



SOLUTIONS

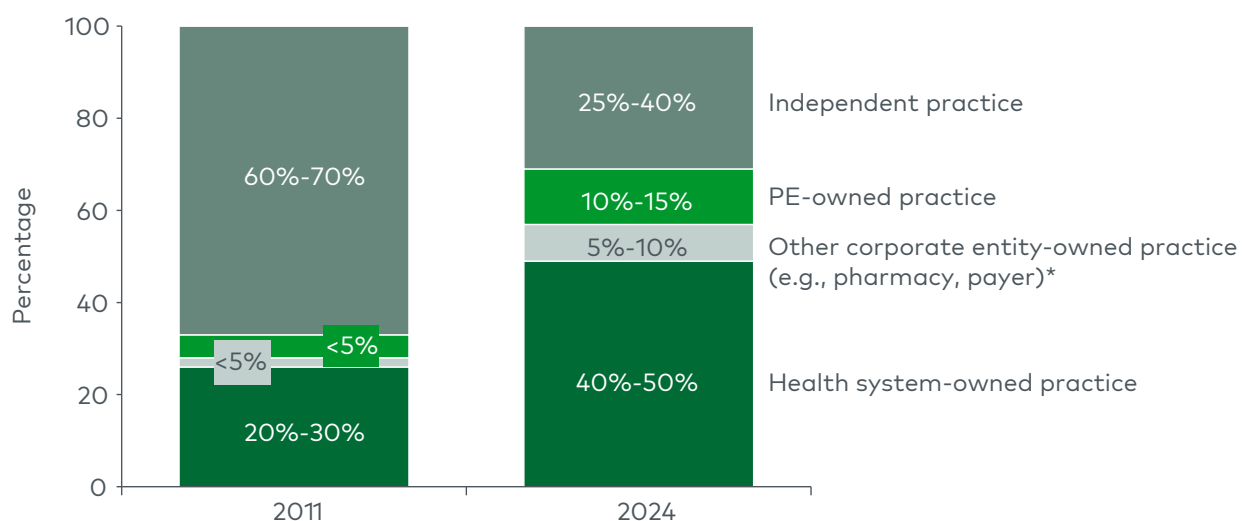
Physician Practice Consolidation in US Multi-Site Healthcare: Still Early Innings?

The current state of physician practice consolidation

Over the past 15 years, the U.S. physician practice landscape has transformed. In 2011, more than 60% of physicians practiced in small, independent groups. In 2024, more than 60% of physicians were employed by a health system or a private equity (PE)- or corporate-owned group (see Figure 1).

Figure 1

Percentage of US physicians, by primary (main) physician group type

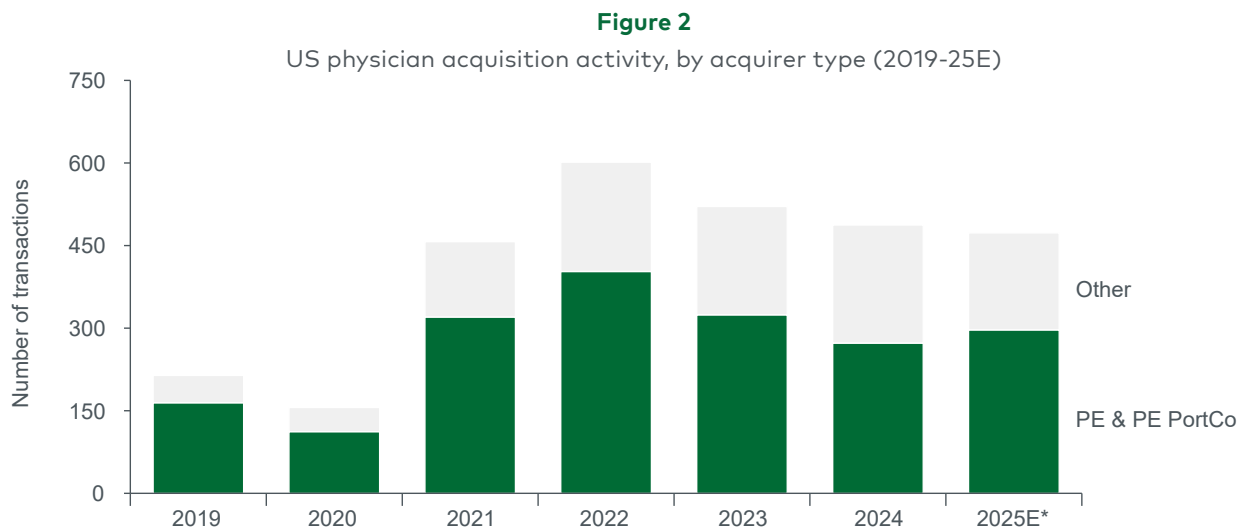


*Nontraditional practice settings (e.g., in the retail space) introduced by new provider entrants such as CVS, Amazon, Walgreens, Walmart and Optum

