Health, and CenterWell Senior Primary Care.[206]

Cano Health's bankruptcy and the period of financial decline leading up to it resulted in clinic closures and layoffs of at least 400 employees.[207] The company also unloaded some of its assets to vertically integrated insurer Humana,[208] further contributing to consolidation in the VBC landscape.

Because we do not have access to the terms of the original leveraged buyout of Cano Health in 2017, we cannot calculate InTandem Capital Partners' return on investment for the company. But we do know the firm extracted at least $575.7 million from its ownership of Cano Health: $9.2 million in management fees between 2019 and 2020; $100 million from the December 2020 dividend recapitalization transaction; and the $466.5 million from the proceeds of the reverse merger. Given that private equity firms typically invest little of their own funds in leveraged buyouts, it is more than likely the firm profited handsomely from its ownership of Cano Health despite stock devaluations and the eventual bankruptcy.

Miami Beach Medical Group (dba Clinical Care Medical Centers)

In October 2024, a Florida-based value-based primary care provider, Miami Beach Medical Group (dba Clinicial Care Medical Centers [CCMC]) **filed for bankruptcy**[209] after struggling under a mountain of debt loaded onto it through a private equity leveraged buyout.[210] The company reported operating 26 primary care centers mostly in poor and minority communities throughout South Florida. Most of CCMC's 35,000 patients were considered high-risk, underserved, and dual-eligible for Medicare and Medicaid.[211]

Unlike CareMax and Cano Health which were both publicly traded, we have less insight into the finances and business strategy of CCMC leading up to its bankruptcy. However, bankruptcy documents reveal that once again, unsustainable levels of debt rooted in private equity ownership were the primary factor in CCMC's bankruptcy.

CCMC's unsustainable debt

At the time of its bankruptcy filing, CCMC was owned by private equity firm Sun Capital, which acquired it in December 2020 with loans from private equity firm KKR. Before that, it had been owned by Gauge Capital since 2016.[212]

CCMC reported $481.1 million in total debt,[213] compared to an estimated range of $0 to $50,000 in assets.[214] The majority of the reported liabilities were the approximately $479 million owed to lenders,[215] 93.5% of which ($448 mil) were owed to KKR and Sun Capital.[216]

The 2020 deal in which Sun Capital acquired CCMC from Gauge Capital was reportedly valued at more than $500 million.[217] Data provider PitchBook reports that $482.3 million of the deal was financed by debt, and that less than a year after the acquisition, the company took on another $51.51 million in debt.[218]

The company reported numerous unpaid vendors in its bankruptcy filing including Nextgen Healthcare, its electronic health record provider, which was owed $749,891; Lyft, Inc, a transportation company, which was owed $411,972; and McKesson Medical Surgical, a medical supplier, which was owed $170,880.[219]

CCMC blamed its financial struggles on "on industry and regulatory headwinds" combined with its "highly leveraged balance sheet"[220] resulting from its acquisition by Sun Capital.[221] Sun Capital "exhaustively" marketed the company for over a year leading up to the bankruptcy. Ultimately, an affiliate of Humana was the only viable bidder.[222] CCMC's restructuring officer testified:

> "Given the vast breadth of the prepetition marketing and sale process, there does not appear to be any other potential purchaser that would be willing or able to purchase the Debtors' assets for more than the Buyer, and certainly not for more than the $448 million in secured debt owed to KKR and Sun Capital."[223]

In its filing, the company argued that without using the Chapter 11 process, and if the proposed deal with the Humana affiliate were not to be approved by the court, there would likely be no viable bidders to purchase the company and patient care could be disrupted.[224] The filing also suggests that the sale would "not return any of Sun Capital's investment in the Company."[225]

An affiliate of insurance giant Humana, Conviva Senior Care, bought substantially all of CCMC's assets for just $45 million.[226] Conviva is part of CenterWell,[227] which is reportedly the fastest growing senior primary care brand in the nation (and it purchased some of Cano Health's assets, as previously mentioned in this report).[228] CenterWell also has a joint venture with private equity firm Welsh, Carson, Anderson & Stowe to develop new clinics.[229]

