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Kaiser acquisition of Geisinger could signal greater industry shift toward value-based care

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The Buzz This Week

On April 26, Kaiser Permanente announced plans to acquire Pennsylvania-based Geisinger Health, a healthcare provider and payer organization with more than 12 million members in 8 states. If the deal is approved, Geisinger would be incorporated into new entity Risant Health, a subsidiary of Kaiser. The merged entity would have more than \$100 billion in annual revenue, and the deal would be the largest hospital-related transaction in the past year. The anticipated closing date is in 2024.

Risant Health's vision is to "improve the health of millions of people by increasing access to value-based care and coverage and raising the bar for value-based approaches that prioritize patient quality outcomes." Health systems that join Risant Health are offered access to expertise and guidance on care models, pharmacy services, consumer and digital engagement, and health plan product design.

Geisinger, which has 10 hospital campuses and a health plan with roughly 600,000 members, will be the first health system to join Risant. Geisinger and other future members of Risant will continue to function as regional and community-based healthcare systems but will also have access to Risant Health's portfolio of value-based tools. Kaiser has committed an investment of \$5 billion in Risant Health over the next 5 years to augment population health management capabilities. Kaiser has stated that it intends to add 5 or more additional health systems to Risant Health over that time period.

Why It Matters

The consolidation of healthcare providers has continued in recent years, as many organizations have sought a partner to help weather the financial difficulties brought on by the pandemic and to fuel growth opportunities.

The Kaiser-Geisinger acquisition goes beyond traditional M&A deals. It is unique in that it not only aims to build scale and fuel growth but also seeks to provide a platform that supports value-based healthcare—integrating health insurance and healthcare delivery entities and experimenting with innovative payment models. While value-based care has been slow to take hold over the past decade, “COVID has really shown not having integrated, value-based relationships puts our health systems and our communities at risk,” as Greg Adams, Kaiser’s Board Chairman and CEO, stated following the announcement of the acquisition. This deal, and others that may follow, could accelerate the shift away from fee-for-service reimbursement models.

Risant Health will allow Kaiser to extend its integrated model for healthcare delivery across more markets. There is real growth potential—by joining Risant Health and gaining access to Kaiser’s expertise and resources around value-based care, community systems may be able to better compete with strong payer-provider entities, such as CVS Health and UnitedHealth Group. And while health system mergers have been under increased scrutiny in recent years, the fact that those that join Risant Health would maintain control over local and regional operations, and would retain their brand name, may result in reduced regulatory opposition.

The full impact of the Kaiser-Geisinger deal will not be known for years, but it represents a stronger push toward value-based care and signals that nongovernmental entities see strategic and financial value in shifting to such models.

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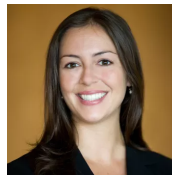
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