Note: PE=private equity

Source: AMA; PAI; L.E.K. research and analysis

Acquisitions by PE-backed physician practice management (PPM) platforms and other strategic acquirers of multi-site providers (e.g., insurers, distributors) have accelerated this trend. From 2019 to 2024, there were more than 2,400 physician group transactions in the U.S. (see Figure 2).



*Annualized from Q1 based on the ratio between full year and Q1 totals in 2019-24

Note: PE=private equity; PortCo=portfolio company

Source: Levins Associates; L.E.K. research and analysis

Specialty-level PPM trends and headroom

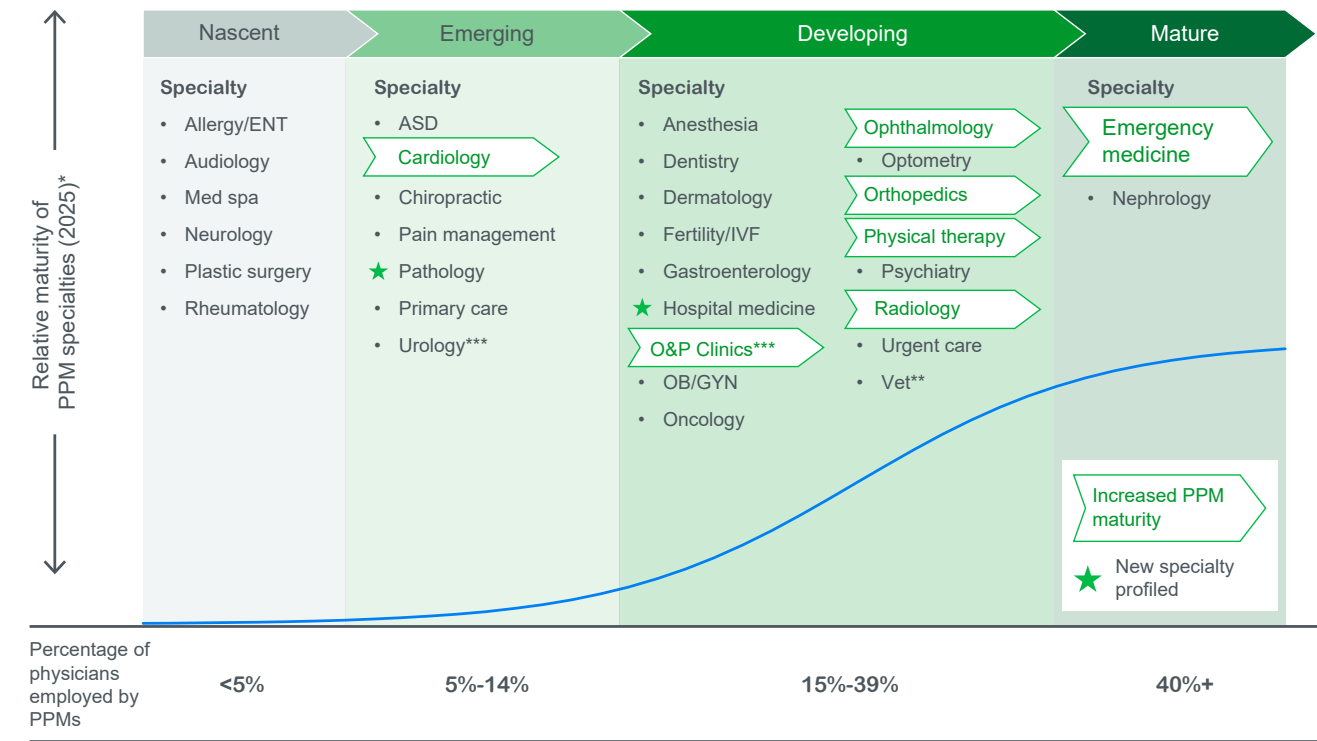
Given significant PPM deal activity over the past four years, L.E.K. Consulting has updated its proprietary PPM maturity curve (see Figure 3). No specialties have reverted to a lower "maturity" category, but several have seen significant activity in recent years and moved up:

- **Nascent to emerging:** Cardiology has seen accelerated rates of consolidation, with an increase from one PE-owned group with seven locations in 2019 to 50 PE-owned groups with 320 locations in 2023.¹
- **Emerging to developing:** Ophthalmology, orthopedics, physical therapy, radiology, orthotics and prosthetics clinics have all experienced continued practice consolidation and growth in the number of physicians employed by large, scaled groups.
- **Developing to mature:** Emergency medicine is the only specialty to move to the mature category, joining nephrology. Emergency medicine is increasingly concentrated with large groups like Team Health, Sound Physicians and SCP Health.

