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DC Discusses
Outsourced Clinical
Services providing
Long Term Care with
a new lease of life

Investor focus on Outsourced Clinical Services (OCS) within Long Term Care (LTC) has grown significantly over the past two years, fueled in part by increasing operational strain on LTC facilities, significant sector whitespace, and an active private equity environment. Providers delivering on site clinical care now sit at the center of one of the most compelling transformation stories in Healthcare Services.

Dynamics underpinning this momentum include:

- Sustained demographic pressure, with an aging population driving higher care needs across LTC settings
- Structural staffing challenges that continue to put pressure on facility operators, increasing demand for consistent and reliable experts
- An expanding role for value based care, where coordinated, high quality on site clinical delivery directly influences outcomes and reimbursement

In collaboration with Polsinelli, an American law firm with a focus on Healthcare, Real Estate, Finance, Technology, Private Equity, and Life Sciences; we explore the market forces, regulation, and investment themes shaping the next growth stage in the sector.

Long-Term Care (LTC) under pressure

The US is experiencing a rapid rise in the aging population, with the number of people aged over 85 projected to nearly double to 14.4 million by 2040¹. With this comes increasing chronic conditions, driving more people into LTC facilities, extending long-term stay eligibility, and requiring more intensive care. As more geriatric patients become residents at LTC settings, the need for complex onsite care grows and develops.

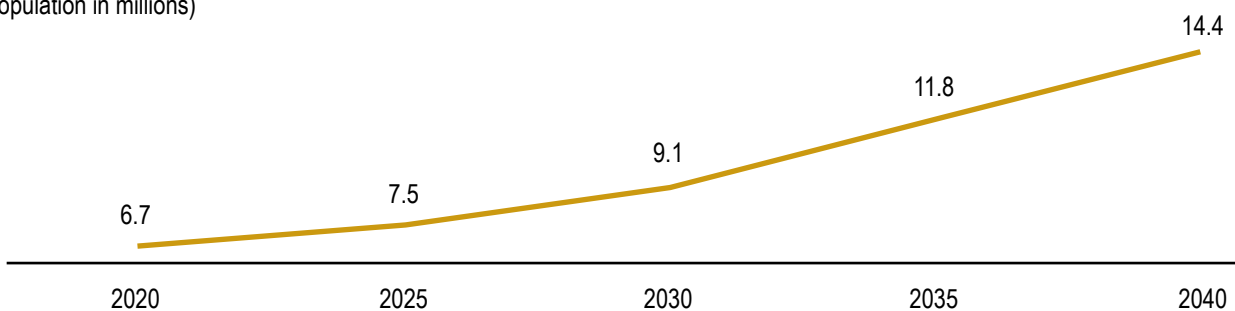
LTC facilities are fragile systems straining under the pressure of this increasing demand. Labor shortages plague the healthcare system generally, but in nursing homes specifically, 92% have reported staffing

shortages due to wages and workloads², while 70% of assisted living facilities experience staffing shortages³. Adding to this, an inconsistent adoption of technology means that employees are further burdened with administrative difficulties on top of their workload. A 2022 study found that only 48% of resident care communities use electronic health records⁴, suggesting that only half of facilities in the sector are in a good position to efficiently access medical results and integrate effectively with future AI developments. In our view, these pressures are worsening medical outcomes and contributing to rising costs across the sector.

Figure 1

Projected US Population Over 85

(Population in millions)



Source: *Projected Age Groups and Sex Composition of the Population: Main Projections Series for the United States, 2017-2060*. U.S. Census Bureau, Population Division: Washington, DC.

Why Outsourced Clinical Services (OCS) matter

Against this backdrop, LTC operators are increasingly turning to outsourced clinical partners to deliver consistent care within facilities. This can not only plug the gaps in specialized care left by staffing shortages but also reduce administrative burden. By partnering with third party clinical service providers, LTC facilities can ultimately provide more coordinated and higher quality patient care.