It appears that CCMC ultimately did not need to close any clinics as a result of its bankruptcy. However, its bankruptcy has helped facilitate greater consolidation in the VBC industry by creating the conditions for vertically integrated insurance giant, Humana, to acquire its clinics at a fire sale price – less than 10% of the price that Sun Capital reportedly paid in 2020.[230]

Sun Capital track record

Over the last 15 years, Sun Capital has had at least 35 portfolio companies file for bankruptcy under its ownership, according to data provider Pitchbook.[231] Some of those companies had healthy balance sheets when Sun Capital acquired them, and ran into financial distress after the private equity's leveraged buyouts and aggressive financial tactics. Companies that went bankrupt under Sun Capital's ownership include discount retailer Shopko,[232] ice cream and burger chain, Friendly's,[233] Marsh Supermarkets,[234] clothing retailer Limited Stores, LLC,[235] Garden Fresh Restaurant Corp, which operated Soulplantation and Sweet Tomatoes;[236] and discount department store chain Gordman Stores.[237] These bankruptcies resulted in mass layoffs and business closures across the retail and food services sectors.

Conclusion

The bankruptcies of CareMax, Inc., Cano Health, and Clinical Care Medical Centers (CCMC) are part of a larger trend of private equity-owned companies filing for bankruptcy under outsized debt burdens in a high interest rate environment. In 2024, one-fifth (21%) of healthcare bankruptcies involved private equity-owned companies. Seven out of eight (88%) of the largest (liabilities over $500 million) bankruptcies in the healthcare industry in 2024 were at companies with a history of private equity ownership.[248]

Value-based care models have been touted as solutions to improve care and reduce costs. However, in the current regulatory landscape that allows aggressive, debt-based financial strategies, VBC models are vulnerable to extraction from private equity investors and other groups who can drive companies into bankruptcy with little consequence to themselves.

Because dual eligible patients receive higher reimbursements for their care under capitated VBC payment models,[249] this population may be especially vulnerable to private equity extraction. CareMax, Cano Health, and CCMC all reported serving a disproportionate number of dual-eligible individuals, resulting in increased risks to this population from the companies' bankruptcies.

In the case studies presented, private equity investors operated as majority stakeholders of value-based care companies before they went public, as investors and lenders in the publicly traded companies themselves, and as facilitators of reverse mergers that helped these companies go public in lieu of a traditional initial public offering (IPO). Private equity debt-based tactics helped create the conditions that brought these companies to financial distress and the need to restructure under Chapter 11.

The bankruptcies discussed have further contributed to consolidation in the VBC landscape, as vertically integrated insurers and private equity-owned platform companies were able to buy many of the companies' assets out of bankruptcy. In the case of Cano Health, its financial decline led to layoffs of at least 400 workers[250] and the closures of multiple clinics.[251] CareMax is also closing clinics in relation to its bankruptcy, which will have impacts on patients and workers at those locations.[252]

The case studies also highlight the pitfalls of the financialization of healthcare. Investors and their debt-based financial strategies operate in ways that are far removed from the goals and ideals of value-based care. When combing through bankruptcy documents and regulatory filings, it becomes clear that these investor-backed companies are concerned with financial value above all else. Intensely focused on market growth and share price, their debt-based strategies can lead to layoffs, clinic closures, and complicated bankruptcy proceedings that funnel millions of dollars to the law firms representing them. These bankruptcies have facilitated the offloading of assets to new sets of investors and corporations. Meanwhile, patients and healthcare employees get punted from one corporation and set of investors to another as the financial games continue.

Policy recommendations

Value-based care has become a complex area within the health policy landscape in need of greater evaluation and oversight to ensure that it is accomplishing what it has set out to do – reduce costs and improve patient outcomes. It is beyond the scope of this report to offer general policy recommendations on value-based care; however, there are private equity-specific policy issues that policymakers should consider given the evidence presented in this report.