We have also added two new specialties to our PPM curve analysis, denoted with a green star: pathology (emerging) and hospital medicine (developing).

Significant consolidation opportunities remain across specialties. In 13 of 32 specialties we tracked, less than 15% of physicians are employed by a PPM or large group platform. Of the remaining specialties, 17 are still developing and present additional roll-up opportunities for investors, health systems and other strategic buyers.

Figure 3
L.E.K. Consulting's proprietary PPM maturity curve



*Accounts for physicians employed by PPMs and physician groups
**General veterinary services is more mature than specialty veterinary
***Urology and O&P have lower penetration of PE-driven platforms but have several large physician-led groups
Note: PPM=physician practice management; ENT=ear, nose and throat; ASD=autism spectrum disorder; IVF=in-vitro fertilization;
O&P=orthotics and prosthetics; PE=private equity
Source: L.E.K. research and analysis

Looking ahead: consolidation endures

We believe physician practice consolidation remains a long-term, secular trend in U.S. healthcare. The advantages of scale are clear. PE investors and strategic consolidators will continue to find opportunities as one of America’s last great cottage industries matures toward sophisticated, integrated models.

To succeed during the next chapter of consolidation, however, U.S. PPM platforms, investors and strategic consolidators will need to navigate an evolving set of trends and challenges:

Growing physician shortages ...	... intensify competition for physician talent and the need for models that reduce administrative burdens and enhance productivity
Reimbursement and regulatory uncertainty ...	... across payer categories impacts the ability to forecast revenue and costs and assess inorganic and de novo growth paths
Financing and transaction market volatility ...	... may extend hold periods for investors, challenging the ability to meet expectations set with physician owners at acquisition and increasing the need for ongoing value creation
Evolving set of exit options ...	... with variable PE interest levels, payer challenges, public market volatility and the emergence of distributors as interested parties; platforms must position for value creation for a range of potential buyers

Strategic implications and imperatives

The next wave of value requires corporations and investors to combine specialty-specific expertise, value creation initiatives and data-driven market selection.

Key takeaways for PPM/MSO platforms and investors

- **Ensure the model creates ongoing value for member physicians.** With increased expectations and extended and uncertain hold periods, it is critical that PPM/management services organization (MSO) platforms create real value for member physicians, especially between transactions.
- **Aim where white space and value creation potential combine.** Identify practices in nascent, emerging and developing PPM specialties that have white space to pursue and would clearly benefit from value creation levers that an MSO can provide (e.g., ancillary revenue stream capture).

- **Be mindful of roll-up challenges in less mature specialties.** Although many specialties have low PPM penetration, capturing white space in some requires overcoming real structural hurdles (e.g., limited value of a conventional MSO).
- **Use data to de-risk growth moves.** Target platform/MSO growth with geographic precision — e.g., where share of independent/small practices remains high, competition is limited and payers favor scale. Retain expansion flexibility (tuck-ins, de novos).

Key takeaways for hospitals and health systems

- **Modernize the menu of physician relationship models.** Direct physician employment is one option, but health systems can develop joint venture frameworks, MSO models and other structures to increase alignment with PPMs and independents where these models increase chances of success.
- **Ensure physician value proposition remains competitive.** As scaled platforms enter a system's markets and grow, expectations and opportunities to differentiate will evolve, and so should the system's physician group models.
- **Take a data-driven approach to applying the right model by market and specialty.** Competitive dynamics, value to the system and physician needs will differ significantly by market and specialty. Data and effective analysis can identify the right model for each market situation.
- **Use offense as the best defense to win where ownership is key.** Identify must-win situations and apply the full toolkit — acquisition, ASC and other ancillary co-ownership with physicians, etc. — to secure the capacity that the system and its patients need.
- **Partner deliberately where counterparties are better placed.** Partner with scaled platforms that can better meet the system's needs. In doing so, seek opportunities to align incentives and co-create enduring value for physicians and communities.