OCS providers typically focus on primary care, therapy, rehabilitation, behavioral health, as well as various ancillary services including audiology, podiatry, and dentistry. These services not only support daily clinical needs but also help LTC operators participate more effectively in value based care arrangements.



M&A momentum

The OCS market has attracted substantial investor interest, with notable private equity exits including: Bain’s sale of HealthDrive, a leading multi-specialty clinical services organization to patients residing in LTC facilities, to Cressey⁵; and Enhanced Healthcare Partners’ sale of Eventus, an on-site primary care provider of integrated care for residents of post-acute care facilities, to General Atlantic⁶. In addition, several founder-owned partnerships with private equity include Amulet Capital Partners’ platform investment in Theoria Management⁷, a tech-enabled organization providing primary care services to senior living communities in the US; and Martis Capital’s acquisition of MedCap Health, a provider of post-acute care for patients in LTC settings across the US⁸.

specialties including primary care, psychiatry, behavioral health, and other ancillary services aimed at providing enhanced patient care and improved clinical outcomes. We have also seen attractive transaction multiples for scaled companies supported by:

- Regional density and ability to scale
- Differentiated clinical delivery models
- Organic growth performance
- Operational infrastructure maturity
- Expansion potential across adjacent specialties

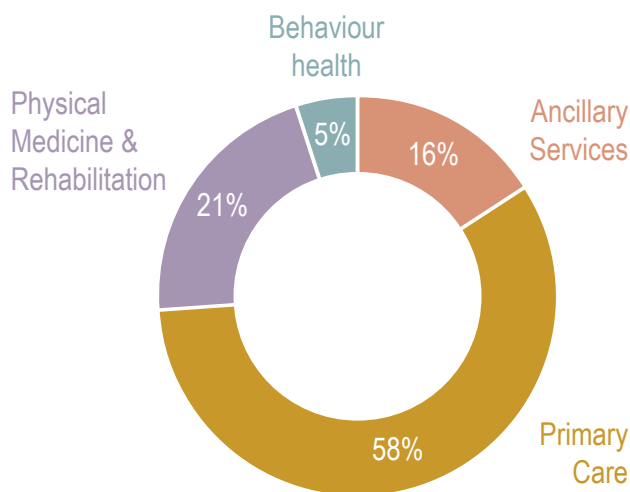
As more founder owned companies seek capital partners and private equity backed platforms pursue add ons, we expect consolidation to continue.

Investor interest has spanned a variety of clinical

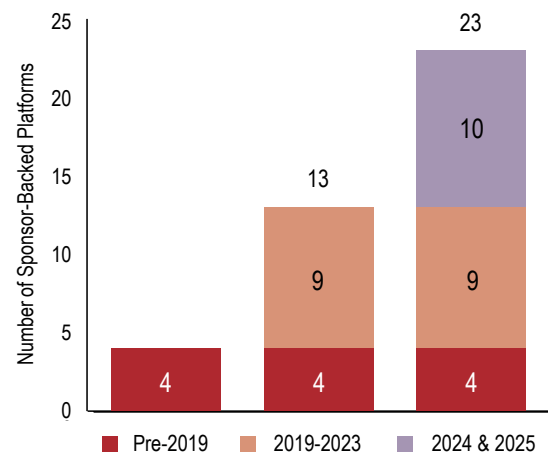
Figure 2

Increased Level of Competition

Clinical Specialty Mix of Sponsor-Backed Platforms



Increased Sponsor-Backed Platform Investment Activity



Source: www.pitchbook.com; company press releases

The charts represent our view on the universe of sponsor-backed portfolio companies in the Outsourced Clinical Services subsector within the Long Term Care sector (the “OCS Subsector”). The OCS Subsector universe, in our view, is defined as medical groups that provide outsourced services to skilled nursing facilities, assisted living facilities and other long-term care facilities. Such medical groups provide a variety of clinical services, such as primary care, rehabilitation, and other ancillary care (i.e., dental, audiology, vision, podiatry, etc.). It represents our view of key companies and the related M&A activity in the OCS Subsector. Please note that others may differ in how to define the OCS Subsector, which companies to include, and the methodologies that we employed to analyze it; accordingly, our findings are not dispositive, and others may arrive at different results. The cited data has not been reviewed by Pitchbook analysts and may be inconsistent with Pitchbook methodology.