Antitrust considerations

A growing body of research suggest that the transition to value-based care may be a driver of healthcare consolidation. Policymakers that are designing, implementing, and evaluating VBC and other forms of payment programs must consider this possibility and take it seriously. If one of the goals of transitioning to value-based care is to reduce healthcare costs, consolidation driven by such a transition is counterproductive.

As proposed in a viewpoint piece published in *JAMA Internal Medicine*, one potential solution is to deploy CMS to even the VBC playing field between smaller independent providers and larger systems. The authors propose that,

> "CMS should facilitate the development and adoption of low-cost solutions by supporting integration with open-source packages and requiring commercial payers to adhere to the same standard data formats. These steps will facilitate the entrance of new, more competitive market solutions for financial modeling, and spur much-needed foundational innovation in health care finance and operations."[253]

CMS should consider such policy solutions or devise alternative options that will help even the playing field and foster greater competition in the VBC landscape. However, given that large, vertically integrated healthcare platforms have already established extensive market share, forward looking fixes may not be enough. Smaller companies and independent providers will continue to struggle to compete with these mega platforms.[254]

The Federal Trade Commission (FTC) and Department of Justice (DOJ) must use their enforcement powers to continue to block anti-competitive mergers in healthcare, as well use structural remedies, like breakups, to address anticompetitive behavior and to restore competition.[255] In order for these agencies to be successful, it will be imperative that they are well resourced and staffed.

States can also play a role. In recent months, multiple states have been debating legislation aimed at better antitrust enforcement in their healthcare markets.[256] These interventions are much needed to address how various health sector players, including private equity firms, insurance companies and nonprofit health systems, are using consolidation strategies that reduce competition, drive up the cost of care, and in some cases, reduce access to care.

Debt and the moral hazard of limited liability

The case studies in this report illustrate the risks of the private equity business model, which relies on high levels of debt in its quest for outsized returns. This strategy can result in financial distress and even bankruptcies of healthcare companies. And despite all of this, private equity investors may still come out on top since they are not liable for the debt secured by the companies they own.

Policy solutions that may address private equity's debt based and extractive strategies include placing limits on the debt that private equity firms and other investors can use to finance leveraged buyouts and expansion, limiting or prohibiting dividend recapitalizations of healthcare provider companies, limiting management fees, and requiring joint liability for private equity firms and their investments.

Currently, private equity investors are able to invest little of their own money while getting to make outsized returns, which can encourage them to engage in financial risk-taking of which they will not have to pay the full price. The aforementioned proposed solutions could go a long way in addressing this moral hazard issue to better protect patients, health workers, and communities from private equity extraction in healthcare. And importantly, they could deter the participation of investors that prioritize value extraction in the implementation of value-based care.

Endnotes

1 Lewis, Corinne, Celli Horstman, David Blumenthal, and Melinda K. Abrams. "Value-Based Care: What It Is, and Why It's Needed." Commonwealth Fund, February 7, 2023. **https://doi.org/10.26099/fw31-3463**.

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11 **cms.gov**. "Value-Based Care | CMS." Accessed April 5, 2025. **https://www.cms.gov/priorities/innovation/key-concepts/value-based-care**;

12 For example, UnitedHealth Group, Aetna, and Humana all have webpages that indicate a desire to transition to value-based care or "fee-for-value" payment models.

13 Lewis, Corinne, Celli Horstman, David Blumenthal, and Melinda K. Abrams. "Value-Based Care: What It Is, and Why It's Needed." Commonwealth Fund, February 7, 2023. **https://doi.org/10.26099/fw31-3463**; Rooke-Ley, Hayden, and Andrew M. Ryan. "A New Medicare Agenda—Moving Beyond Value-Based Payment and the Managed Care Paradigm." JAMA, February 20, 2025. **https://doi.org/10.1001/jama.2025.0203**.

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