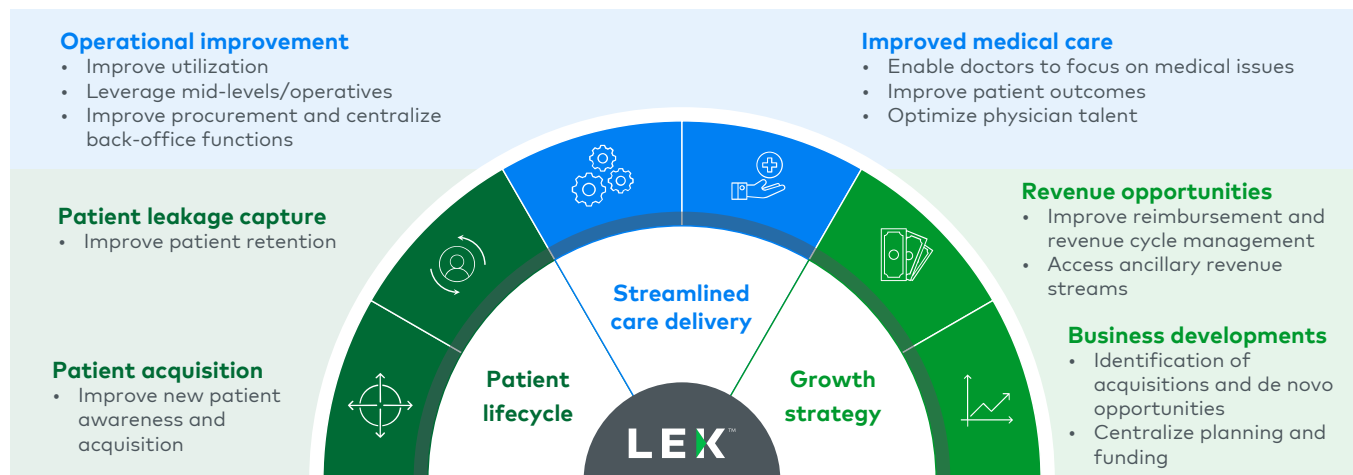
How L.E.K. delivers results

L.E.K. has decades of provider experience across a range of specialties, including engagements with high-performing PPMs and health systems. We build on this knowledge base to deliver a full range of services to our clients, including transaction support (e.g., buy- and sell-side due diligence) and value creation services.

Value creation is critical for providers to improve profitability, grow their business and drive return on investment (ROI). We help optimize the patient life cycle, streamline care delivery/operations and pursue growth initiatives (see Figure 4).

Figure 4

Areas of L.E.K. support for physician practice value creation



Source: L.E.K. research and analysis

Seeking transaction support or ready to accelerate value creation for your business?

Reach out to L.E.K.'s Healthcare Services practice for additional PPM insights or to discuss how we can unlock growth and efficiencies for your organization and increase ROI.

Contact us for more information.

Case study

Our team of experts collaborated with a leading multispecialty PPM organization to develop organic and inorganic strategies, optimize operations, refine the organizational structure and institute a more rigorous and disciplined acquisition process. The client grew profitably, became a publicly traded company and was acquired by a strategic buyer at an attractive valuation.

Endnote

¹Jamanetwork.com, "Trends in Private Equity Consolidation in Cardiovascular Care."
<https://jamanetwork.com/journals/jama-health-forum/fullarticle/2819896>

About the Authors



Kevin Grabenstatter

Kevin Grabenstatter is a Managing Director in L.E.K. Consulting's San Francisco office. Kevin has extensive experience in growth strategy, value creation and transaction support for scaling organizations, including health systems, providers and health tech companies. He advises clients on critical strategic issues across the value chain.



Frazer Dorey

Frazer Dorey is a Managing Director and Partner in L.E.K. Consulting's New York office and a member of the firm's Healthcare practice. Frazer advises healthcare clients on a range of strategic and operational issues, with a focus on growth strategy, market opportunity assessment and operational change for healthcare provider organizations. He has broad experience with healthcare provider organizations across a range of specialties and engagement types.

About L.E.K. Consulting

We're L.E.K. Consulting, a global strategy consultancy working with business leaders to seize competitive advantage and amplify growth. Our insights are catalysts that reshape the trajectory of our clients' businesses, uncovering opportunities and empowering them to master their moments of truth. Since 1983, our worldwide practice — spanning the Americas, Asia-Pacific and Europe — has guided leaders across all industries, from global corporations to emerging entrepreneurial businesses and private equity investors. Looking for more? Visit www.lek.com.

L.E.K. Consulting is a registered trademark of L.E.K. Consulting LLC. All other products and brands mentioned in this document are properties of their respective owners. © 2025 L.E.K. Consulting LLC