Regulatory considerations

Corporate Practice of Medicine & Structural Alignment

Many states impose restrictions on ownership of medical practices⁹, fee splitting¹⁰, and referral models¹¹. Structuring transactions correctly both pre- and post-closing is essential to ensuring compliance and platform scalability.

State Transaction Notice Laws

State level oversight of healthcare transactions is expanding. Historically applied to institutional providers, these rules increasingly cover physician practices and smaller provider groups that fall squarely within the OCS category¹². Completing a transaction may require advance filings or approvals.

Revenue Cycle Management & CMS Policy Changes

Billing accuracy remains a priority, especially as CMS continues to adjust reimbursement for facility-based services. Investors must stay current on policy changes, as reimbursement models have direct implications for margins and long term viability.

Fraud, Waste & Abuse Oversight

Given the interconnected referral relationships between OCS providers and LTC facilities, the 'old standbys of healthcare compliance' have not gone away, be it anti-kickback statutes, the Stark Law¹³, and/or state equivalents. As innovative and value-based care arrangements evolve, investors and operators must carefully examine how flexibility under newer regulations can be applied.

Looking ahead, we believe state governments' increasing oversight of private equity investments in clinical services will continue, manifesting as enhanced transaction notice and oversight, corporate practice of medicine restrictions, and other policy updates. We are seeing enhanced emphasis on fraud, waste, and abuse enforcement, particularly for government programs that have seen increased spending aligned with increased private equity investment. We would advise investors to take into account the growing regulatory involvement when structuring deals and scaling platforms.

What's next in 2026

As we look to the future, we expect scaled strategics to leverage strong facility relationships to expand into additional clinical services to drive more comprehensive and integrated patient care. We anticipate increased strategic M&A between platforms that offer complementary services to gain market share and leverage corporate efficiencies. The strong performance of recent exits, high investor interest, and strategic players exploring liquidity options all point to a resilient M&A environment. We believe add-on acquisition activity among private equity backed platforms to accelerate, particularly for small-to-mid-sized assets with strong regional presence.

We anticipate continued momentum toward value-based care and technological integration. Last October,

the CMS released the final rule for the 2026 Medicare Physician Fee Schedule, outlining changes that include modest increases for primary care and independent physicians, as well as greater incentives for exploring value-based care arrangements¹⁴. In addition to this, the financial success in value-based care of a select number of national players has caught the attention of other market participants, as a strategy to diversify revenue streams and expand margins. As the sector matures, technology is becoming a differentiation point. AI driven insights and scalable tech infrastructure help OCS providers manage risk, enhance clinical consistency, and reduce cost variability. As more scaled players with deep pockets establish themselves on the scene, we anticipate this will drive continued investment and professionalization of the industry.

The future of LTC is OCS

Outsourced clinical services have become foundational to the long-term care ecosystem. Operators increasingly rely on third-party clinical partners to stabilize operations, improve compliance, and deliver consistent, high quality care to a high acuity population. At the same time, demographic shifts, regulatory changes, and value-based care adoption are reshaping the economics of LTC to create a compelling environment for investment.

In our view, the sector's fragmentation, strong secular tailwinds, and alignment with policy and reimbursement trends position OCS providers for significant continued growth. Yet capturing this opportunity requires sophisticated regulatory navigation, meaningful investment in infrastructure, and a focus on scalable, quality first clinical delivery.

For investors, we see the potential for platform creation, multi specialty expansion, and strategic consolidation defining a new era in long term care services.

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